

# CEoG Webinar

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## 4. COVID-19 and the Private Sector in Africa

### Lessons from Ethiopia



## Housekeeping

- The webinar is conducted under Chatham House rules, meaning we will take notes of the discussion but will not attribute any comments/questions to individuals or countries
- Where relevant the slide presentation will be recorded and shared but Q&A will be confidential so please feel able to ask tough and frank questions
- We will circulate the slides, any video recording, notes, and links after the webinar to all CEoG network members
- You can also send any additional questions, or data and analysis requests to: [network@africaceog.org](mailto:network@africaceog.org)

## Proposed Agenda

1. Opening remarks, Jim Cust
2. Welcoming remarks, Albert Zeufack
3. Presentation from Honourable Arkebe Oqubay, Senior Minister and Special Adviser to the Prime Minister of Ethiopia
4. Q&A on private sector response to COVID-19

# WBG Support to Firms and Value Chains

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# IFC offers \$8 billion in fast-track financial support in response to COVID-19

## 1. Supporting Critical Industries

- **\$2bn Real Sector Crisis Response Facility**
- Support infrastructure, manufacturing, agriculture and services
- Loans and equity investments

## 3. Helping Companies Pay Their Employees

- **\$2bn Working Capital Solutions Program**
- Funds for emerging-market banks to extend credit to local businesses
- Credit for working capital — the pool of funds that firms use to pay their bills and employees' salaries

## 2. Keeping Trade Flowing

- **\$2bn Global Trade Finance Program**
- Cover payment risks for trade financing to companies that import and export goods.
- Targeted towards SMEs involved in global supply chains

## 4. Shoring Up Local Banks

- **\$2bn Global Trade Liquidity Program and Critical Commodities Finance Program**
- Funding and risk-sharing support to local banks

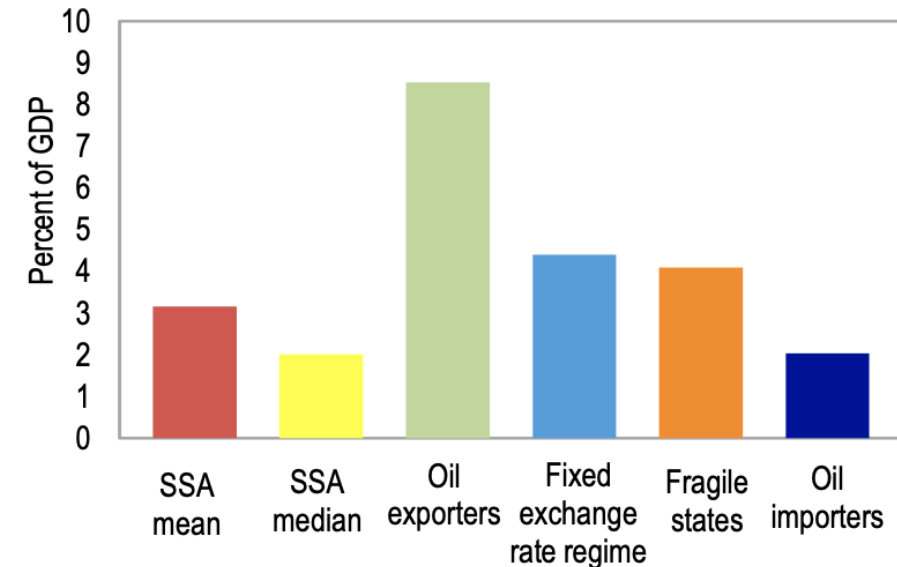
*Please contact the CEoG Secretariat for more information at [network@africaceog.org](mailto:network@africaceog.org). Also see: [https://www.ifc.org/wps/wcm/connect/NEWS\\_EXT\\_CONTENT/IFC\\_External\\_Corporate\\_Site/News+and+Events/COVID-19/](https://www.ifc.org/wps/wcm/connect/NEWS_EXT_CONTENT/IFC_External_Corporate_Site/News+and+Events/COVID-19/)*

## Governments can help private sector with 'low-hanging' policy reforms that facilitate an easier business climate

- Streamlining regulatory and border procedures
  - Also see World Bank's ["Do's and Don'ts of Trade Policy in the Response to COVID-19"](#)
- Paying off government arrears to private sector companies
- Rationalizing bankruptcy and insolvency laws

*Chief Executive Officer of the IFC, Philippe Le Houérou in conversation with the Center for Global Development, April 2020*

**Figure 3.2. Sub-Saharan Africa: Stock of Domestic Arrears by Country Group, 2018**



Source: IMF staff calculations.

Note: Sub-Saharan Africa group includes 29 observations. Median group includes 30 observations. Oil exporters group includes 8 observations. Fixed exchange rate regime group includes 21 observations. Fragile states group includes 18 observations. Oil importers group includes 37 observations. SSA = sub-Saharan Africa. See page 60 for country groupings table.

Source: International Monetary Fund, Sub-Saharan Africa Regional Economic Outlook. October 2019.

# Policy responses to COVID-19 (including the informal sector) need to protect jobs, not just workers

- When jobs are destroyed, there is a risk of losing firm- and sector-specific human capital
- Long-term unemployment also leads to 'scarring' — the longer a person is unemployed, the more difficult to enter employment again
- Focus policy responses on
  - Helping businesses survive and retain workers (e.g. reducing payroll costs such as income taxes or social security)
  - Providing protection for those who lose their jobs (e.g. expanding eligibility for cash transfers)
  - Facilitating alternative employment (e.g. public works programs)
  - Helping formal sector firms with high-value linkages to informal sector



Women in a textile factory in Ghana

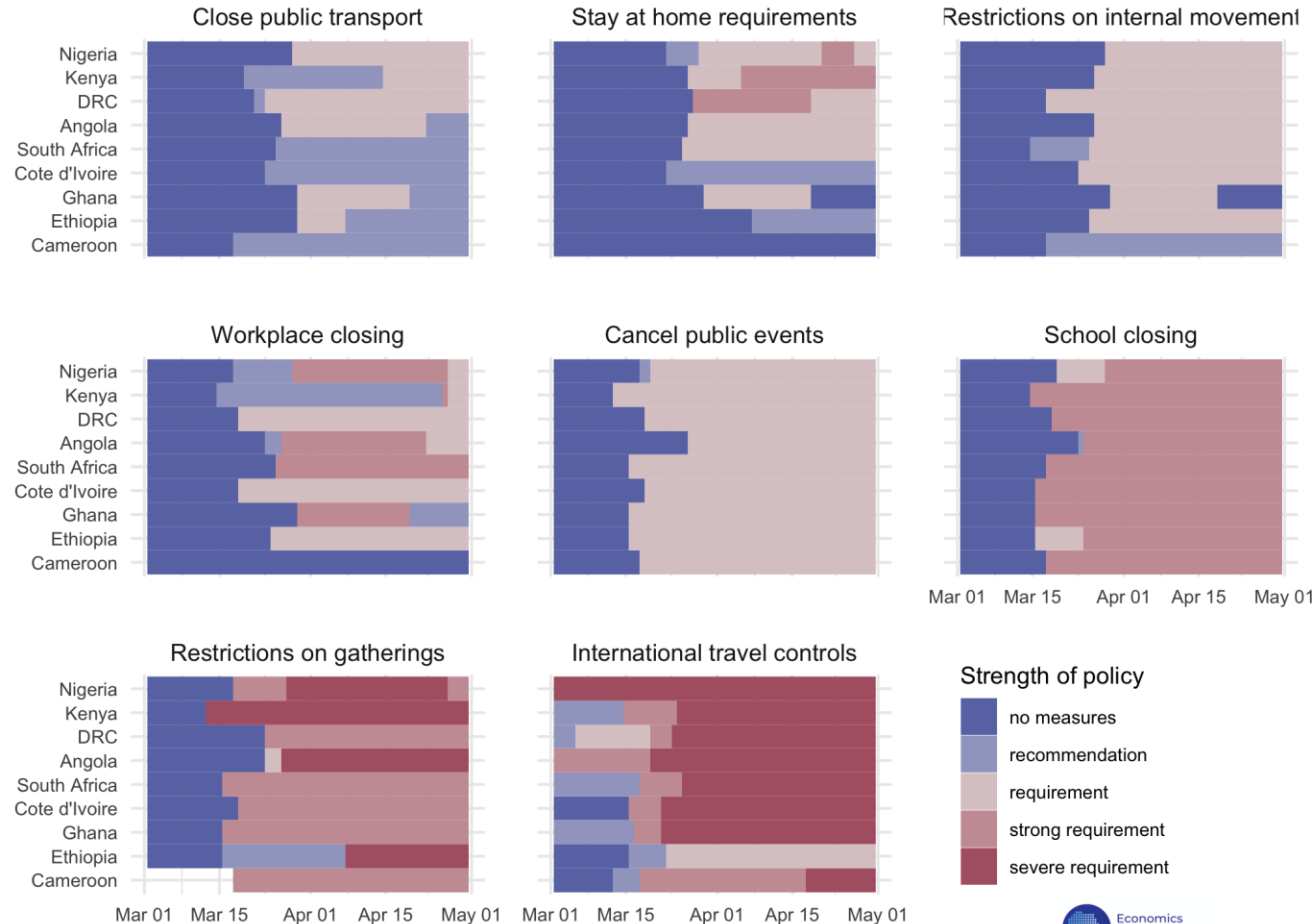
# Unconventional policies: the Ethiopian example

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# Ethiopia has avoided strict lockdowns compared to other African countries

Ethiopia stands out with few restrictions on international travel and gatherings and lenient stay at home requirements



- Policy focus has been on preserving jobs
- Including working with private sector
- Examples and experiences from Ethiopia can be important inputs to discussion for other African countries

# Manufacturing firms can quickly and carefully put measures in place that safeguard health while allowing industrial work to continue

- Measures suggested by the IFC include

- Hygiene etiquette rules for coughing and sneezing
- Physical distancing
- improving ventilation

[See more on "Interim Advice for IFC Clients on Preventing and Managing Health Risks of COVID-19 in the Workplace"](#)

- Significant risks with poor implementation of safeguards

- In Ghana, 1 worker in industrial fish processing factory infected 533 others

May 10th, 2020. <http://presidency.gov.gh/>



Workers in Nigeria. REUTERS / Temilade Adelaja

## Existing supply chains can be re-purposed towards COVID-19 response goods

- e.g. Textile factories can turn towards PPE such as face masks and protective gowns
- Firms will need support to source machinery, raw materials, foreign exchange and training workers, etc. (ILO, April 2020)
- Firms also need support to be connected to new markets (ILO, April 2020)



*Workers in an Ethiopian textile factory.*

Source: ILO, [https://www.ilo.org/africa/technical-cooperation/inclusive-industrialization/WCMS\\_741522/lang-en/index.htm](https://www.ilo.org/africa/technical-cooperation/inclusive-industrialization/WCMS_741522/lang-en/index.htm)



# Ethiopian Airlines still operating at 65% capacity despite significant global declines in air traffic

| Region      | Jan   | Feb    | 20 Apr | 27 Apr | 4 May  |
|-------------|-------|--------|--------|--------|--------|
| ALL         | 0.8%  | -8.6%  | -67.2% | -66.8% | -69.9% |
| Spain       | -3.7% | -1.8%  | -95.1% | -94.1% | -92.3% |
| Hong Kong   | -9.7% | -46.5% | -94.5% | -93.2% | -93.6% |
| Germany     | -8.5% | -6.9%  | -93.7% | -92.9% | -90.5% |
| Singapore   | -0.1% | -16.1% | -97.1% | -95.9% | -97.0% |
| Italy       | -3.3% | -4.2%  | -81.2% | -80.2% | -78.1% |
| France      | -0.8% | 0.4%   | -91.7% | -91.8% | -91.9% |
| UK          | -3.8% | -3.3%  | -93.2% | -93.5% | -92.5% |
| Australia   | -3.5% | -3.2%  | -83.7% | -84.4% | -83.0% |
| Sweden      | -9.2% | -5.6%  | -90.0% | -89.8% | -88.5% |
| UAE         | -1.9% | -3.0%  | -79.7% | -81.4% | -78.1% |
| South Korea | 2.2%  | -11.6% | -58.8% | -48.5% | -49.5% |
| USA         | 1.7%  | 1.2%   | -60.8% | -63.5% | -74.5% |
| India       | 2.1%  | 6.3%   | -88.5% | -93.6% | -90.9% |
| China       | 4.3%  | -55.1% | -42.4% | -39.2% | -32.0% |
| Japan       | 2.4%  | -3.5%  | -44.4% | -44.6% | -47.0% |



Ethiopian Airlines plane in flight. ARTHUR PINGSTONE.

Change in scheduled flights in 2020 compared to same date in 2019.

Source: OAG, <https://www.oag.com/coronavirus-airline-schedules-data>

## Re-purposing and re-orienting the airline has helped it continue operations



*Ethiopian Airlines cargo network*

<https://cargo.ethiopianairlines.com/CargoNetwork>

- Significantly, Ministry of Finance explicitly ruled out a bailout
- Airline has creatively re-orientated supply chains
  - Pivot towards cargo transport
    - Transporting essential COVID-19 equipment and linking supply chains between Africa and the world
    - May 4th – first direct flight in 22 years between Burkina Faso and Frankfurt carrying 52 tonnes of fruit
    - May 2nd – transporting COVID-19 supplies from Hong Kong to rest of the world
  - Conduct repatriation flights
    - May 2nd "first non-stop flight from Cameroon to Canada" (Toronto Pearson)

# References

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- <http://presidency.gov.gh/index.php/briefing-room/speeches/1582-president-akufo-addo-provides-update-on-ghana-s-enhanced-response-to-covid-20?fbclid=IwAR1ULsR3sbyvA52h7902NOaZkm96UYeKXSYfngiles0VOLCRVb7XihYqjHQ>
- <http://documents.worldbank.org/curated/en/509521585605825305/pdf/Do-s-and-Don-ts-of-Trade-Policy-in-the-Response-to-COVID-19.pdf>
- <https://www.cgdev.org/event/cgd-conversations-covid-19-and-development-philippe-le-hou%C3%A9rou>
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- <https://www.jobsanddevelopment.org/confronting-the-jobs-impacts-of-covid-19-coronavirus/>