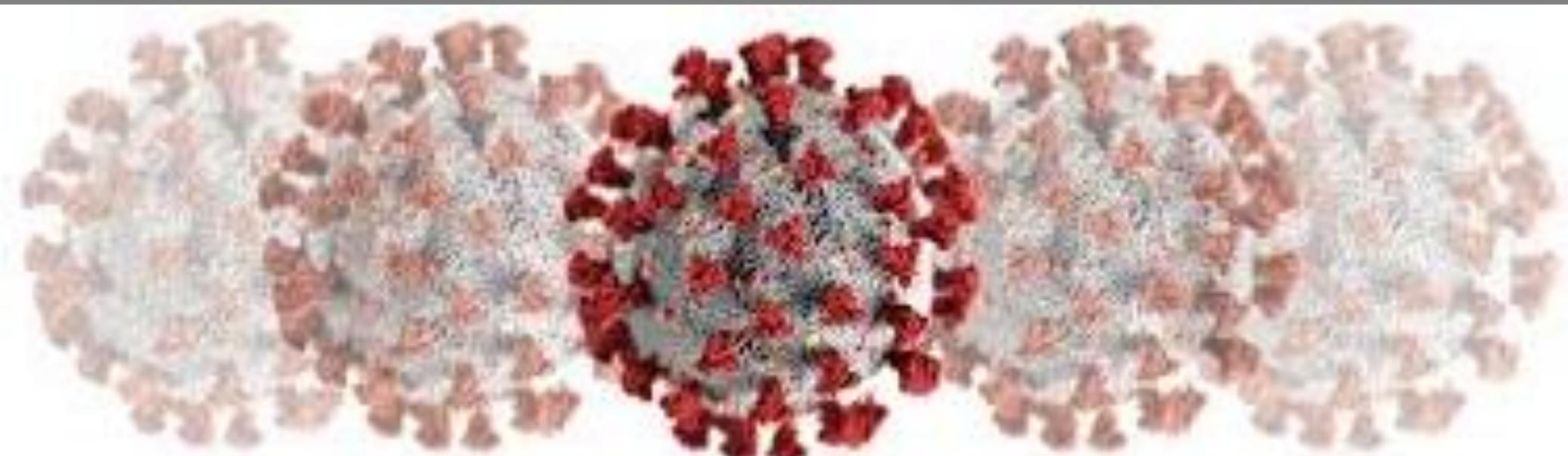




TONY BLAIR
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CHANGE

COVID-19: A Guide to Resource Mobilisation for Economic Stimulus

May 2020





Governments who successfully maximise resource mobilisation for crisis response and stimulus planning typically undertake four steps

01

Objective setting: clearly identifying and stating the overall objective of the endeavour.

02

Needs assessment: identifying stimulus package needs and domestic resources.

03

Funder targeting: strategically targeting external funders, taking into account their financial strength, interests and technical expertise.

04

Credible, clear asks: Preparing clear, targeted and credible resourcing requests.



Economic responses to Covid-19 typically include three objectives

Suggested objectives of an economic recovery plan

Policy examples

1. MITIGATION AND ADAPTATION



Halt the collapse; keep people alive and at home.

2. PRESERVATION



Protect people's livelihoods and assets.

3. RECOVERY



Assure people of an eventual recovery.

1. Scale up health spending to maximise resources for response.
 2. Adapt essentials of economy to social distancing (e.g. market places, transport).
 3. National-level cash transfer programme to complement social distancing.
 4. National-level food relief programme to complement social distancing.
 5. Food channels for social distancing measures: food supply, logistics, prices, stability.
 6. Start dialogue with private sector to assess impact and design tailored measures.
-
1. Support to SMEs and innovator/tech firms.
 2. Support to key industries (e.g. exporters, job creators) and use of private sector for response.
 3. Support to vulnerable workers, microenterprises and informal sector.
 4. Maintain critical infrastructure and utility services, including cost support, and use in crisis.
 5. Manage tax revenue hole so public sector payroll and contract servicing continues.
 6. Government debt management and aid coordination.
 7. Financial sector management and private debt management.
-
1. Provide confidence in sufficient ongoing economic support to manage expectations via a credible, implementable recovery narrative and plan.
 2. Scale up support to strategic job-creating, high-spillover, tax-paying and exporting sectors to maximise crisis as a push for economic transformation.
 3. Investment promotion for recovery and exploiting new opportunities.



With clear objectives and a general sense of the preferred policies, approximate the resources needed

Four policy categories countries typically used in economic stimulus packages (see more here)		Resources required			Potential resources
		Cash/financial resources	Expertise and HR	In-kind resources	
Easing of regulations	Modifying regulations or using authority to compel agents to change behaviours or collaborate.				<ul style="list-style-type: none"> The HR required for less intensive cash measures can come from DPs focused on private sector support, such as the IFC and PROPARCO.
Cashflow support	Expediting the payment of near-future commitments or arrears, and/or delaying charging citizen obligations.				<ul style="list-style-type: none"> The expertise for the selection of net-balance measures can be provided by DPs with governance projects already underway, notably the World Bank and the AfDB.
Access to finance	Easing firms' and individuals' access to financing mechanisms and/or providing guarantees and loans.				<ul style="list-style-type: none"> Distribution of food and cash transfers requires monetary help and logistics, which can be provided by private sector and DPs (development partners) specialising in the area, like IFAD and BRAC.
Transfers	Providing non-lending resources to firms and individuals, including foregoing taxes, tariffs and fees.				<ul style="list-style-type: none"> The monetary resources required for liquidity insertion measures and transfers to citizens will likely come from DPs, notably the IMF.

Source : TBI



There are six areas for domestic resource mobilisation for economic stimulus packages and for the government's health response

1

Reallocation of budget lines

- Because of the Covid-19 health crisis, some current expenses and projects are considered to be of lower priority. For example, in the tourism sector, projects will likely have a lower return on investment; governments can turn to infrastructure projects in the sector.

2

Appropriation of new income

- This crisis could be an opportunity to roll out progressive taxes or eliminate regressive tax exemptions that were previously politically opposed, such as capital gains taxes. Among these new taxes, there could be an oil tax, which, given the global fall in oil prices, can be introduced without too much cost to citizens. In addition, the government may consider levying "solidarity" taxes on areas affected by Covid-19, including the gold mining sector.



REPUBLIC OF GHANA
MINISTRY OF FINANCE

STATEMENT TO PARLIAMENT

ON

ECONOMIC IMPACT OF THE COVID-19 PANDEMIC ON THE ECONOMY OF GHANA

MONDAY, 30TH MARCH, 2020

SUBMITTED BY

KEN OFORI-ATTA
MINISTER FOR FINANCE



1 Ghana used its existing “Ghana Stabilisation Fund”, financed by oil levies, which contributed US \$216m to finance the “Coronavirus Alleviation Programme” (CAP).

2 Ghana adjusted downward spending on goods, services and investments by US \$215 million to finance the CAP.

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Governments typically present the domestic resources they can mobilise to fight the pandemic to external funders

3

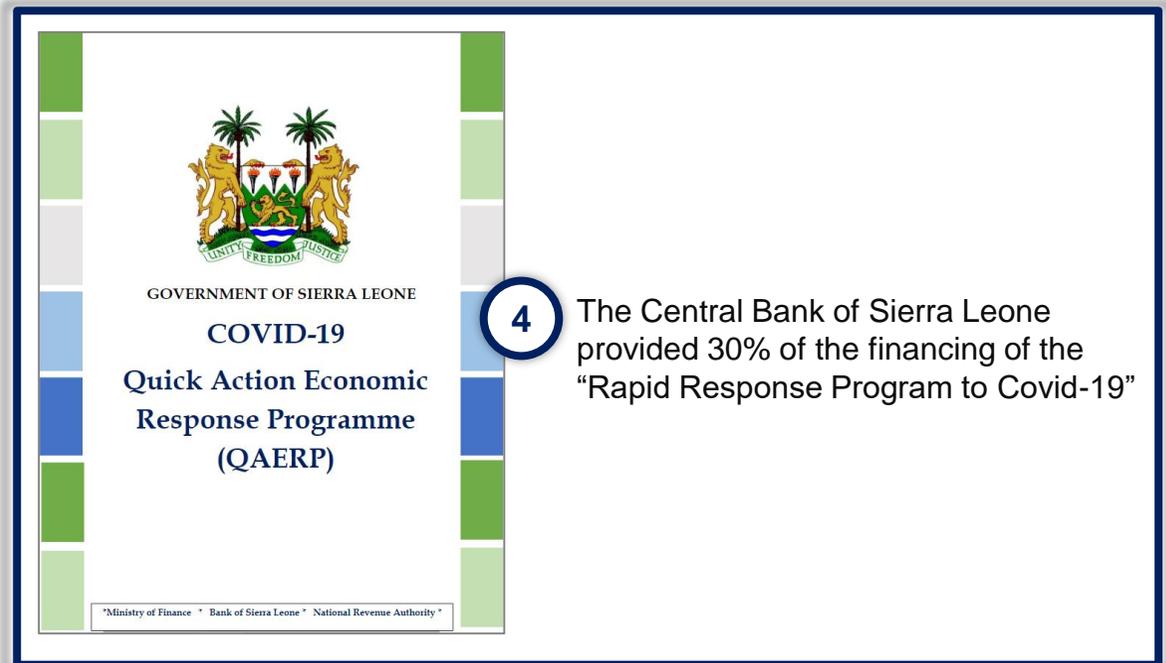
Reallocation of government personnel

- Covid-19 will turn some public services into priorities, while others will be less important. Under these conditions, it would be possible and desirable to shift the talents of certain services to higher priority services.

4

Monetisation

- Loans from the Central Bank are currently used by most economies to respond to the Covid-19 crisis. However, this option must take into account the potential impacts on inflation.





Governments typically present the domestic resources they can mobilise to fight the pandemic to external funders

5

Creation of a public fund

- Some countries have gathered the resources mobilised in a public fund – such as a Solidarity Fund or a Covid-19 Recovery Fund – which can be used to leverage other financial resources, e.g. DPs by inviting DPs to match funds, or leverage local private sector support.

6

Debt management

- Given the new fiscal conditions, regular payment of domestic and external debt can be reconsidered (see next slides for further analysis of external debt relief).

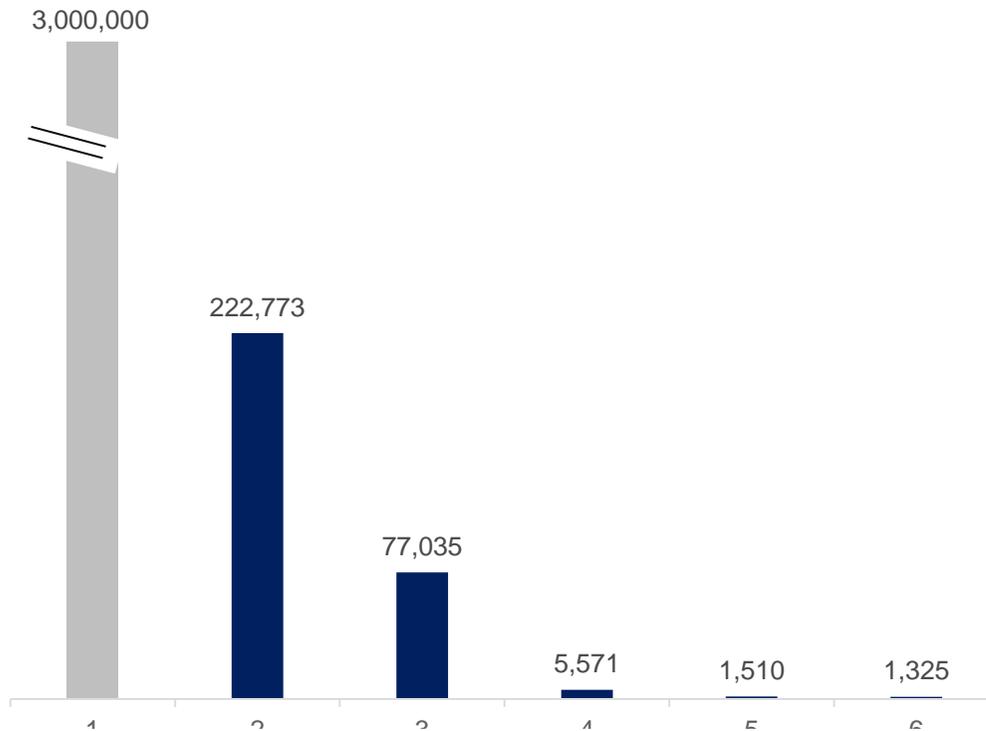
Guinea plans to create a Covid-19 response fund for more than \$260 million. It would be financed by:

- The withholding of 5 US cents per litre of fuel from the new price structure, for an amount of \$43 million.
- A reallocation of \$5 million from current expenses.
- Savings linked to the postponement of external public debt service (\$95 million).
- A contribution of \$46 million from Guinea's National Agency for Economic and Social Inclusion.
- The reallocation of \$11 million from other Ministry of Health budget lines to Covid-19.
- Voluntary contributions from individuals and businesses, which will be the subject of a call for national solidarity.



Approximately \$3.3 trillion in aid has been made available globally for the fight against Covid-19

Donor responses to the coronavirus as of 30 April 2020
(US\$ million)



Multilateral	US\$ million
World Bank	160,000
European Investment Bank	43,700
European Union (via European Commission)	17,000
OPEC Fund for International Development	1,000
New Development Bank	985
United Nations	88

Top five bilateral donors (for all countries)	US\$ million
France	1,301
Germany	1,239
Japan	915
United Kingdom	908
United States	775

Private sector donations for global recipients	US\$ million
Twitter	1,000
Facebook	120
Jeff Skoll	100
Bill and Melinda Gates Foundation	100
Michael and Susan Dell Foundation	100
Bloomberg	40
Netflix	30
Rockefeller	20
Total	1,510

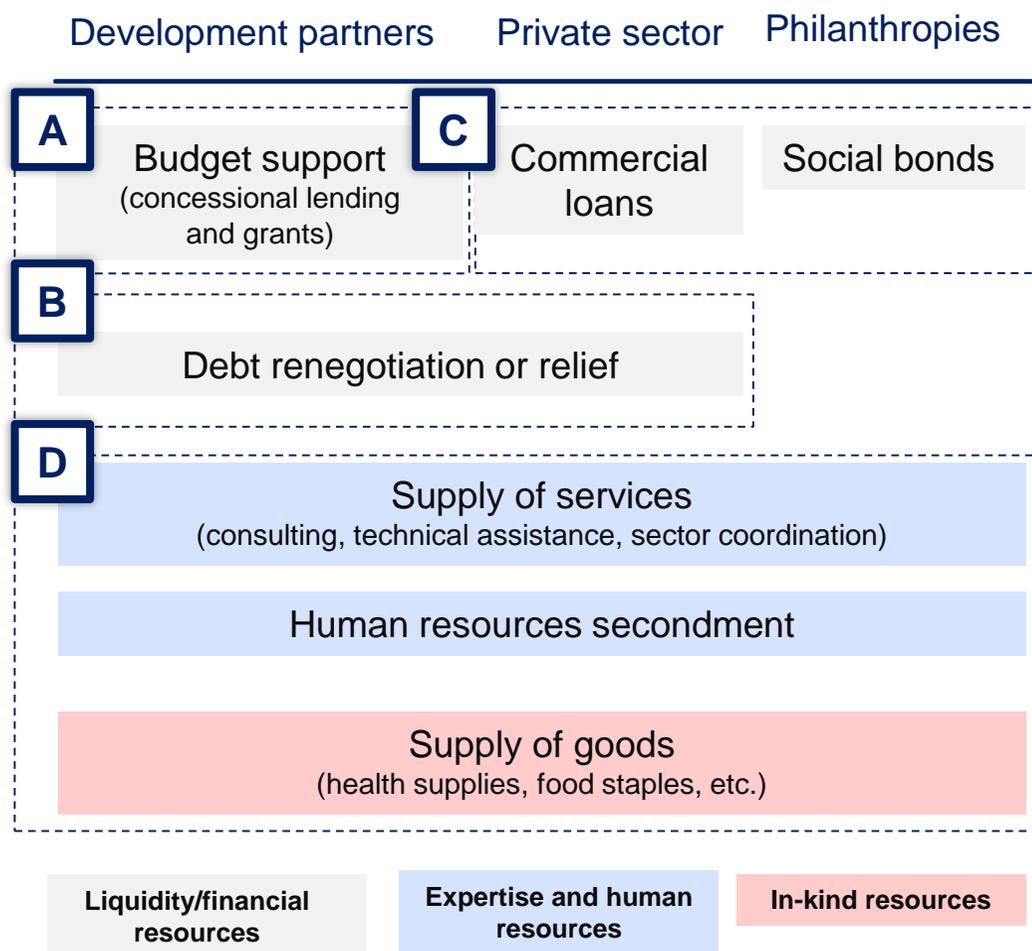
Based on ODI's Donor Response Tracker and TBI Analysis: https://set.odi.org/wp-content/uploads/2020/05/Donor-responses_as-of-30April-2020.pdf

*Includes total lending capacity of the IMF not only that devoted to Covid-19

** Excludes IMF



This aid will come in different forms, depending on the type of donor



Based on ODI's Donor Response Tracker and TBI Analysis: https://set.odi.org/wp-content/uploads/2020/05/Donor-responses_as-of-30April-2020.pdf

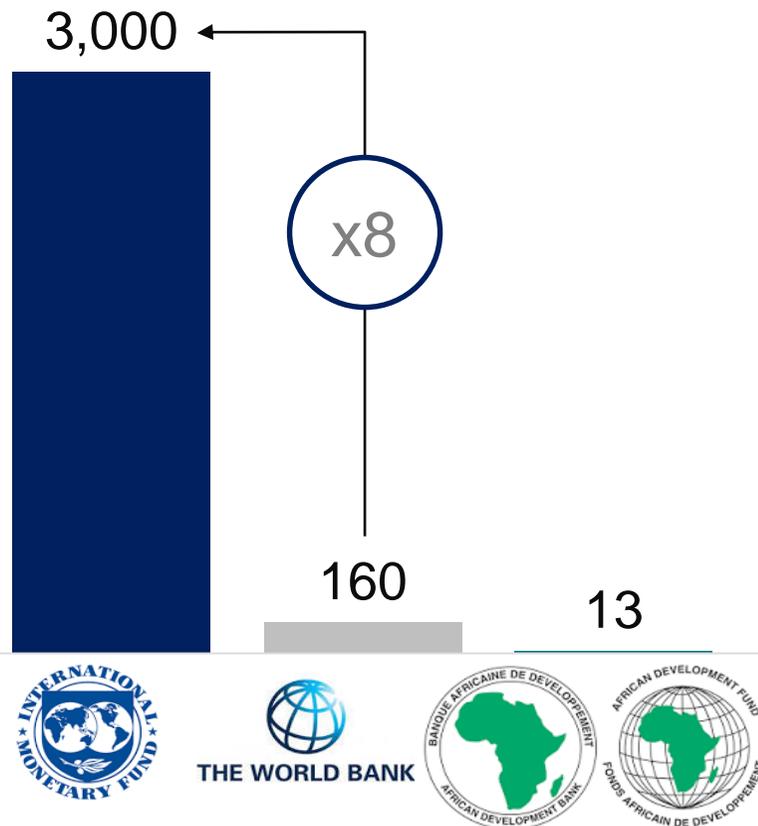
*Includes total lending capacity of the IMF not only that devoted to Covid-19

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A Budget support: most liquid financial resources immediately available for economic response are at the IMF

Billions of dollars available for concessional loans until the end of 2021 (US \$ billion)

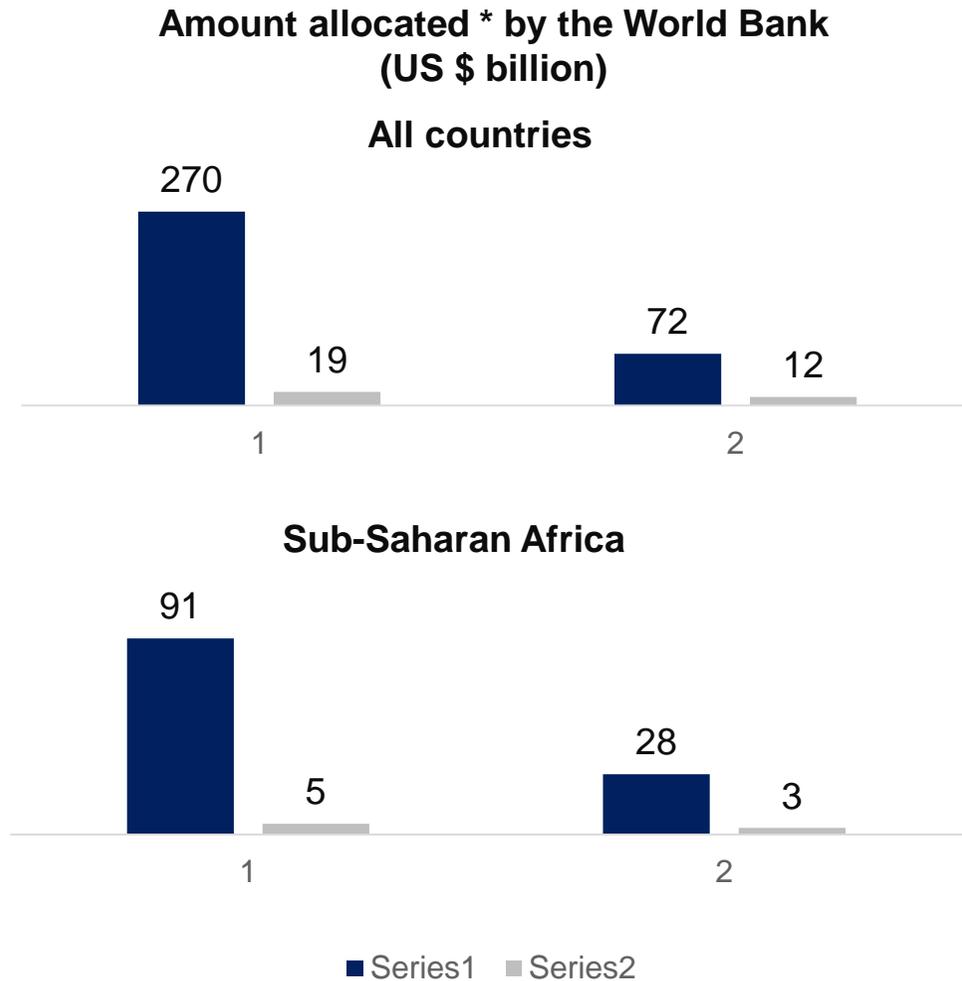


With more than eight times the lending capacity of the World Bank and 300 times that of the AfDB, the IMF is the most important financial partner in terms of monetary resources at the moment. Although their financing is supposed to be dedicated to central reserves, it is clear that part of the disbursements should reach the tax coffers through monetisation (for example, via loans from the Central Bank to the government).



A

Budget support: only a small portion of the financial resources from the World Bank will be liquid

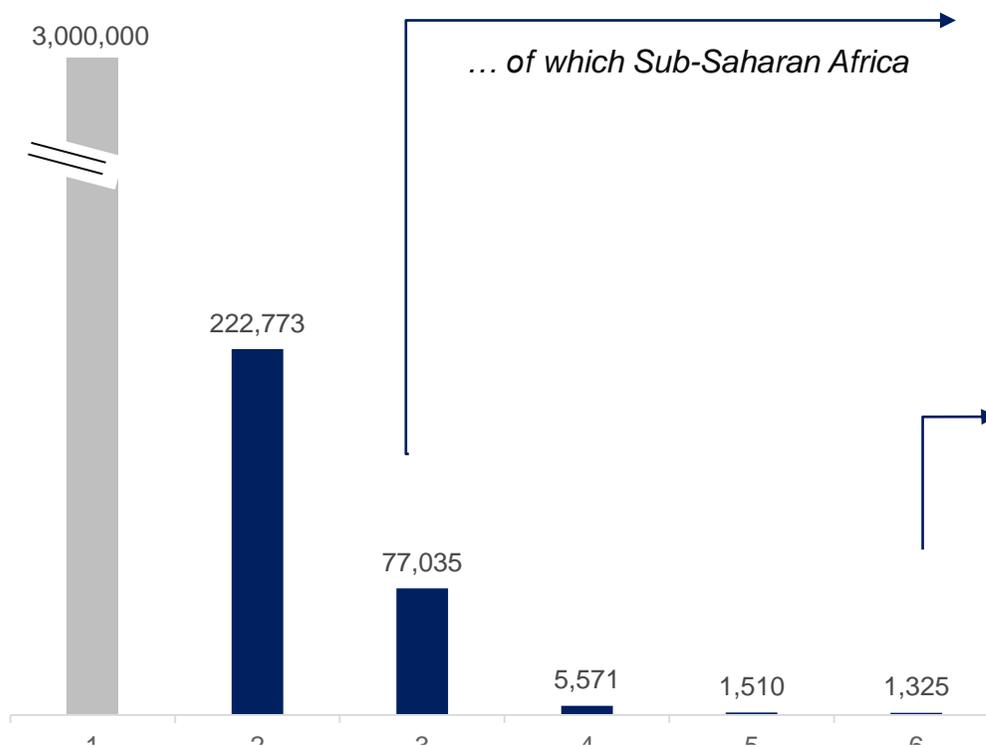


- The World Bank has announced the deployment of \$160 billion over the next 15 months, of which \$50 billion will be dedicated to countries under IDA.
- Normally, more than 90% of World Bank financing in Africa is allocated to investment or technical assistance projects, and the rest through budget support, i.e. Development Policy Operations (DPOs).



A Budget support: regional banks and bilaterals come after the IMF and the World Bank in available liquid financial resources

Donor responses to the coronavirus as of 30 April 2020 (US\$ million)



... of which Sub-Saharan Africa

Sub-Saharan Africa Regional Banks

	US\$ million
• African Development Bank (AfDB)	13,000
• Eastern and Southern African Trade and Development Bank (TDB)	326
• West African Development Bank (BOAD)	324
• ECOWAS Bank for Investment and Development (EBID)	2
Total	13,651

Private sector with specific Sub-Saharan Africa recipients

	US\$ million
• Motsepe Family and associated companies (South Africa)	57
• United Bank for Africa (Nigeria)	13
• BUA Group (Nigeria)	13
• Mike Adenuga Foundation (Nigeria)	4
Total	87

Based on ODI's Donor Response Tracker and TBI Analysis: https://set.odi.org/wp-content/uploads/2020/05/Donor-responses_as-of-30April-2020.pdf

*Includes total lending capacity of the IMF not only that devoted to COVID-19

** Excludes IMF

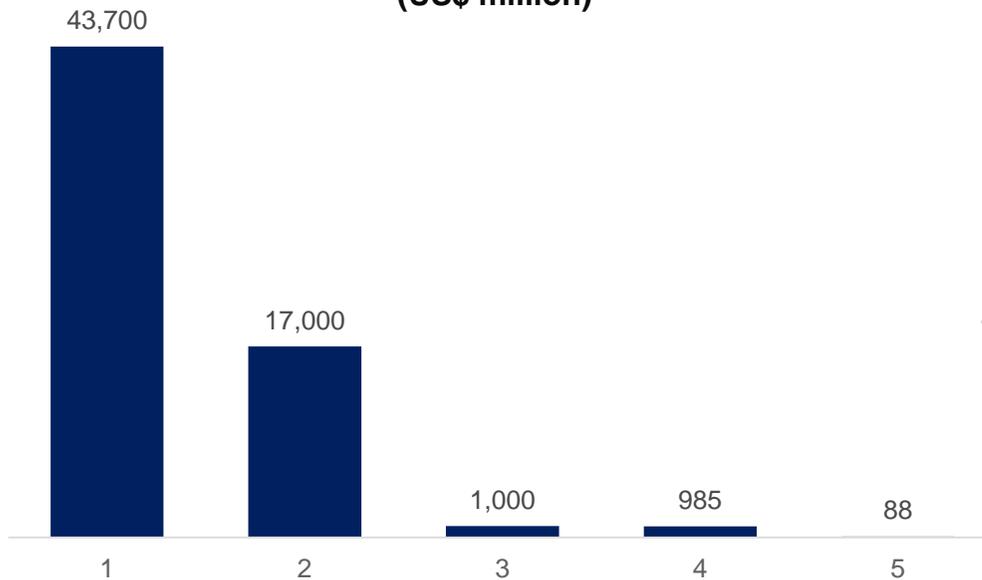


A Budget support: liquidity will also come from regional funders and, to a lesser extent, from other non-regional multilateral institutions

Sub-Saharan African Regional Banks	US\$ million
African Development Bank (AfDB)**	13,000
Eastern and Southern African Trade and Development Bank (TDB)	326
West African Development Bank (BOAD)	324
ECOWAS Bank for Investment and Development (EBID)	2
Total	13,651

• **The African Development Bank has announced the creation of a \$10 billion fund to help regional member countries combat the spread of Covid-19 on the continent.** Resources come from the Bank's regular window, unused resources, ADF-15 resources for advance commitments and redirected resources from cancellable loans. This means that the new resources available will be comparable to those in progress.

Multilateral Institutions** response to the coronavirus as of 30 April 2020 (US\$ million)



- **The African Import-Export Bank (Afreximbank) has announced a \$3 billion financing package to help African countries cope with the economic and health impacts of the Covid-19 pandemic.** The financing facility will be available through direct financing (3.5% interest for three years), credit lines, guarantees, currency swaps and other instruments.
- **Of the \$17 billion made available by the EU to help partner countries, \$2.3 billion will be devoted to Africa.** The funds are intended to respond to the immediate health crisis and the resulting humanitarian needs. This includes strengthening the health, water and sanitation systems of partner countries and their research and preparedness capacities to cope with the pandemic, as well as mitigating the socio-economic impact.

Based on ODI's Donor Response Tracker and TBI Analysis: https://set.odi.org/wp-content/uploads/2020/05/Donor-responses_as-of-30April-2020.pdf

*Includes US\$ 3 billion collected through AfDB's Social Bond

** Excludes IMF and World Bank for illustrative purposes



Debt relief or renegotiation: the IMF has moved fast on debt relief but it is not clear if it will find more resources



- **Knowing that the debt levels of low-income countries can prevent access to new loans, the IMF has offered some debt relief to the poorest countries.** The Disaster Assistance and Response Trust Fund allows the IMF to provide debt relief in the form of grants to the poorest and most vulnerable countries hit by disastrous natural or public health disasters. On April 13, the IMF announced debt relief for 25 countries under the Disaster Assistance and Response Trust Fund (ARC Trust Fund).
- **The IMF is expected to raise more than \$ 1 billion in additional debt relief to cover the debt of the same countries for 18 months.** These advances will be contingent on and in tandem with the discussions between the G20 and African countries about bilateral debt.
- **The WB and IMF Annual Meetings will be a space to discuss the progress of the debt problem** and will also serve to create new momentum towards the G20's demand for bilateral and private debt relief.
- **Most leaders in the region agree that coordination will be required to achieve significant debt relief.** To this end, preparation for the IMF and WB Meetings will be key.



International Monetary Fund
World Bank Group

World Bank and IMF Annual Meetings will take place in October 2020 in Washington



Debt relief or renegotiation: the G20 and China will be the key groups/countries to convince



The G20 are meeting in November 2020 in Saudi Arabia. The debt problem will hopefully be addressed.

- **The G20:** on April 15, 2020, the G20 Finance Ministers announced the suspension of debt service for the poorest countries (IDA and the least developed according to UN). In addition, they expressed support with a time-limited suspension of debt service payments for the poorest countries that demand tolerance. They appealed to private creditors to work, with the help of the Institute of International Finance, to create an initiative with comparable conditions. However, it remains to be seen whether the G20 will be generous and/or take the lead in coordinating private creditors once African countries' tax demands continue to rise.
- **China and debt:** The Chinese government has been generous with multilateral agencies by supporting debt relief measures at the IMF and the World Bank. The government has also said they will take the possibility of bilateral debt relief with developing countries on a case-by-case basis.
- **Private sector holding sovereign debt:** An “Africa Private Creditor Working Group” made a statement on 15 May 2020 maintaining they will assist African countries and other debt providers to cushion the economic impact of the coronavirus pandemic on the continent. The group represents 25 asset managers and institutions that financed countries and corporates via Eurobond, syndicated loans and trade finance. This indicates an openness from the sector to consider an organised approach to the matter. Creditors will therefore also need to be organised and coordinated in order to reach a mutually beneficial arrangement.



Commercial credits and social bonds: the private sector could provide liquidity as long as credible guarantees are given

- Domestic commercial loans can be considered; however, it is important to consider the effects on the private sector and the local financial system.
- The external private sector is an option if the country has already accessed such funds. Nevertheless, global capital is moving towards geographies where the risk is lower and where they are likely to demand extraordinary premiums in the absence of an exemplary guarantee. One option is to use guarantees from development partners who have committed to support with monetary resources (see below the example of Côte d'Ivoire).
- "Social bonds" are financial commitments issued to be spent on social goals, i.e. investors provide financial resources, in the form of grants or low interest rates, in return for social results. In the Covid-19 context, the social impact of direct and immediate funding to the government can be argued in multiple ways (see the Côte d'Ivoire example below), therefore "social bonds" could be considered.

Côte d'Ivoire issued its second "Covid-19 social bond", with which it collected \$297 million for a total amount of \$594 million so far across two bonds. The government released the bond issuance on the West African Monetary Union (WAMU) financial market. This money was raised to bridge a three-month wait for an IMF disbursement worth \$884 million.





Supply of goods, services and HR: technical assistance by DPs and donations from private sector/philanthropies can be key resources



Most goods and services will come from technical assistance projects.

- **Protect the financial sector.** The IMF has considerable expertise and resources to assess the health of the financial sector; this will be essential to maintain the sector in good health while relaxing regulations to account for higher missed payments or inserting liquidity.
- **Public finance strategy.** Governance or public finance management projects of DPs are particularly well positioned to provide resources to prepare new strategies in the Covid-19 context.

By combining support or guarantees from development projects and the private sector, it is possible to expand policy possibilities.

- **Support for coordination with the private sector.** DPs or the private sector can provide human resources to support new private-public sector working groups or task forces.
- **Create fiscal space through guarantees to PPPs.** Engage current PPP investors to reconsider payments to the ventures including Special Purpose Vehicles. DFIs involved in the ventures could be brought in to support or guarantee renegotiations.
- **Increase access to finance through development projects.** DFIs specialising in the public sector have resources available for direct financing to firms or banks.

Both donations of goods and services and public assistance should be considered.

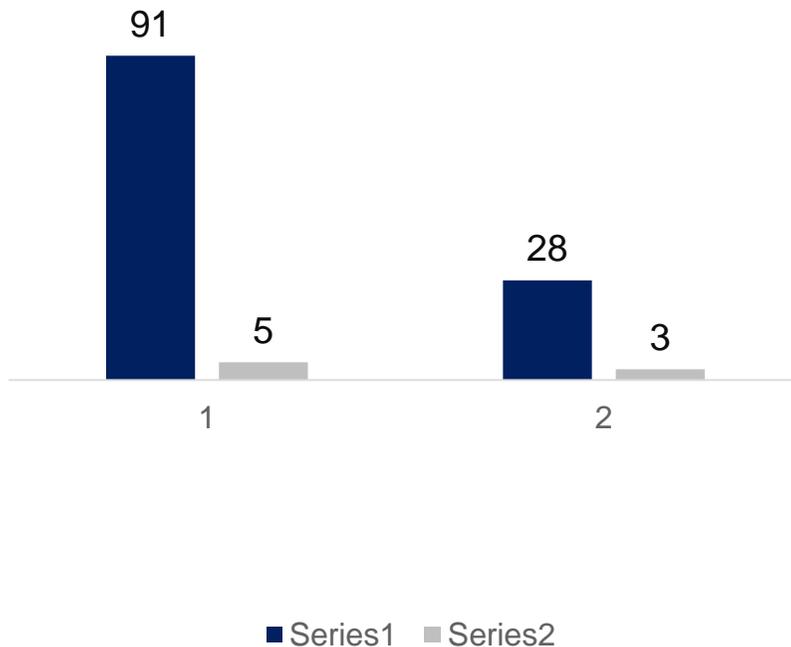
- **Evidence and proposals from the private sector.** The private sector can provide key information to understand the effect of contingency measures on the economy.
- **Donations of basic foods and health products.** The private sector and national and international philanthropies can be attracted by direct donations of necessities.



Supply of goods, services and HR: the quickest resources of this kind will come from projects already underway and in pipeline

Amount allocated * by the World Bank
(US \$ billion)

Sub-Saharan Africa



- Since the funds announced by the World Bank seem to come from funding already provided, it can be expected that governments will be encouraged by the Bank to examine their current projects and direct them towards social protection. We can expect a similar situation at the AfDB.
- Therefore, taking into account the time for these banks to approve new projects, the quickest resources will surely be available on projects already in progress.
- Technical assistance projects can be restructured towards the new challenges of Covid-19; some World Bank projects have conditional emergency response (CERC) components that can be used for the same end.



Present targeted measures with clear and credible resource-needs estimates

Examples of measures		Examples of requests		
		Liquidity/financial resources	Expertise and HR	In-kind resources
<p>Easing of regulations</p>	<ul style="list-style-type: none"> An agency dedicated to the issues of key industries. 	 <p>10 thousand USD Grant to support logistics</p>	 <p>2 Governance advisers Delivery capacity strengthening</p>	 <p>Office space to house the agency</p>
<p>Cashflow support</p>	<ul style="list-style-type: none"> Postpone deadlines for income taxes. Postpone payment of royalties to local power corporations. 	<p>Banque Centrale 40 million USD Immediate fiscal advance</p>	 <p>2 consultants 3 weeks Technical assistance in targeting key sectors</p>	 <p>1.5 million USD Deferment of government transfer fees</p>
<p>Access to finance</p>	<ul style="list-style-type: none"> Liquidity injection. Government loan guarantee for key industries. 	 <p>360 million USD Support to central reserves</p>	 <p>2 Remote fellows Technical assistance on privacy concerns of mobile tracing</p>	 <p>1.5 million USD Direct guarantees to the private sector</p>
<p>Transfers</p>	<ul style="list-style-type: none"> Reduction of taxes, customs fees and miscellaneous charges in the agro and tourism sector. Cash transfer to vulnerable citizens. 	 <p>40 million USD Budget support for the fiscal gap</p>	 <p>1.5 million USD Technical assistance in local vaccine testing</p>	 <p>0.5 million USD Donation of fertilisers to agro firms</p>

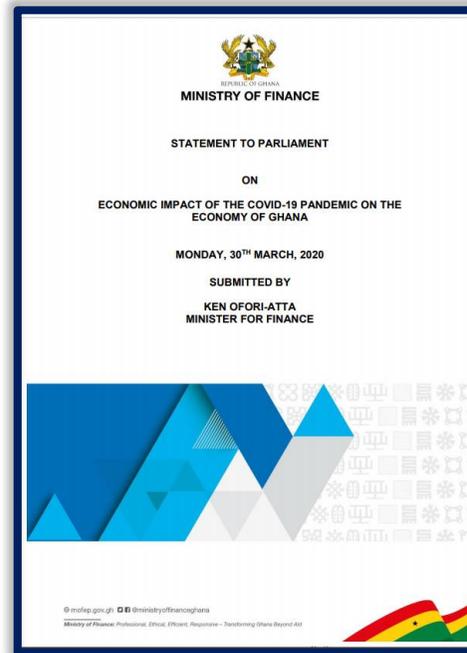
Sources: various as per logos



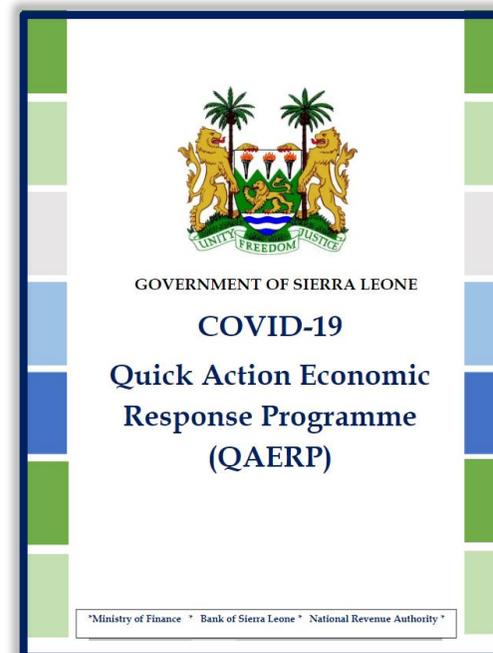
Examples of economic response plans



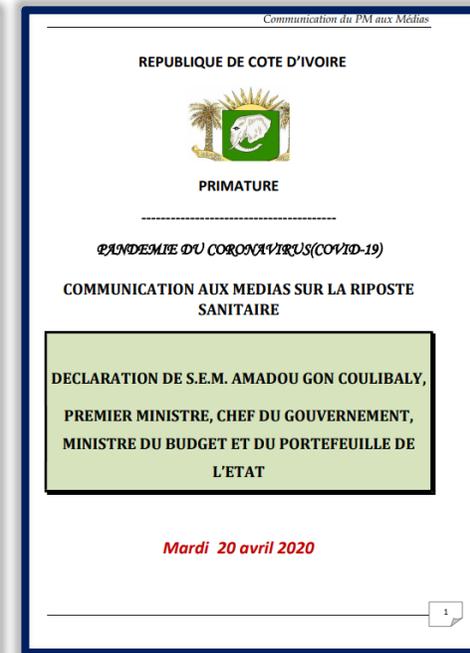
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