

## CLIENT ALERT

### Policymakers Pivot to New Phase in the Global Economic Response to COVID-19

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The international economic policy response to COVID-19 has shifted into a new phase. Most advanced economies are expanding their already substantial fiscal response packages after initial announcements in March and early April. The G20 has endorsed an Action Plan as part of international efforts to chart out a more coordinated economic response. *The IMF, World Bank, and regional development banks have pivoted from making new commitments to fast-tracking the approval of dozens of new lending programs to shore up emerging markets.* These efforts, while unprecedented in speed and scale, still represent initial steps governments are taking towards supporting their health systems and stabilizing economies in the midst of the pandemic.

Global companies have an opportunity to ensure their businesses, employees and markets are informed of the evolving policy environment and economic support measures. As governments implement public investments and regulatory changes over the coming months, it is important that companies engage with policymakers at local, national and global levels to help shape those efforts in a way that restores stability and enhances long-term opportunities for investment and growth.

The Crowell & Moring + C&M International team is working with numerous clients on relief and stimulus measures across countries and industries. We would welcome the opportunity to discuss these government and multilateral developments as you navigate this fast moving economic and regulatory landscape.

#### G20 Finance Ministers Adopt Action Plan for Response

*G20 Finance Ministers and Central Bank Governors met virtually on April 15.* They endorsed an Action Plan to support the global economy and respond to COVID-19. They are slated to reconvene in July to review progress and update the Plan in response to the unfolding pandemic. The Action Plan identifies key areas of needs and efforts, although stops short of galvanizing commitments:

- **Health Systems and Biomedical Research:** *The Action Plan calls for increased funding for research and development of diagnostics, therapeutics and vaccines as well as collaboration to close the financing gap in global health.* In particular, it requests that the WHO and other international organizations and experts develop a report on COVID-19 financing gaps and necessary actions. Finance Ministers also committed to working with Health Ministers in anticipation of a joint meeting in the coming months. As this year's G20 host, Saudi Arabia on April 24 highlighted an immediate \$8 billion financing gap to combat COVID-19 and has pledged \$500 million towards these efforts. G20 Finance Ministers noted that "better preparedness and investment in our health systems for well-known and quantifiable risks, can help avoid the overwhelming health, social and economic costs" and committed to better assess economic risks stemming from pandemics and drug resistant infectious diseases. The Action Plan also calls for timely information sharing on health measures and non-pharmaceutical interventions.
- **Infrastructure and Sustainability:** *G20 Finance Ministers committed to "re-double" their efforts on fostering quality infrastructure investment and mobilizing private financing for infrastructure,* recognizing that investments in quality

infrastructure are vital to enhance preparedness and resilience in future crises. The Action Plan makes only a nod to an “environmentally sustainable and inclusive recovery” in comparison to the heavy emphasis placed on a green and low carbon recovery by the G20 in response to the 2008-9 crisis. This highlights the now differing views that advanced economies may take about prioritization of green infrastructure and investments in their longer-term rebuilding efforts.

- **Training and Reskilling:** As governments pivot towards getting their populations back to work, *G20 Finance Ministers highlighted their commitment to “support workers through active labour market, training and reskilling policies to minimize the loss of human and organizational capital.”* They noted that they will review a report on employment impacts being developed by the International Labour Organisation (ILO) and OECD. G20 Employment and Labor Ministers released their own [statement](#) on April 23 focused on the immediate challenges in protecting jobs and workers and making no mention of longer-term training and reskilling efforts, underscoring the competing priorities policymakers will face as they seek to simultaneously address the current crisis while also planning for recovery and rebuilding.
- **Global Trade and Supply Chains:** In line with the earlier G20 Trade Ministers [statement](#), the Action Plan states that any COVID-19 emergency trade measures must be “targeted, proportionate, transparent and temporary,” WTO-consistent, and not create unnecessary barriers to trade or disrupt global supply chains. It also reiterates that governments will ensure the smooth and continued operation of the global logistics network.
- **Debt Relief:** The G20 also agreed to a time-bound suspension of debt service payments for the world’s poor countries, slated to run from May 1 through the end of 2020 for those that request relief. This temporary relief comes as many middle and low-income countries have begun to seek immediate financial assistance from international financial institutions.

### Major Economies Expand on Response and Recovery Measures

As they take initial steps to coordinate at the global level, major economies have continued efforts to backstop their own domestic economies. Recent developments include:

- **South Korea**, one of the first economies to adopt emergency economic measures in late February, announced a proposal on April 8 to provide an additional 36 trillion won (\$29.5 billion USD) worth of cheap loans to exporters affected by the pandemic through policy banks, tax benefits, and other measures. On April 22 the government announced of a new package worth 85 trillion won (\$70 billion USD) to support the country’s worst-hit industries, SMEs, and workers through job protection schemes.
- **Japan** followed-up on its April 7 announcement of a stimulus package worth 108.2 trillion yen (approximately \$1 trillion USD) with an additional proposal to provide all citizens a payment of 100,000 yen (\$928.20 USD), which could be enacted in the coming days.
- The **UK** announced on April 17 that its Coronavirus Job Retention Scheme (which covers 80% of furloughed workers’ monthly wages, up to 2,500 pounds or \$3106 USD) would be extended through June, potentially costing an additional 14 billion pounds (\$17 billion USD).
- The **EU** announced on April 9 a much-negotiated package of around 540 billion euros (\$587.2 billion USD), allowing the European Stability Mechanism to provide crisis support during the pandemic. It provides 25 billion euros in guarantees to the European Investment Bank to support up to 200 billion euros in loans to companies, and a temporary loan-based instrument equaling 100 billion euros to protect workers. EU leaders announced on April 23 that they have also agreed

to work towards establishing a recovery fund (still to be negotiated, although potentially exceeding 1 trillion euros) that would be focused on supporting the region's most affected sectors and geographies.

### **International Organizations Mobilize Financing and Support**

The IMF, World Bank and Regional Development Banks have started to rapidly approve and disburse financial aid in recent weeks after announcing major financing commitments in March. *Since the start of April, the IMF has approved emergency financing for over two dozen countries* including **Pakistan, Panama, Ghana, the Democratic Republic of the Congo, Bolivia, Paraguay** and **Tunisia**. The IMF is poised to consider similar emergency financial requests from countries including **Egypt, Nigeria, the Dominican Republic, Ecuador, and Ethiopia** in the coming days and weeks. Most of these approvals are for emergency loans that come with little or no policy conditions, but could lay the groundwork for longer-term economic recovery programs.

**South Africa** indicated that it has approached the IMF, World Bank and other international organizations to support its economic response efforts, with reports indicating it could seek 95 billion rand (nearly \$5 billion USD), potentially including its first ever IMF loan. In late April South African President Cyril Ramaphosa announced a 500 billion rand (\$26 billion USD) package, which will include an additional 20 billion rand health budget to respond to the virus, increased payments to individuals, and a series of tax relief and deferral measures including fast-tracking of VAT refunds.

The world's development banks have also prioritized fast-track approval of COVID-19 related emergency financing in recent weeks. *In April the World Bank approved over 30 new financing programs* including for **Colombia, India, Sri Lanka, the Philippines, Myanmar, Turkey, and Uzbekistan**. The *Asian Development Bank (ADB) has approved new programs* worth \$1.5 billion USD for both **Indonesia** and the **Philippines**, and is discussing a potential \$2.2 billion package for **India**, \$600 million emergency package for **Bangladesh**, and additional support for **Pakistan**. Many of these packages are supporting governments' immediate health related responses to COVID-19, but in some cases are also providing support for broader economic stimulus measures.

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