

The webinar was held under Chatham House rules. Questions and answers have been aggregated and anonymized.

I. Participants:

Dr Arkebe Oqubay
9 current advisors
2 network experts
7 WBG staff

II. Discussion Notes:

Presentation Dr Arkebe Oqubay on Government Policy Responses to COVID-19 & the Private Sector in Africa: Lessons from Ethiopia

- It is easier to start a lockdown rather to end it. Opening is difficult and no one knows how the situation will develop. 3-10% of GDP and all sectors will be affected.
- Ethiopia has not declared any sort of lockdown but has been following COVID-19 very closely since January and acted as soon as a case was in the country.
- Declared state of emergency on April 8, which was not an easy decision because it restricts freedom of citizens.
- Ethiopia's strategy: early preparation and a bold and swift response, public mobilization through a strong media and awareness campaigns, and strict contact tracing and isolation: the first COVID-19 case in the country had contact with 83 people – these were all identified and brought into quarantine
- Converted public universities and hotels into quarantine sites. Created isolation and treatment centers including house-to-house screenings.
- Ethiopia's baseline strategy is also to prevent unnecessary sacrifice and to reduce the economic impact of COVID-19: there will be consequences when decisions are taken too early.
- Shared sacrifice – everybody must bear some of the economic cost
- In early March the confederation of workers signed a protocol that no workers would be laid off. The approach targets and supports the vulnerable and the most dynamic sectors, but support is tied to performance.
- Small businesses and the informal sector have been one of the targeted areas. Primary support includes credit lines and loans and additional microfinance. Small businesses have also been allowed to retain the pension funds they collect. Other support includes companies being exempt from income tax if they don't lay off workers, and property owners who allow SME's to stay in the building despite not paying the rent are also exempt from taxation.
- Every crisis offers opportunities: Ethiopia has targeted to be a manufacturing hub for personal protective equipment (PPE)

- Ethiopia does not have well-developed safety net programs like South Africa does, so we plan based on what resources are available. You cannot base your emergency plan on resources that you do not have: while international organizations and donor countries have pledged, we don't know when these resources will be made available.
- Ethiopian Airlines:
Aviation industry is critical for land-locked Ethiopia: 60,000 jobs, major contribution to GDP, supports export sector. The strategy is for the airline to survive, but without government rescue. Ethiopian operates at 60-65% fleet capacity.
- In January there was a debate whether Ethiopian should stop flying to China - the board decided that they wouldn't stop flying so that the airline could continue providing its services during the public health emergency. This was useful as many other African airlines stopped flying at an early stage.
- Ethiopian Airways also took the opportunity of the crisis to diversify its business: converted passenger aircrafts into cargo within three days
- Ethiopia also reoriented its services towards international repatriation flights of citizens across the world.
- Estimated that 1bn USD will be lost and revenue will shrink, but financial crisis has to be avoided. Ethiopian Airlines gets credit without a government guarantee, so it has to keep a clean balance sheet .

Summary:

1. Active and proactive in coordination and partnerships
2. Approach based on unconventional responses. No one can predict output after two or three years. Turn crisis to opportunities. Make everything performance based.
3. No one knows the future, but prepare for a surge. Scientific bodies predict that the peak curve will occur in the future.
4. Countries that have an existing robust economy were able to cope better. We suffered because of weak diversification e.g. oil crisis came to compound COVID-19
 - a. Build domestic linkages
 - b. Focus on diversification
 - c. Strengthen productive and export capacity

The post-crisis period could be more challenging than the crisis itself.

Questions:

- EA is already well established with markets all over the world. What would be your advice for younger airline companies?
- How do you position yourself given narrowness of market? Is it through export orientation? How would you advise countries in terms of industrial strategy and economic diversification?

Answers Dr Arkebe:

- A few years back 60% of the African aviation market was controlled by African carriers. Today it is only 20% because of the Gulf carriers, Turkish airlines and others operating on the continent. If South African airways and Kenya Airways die, Ethiopian airlines will be alone. Our key strategy is to support African carriers and bringing capacity together.

- On industrial policy: there is no mystery about it – it's transformation of production and trade. Focus on transformation of products that you have and don't just focus on the domestic market but global market.

Expert comments:

- Ethiopia takes ownership of its plans. Industrial policy in times of crisis is about quick learning and having a set of long-term objectives, have the capacity to adapt and make use of competitive advantage
- These are still times where you want to be frugal - you could have thrown a lot of money at Ethiopian Airways but instead you saved the resources for the future. It made the airline search for other competitive opportunities to stay alive
- We know that this is a reversible shock and it is important to protect both the capacity, the workforce and skills of the workforce
- The adaptation that has been put in place in Ethiopia to be able to switch products, keeping critical industry open and producing what is needed in the crisis - this is very valuable

Questions:

- Did you have a plan for the worst scenario and what is your alternative strategy?
- Your intervention focuses on the formal sector, what measures have you taken to support the informal sector?
- How do you see this crisis strengthening African integration?

Answers Dr Arkebe:

- The worst-case scenario has been studied by the Ministry of health and we have a committee for the worst-case scenario. But COVID-19 is a new type of virus, the curves are different from country to country. It will have to be based on evidence.
- On the informal sector: the most critical support informal firms need is access to credit. This is being channeled specifically through microfinance institutions and the Central Bank. Ince the government's treasury capacity is limited, the government is encouraging property owners to rent freely and then the government will waive property taxes.
- On African integration: it needs further studies. Intra-regional trade and commerce will be negatively affected because of the weakened airline industry and restrictions of travel and air transport. There has been some concern about countries that would like to postpone AfCFTA implementation. But there are also important initiatives being taken at the AU level: CDC Africa is a good example.

Lessons learned from Ebola (shared by network member)

Missteps during Ebola crisis included legislators denying Ebola's existence, costing the country a lot of time and money. Since then, Liberia learnt about infectious disease control, had a national public health institute in place and were able institute a number of control measures to reduce the transmission. Liberia was among the first countries that started doing rigid assessments at the airport as a point of entry, and isolated people who were travelling from high risk countries. To summarize:

1. Preparedness

2. Swiftness timeliness of response
3. Contact tracing and isolation using the incident management system from the Ebola crisis. The community response and community workers played a crucial role

Questions:

- What was the selectivity criteria for private sector firms?
- What measures did Ethiopia take in the education sector?
- Are the same policies in place for air transfer and ground transfer?
- How has the disruption of global supply chains affected special economic zones in Ethiopia?

Answers Dr Arkebe:

- On private sector firms criteria:
 - 1) The company should not lay off workers
 - 2) The company should continue to produce and if it cannot produce it must train workers
- Once workers are laid off the capacity of firms greatly diminishes and productivity drops. We are using the crisis as an opportunity to develop an industrial workforce.
- In the factories strict protection and preventive measures are in place. Factories have to be disinfected on a daily basis and each factory has to check temperatures of workers when they come in and out.
- On global value chains: Since January the supply of materials has been affected by the disruption of the material supply chain in China and the lockdowns in advanced economies. The impact has been significant. The solution has been to save local markets and challenge them to start producing PPE and ensuring that they can keep working.
- On education: schools were closed in March, beginning with elementary schools and followed by universities. We observed that the education system is ill-equipped. Universities are not ready for online teaching. Telecommunication infrastructure is not good enough.
- On the railway sector: there were just a few days of disruption. Neighboring country Djibouti has a major port but also one of the highest density of infections. We are preparing for the worst: if Djibouti institutes a lockdown of its port, our imports can arrive at the port of Dubai and can be shipped to Ethiopia with Ethiopian Airways at a rate of 1\$ per kg until the end of December 2020
- Opportunities: hand washing in Africa is critical - if sustained this may help. Our colleague mentioned public health institutes - we have built the Ethiopian public health institute a few years ago. On the digital side, government services should be automated, and we should invest in digital health and digital education

- Despite limitations, constraints and immediate pressures from the crisis, the most fundamental issue might be the post crisis recovery. One of the risks I fear is that governments may end up subsidizing the strong and missing the vulnerable.

Experts final comments:

- Irrespective of where we are starting, the next major issue is the ability to enforce good personal behaviour as a means of containing the infection rate. If there is one thing where international support can be provided, it is testing and contact tracing.
- We have to start planning for post-COVID-19: I hope this network has a means to interact again as countries now move from lockdowns or from the Ethiopian model to revived economies. Rather than just learning lessons from what we could have done, we should anticipate the situation.