

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

I. Participants:

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14 current advisors

2 network experts

9 WBG staff

II. Discussion Notes:

**1. Questions around debt standstill and targeted support**

Q: How do the actions of ratings agencies affect the outcomes of the debt standstill? For example, Fitch has announced that “delays of principle or interest payments on a multilateral development bank (MDB) loan lasting more than six months would lead Fitch to classify this MDB’s full exposure as impaired.”

Q: What can the World Bank do to get China to join the collective drive to alleviate (or cancel) debts?

Q: How can countries continue to mobilize resources? Do they need more concessional funding?

Q: Many African countries are rated among the world’s ‘highest risk’ countries in terms of exposure to COVID-19, and inadequate access to healthcare to mitigate its impact. The WHO has declared that most of the 15 countries that are at peril and require support in their preparedness for tackling the virus pandemic are in Africa. What specific measures or targeted financing is the WB providing to these most at risk countries, Not to all low income or middle income?

Discussion:

Existing debt is divided into three parts — official bilateral, private and multilateral.

The official bilateral creditors have agreed on a moratorium on interest and principal payments until the end of 2020. This may have to be extended. The crisis will not disappear by the end of December. Requests have been made at the G20 level for an extension and the G20 left the door open to this possibility.

Regarding ratings agencies, the official position of credit rating agency Fitch is that a debt standstill agreed by a creditor is not considered as a default and will not affect the debtor country's credit rating.

Several multilaterals wanted to do a standstill but got a clear message from rating agencies that this would increase the cost of financing. Multilaterals operate by having triple A ratings so they can raise funding cheaply for countries. Multilaterals are now looking at different options to raise money and find imaginative ways to assist countries through transfers with a larger grant element.

Private debt is a more complicated story. We need to develop ways of dealing with private debt without getting credit rating agencies to downgrade countries.

The largest part of non-concessional bilateral debt is from China. China, being part of the G20, has agreed to a debt standstill. A medium-long term problem is that Chinese debt is non-concessional at high interest rates which is unsustainable for many countries. An important complication of the discussion with China is that there is no single, centralized Chinese creditor to African countries. For example, the Chinese Minister of Finance, who is the World Bank's main discussion partner, does not control the main export banks. However, the World Bank is continuing discussions with the Chinese around debt restructuring, which has been done before in Ethiopia for example.

Countries do need more concessional funding but it is also crucial for them to not lose momentum on the good work that has been done on Domestic Revenue Mobilization. It is crucial for African countries to use this crisis to combat illicit flows of capital and to better manage revenues from natural resource sectors. While the international community is mobilizing, countries also need to create fiscal space themselves.

Regarding support to the most vulnerable countries who are most at risk: most of the WBG fast track projects that are being implemented are health projects in IDA countries. We are also working with the AU and the Africa CDC to work out an African approach to the crisis. No country will be spared - we need to strengthen the health systems across the board and take the opportunity to invest in the health sectors - which, similarly to education, should not be a donor-funded sector.

## **2. Questions around smart reopening / smart containment**

Q. What is the role of e-commerce as countries move towards smart containment? One option for e-commerce is to allow movement in essential goods but not generalized e-commerce because workers moving along the ecommerce supply chain could be spreading the virus.

Q. Should countries impose tobacco regulations? On the one hand, tobacco products should not be sold during a respiratory pandemic, but on the other hand, the state is losing revenue and illicit trade thrives.

Discussion:

Policy responses need to also be conscious of protecting domestic revenue mobilization and economic livelihoods. The fiscal response should not jeopardize the efforts that have been made to exit the crisis. Health experts should weigh in on the importance of tobacco as a complicating factor in COVID-19 before a decision about a ban is made.

As a starting point, the only things that should outright be banned are things that clearly induce larger social interactions; such as sporting events, concerts and large concentrations of people. The whole economy is fragile at the moment, and it is important to keep the goodwill of the population where possible, so that the population is more inclined to cooperation and self-discipline. Therefore it is a good idea to try to avoid interventions unless there are really good medical reasons underpinning them.

A recent paper (Mahoney et al.) tracks movement of people across the world to try to understand the determinants of social distancing. The main determinant is people's free will, not coercion. Willingness to participate makes the difference. Making people part of the solution instead of punishing them is probably a better way to get people to social distance.

For countries with a good digital infrastructure, it would be a miss not to leverage that by not allowing e-commerce to flourish. One way to do it while protecting people is to treat workers in the e-commerce supply chain as essential workers — providing them with regular testing and appropriate PPE — to ensure that they keep economic activity going.

In many countries, without government intervention firms themselves are prioritizing and deprioritizing non-essential goods on e-commerce platforms. This could allow e-commerce to flourish without imposing government bans. For struggling businesses such as retail stores or restaurants, a shift to e-commerce may be their best lifeline, and anecdotally delivery services, curb-side pickups and drive throughs are allowing such businesses to function while protecting against more avoidable levels of social gathering.

### **3. Questions around digital**

Q: Digital systems seem essential to keep production systems to a minimum (eg tele-work, education, health). Our countries must absolutely integrate it into our post-covid growth strategies, what does the WB plan to support us?

Discussion:

One thing the COVID-19 crisis has shown is that digital is not a luxury for African countries. The World Bank is already working with some countries to put in place digital platforms for social protection programs. They are based on the recognition that digital payments are the best way to maximise transparency and minimise losses for social transfers. An important part of the response going forward is finding ways to extend that digital coverage. This is part of an ongoing commitment from the World Bank with the [Digital Moonshot for Africa](#).

#### **4. Questions on supply chains, logistics and food insecurity**

Q: Infrastructure for food logistics is an important issue. Can the WB embark in a specific program to help finance a critical size of infrastructures to tackle the logistic issue?

Q: How do we support regional institutions, both Africa wide and sub-regional?

Q: How do we support the private sector and how can IFC help?

#### Discussion:

We need to think of this crisis not only as a country but also bring in regional institutions. In West Africa for example, a good portion of debt is actually owed to the regional bond market. The role of the central banks is crucial. A number of central banks should go beyond reducing interest rates and giving more liquidity to banks to support the private sector.

The logistics sector may be one of the potential winners from the crisis. Investment in the private sector could be crucial here and avoid reliance on public funding. There could be important initiatives with the IFC.

#### **5. Questions around Covid-19 communications**

Q: How should countries communicate with populations that are strongly influenced by religious and traditional views?

Q: How can governments mobilize the resources of faith-based groups in the fight against COVID-19?

#### Discussion:

It's very important to involve faith-based groups and religious leaders in a government's communications strategy. The Ebola experience showed that communication was most effective at the local level. Countries should rely on local leaders to get the population to be part of the solution.

A good example of a government's engagement with faith-based groups was in South Africa, where the President made a very limited pilgrimage with leaders of one of the largest churches. They addressed the nation over the television. The president also had a public meeting with the church leaders, and integrated recommendations from them into the COVID-19 response. For example, the Christian Council of Churches advocated for vouchers and cash rather than food parcels, as a question of dignity.

### III. Key takeaways

- 1) African countries need the international community, but also need to strengthen regional and sub-regional organizations and cooperation.
- 2) It is essential to keep investing in sectors that allow quick recovery - logistics, digital, human capital.
- 3) Domestic Revenue Mobilisation remains important — there will be a tendency to shift everything towards emergency response, but countries should not forget to plan for the future.
- 4) Central Banks have a role to play in helping private sector recovery. They may not lend directly to firms, but they can support commercial banks by making credit lines and guarantees available. The IFC has a complementary role. There may be opportunities here for the private sector to thrive.
- 5) Now is the time to remove soft barriers to intra-regional trade and logistics chains. There may be opportunities to remove non-tariff barriers and experiment in ways that in 'normal' times might not be possible- such as removing many regulations at once to see what happens.
- 6) Communication — the crisis highlights the need to have a coordinated, highly technical task force. Leadership from the chief executive is extremely important. Also, important, is the role of community level problem solving, and the role of faith-based organizations. They have to be involved to reach more people and to leverage the trust and credibility they may have in different communities.