ECONOMIC RESPONSES TO COVID-19 AND FINANCIAL IMAGINATION

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This collection of short essays is the collective outcome of an assignment for the 2020 Class of the LL.M./M.Sc. programme in Comparative Law, Economics and Finance (CLEF) at the International University College of Turin. The purpose was to document a series of financial and economic responses to the COVID-19/SARS-CoV-2 global crisis, and to assess them from a qualitative perspective. The background research was carried out from April 6th to 12th, and the contributions delivered on April 13th, 2020. This work is made available to the public in a draft version.

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The contributions that follow were produced in the form of a special assignment for the “Anthropology of Finance” course of the LL.M./M.Sc. CLEF programme at the International University College of Turin. The course was delivered online from April 6th to 9th, 2020, with students and instructor interacting remotely due to the lockdown measures taken in relation to the ongoing coronavirus pandemic. The regular purpose of the course was altered in order to address collectively current financial and economic responses to the COVID-19 global crisis. The materials collected by students were discussed in class from the perspective of “the limits of financial imagination” – a notion that was illustrated with reference to Ortiz (2014). Additional readings were discussed in order to provide students with a legal angle on the features of dominant financial imagination, and its possible alternatives, in the response to critical situations (Hockett and Omarova 2017; 2018).

This work is made available to the public with the sole purpose of contributing to a global conversation on the potentials and limitations of mainstream and alternative views to finance in the context of the pandemic. As the content is provided in a draft format, readers are kindly asked not to cite the contributions without approval from their authors. We thank Giuseppe Mastruzzo, Director of the International University College of Turin, and Ugo Mattei, Academic Coordinator, for their support.

References

The Impact of Financial Responses to COVID-19 on Consumers’ Access to Food Markets in Ethiopia

Bereket Alemayehu Hagos

The coronavirus disease 2019 (COVID-19), as for the majority parts of the world, has made its way to Ethiopia. Consequently, the Ethiopian government has been taking different actions that aim at containing the spread of the virus. Besides, the government has put forward a number of financial responses and is preparing to take further action in relation to COVID-19. These governmental measures can have serious implications on consumers’ access to food markets. This article aims at briefly examining these financial responses and their impacts on consumers’ access to food markets in Ethiopia.

Following the first confirmed case of COVID-19 on March 13, 2020, the Ethiopian government started taking different restrictive measures to contain its spread. However, these measures were both legally dubious and haphazard in nature. They were legally dubious because the government did not use a legally-recognized mechanism, typically a state of emergency, for imposing the restrictions. Instead, they were announced in press releases of the Office of the Prime Minister. They were uncoordinated, since the federal government’s measures were not aligned to the measures of the different regions. The most serious of the restrictions are the ban on intra-regional travels, social distancing requirements, ban on public gatherings and closure of schools, cafes and restaurants.

Only after nearly a month following the first confirmed case did the Ethiopian government declare a nationwide state of emergency on April 10, 2020. The Proclamation through which the state of emergency is declared delegates the Council of Ministers (the Federal executive body) to issue regulations in order to implement it. Accordingly, the Council has adopted a Regulation that consolidates the aforementioned restrictions.

Apart from declaring the state of emergency, the Ethiopian government has taken other response measures in relation to COVID-19. It approved an additional national budget of ETB 28 billion, albeit the details on the specific purposes of the additional budget have not been announced. Besides, the World Bank Group has approved $82.6 million ($41.3 million grant and $41.3 million credit) for Ethiopia in order to deal with the health and economic impacts of COVID-19.
COVID-19. It is believed that these funds can help the government finance the unforeseen expenses associated with the virus.

Following the COVID-19-related restrictions, some measures have also been taken to enable consumers to access food markets. The Addis Ababa City Government decided to move the city’s biggest fruits and vegetables market to another site so as to reduce the congestion in the market, which is better to adhere to the social distancing advice of medical professionals. The government is building the new market to make it ready as swiftly as possible. Though this financial measure may have the effect of enabling consumers to access the market while avoiding congestion, it is insufficient, given the large size of the city and its consumer population.

The Ethiopian government has also recently announced that it may be forced to use the country’s food reserves, since serious shortages of supplies are expected due to COVID-19-related breaks or disruptions in global food supply chains. This shows that the government is anticipating the occurrence of a food supply crisis, which will limit the access of consumers to food from markets. What makes the problem a “crisis” is the expectation that it will affect almost the whole Ethiopian population and economy. This is worrisome particularly because the Ethiopian economy, due to its negative balance of payments, is largely dependent on imported products, including food items, such as sugar, rice and wheat.

Taking cognizance of the impending crisis, the Ethiopian Ministry of Agriculture also stated that it is working “to curtail the possible incidence of food insecurity” in Ethiopia. Accordingly, the Ministry announced that different actions are being taken to prevent serious food insecurity, principally by increasing the country’s agricultural productivity through scaling up the use of irrigation and fertilizers. As an economy that is heavily agrarian, which supports the majority of the population, this response is of paramount importance. The measure can also enable Ethiopian consumers to obtain food items (fruits, vegetables, cereals, etc.) from the markets, since the items available in the markets are sourced mainly from the agricultural sector. In other words, a diminution in the productivity of the agricultural sector would result in serious scarcity in the markets, thereby limiting consumer’s access to food items.

Another action that can be regarded as a response to COVID-19 is the one that relates to the unreasonable price hikes in the markets. For this purpose, the government has instructed the law enforcement organs to take legal measures against businesses that unjustifiably increase the prices of consumable goods. This is appropriate, as the recent experience showed that many

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11 “የፒያሳአትክልተራከችንሰኞሚምሮወደጃንሜዳይዘዋወራል (Piazza’s Vegetables Market to be Moved to Janmeda as of Next Monday)” (trans.), Fana Broadcasting Corporate, (April 03, 2020), Available at https://www.fanabc.com/%E1%8B%A8%E1%8D%92%E1%8B%AB%E1%88%B3-%E1%8A%A0%E1%89%B5%E1%8A%AD%E1%88%8D-%E1%89%B0%E1%88%AB-%E1%8A%A8%E1%8D%8A%E1%89%B3%E1%89%BD%E1%8A%95-%E1%88%B0%E1%8A%9E-%E1%8C%80%E1%88%9D%E1%88%AE-%E1%8B%87/
12 Ibid.
13 Dersso.
14 “Gov’t Strives to Curtail Possible Incidence of Food Insecurity”, Ethiopian News Agency, (April 7, 2020), Available at https://www.ena.et/en/?p=13721&fbclid=IwAR2-60jUlMxs49T-6z2uEI2tr31dm9gQFsQHt2IcN6M0F-7y12IC3b-so
15 Ibid.
businesses have engaged in charging unreasonably high prices for food items following the announcement of COVID-19 cases. Ensuring that consumer protection and other regulatory laws are properly enforced during this time of crisis promotes the interests of consumers.

The other financial response of the government is the provision of cash payments (amounting three months’ income) to low-income urban dwellers in the highly affected parts of Ethiopia.\(^{16}\) This response will be executed by the Federal Urban Development Safety Net Project Steering Committee.\(^{17}\) The purpose of this support is to assist urban dwellers in meeting their necessities by enabling them to purchase from markets and supporting other similar initiatives in the cities. While such response can be important to the low-income dwellers, it does not seem to be sustainable, unless COVID-19 is contained in three months to allow the urban dwellers to return to income-generating activities.

The aforementioned financial responses of the Ethiopian government are indispensable, but they are far from adequate. They are not coordinated because the focus of the government is on containing COVID-19. Although this focus is apt, it cannot fully resolve the other consequences of the virus, such as its impact on the economy and consumers’ access to the market, as explained above. Indeed, the Food and Agriculture Organization, based on the experience taken from the Ebola outbreak, emphasizes “the importance of maintaining and upscaling humanitarian food security interventions for the most vulnerable populations, alongside the health sector’s efforts to avert disease spread.”\(^{18}\) Thus, the government should give due attention to consumers’ access to markets and affordable food.

To conclude, the financial responses of the Ethiopian government to COVID-19 are commendable, but they must be coordinated and further consolidated. In particular, it is recommended that sufficient attention be given to the issue of consumers’ access to food markets, since they are among the sections of the society that could be worst affected by COVID-19 and the responses thereto.


\(^{17}\) Ibid.

THE RESPONSE TO MITIGATE THE IMPACT OF COVID-19 ON PRIVATE EMPLOYEES IN ETHIOPIA

Brook Kebede Abebe

Introduction

To date, it is estimated that COVID-19 has infected over 1.7 million people globally and claimed almost 110,000 lives.\(^1\) Also, the outbreak of COVID-19 is a human tragedy, affecting millions of people almost in all parts of the world. Compared to Europe, Asia, and parts of the Americas, the current number and rate of infection and death are lower in Africa.\(^2\) However, in the writing of this piece, the numbers of COVID-19 cases and deaths are increasing in Africa.\(^3\) Globally, coronavirus without making any significant exception affects all sectors. Countries are facing severe challenges with the declines in returns, liquidations, and unemployment in all sectors. Specifically, coronavirus highly affected the labor market.\(^4\) Globally, a total of 81% of the global workforce of 3.3 billion people have had their workplace fully or partly closed.\(^5\) As a result, the International Labour Organization (ILO) in its first monitor edition on the 18\(^{th}\) of March 2020 clearly stated that immediate and organized policy responses are necessary both at the national and global levels.\(^6\) Besides, ILO focuses on the need for deeper institutional and policy reforms to mitigate the impact of the virus on the labour market.\(^7\) Moreover, it recommends social dialogue between employee, employer, and government as an essential tool for alleviating the matter.\(^8\)

In Ethiopia, the government and different business sectors have responding to support the efforts to contain and manage the spread of the virus and to cohesion the economic impacts of the pandemics. However, in light of data constraints, the scope of this Chapter will be limited to the analysis of the official statements and documents of the government to respond to stimuli the socio-economic impacts particularly to the labour market in Ethiopia. In this regard, the author believes that assessing the economic responses of the Ethiopian government and the private sectors has its imperatives for the sustainable development of the country. Accordingly, the Chapter, by using the dogmatic lenses, generally aims to assess the economic and/or financial responses of the Ethiopian government to mitigate the impact of coronavirus on the labour market in Ethiopia. Specifically, the Chapter tries to answer the question of what kind of economic/financial responses have been taken by the Ethiopian government to mitigate the impacts of the COVID-19 crisis on the labour market. Furthermore, the Chapter will forward alternative measures to effectively address and mitigate the impacts of the virus on the labour market. However, due to the novelty and volatility of the coronavirus cases and crises, the overall economic, financial and policy measures in Ethiopia are expected to change. Hence, the author has admitted that the outbreak is moving quickly, and some of the perspectives in this Chapter may fall rapidly out of date.

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\(^3\) WHO website.


\(^5\) Ibid.


\(^7\) Ibid.

\(^8\) Ibid.
General Overview of the Ethiopian Government Responses to Mitigate the Socio-Economic Impacts of COVID-19

As noted above, up until today, COVID-19 has continued to raise challenges for the economy of Ethiopia. Due to several socio-economic factors, there is a strong fear of the devastating socio-economic effects of COVID-19 in Ethiopia. However, the federal government of Ethiopia was very reluctant to take timely and efficient measures preventing the spread of the pandemic and mitigate its impact. Ethiopia is a federal state, therefore both the federal and some regional governments are taking several legislative, financial and economic measures to prevent and mitigate the socio-economic impacts of the coronavirus. In this regard, the measures taken by those layers of the governments are criticized by scholars due to the failure of the responses to uphold solidarity and uniformity.

The federal government announced different measures on March 16, 23, 27 and declared a state of emergency on April 8, 2020, and issued a regulation concerning the prevention, control and mitigating the impacts of coronavirus in Ethiopia. On the socio-economic front, Ethiopia has focused on the provision of funds and tax reliefs to specific sectors at the macro-economic level instead of providing financial support to families and small businesses. In this regard, the government has adopted a series of measures to stabilize the macro-economy. Based on the government statements, the macro-economic sub-committee has been undertaking dialogue with key industry stakeholders in various sectors. As a result, to rescue the economy from collapsing due to COVID-19, the Government of Ethiopia orders the National Bank to disburse approximately 460 million dollars to private banks to enable them to provide debt relief and additional loans to their customers’ in need. It also includes tax exemption for the import of materials and equipment to be used in the prevention and containment of COVID-19. Moreover, the banks ordered to avail foreign currency for importers primarily importing goods and input materials for the prevention of COVID-19. It is also stated that the Commercial Bank of Ethiopia (which is a state-owned bank with over half market share in the banking business in Ethiopia), is ordered to increase the number of money individuals can transfer through mobile banking, to limit in-person cash handling. The decision also involves the removal of the minimum price set by the National Bank of Ethiopia in the horticulture sector for flower exports. The Ministry of Revenue is also ordered to expedite Value Added Tax (VAT) returns to support companies with cash flows. It is also

10 Ibid.
11 https://twitter.com/PMEthiopia/status/1239483664926457856, last retrieved on April 12, 2020
12 Ibid.
13 https://twitter.com/abiyahmedali/status/1243475556362072064?s=21, last retrieved on April 12, 2020
14 Emergency Proclamation No. 3/2012 to prevent, control and reduce the effects of CoV-19 transmission and the Council of Ministers Regulation
15 https://twitter.com/abiyahmedali/status/1243475556362072064?s=21, last retrieved on April 12, 2020
17 Ibid.
18 Ibid.
19 Ibid.
20 Ibid.
21 Ibid.
stated that the Ministry of Trade and Industry will continue strengthening the measures it is undertaking to control price increments and supply shortages of consumer goods.\textsuperscript{22}

Moreover, as noted above, the Ethiopian government recently has issued a State of Emergency Proclamation\textsuperscript{23} and Regulation\textsuperscript{24} to prevent, control and reduce the effects of COVID-19 transmission which will be applicable throughout the country.\textsuperscript{25} Such kind of nationwide legislative measures are very relevant to understand the extent of measures that are taken by the government and to manage the situation in Ethiopia. For the issue at hand, these legislations are trying to respond to both private and public employees which are affected by the pandemic. Therefore, the next part discusses the Ethiopian Government’s responses to mitigate the impacts of COVID-19 on the labor market in Ethiopia.

**Ethiopian Government Responses to Mitigate the Impacts of COVID-19 on Private and Public Employees**

One of the developing countries which are highly suffering from COVID-19 is Ethiopia. Almost for the last decade, Ethiopia boasted significant economic growth.\textsuperscript{26} Among others, its GDP has been reached on the brink of 14 percent in 2017.\textsuperscript{27} This has been related to several factors that are ever-changing circumstances such as the development in agriculture, construction and services, and industrial development in Ethiopia.\textsuperscript{28} Even if Ethiopia is struggling and achieving economic growths, it remains one of the poorest countries in the world.\textsuperscript{29} Besides, the country is characterized by high unemployment rates which hamper Ethiopia from better development.\textsuperscript{30} On top of that, the recent outbreak of coronavirus in Ethiopia will aggravate and impact the socio-economic problems of the country. Particularly, the pandemic will trigger a huge economic interruption and will result in lay-offs of private and public employees. In this regard, in Ethiopia protecting private as well as public employees from the financial and economic crises needs to be a top priority.

It is self-evident that both the public and private sectors are playing important roles in terms of reducing unemployment and create job opportunities in Ethiopia. However, in this worst situation, the economic responses shall be intended at improving labor supply, including financial incentives to work, which are especially important from the perspective of protecting employees. Besides, this kind of impending recession caused by the pandemic has demanded multiple economic and financial responses from the government, international financial

\textsuperscript{22}https://twitter.com/abiyahmedali/status/1243475556362072064?s=21, last retrieved on April 12, 2020  
\textsuperscript{23}State of Emergency Proclamation No. 3/2012 to prevent, control and reduce the effects of CoV-19 transmission  
\textsuperscript{24}Council of Ministers Regulation to implement Emergency Proclamation No. 3/2012 to prevent, control and reduce the effects of CoV-19 transmission  
\textsuperscript{25}State of Emergency Proclamation, Article 3  
\textsuperscript{27}Trading Economics, https://tradingeconomics.com/ethiopia/gdp, last retrieved on April 9, 2020  
\textsuperscript{28}World Bank, https://www.worldbank.org/en/country/ethiopia/overview, last retrieved on April 9, 2020  
\textsuperscript{29}Focus Economy, https://www.focus-economics.com/blog/the-poorest-countries-in-the-world, last retrieved on April 12, 2020  
\textsuperscript{30}Due to the following main reasons unemployment is prevalent in Ethiopia: inadequate business skills, lack of regulatory frameworks and sustained administrative support as well as lack of access to finance. Accordingly, the current Ethiopian unemployment percentage is stands at 19.1. “Unemployment Rate in Ethiopia increased to 19.10 percent in 2018 from 16.90 percent in 2016”, Trading Economics, https://tradingeconomics.com/ethiopia/unemployment-rate
institutions, Non-Governmental Organizations, and the private sectors. Responses that assist labor market transitions are necessary to ease the short-run adjustment and to charming the longer run rearrangement of resources. Moreover, in mitigating the immediate consequences of the crisis the careful withdrawal of provisions to support short term working arrangements will be necessary.

In Ethiopia, both the government and private sectors are started to look at the measures they could take to stimulate the impacts of the virus on the public and private employees respectively. The government has already taken several measures to stem the spread of the virus and to mitigate its socio-economic impacts, including closing private and public schools and universities, bars, entertainment centers, banning public gatherings and requiring most government and public employees to work from home. Similarly, it has been publicly reported that many public and private businesses are currently permitting certain groups or even entire staff to work from home on a trial basis to flesh out and address any issues in advance if more wide-scale home working becomes mandatory. Conversely, the restrictions on daily life have led to the closure of many companies and the laying off of staff – either permanently or temporarily. It is nonetheless important to note that the government provides the legislative guarantees for private employees against employers taking any layoff measures except those considered in the Labour Proclamation (Proclamation No. 1156/2019) and the procedures set by the Ministry of Labor and Social Affairs.

In addition to the above measures, the Ministry of Labor and Social Affairs have reportedly announced a plan for taking homeless people into camps. On the other hand, the Minister of State of the Ministry of Finance told Ethiopian Television that the government has a plan to use the food reserve of the country for support for persons without a salaried income. A similar measure also has been taken by other African countries. For instance, the Rwandan President Paul Kagame said that government is doing everything possible to support vulnerable Rwandans during the lockdown citing its social and economic challenges. He also recognized that the hard-hit Rwandans living in urban centers without a salaried income are the most affected. Therefore, the food relief is being drawn from the country’s National Strategic Grain Reserve to support them.

Apart from the above immediate responses, the government is required to take strong economic measures. In this regard, there are different options which are employed by different countries. Social insurance is one of the alternatives which can be used to preserve wellbeing, facing a crisis of coronavirus that affects everyone and to help the most vulnerable make it through. In this regard, some countries tried to expand unemployment benefits and welfare

31 See the Council of Ministers Regulation to implement Emergency Proclamation No. 3/2012 to prevent, control and reduce the effects of CoV-19 transmission, https://twitter.com/abiyahmedali/status/1243475556362072064?s=21, last retrieved on April 12, 2020
32 Council of Ministers Regulation to implement Emergency Proclamation No. 3/2012 to prevent, control and reduce the effects of CoV-19 transmission Article 3(16)
33 Dersso.
34 https://www.facebook.com/watch/?v=229690781743441 last retrieved on April 9, 2020
35 Dersso.
37 Ibid.
38 Ibid.
payments. Other governments are sending checks in monthly basis. Some others also are providing support for the self-employed 80% of the past profits as cash grant without considering the type of business.

The lockdown period indeed has its impact on the employers. Because they cannot make payments during the crises that they will close their doors for good. Subsequently, the business will not revive immediately. Finally, those workers who are laid off now will later face challenges to get the same job that suits them and pays well. Therefore, it is advisable not to stop businesses from failing in the first place if the lockdown is implemented for a short period. Concerning the issue, the financial measures taken by the Ethiopian government to mitigate the problems of the business sector and the labor market is very crucial. However, the author strongly believes that Ethiopia faces a bigger challenge than many other parts of the world. When the Ethiopian government directly or indirectly restricts certain business sector and tell people to stay at home, the government should have been taken into consideration several variables including the absence of a social security scheme. For instance, even though the state of emergency regulation prohibited the layoff of employees in the private sector, currently, the employment contracts of workers working in bars and restaurants are starting to be suspended. This is highly interrupting the daily economic life of the poor and it would intimidate delicate livelihoods for millions of people even now living in worst socioeconomic conditions in Ethiopia. Alternatively, allowing people to work, travel and perform day-to-day business activities is considered as allowing the transmission of the transmittable and potentially deadly coronavirus throughout the country which later will highly affect the economy. In this regard, there has to be an alternative solution which will balance these two competing interests. At least as ILO recommends there has to be a tripartite social dialogue to mitigate the impacts of coronavirus on the labor market. And it is important to set economic solutions to effectively mitigate the impact of the coronavirus on the employee.

As to the author’s opinion, legislative measures by themselves may not mitigate the impact of coronavirus in Ethiopia. Thus the country should solicit the source of funds to take effective and comprehensive financial and economic measures to mitigate the impact of coronavirus on the labor market. In this regard, in addition to allocating the financial support of the WB, IMF and others to controlling and preventing the virus it is also important to allocate funds to mitigate the impacts of the crises on the employee. This is because, by this time, in Ethiopia, all bars, entertainment, and horticulture industries have been closed and workers sent home. Besides, almost all small businesses, restaurants and transportation service providers are highly affected by the impacts of the coronavirus. Therefore, many of the economies are going to toward recession. Accordingly, Ethiopia needs to be financed by global and regional financial institutions. These institutions are expected to expose a financial assistance package that will enable countries to undertake flexible responses to lessen the economic and social impact of the virus.

**Conclusion**

The financial and economic crises of the pandemic are worldwide in nature. However, the impact of the crisis is heterogeneous across different parts of the world. Several countries started to take economic and financial measures in response to the unemployment crisis.

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40 Ibid.
41 Ibid.
42 Ibid.
43 Ibid.
prompted by the coronavirus. As ILO stated, “demand-side measures to protect those facing income losses because of infection or reduced economic activity are critical to stimulating the economy”. As part of responses, states are taking several measures, including bailouts, public credit, issuing of money or legislative measures (promulgate new legislation or by implementing of existing ones), and providing funds for the private sector.

In addition to the responses to curb the spread of the coronavirus, the Ethiopian government has taken some important measures to mitigate the impact of the coronavirus on the socio-economic lives of its people. However, due to the outbreak of COVID-19 and the restrictions, the labor markets are likely started to disrupt. Even though labour market institutions played a pivotal role in absorbing and accommodating the severe shock and mitigating the impacts of the crises, strong financial and economic efforts to mitigate the consequences of the crises must put in place. In this regard the government requires solicit sources of funds from international and regional financial institutions.

Due to the pandemic, individual employees and their families are first victims. Besides, the lockdowns and travel bans seem likely to destroy national economies and that economic impact is a hammer-blow that could lose Ethiopia all the economic advances it has made of late. Therefore, it will have a disastrous effect on the livelihood of families and communities and the drain on community assets and family savings that it represents. Therefore, the government should identify the main areas where it can provide targeted support to the employee. A support fund could be established to assist those sectors that are most affected by the coronavirus. The government should also consider the provision of the socio-economic situation of self-employed that will be immediately vulnerable to a collapse in demand as key to safeguarding this vulnerable group of workers until the end of the emergency period.
In a world wherein a number of nations are facing the economic and societal consequences of a global pandemic, Africa seemed to many, for a long time, to be a safe haven of immunity (Anthony 2020; France24 2020). This perception was soon proven incorrect, with countries across the continent recording rising numbers in infections; South Africa, as of 12 April, has recorded 2 173 cases (Department of Health: Republic of South Africa 2020). The initial national address concerning the arrival of COVID-19 on South Africa’s doorsteps ordered the temporary closing of schools and universities, set in place a curfew for the sale of alcohol, and encouraged citizens to wash their hands (South African Government 2020a). After an increase in cases and local apathy towards the issue at hand, the President announced a full-scale lockdown, which has since been extended for a further two weeks.

These measures, which have directly or indirectly forced the temporary closures of many businesses across the nation, have been criticised by many as economically tone-deaf. With South Africa’s economy already in recession, bodies such as the African Union feared that these regulations would snuff out any hope of a steady recovery (Finnan 2020). Cognizant of these challenges, the South African government was quick to follow the announcement of a national lockdown (and its subsequent extension) with proposals of how it would be supporting local businesses through the crisis.

This paper will set out in detail the various financial measures that the South African government has undertaken in support of small, medium and micro-businesses as a response to the impact of COVID-19 in the territory. In acknowledgment of the fact that the workers of any given industry make up a fundamental part of a business, this paper will nevertheless focus on funding aimed directly at enterprises as entities – whether they be close corporations, limited liability or sole proprietorships, rather than financial aid schemes to support employees of these aforementioned structures. It will similarly restrict its focus to direct financial responses by the public sector, rather than any encouragement or direction – though it exists – by the public sector to the private sector in formulating their own responses.

**South Africa’s Financial Response**

South Africa’s public sector, taking after many of its economic role models in developed countries, has shouldered the majority of the burden in offering financial support to SMMEs (Financial Times 2020). Proposals by government and their relevant state-owned entities have been diverse in application, some injecting cash directly into businesses in the form of loans or grants, while others seek to restructure or reallocate existing finances with debt relief measures and tax deferrals or exemptions.

**Grants and Loans**

The Department of Small Business Development has established two sources of funding aimed at providing financial support to SMMEs – the Business Growth & Resilience Facility and the Debt Relief Finance Scheme. The former is designed to reinforce the local manufacturing and supply of medical and hygiene products facing extraordinary demand as a
result of the COVID-19 health crisis by providing qualifying businesses with finance to be used towards “working capital (direct costs only), stock, bridging finance, purchase order finance and capital equipment finance” (COVID-19 Content Centre 2020a). The exact amount and form to be provided is decided upon assessment of the business’ needs and cash flows. Where a loan is issued, it will be repayable at prime rate less 5%, over a term tailor-made to the business’ circumstances. The rationale behind this source of funding is evident: As a short-term measure, it secures much-needed tools and equipment essential to the national fight against the spread of coronavirus. Over the long-term, it will increase local visibility and presence in the manufacturing market. This is undoubtedly also a move to decrease external dependency for essential medical items, as well as reinforcing home-based support of local production. A recent study conducted in the United States of America on the effect of disaster-related grants on small business speculated that “establishments that rely on a local customer base may benefit more” than those businesses with a majority of foreign customers (Gallagher et al. 2019, p. 3).

The Debt Relief Finance Scheme is aimed at businesses who are suffering from existing debt which arose as a result of the impact of COVID-19. This aid comes in the form of a soft loan for an initial period of six months, with flexibility for an increased term should a business require (CNBC Africa 2020). The requirement that the financial stress concerned be causally connected to the consequences (real or projected) of COVID-19 is vital, and will need to be evidenced through extensive documentation (Business Tech 2020a). The goal of this fund is in keeping with, and indeed as a response to the South African Reserve Bank’s bleak forecast of business closures across the nation as a result of the strain on the economy (COVID-19 Content Centre 2020b; Cronje and Omarjee 2020).

While there are many small, micro and medium-sized businesses in distress as a result of the pandemic, resources remain limited. In order to qualify for this funding, businesses must be 100% South African-owned with at least 70% of the employee base South African citizens. Application documents for both funds have stipulated that preference will be given to businesses owned by “women, youth and people with disabilities” (Department of Small Business Development: Republic of South Africa 2020a). Aside from substantive criteria, businesses who wish to apply for the funding must also have been registered with the national Companies and Intellectual Property Commission, as well as compliant with the relevant tax regulations.

However, even for initially qualifying businesses, access to the financial aid offered by both of these funds is guarded by an extensive application process. In order to be considered, businesses must submit various pieces of information about the business including its statutory documents, the identity documents of its directors, various bank statements and financial accounts, as well as evidence pertaining to any other financial support that the business has received. Moreover, an estimate of the amount required, as well as extensive breakdown of how the funding will be spent is expected to be submitted along with the application (Department of Small Business Development: Republic of South Africa 2020a, b).

The Small Enterprise Finance Agency (“SEFA”), a subsidiary governed by the Department of Small Business Development and established under the Industrial Development Corporation Act 22 of 1940, has since 2012 been providing SMMEs with support and access to finance. While there is nothing to suggest that businesses already benefiting from this assistance will be barred from at the very least applying for additional finance under the Department of Small Business Development’s facilities, a move by this agency to establish the
SEFA Debt-Restructuring Facility suggests that these businesses are being encouraged to rather manage their existing loans with the agency’s assistance in the form of repayment holidays, rather than take on additional debt (CNBC Africa 2020).

For many qualifying small and medium-sized businesses, these application requirements and procedures will not be a hurdle to the process of securing their future feasibility. However, micro-enterprises and businesses in the informal sector may have been effectively blocked from securing aid. The Department of Small Business Development has fortunately not left this oversight uninvestigated. The Small Enterprise Development Agency, an entity established under the National Small Business Amendment Act 29 of 2004 to work under and in cooperation with the Department of Small Business, has been mandated by the policy frameworks of the Business Growth & Resilience Facility and the Debt Relief Finance Scheme to assist non-tax and registry compliant micro-enterprises with both becoming compliant and completing the application process (South African Government 2020b). The fate of the informal sector, however, is less certain. While these concerns have been highlighted by many, with the majority calling for a universal grant, there have yet to be any concrete proposals from the authorities (Philip 2020; Buthelezi 2020; Cotterill 2020). The government has acknowledged these calls with the response that support to the informal business sector would be forthcoming, but is still under development (CNBC Africa 2020; COVID-19 Content Centre 2020a, c).

The Department for Small Business Development is not alone in its efforts to boost the South African economy. The Department of Trade, Industry and Competition in collaboration with the National Empowerment Fund, has developed a finance facility similar to that of the Business Resilience & Growth Facility to support black entrepreneurs in the production and supply of certain medical and hygiene products essential to “help the country flatten the curve of this deadly global virus” (National Empowerment Fund 2020). As with the Department of Small Business Development’s Facility, financing will be limited to a strict list of products, as seen below in Figure 1.

<table>
<thead>
<tr>
<th>Hand sanitisers</th>
<th>Disinfectants</th>
<th>Hand soaps</th>
<th>Medical protective clothing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disposable plastic gloves</td>
<td>Facial masks</td>
<td>Detergents / cleansing products</td>
<td>Steel beds</td>
</tr>
<tr>
<td>Linen &amp; hospital clothing</td>
<td>Medical supplies</td>
<td>Dispensers (water, soap &amp; sanitisers)</td>
<td>Toilet paper</td>
</tr>
<tr>
<td>Plastic bottling &amp; moulding</td>
<td>Matrasses &amp; sponges</td>
<td>Disposable caps</td>
<td>Alcohol-based wipes</td>
</tr>
</tbody>
</table>

Figure 1: “Products to be funded for black entrepreneurs to fight COVID-19” (National Empowerment Fund 2020)

The nature of the support provided under the COVID-19 Intervention Fund, as it is informally referred to by the National Empowerment Fund, is that of a loan limited to R10 million per applicant over a maximum term of 60 months, the first twelve of which are interest-free. Application requirements for this facility mirror those of the previous facilities discussed, with one important difference: this facility is aimed at supporting black entrepreneurs, and will only be dispersed to any businesses who do not have a majority black shareholding and management control (COVID-19 Content Centre 2020d; National Empowerment Fund 2020).
Despite allegations to the contrary which have since been discredited, the facilities offered by the Department of Small Business Development does not have any formal requirements pertaining to the government policy of Black Economic Empowerment, and as such does not oblige the presence of transformative efforts in qualifying enterprises.

The COVID-19 Intervention Fund is not alone in its endeavour to boost the coronavirus-necessitated resilience of black-owned business in South Africa. The Department of Tourism has similarly developed its own Tourism Relief Fund aimed at providing financial assistance to accommodation establishments and businesses in the hospitality and travel services industries, and one important qualifying factor in the process of awarding aid is that businesses must provide proof that they are an Exempted Micro Enterprise as defined under the Amended Tourism B-BBEE Sector Code of 2015. While this is more indicative of a business’ turnover than its makeup of ownership and management, an additional guideline is listed in the Fund’s media release which suggests that more investigative measures might be taken into the demographics of control in a company:

“Guided by the Tourism Broad Based Black Economic Empowerment (B-BBEE) Codes of Good Practices approved by the Minister of Trade and Industries in 2015 (in line with the B-BBEE Amendment Act No. 46 of 2013), the Tourism Relief Fund is administered in line with the objectives of Economic Transformation, and our vision to ensure sustainable and inclusive tourism development.” (National Empowerment Fund 2020)

Businesses who qualify for this funding will be awarded a grant of maximum R50 000 per entity to be utilized on fixed and operational costs, supplies and other pressure cost items, with the caveat that the finance may not be used to settle any pre-existing debt.

**Tax Measures**

In addition to providing various forms of funding and financial restructuring, the South African government has also investigated various ways in which the existing structure of public revenue may be repositioned – at least temporarily.

One such tool is the Employment Tax Incentive (“ETI”) scheme, as established under the ETI Act 26 of 2013 in an effort to drive down the high rates of unemployment in the South African youth. Under this scheme, the portion of employee tax (“PAYE”) that is claimed from a business by the South African Revenue Service (“SARS”) is reduced by a tax credit awarded as a result of the employee’s qualification of falling between the ages of 18 to 30 and having only worked for the employer for a period of up to 24 months (Pollak and Moss-Holdstock 2019).

This scheme has been used as the foundation for various proposals aimed at supporting businesses impacted by COVID-19. Of these proposals, several were implemented immediately, such as a tax subsidy awarded to employers for employees earning below a certain amount per month, an acceleration of tax reimbursements from twice a year to once a month, as well as a measure which allows enterprises with a turnover of less than R20 million to delay, for a period of four months, 20% of their tax liability in terms of employees’ tax, and for a period of six months, a share of their corporate tax liability. Other measures have been implemented as of 1 April, namely the temporary extension of the ETI scheme ambit in terms of its reach and application for a period of four months. Under these new measures, currently
in force but yet to be formally promulgated, the maximum value of tax credit claimable under the scheme increases from R1 000 to R1 500. Additionally, employers who were previously able to claim under the incentive, will be able to claim up to R500 in tax credits for employees who fall outside of the criteria for an ordinary claim due to their age exceeding 30 years, or having worked for the company for over 24 months (South African Tax Revenue Service 2020, p. 2). The government has estimated that these measures will assist in excess of 75 000 businesses nationwide (South African Government 2020b).

However, the Small Business Institute estimated in 2018 that there were just over 265 000 SMMEs in South Africa. These abovementioned tax measures, impactful as they are, would not have gone far enough in providing much-needed financial support to the businesses who play a fundamental role in the economy. The below quote, taken from the explanatory notes published by the South African Revenue Service, shows cognizance of these facts:

“Tax compliant small to medium sized businesses play an important role in stimulating economic activity, job creation, poverty alleviation as well as the general improvement of living standards, and are expected to be amongst the hardest hit.”

Following the trend of many major global actors, the government introduced new tax regulations aimed at immediately increasing the liquidity of impacted businesses’ cash flows. This will be achieved through two temporary tax deferral measures. For four months, starting from 1 April and expiring on 31 July 2020, qualifying SMMEs with a turnover of less than R50 million per annum will be permitted to defer 20% of their employees’ monthly tax liability to a payment date beginning at 7 September 2020 and enduring over a period of six months. While this does not eradicate a business’ tax liability over time, it does offer them the option whereby businesses may elect to, in effect, use these deferred amounts as an interest-free loan facility. This freedom comes with some substantive requirements, namely that the SMME be tax registry-compliant and up to date on tax payments.

A similar choice has been offered to SMMEs as part of the corporate tax regime. Ordinarily, corporate taxpayers are obliged to follow a payment structure whereby:

“The first payment, which is 50 percent of the total estimated liability, must be made within six months after the commencement of the year of assessment and the second payment, which is the total estimated liability reduced by the first payment, must be made by no later than the last day of that year of assessment” (South African Tax Revenue Service 2020, p. 6).

Under the temporary restructuring, the first and second payments owed by businesses will be based on 15% and 65% of the estimated liability respectively. The third payment to be made by taxpayers who choose to make use of this facility, will comprise the total tax liability of that business for the assessed period. As with the deferral of payments for employees’ tax, this will provide businesses with a turnover of less than R50 million with the option of a ‘loan’. The situation as to sole proprietors is less clear, but it has been suggested that an annual turnover of less than R10 million, with no more than 10% of their income derived from passive or external employment sources, may be appropriate (South African Tax Revenue Service 2020, p. 7).
The South African Revenue Service has placed a great deal of significance on these abovementioned developments, citing that they “could be the difference between pushing a small or medium sized business into liquidation, or providing some space for the business to get through the crisis and add to the economic recovery” (South African Tax Revenue Service 2020, p. 7). It remains to be seen, however, whether these measures will be viewed by business owners as provident or precarious.

Once again focusing their efforts on national supply of medical products, South Africa’s government announced two further tax measures designed to assist business. Firstly, the exemption from Value-Added Tax of ‘essential goods’, as defined by the Regulations of the Disaster Management Act 57 of 2002, which were published on 25 March as follows:

“1. Food
   (i) Any food product, including non-alcoholic beverages;
   (ii) Animal food; and
   (iii) Chemicals, packaging and ancillary products used in the production of any food product.

2. Cleaning and Hygiene Products
   (i) Toilet Paper, sanitary pads, sanitary tampons, condoms;
   (ii) Hand sanitiser, disinfectants, soap, alcohol for industrial use, household cleaning products, and personal protective equipment; and
   (iii) Chemicals, packaging and ancillary products used in the production of any of the above.

3. Medical
   (i) Medical and Hospital Supplies, equipment and personal protective equipment; and
   (ii) Chemicals, packaging and ancillary products used in the production of any of the above.

4. Fuel, including goal and gas

5. Basic goods, including airtime and electricity.” (Regulation 11A of the Disaster Management Act)

According to the South African Revenue Service, goods listed under this definition would be read in conjunction with the exemption on VAT provided under the Schedule 1, read with Section 13(3) of the VAT Act 89 of 1991 (Business Tech 2020b). In addition, customs duty imposed in relation to the import these goods would be fully rebated (Schedule 4 of the Customs and Excise Act). These tax measures operate in tandem with the goal conceived under the Business Growth & Resilience Facility, as well as the COVID-19 Intervention Fund, both of whom are aimed at ensuring supply of essential goods to the local population during the pandemic.

Conclusion

Financial responses to a global health crisis must always be secondary to measures prioritising human life: “a government trying to privilege the health of its economy over the health of its citizenry would in all likelihood end up with neither” (The Economist 2020). That being said, the effects of a lockdown as has been implemented in South Africa and elsewhere
globally can often lead to a similar magnitude of loss in human life where its effects are not mitigated by a competent and able authority. In South Africa, the public sector has taken on the majority of this responsibility in its support of local businesses. This support has taken many forms, from direct injections of cash into businesses through loans and grants, to debt restructuring and regulations providing tax relief. While the qualification criteria and application procedures effectively prevent the informal sector from benefiting from these measures, plans to implement and distribute much-needed financial aid to these industries is reportedly underway.

The South African government’s financial response to the effects of the COVID-19 pandemic on the economy were announced quickly and decisively, proposing various measures by which the public sector would support the small industrial players of the private sector. While it remains to be seen whether these measures will have any positive effect on the economy moving forward, or even provide any kind of resilience to businesses through this time of crisis, there is value in the pre-emptive approach that this government, in contrast with many others, has approached these issues.

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As the coronavirus (COVID-19) contagion hit the Western World, starting to take the form of a global pandemic, governments from countries all around the world started placing drastic measures restricting mobility and promoting social distancing to slow the rate of contagion and prevent health system collapses and humanitarian crises. Lockdowns, travel restrictions and orders of closure of establishments usually open to the public – to mention a few policies – have drastically changed the behavior of individuals, businesses, currencies, markets and the economic global landscape as a whole. Increase in contagion worldwide, uncertainty, generalized impossibility to assist to the workplace, decrease in the spaces and incentives to consume and disturbances in the lines of production and distribution, altogether, forecast a global recession that might result in a global economic contraction of 0.9 percent by the end of 2020.¹ Logically, the conjuncture presents challenges to businesses and citizens alike, as economic sustainability as a whole is put at risk by a cycle in which global decreased demand takes a toll on most companies’ income, which calls for cuts in expenses, deriving in workers being laid off; causing consumption to be further reduced.

In Colombia, the Ministry of Health declared the identification of the first case of coronavirus the 18th of March of 2020. With 231 cases and considering the worrying rate of contagion at the time, an Economic, Social and Ecological State of Emergency (still in place) was declared through the Decree 417 of the 17th of March of 2020. The above allows the Executive power to take the necessary measures to conjure the complex crisis brought upon by the Coronavirus Pandemic which, by that date, had already proven catastrophic effects in social welfare in countries such as Italy and Spain. In force of such decree, the Decrees 457 of the 22nd of March and 531 of the 8th of April of 2020 established and prolonged, respectively, a nationwide lockdown consisting of preventive isolation (implying absolute limitation of free circulation of people and vehicles in national territory), prohibition of consumption of alcohol in public spaces and establishments and suspension of terrestrial and aerial transportation until the 27th of April.² Only 35 exceptions to the restriction of mobility are listed; all of them being related to ensure the maintenance of availability of essential goods and services or the action necessary for their acquisition. This means that a wide range of industries’ functioning – from production to delivery of the product or service to the consumer – has been put on hold, with no clarity regarding a foreseeable date to return to “normal”.

Considering all of the above, large, medium and small companies alike are struggling to cope with the crisis, with projections ensuring that under the current circumstances, their survival does not surpass 2 months of stagnation.³ That is, taking into account the impossibility to sell paired together with the obligation to comply with payment of costs, which, for the time being, are mostly leaks. A relevant example of the latter is that of the continuance in the payment of wages of workers that – because of the nature of the work, or impossibility to access technology – cannot work remotely and are thus unproductive. In regular circumstances this cost would be cut by dismissal of said workers, but the Ministry of Labor has announced strict inspection and imposition of large fines and penalties to those companies and employers that

¹ (United Nations, Economic and Social Affairs, 2020)
² Decrees available for consultation in Spanish in the sources’ section under “Related links” below.
³ (Semana, Editorial, 2020)
suspend labor contracts or dismiss their workers;⁴ always taking into consideration the social responsibility that the entrepreneurial activity entails and the generalized vulnerability of the population derived from the crisis. The informal sector of labor and the self-employed (which make up to about the 60% of the labor market in Colombia) have taken the biggest hit, having their income rapidly plummet to nearly nothing.⁵

With restricted budget and an urgency to plan and prioritize investment, the government is now recurring firstly to strengthening the health system, providing aid to the poor and most vulnerable families and ensuring the provision of public services (Semana, Editorial, 2020). In such an unprecedented challenging situation, the government and businesses will have to become creative to revive the economy and avoid or cope with recession, considering that bailouts of all industries that are threatening collapse is out of the question and conventional mechanisms of financing are narrowing down and becoming remote possibilities. In this context, an analysis of the alcoholic beverage industry, regarding how its characteristics have made it especially vulnerable but also particularly equipped to respond to the health and economic peculiarities of the coronavirus crisis, is relevant as a case study to portray how provisional repurposing of lines of production might be presented as a financial solution for some industries.

Although social distancing measures affect demand for products and services in general, because consumption of alcoholic beverages is usually given in the context of social gathering and partying in Colombian culture,⁶ the closing of bars, restaurants and clubs and the prohibition of private social gatherings, implies a particular reduction of demand for alcoholic beverages. Also, consumers are expected to “pare back sharply on discretionary spending”;⁷ category that contains alcoholic beverages linked to recreation, entertainment and leisure (i.e. context for most of the demand). Moreover, although factories producing alcoholic beverages are still allowed to operate and distribute products (them falling into the food and beverage production and distribution exception to the ban on mobility), with the high level of discretion flaunted by the government to disqualify alcoholic beverages as primary or essential, the risk of having their operation disrupted or stopped is high.

The Alcoholic Beverage Industry in Colombia is composed by private and publicly-owned companies. Most of the private firms in the market are producers of beer (Bavaria being the biggest and most important one) or importers, and the State-owned are primarily dedicated to the production of Aguardiente or Rum for national distribution and exportation. Most departments (territorial divisions) have their own decanter and these companies are constituted under the figure of “Empresa Comercial e Industrial del Estado” (Commercial and Industrial Company of the State or CICSs), which means the funds are all public, but the company operates under private law regulation, has a board of directors and has administrative independence. The above implies that the funding of the company is done through the allocation of public resources, determined by the annual budget of the Nation assigned to each department. In the same way, revenue that is not required for ensuring functioning, operation and growth of the company is to be put at the disposal of each departmental government, to

⁴ Ministerio de Trabajo de Colombia. Circular Número 027 de 2020
⁵ (Semana, Editorial, 2020)
⁶ The alcohol consumption pattern in Colombia has been identified to spike on Fridays, Saturdays and Sundays (Como se cita en El Heraldo; Editorial Economía, 2017), when the population is usually not working and available for social gathering and celebration.
⁷ (Fitch Ratings, 2020)
provide for resources for public spending in the particular needs of each department; especially in areas such as education and health. In consideration of the above, these companies should have a bigger incentive to generate efficiencies in order to continue to operate, cover costs and further generate revenue for the departments: (i) there is a higher need for availability of public resources to mitigate the externalities caused by the coronavirus crisis and procure social welfare (for which revenue from the CICSs can provide relief), and (ii) the budget assigned to their funding, in the face of more pressing matters that are to be prioritized in public spending, is to be reduced – at least until the crisis passes.

Having overviewed the composition of the industry in Colombia, evidenced its particular vulnerability and understood the incentives that private and public companies have to mitigate their losses and cover their costs until the crisis averts, it is interesting to dive into the analysis of a phenomenon that seems to be taking the form of a provisional solution of the industry to prevent a future need to recur to extraordinary sources or measures of financing. The media has been covering what seems to be a global trend of repurposing lines of productions by firms from different industries to produce goods that were running out of stock globally by an excess in demand from individuals and corporations (mainly in the health industry) alike: hand sanitizer and face masks. Companies deciding to make an effort to shift from their regular output of production towards the elaboration of these two products hoarded the headlines. In Colombia, Bavaria followed the same trend, putting to use the alcohol extracted from an alcohol-free beer (Aguila Cero) which, in alliance with Binner Personal Care, is planning to donate 100,000 bottles of sanitizing gel to hospitals and communities in need. As interesting as this may be from a social responsibility or humanitarian lens, it’s perhaps more interesting to analyze the shift in production made by some of the departmental decanters (Licoreras) in Colombia to, not donate, but sell bottles of sanitizing gel to the general public.

Considering the sudden increase in demand for hand sanitizer, as people from the general public were presented an urgency of using it daily to prevent infection (as disinfection of hands has proven to play an important role in the contention of contagion), the prices of hand sanitizer skyrocketed and the market was still undersupplied. Having identified this situation, decanters such as the Lico de Cundinamarca and the Licorera de Boyaca, rapidly repurposed part of their line of production to manufacture hand sanitizer, bottle it, brand it and distribute it to supermarkets and get it to the general consumer. In more simple words, the decanters moved from a low demand market to a high demand market with relative easiness to cover a deficiency in supply directly related to the public health crisis. This constitutes a strategic decision that was successful in identifying an opportunity to make a provisional business model change as a response to the crisis, taking into consideration (i) the particular market necessities that the health crisis generated, (ii) the availability of the means of production and PPE, and (iii) a relatively short learning curve to make the shift; given the similarities between the regular output (alcoholic beverages) and the resulting output (alcoholic hand sanitizer) from the shift.

Furthermore, the repurposing of the line of production under analysis, apart from being a business move to gain competitiveness in the scenario of a crisis and perhaps a strategy to

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8 Consult reference links in the sources’ section no. 5 for information on more industries shifting their lines of production as a response to the crisis.
9 (El Espectador; Redacción Economía, 2020)
10 (Semana, Editorial, 2020); Licorera de Cundinamarca Website: http://www.licoreracundinamarca.com.co/inicio
11 (Cuculelli & Perruzzi, 2017)
generate more brand awareness; increasing the value of the goodwill intangibles of the company, can be viewed as a “risk coverage” financial solution. The latter provided the uncertainty regarding the duration of the decreased demand, the necessity to cover for fixed costs in the short and middle term and the almost certain reduction of their sole finance source. This last consideration is particularly important for the departmental decanters (CICSs), since their juridical nature absolutely eliminates the possibility to recur to equity financing. In this sense, the “navigating the now” approach and taking advantage of the flexibility that the particularities of the industry allow for coping with the crisis and making up for the losses coming from decreased demand for alcoholic beverages, is a financial solution to ensure the sufficient availability of resources and capital in the future to survive (present and future cost coverage and investment).

An equally solid point regarding the coping with losses/strategic aspect can be made for the firms of the industry that are currently donating hand sanitizer, since some amounts of the value of the donation can be deduced from the import to be paid for Income Taxes. Nonetheless, as long as there is not a clear attempt at incorporating hand sanitizer production as part of the business model – at least provisionally –, the “financial solution” component of the measure is not so clear. Regardless, what is true for both private and public companies, whether they’re selling or donating the hand sanitizer as the output that results from their productive structure, is that by shifting from a product that might be disqualified as primary or essential (alcoholic beverages), to a product that was qualified as one of the most important essential goods by the government. In this way, factories are guaranteed to be allowed to operate throughout the duration of the crisis, workers will be allowed into the workplace to maintain productive and justify their salary (which may prevent future need for collective dismissals) and a further benefit can be identified in aiding the regulation of the market to make hand sanitizer available at a fair price.

As it has been evidenced, framed in the context of generalized economic recession, the Alcoholic Beverage Industry in Colombia is particularly affected by the measures taken to contain the virus that require social distancing, but is as well equipped with the necessary means to navigate the crisis through the repurposing of their line of production to manufacture hand sanitizer. It is important to emphasize in that a change of this magnitude from one product to another in the repurposing of the line of production, implies a change in the whole business model of a company (product, target consumer, market niche, etc.). The change from alcoholic beverages to hand sanitizer constitutes a strategic financial and business solution that was made possible by the specific conditions of the market crisis linked to the source of the crisis: a health crisis that made demand for alcohol-based products increase. Also, the repurposing was seen as viable given the fact that both products, although industrially unrelated, have an alcohol base, so that nor a major modification of the productive process nor a huge investment was required.

This solution proves the utility of recursion, flexibility and thinking outside of the box as managerial assets in a company, since this shift in the output of production seems to be a solution that tackles many issues at once, but especially covers the future need for extraordinary financing in the context of a global crisis. This, following that as long as the public health crisis lasts, there will be measures that promote social distancing, prolonging decreased demand for alcohol and an increased (tending to stabilize) demand for hand sanitizer. As it has been shown, it proves to be a good strategy to maintain the company afloat until there is enough certainty.

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12 Congreso de la República de Colombia. Estatuto Tributario de Colombia, Artículo 125.
for management planning and business strategies within the conditions of the ordinary business model and product portfolio to revive the Industry in the future. Finally, it is important to clarify that this decision is probably not a long term strategy to incursion in a new market niche or expand the product and service portfolio of the alcoholic beverage firms, since more companies are probably going to follow the trend to repurposing the line of production to shift into hand sanitizer and regular suppliers might broaden the capacity to produce and supply the product as well. For this reason, further analysis is required to study the realistic period for which alcoholic beverage industries will have a portion of the market to supply, considering that the demand and supply will tend to stabilize.

References


Related Links:

Decrees:

- Decreto 531 del 8 de Abril de 2020: https://dapre.presidencia.gov.co/normativa/normativa/DECRETO%20531%20DEL%208%20DE%20ABRIL%20DE%202020.pdf
Global trend of repurposing evidence:
https://www.nsmedicaldevices.com/analysis/companies-ventilators-shortage-coronavirus/
In this days we are surrounded from a multitude of economic terms like Eurobonds, Euro recovery bonds, ESM and Coronabonds. But what they are?

First of all, what is it a bond? A bond is like an obligation where States borrow money to finance their businesses: the ‘normal’ ones (pensions, salaries in public administrations, services to citizens such as transport and health, military expenses, etc.), and also extraordinary events. Usually, who purchase this bond are investment funds, banks, international funds and also individual investors. These investors, when purchasing the bonds emitted by a government, lend money to it expecting their money back, with an interest, upon expiration. When a State has a strong economy and stable public finances the bond is expected to be “safe”. Bonds can additionally be traded, before expiration, in a secondary market.

The idea of creating bonds at the level of the Eurozone is not new: it dates back to the early 2010s, motivated by the financial crisis, but was then rejected by dominant states, particularly Germany. Now this idea popped out again: the idea of creating a new obligation common to every State in order to face the emergency of the coronavirus with the instrument of Coronabonds which can be also be called Euro Recovery Bonds.

The idea behind the creation of the Coronabonds, is the implementation of a solidarity mechanism, with a value of 1,000 billion (the equivalent to approximately 8% of the Euro area’s GDP), for distributing debts among European States. The scope of Coronabonds is to help the States that have a limited spending power; with the emission of Coronabonds they will be financed for the acquisition of new medical equipment, facemasks, hospital expenses, medical research, etc. Also after the emergency of the pandemic they will be useful for an injection of money in all the activities which have suffered from the forced lockdown.

There is a main difference between Coronabonds and ESM (European Stability Mechanism) credit lines. The second one was used in the wake of the Greece economic crisis: it is a debt instrument which also brings with it a strict “austerity policy”. The Prime Minister of Italy, Giuseppe Conte, defended the idea of creating Coronabonds, opposed to the ESM credit line, a financial instrument considered not to be the answer to the coronavirus crisis. For supporters of Coronabonds the pandemic is the time for Europe to create a common instrument that will face this kind of crisis. If Europe fails, Conte argues, in finding a coordinated and common response it will become less competitive on the global market. Coronabonds have become, maybe involuntarily, lenses in which we will see the effectiveness of the Europe policy.

The idea of issuing this type of financial aid is supported by the 19 members of the Eurozone, but there is a strong opposition from the economically dominant members. The group of States which are opposing are called “The Frugal Four” (Germany, Austria, Netherland and Finland): according to these issuing this kind of common debt instrument will punish all States with a good financial balance.

There is a strong will from a number of members of the Eurogroup which want to emit an instrument of common debt. The idea is supported by a lot of different economic schools of
thinking: e.g. neoclassics, neoliberalists and neo-Keynesians. Sebastian Dullien, head of the German Macroeconomic Policy Institute states that:

“Common bonds are now necessary to distribute the costs of the crisis over many shoulders. In this way, we can help the countries that have been particularly hard hit and prevent them from falling into a solvency crisis through no fault of their own.”

Although there is this strong will for the implementation of this instrument (which can be called Coronabond or Eurobond, the idea behind them is the same at the present moment), Germany remains anchored in its position on the use of the economic aid instruments already used previously. Its position has been confirmed multiple times, the Federal Finance Minister Olaf Scholtz of the Democratic Party stated that:

“The need to invent such new instruments does not exist at the moment. Solidarity within Europe can be achieved through measures which the European Commission is directly initiating from its budgetary resources. There is also the European Investment Bank and The European Stability Mechanism (ESM)”.

Actually, if the idea is rather simple, there are few obstacles to the emission of these bonds. First of all, who can emit them? There are two actors which in theory can emit them. The first could be an European institution, the second possibility are individual States with a common continental guarantee. In the first case, it cannot be the European Central Bank (ECB), because by statute, it cannot lend money to individual governments, so it cannot issue bonds or buy government bonds when they are issued, but only on the secondary market, when operators exchange them among themselves, to try to leverage the prices of this market and keep them as stable as possible, and this line of action is foreseen in the statute. An alternative for the ECB is the European Investment Bank (EIB). The nature of EIB is financing investment in members States of the European Union, and if it will not issue bonds as such it could act as a guarantee for the State which will emit bonds.

The second aspect that can be an obstacle to the emission of Coronabonds is Article 125 of the Treaty on the Functioning of the European Union (TFEU) which states that “The Union shall not be liable for or assume the commitments of central governments, regional, local or other public authorities”. There will be an incompatible legal basis with the emission of these bonds. In 2011, during the economic crisis this article stopped the idea of emission of the Eurobond. The particularity of Coronabonds, which could remove this obstacle, lies in the fact that Coronabonds will be a “one-shot” instrument, designed exclusively for this emergency. If it were interpreted in this way there will be not a permanent liability over all the member States. So the main challenge for the Euro-group is to find the right legal basis compatible with Article 125 of the TFEU that could allow the creation of this instrument. But legal problems could also arise from each members, as there must be a compatibility with the national constitutional law. For example, the Federal Constitutional Court in Germany should have the approval from the parliament for such fiscal liability.

This stilling position of the members of the European Union in this urgent situation can led to further damages in economy of Europe. For example, the German Institute for Economic Research calculates that if the lockdown drags for other three months the economy will collapse for at least 20% of the GDP. If there is not a change of position of the “conservative” countries
(that fears the idea of the richer countries finance of the over-indebt States of the south) no solution could be created or found.
As lockdowns and social distancing have been adopted as the main strategies to flatten the curve of COVID-19 cases worldwide, governments are forced to implement social and economic measures in order to guarantee the access to basic services for the most vulnerable population, including housing, water, electricity, access to food and medical supplies.

Countries around the world, as well as individuals within the same country, face different challenges. For developing countries in regions like Latin America and Africa, one of the main barriers to overcome is how to prioritize the financing of economic and social measures, while also taking immediate action on the pressing need of providing basic services for the unemployed, informal workers and low income population in order to successfully implement the lockdowns. The question is more pressing in countries where contrary to Europe, the erosion of social protections has been deemed necessary in order to bring about economic growth through the privatization of services and reduction of government intervention. In such countries, employment benefits are non-existent, and vulnerable populations usually live in remote and marginalized areas with minimum access to water, electricity or food.

Thus, any emergency plan implemented by governments in developing countries will have to juggle on top of the immediate coronavirus responses, the already eroded social network, high levels of debt, large vulnerable populations, meager infrastructure, corruption, and overall existing inequality further aggravated by the halt in economy and social life.

The Case of Latin America

For the specific case of Latin America, two leading countries in emergency response against COVID-19 have been El Salvador and Panama. Leaders in both countries have already taken steps for approving a state of national emergency, seeking financing instruments, and advertising their social measures towards providing a one-time bonus and bags of food for families in need.

As reported by the World Bank in 2018, El Salvador had a GDP of about 26 billion dollars and a public debt of 70.7% of its GDP. Panama, considered the second fastest growing economy in Latin America, had a GDP of 65 billion and a public debt of about 39.5% of GDP. Even though Panama’s GDP is more than double the GDP of El Salvador, and accrues less public debt, the social measures taken by the government have been heavily criticized by its population for being insufficient in covering the needs of the population during the crisis.

Panama

On March 27th 2020, The Panama Solidarity Plan was created through the executive decree 400, consisting of an aid given by the government to citizens in need of food, medicine and hygiene products during the length of national emergency state caused by COVID-19. The requirements established for beneficiaries were to be classified as people in multidimensional...
poverty, vulnerable families, people living in remote areas and those dedicated to independent economic activities. This group excluded government officials, stable income workers, retired population, and those declaring taxes above $11,000 dollars annually. Although the decree officially states that the plan would be financed by the general budget of the state, the government also creates a mechanism for the fund to be open for donations within the decree, and the president further states in local media that government officials with a salary above $1,000 dollars must contribute around 20% of their monthly income.

The Ministry of Social Development (MIDES), in charge of its implementation, has reported that the Solidarity Plan will benefit 1.35 million families, of which 550 thousand will get a bonus of $80 dollars in vouchers, and 800 thousand families will instead get a bag of staple food. On the frequency, the government informed that it would be a one-time bonus and the bag of staple foods would be delivered every 15 days. As means of distribution, the government established a database with information from multiple ministries in order to identify households in need.

On the financing of the plan, the government has initially stated in local media that there are $50 million dollars available from the national budget, and expects this fund to grow with donations from government officials, individuals and organizations in general. The overall fund only represents 0.2% of the national budget for 2019, that amounts to $23,669 million dollars and a fiscal deficit of 2.0%.

**El Salvador**

Since the declaration of a state of emergency in El Salvador on March 11th 2020, an emergency plan was announced by the executive branch aimed at offering relief to people who lose their jobs because of the pandemic, including independent workers, small entrepreneurs, artists, taxi drivers, athletes, dentists, and all other professionals that can demonstrate a reduction on their income because of the national emergency. The measure is aimed at benefiting 1.5 million households with consumption of electricity below 250 kw/hour monthly, representing 75% of the population. The president announced but has yet to officialize that each household would receive a bonus of $300 dollars for a month’s consumption. If implemented, this measure would translate into an investment of around $450 million dollars for a month alone, representing 6.7% of the annual budget, which amounts to $6,733.2 million dollars for 2019.

**Charity or Responsibility**

Apart from the differences in amount of bonus and percent of investment from annual budget, the main factor distinguishing these countries is the narrative that accompanies such measures. In the case of Panama, these measures are considered to be an act of charity backed by the government and referred to as a “solidarity” plan. Furthermore, the funding is expected to function as a donation campaign, with an initial government donation of $50 million dollars, to be complemented for the most part by donations from the civil society. Yet in the case of El Salvador, the president has publicly assumed the measures as the government’s responsibility to alleviate the hardships of its population in times of crisis.

Both countries claim to benefit a similar amount of population of around 1.5 million families, yet El Salvador, with the smallest annual budget, has committed to deliver $300 dollars per household in need, an amount that would cover the cost of the basic food basket of
around $ 199.49 in urban areas. Whereas for the case of Panama, the government has not even fully committed to cover the initiative for all families and has only considered an amount of $ 80 dollars per household, compared to around $ 310.38 of the basic food basket in 2019.

Both countries have dollarized economies and a strong history of dependency on the United States. However, Panama has led the way in widely implementing neoliberal policies.

**The Case of West Africa**

Countries around the world are taking strategic measures to either curtail or mitigate the impact of COVID-19 on the economies, health and welfare of their citizens. Below is a summary of such measures taken in three West African countries – Sierra Leone, Nigeria and Ghana – amid the global pandemic and outbreaks in their countries.

**Sierra Leone**

Sierra Leone’s index case was confirmed on March 31st 2020, with 8 confirmed cases as of April 10. The government has implemented a range of prevention and containment measures. On March 24th, the President declared a national state of emergency that is set to last for 12 months. Other prevention and containment measures announced include:

- Mandatory quarantine for anyone arriving from country with 50 or more cases and monitoring of those arriving from countries with less than 50 cases;
- Enhanced border controls (military to be deployed to airport and border post for enforcement of quarantine measures);
- Discourage gatherings of more than 100 people; ban international travel for all public employees; and
- Suspend for three months all incoming and outgoing regular passenger flights suspended.

Education closed on March 31st. After the first case was confirmed, the government published an extended set of measures to contain the spread, such as limiting the number of passengers in cabs, “Keke” rickshaws and other modes of transportation, banning secret societies, restricting the number of people in religious events, and narrowing opening hours for the entertainment industry. The country was in a national lockdown during April 5–7, 2020. An evening curfew was implemented starting April 3 between the hours of 8pm and 7am in Kambia district. In the capital, Freetown, a special bus service was introduced to transport health workers to and from work. Effective midnight of April 11th there will be a lockdown of the capital city from all other regions of the country.

The government is developing a package of fiscal measures, but no concrete measures have been announced or adopted yet (as of April 8th, 2020) in that area.

The Central Bank held an emergency Monetary Policy Committee meeting on March 18th, resulting in a series of decisions resulted:

- Reduce the monetary policy rate (mostly signaling) by 150 bps from 16.5 percent to 15 percent, effective March 19th;
- Create a special credit facility (Le 500 billion) to support production, procurement and distribution of essential goods (modalities discussed with bankers’ association on March 20th but not yet announced); and
- Extend the reserve requirement maintenance period from 14 to 28 days to ease tight liquidity.
Following the March 18th MPC meeting, the Central Bank announced its intention to provide foreign exchange (FX) resources to ensure the importation of essential goods (list of qualifying goods yet to be published). The exchange rate has been allowed to adjust as of yet.

Nigeria

Nigeria has been hit by the spread of COVID-19 and the associated sharp decline in oil prices. The authorities have reported 276 cases of COVID-19 and 6 deaths as of April 9th, 2020. A range of measures have been implemented to contain the spread of the virus, including closure of international airports, public and private schools, universities, stores and markets, and suspension of public gatherings. A “lockdown” has been declared in Lagos, Abuja and Ogun states. Work at home is also encouraged in several states and government institutions while isolation centers are being expanded in Lagos state.

Key fiscal policy responses as of April 9th, 2020 have included:
- Contingency funds of N984 million ($2.7 million) have been released to Nigeria’s Center for Disease Control, and an additional N6.5 billion ($18 million) was distributed for purchasing more testing kits, opening isolation centers and training medical personnel.
- Grant of N10 billion ($28 million) was released to the Lagos State to increase its capacity to contain the outbreak.
- The government is reviewing its 2020 budget and, given the expected large fall in oil revenues, announced plans to cut/delay non-essential capital spending by N1.5 trillion (close to 1 percent of GDP).
- A fiscal stimulus package in the form of a COVID-19 intervention fund of N500 billion ($1.4 billion), has been approved by the President to support healthcare facilities, provide relief for taxpayers, and incentivize employers to retain and recruit staff during the downturn.
- Import duty waivers for pharmaceutical firms will be introduced. Regulated fuel prices have been reduced, and an automatic fuel price formula introduced to ensure fuel subsidies are eliminated.

The Central Bank of Nigeria (CBN) maintained its current monetary policy rate in March but introduced additional measures, including:
- Reducing interest rates on all applicable CBN interventions from 9 to 5 percent and introducing a one-year moratorium on CBN intervention facilities;
- Creating a N50 billion ($139 million) targeted credit facility; and
- Liquidity injection of 3.6 trillion (2.4 percent of GDP) into the banking system, including N100 billion to support the health sector, N2 trillion to the manufacturing sector, and N1.5 trillion to the real sector to impacted industries. Regulatory forbearance was also introduced to restructure loans in impacted sectors.
- The CBN is also coordinating a private sector special intervention initiative targeting N120 billion ($333 million) to fight COVID-19.

The official exchange rate has been adjusted by 15 percent, with an ongoing unification of the various exchange rates under the investors and exporters (I&E) window, Bureau de Change, and retail and wholesale windows. The authorities committed to let the I&E rate move in line with market forces. A few pharmaceutical companies have been identified to ensure they can receive FX and naira funding.
Ghana

As of April 10th, 2020, Ghana recorded about 350 confirmed COVID-19 cases and 65 deaths. Starting March 16th, the government adopted sweeping social distancing measures and travel restrictions to avert an outbreak, including:

- Suspension of all public gatherings exceeding 25 people for four weeks;
- Closure of all universities and schools until further notice; and
- Mandatory 14-day self-quarantine for any Ghanaian resident who has been to a country with at least 200 confirmed cases of COVID-19, within the last 14 days.

On March 23rd, Ghana closed all its borders to travelers. On March 30th, a partial lockdown of major urban areas went into effect. As an oil exporter, Ghana is also significantly affected by the large decline in oil prices.

The government committed US$100 million to support preparedness and response, and about US$166 million under its Coronavirus Alleviation Programme to the promotion of selected industries (e.g., pharmaceutical sector supplying COVID-19 drugs and equipment), the support of SMEs and employment, and the creation of guarantees and first-loss instruments. Additional funds have been earmarked to address availability of test kits, pharmaceuticals, equipment, and bed capacity.

To compensate for larger spending related to the COVID-19 crisis, the government plans cutting spending in goods and services, transfers, and capital investment (also reflecting the lower absorption capacity of the economy due to the pandemic), for a total of at least GHc 1.1 billion (0.3 percent of GDP). Also, the government has agreed with investors to postpone interest payment on non-marketable domestic bonds held by public institutions to fund the financial sector clean-up for about GHc 1.2 billion (0.3 percent of GDP). To reduce the financing needs, the government will draw $ 218 million from the stabilization fund.

The Monetary Policy Committee (MPC) cut the policy rate cut by 150 basis points to 14.5 percent on March 18th, and announced several measures to mitigate the impact of the pandemic shock, including lowering the primary reserve requirement from 10 to 8 percent, lowering the capital conservation buffer from 3 to 1.5 percent, revising provisioning and classification rules for specific loan categories, and steps to facilitate and lower the cost of mobile payments. The committee also signaled it would continue to monitor the economic impact of COVID-19 and take additional measures if necessary.
During the end of 2019, a new virus was detected in China, causing respiratory illnesses. It quickly became one of the main topics reported about on the news. Later on named COVID-19, the outbreak was declared a Public Health Emergency of International Concern by the WHO on 30 January 2020. In the following months, the virus spread across the world in a pace and to such an extent that the World Health Organization declared that they had made the assessment that “COVID-19 can be characterized as a pandemic.”

As of 11th of April, there has been more than 1,700,000 confirmed cases globally. In order to tackle the pandemic, a series of measures has been implemented by, amongst others, national governments and financial institutions. Most noticeably, a third of the global population is currently in lockdown, meaning that that their movement is being actively restricted and controlled by their respective governments, which can include local, regional, national as well as international movements. Furthermore, large sectors of the economy has been halted or shut down completely in response to the COVID-19. Economists are anticipating that these responses to the pandemic will result in an economic depression, although the specifics of the endgame are still difficult to predict.

The consequences of the pandemic can therefore be said to cut across multiple sectors of life, ranging from policies of public health to larger questions concerning the current order of the economic system. Therefore, this offers a rare opportunity for reflections on some of the perspectives that have been exacerbated, made more visible and/or acute in light of the COVID-19.

This article will therefore specifically discuss concerns regarding housing during the pandemic. More precisely, the article will study the United States in further detail, looking at various examples of tenants’ groups organizing in order to respond to the economic consequences caused by the pandemic, related to the loss of an income and therefore causing difficulties or the inability to pay rent. The case examples employed in this article have been chosen due to a common characteristic: they all employ, or intend/are open to employ, the action of rent strike, i.e. collectively refusing to pay rent. Centering these initiatives is an attempt to understand how the economic consequences of the pandemic is understood from the perspective of tenants as a collective identity. Therefore, individual cases of resistance or bargaining will not be mentioned in this article.

Lastly, this article will also situate rent strike within the current economic system by addressing it through the framework of imagination. In this context, imagination refers to a
theoretical notion of central importance in the political economy, being both socially generative and political contested. It has been explored in studies of capitalism, discussing how financialization of capitalism blurs the line behind reality and fiction through projections of imagined value, made by various social, economic and political agents. Reiterating the subjects of study, the agents discussed in this paper are relevant social organizations/movements as an actor.

Rent Strike in its Context: Definition, Overview and in the Present Now

Rent strike is commonly defined understood as the act of “collectively witholding payments to the landlord and resisting evictions”. The call for tenants to refuse to pay their rent is often accompanied by a demand for rent cancellation. Rent strikes have been waged with mixed success in several cities across nations throughout the twentieth century. However, they gradually faded away from tenant activism with the birth of the neoliberal era by the end of the twentieth century.

The impacts of the COVID-19 pandemic can be found across all sectors of society, not least in the economy. With the closing down of industries and imposed lockdowns, the economic incomes of many has been threatened, diminished or disappeared entirely possibility to pay rent. The economic uncertainty means that tenants have little or no possibility to pay their rents. Simultaneously, newspapers are reporting about how tenants are “attempting to negotiate deals with their landlords, digging into their saving accounts, or borrowing money from friends” but also, and more relevant for this chapter, “withholding rent to stretch out the rapidly shrinking balance of their bank accounts, or not paying because they simply do not have the money”.

Some tenants have resorted to organizing rent strikes, sparked by the dire economic circumstances accompanying the responses to the COVID-19. Attempts at organizing rent strikes can be found across multiple countries, such as the United States, Canada and the United Kingdom. Such initiatives can range from small-scale local groups based in a particular neighborhood, to calls for a nation-wide rent strike such as Rent Strike 2020 in the United States.

“Rent strikes have the power to build consciousness and to build political power to demand that the state cancels rent,” Susanna Blankley, a tenant organizer with Right to Counsel NYC, said during a training session organized specifically to address rent strike as a collective tenants response to the economic consequences of the pandemic. “This is a political crisis and it needs a political response”. But in order to understand the multiple calls for rent strike, the question of housing needs to be contextualized.

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8 Ibid.
9 Gray, N.
10 Ibid.
11 Gray, N.
13 Ibid.
Commodification of Housing

The call for rent strike is often intertwined with referrals to the situation before the pandemic and the ensuing economic meltdown, with cities and towns experiencing rising rents and intensifying gentrification, with displacement of lower income households.\(^{14}\) This has been especially linked to the consequential characteristics of neoliberal policies such as severe shrinkage of the private rental sector as well as rise of home ownership, flanked by a diminishing social housing sector in countries where such systems exist.\(^{15}\) This is referred to as *commodification of housing* and entails a process by which housing has been framed and regulated as goods on the market, to be consumed, traded and bought, and where supply and demand are the driving forces. Such a financialization of rental housing has led to the feeling of home becoming increasingly precarious and temporary existence.\(^{16}\) Thus, the housing situation can be said to be as pre-existing to the COVID-19 but has for many been exacerbated by the pandemic.

Rent Strike as a Response, a Means and a Criticism

The core principle of the rent strike is to break the circulation of money to the landlord, thus making it an economic response stemming from the tenants themselves.\(^{17}\) But a rent strike can be understood as more than the passive act of withholding rents until demands are meant. According to Rent Strike 2020, an activist organization working on a nation-wide basis in the US, rent strike is “a different approach to a political system that tells us ‘there’s nothing we can do’”.\(^{18}\) Furthermore, Rent Strike 2020 also withholds that “if the massive economic impact of coronavirus has demonstrated anything, it’s that our work is the place that economic value comes from (…)”.\(^{19}\)

Several organizations mobilizing for rent strike often refer to the stimulus packages promised by their respective governments and in combination with various financial institutions. Such packages can be understood as promises that are made and broken within the current economic framework. For instance, Rent Strike 2020 argues that “(…) by choosing not to provide relief, our leaders are making immoral and financially imprudent decisions *simply to protect the interests of landlords and banks*”.\(^{20}\)

The approach which combines rent strike with arguments about unfair distribution of economic means and the priorities of issued stimulus and support packages can be understood through Beckert’s notion of “promissory legitimacy”.\(^{21}\) This notion refers to a process by which political promises are used as a means by which play a part in the process by which neoliberalism renews its legitimacy in the face of persisting crisis. Against Beckert’s

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\(^{15}\) Joubert, T and Hodkinson, S, “Beyond the Rent Strike, Towards the Commons: Why the Housing Question Requires Activism that Generates its Own Alternatives” in *A Rent and its Discontents; A History of Housing Struggle. Transforming Capitalism*. Rowman and Littlefield International.

\(^{16}\) Wijburg, G, Manuel B. Aalbers, and Heeg, S. “The Financialisation of Rental Housing 2.0: Releasing Housing into the Privatised Mainstream of Capital Accumulation.” *Antipode* 50, no. 4: 1098-1119.

\(^{17}\) Joubert, T and Hodkinson, S.


\(^{19}\) Ibid.

\(^{20}\) Ibid.

framework, it is interesting to study the reactions to current measures promised or implemented by the national government. Cities such as New York, Los Angeles and Chicago and states including Texas, Connecticut and Pennsylvania have temporary banned evictions, although eviction cases can still be filed in some places.\(^{22}\) For some tenants’ organizations, the eviction moratorium is viewed as a small step on the way, but not enough in itself. One of the largest activist groups working with tenants’ rights in New York, Right to the City, says that housing organizers “must hold a vision of both immediate relief and long-term change for tenants to win sustainable fair housing months down the line.”\(^{23}\)

Others, such as the Right to Counsel NYC Coalition has framed their demands in explicit relation to the current support measures implemented by the American government, namely “a mortgage suspension for landlords, allowing them to restructure the terms and conditions of their mortgage. Therefore, it is argued, tenants will be faced with massive debt when the moratorium lifts, while landlords will be able to pay their mortgage under favorable conditions.”\(^{24}\) These examples indicate that the tenants’ group organizing together interlink their demands with a criticism against the state of affairs, and some of them are to a certain extent also rejecting the “promisory legitimacy”, which in this context would refer to the promises made by the national government and federal authorities in order to alleviate the hardships faced by tenants during the pandemic. Some, like the umbrella initiative of #CancelRent, also interlace their demands for housing together with a more holistic approach to politics in general, demanding a future consisting of not only rent cancellation, but refusing incarceration as well as guaranteed unemployment, sick-time and paid leave, and a living-wage for all.\(^{25}\)

_Sense-making and Financial Imagination_

Scholars studying capitalism have long been intrigued by the role of the fictitious and the sacred in political economy, seeking to “make sense of the ways in which the speculative dynamics of capitalism propel societies towards unknown and uncertain futures, blurring the boundary between reality and fiction through ceaseless projections of imagined value.”\(^{26}\) Hence, it has been argued that the role of imagination is both socially-generative but also politically contested, enabling the possibility of financial representation, (e)valuation, and speculation.\(^{27}\) Hence, it is of great importance what and how social, political, and economic agents are able to imagine, and what material resources that are utilized in the attempts to do so.\(^{28}\) Komporozos-Athanasiou argues that if “imagining the future is dependent upon available economic resource, then the latter’s unequal distribution – and resulting power differentials –

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25 For a complete overview of the demands, see https://cancelrent.us/demands last accessed 9 April, 2020.
26 Komporozos-Athanasiou, A.
28 A. Komporozos-Athanasiou, p 2.
profundely affect the capacity of social actors to control (and profit from) everyday life’s uncertainty.”29

Nonetheless, such power differentials are not static. Instead, the examples put forward in this article show how tenants work together as a collective in order to gain more power in the relation to their landlords, as well as to other actors, such as the state. Several of the addressed examples have argued that the strength of a tenants’ rights organization is precisely in the collectivity, the impact of numbers of people joining cause. Furthermore, the demands put forward by the tenants groups can also be seen as relying on imagination of notions regarding how value is, can or should be created and valued. Already before the outbreak of the pandemic, there has been criticism voiced against the commodification of housing. This critique can in itself be understood as not only addressing the current financial imagination, but going in polemics against it.

At the same time, it cannot be concluded that such imaginations are coherent across the multiple social groups and organizations involved in mobilizing for rent strike. Though some of them, like Rent Strike 2020, did explicitly address the question of value, many others do not address the issue of value at all. Noticeably, #CancelRent have demands and visions that entailed more than the housing issue itself, but all other examples discussed in this article has been predominantly focused on rent. As such, it is far too early to be able to assess the impacts that these tenants’ rights initiatives will have on a wider scale. But nonetheless, one conclusion could be that social agents may be able to, if not imaging an entirely new fiction and reality, too at least gain enough power as a collective to question the dominant imagination put forward by agents such as the governments and financial institutions.

29 Ibid., p 3.
The US Stimulus Package as a Financial Response to the COVID-19 Pandemic

Lorenzo Fraschia

The COVID-19 pandemic has caused tragic medical and financial strain on economies globally. The shock to the global economy from COVID-19 seem to be faster and more severe than the 2008 global financial crisis. In 2008, certain stock markets collapsed by 50%, credit markets froze up, massive bankruptcies followed, unemployment rates soared above 10% and Gross Domestic Product (GDP) contracted at an annualized rate of 10%, nonetheless, all of this took around three years to play out.¹ In the current crisis, similar dire economic and financial outcomes have materialised in weeks.

In March 2020, President Trump signed a 2.2 trillion US dollar stimulus bill, passed by the Republican-led Senate to address the COVID-19 crisis.² It is the largest stimulus package in US history.³ This stimulus consists of measures like cash payments of up to 1 200 US dollars for a lot of Americans, a 360-billion-dollar assistance program for small businesses, a 500-billion-dollar bailout fund for big businesses and 150-billion-dollars in emergency funding for states, hospitals and other medical providers.⁴

Where the Funds Come From

When a US stimulus bill is signed, the money comes from the United States Treasury who borrow the US dollars (in this scenario $2.2 trillion) from investors by selling US government bonds.⁵ The money that investors use to buy the bonds could come from their cash accounts but more likely it will come from selling other investments, like corporate bonds.⁶ The challenge comes when that 2.2 trillion US dollars Treasury bond sales drain money away from other essential lending markets, including blue-chip corporate bonds which makes it more expensive for all kinds of companies and local governments to borrow.⁷

Another method how the funds are generated is when the US Federal Reserve buys billions of US dollars in corporate bonds and other securities tied to assets like real estate and auto loans amongst others, to prop up their long-term value as investors exit those markets for the presumed safety of government debt.⁸ The US Federal Reserve also creates digital dollar credits that are as good as cash.⁹ Many of those digital dollars will not always be spent and will be deposited back inside accounts at other banks. However, if enough of the digital money does

² Fedor, L. “Donald Trump signs $2tn coronavirus stimulus into law” Financial Times, April 09, 2020 https://www.ft.com/content/2c70c1d5-b14e-4584-bd32-bb674dde3d9a
³ Ibid.
⁴ Ibid.
⁵ Cochrane, J. (2009). Fiscal stimulus, fiscal inflation, or fiscal fallacies?. University of Chicago Booth School of Business. Manuscript. 1
⁶ Ibid.
get withdrawn in order to be spent, then that can possibly increase the demand for actual physical dollars to be printed by the Federal Reserve. When this happens the US Treasury may have to increase the supply of physical dollars. The way governments pay back debt is by raising taxes or cutting spending but this take decades to pay back the trillions of dollars.

Certain Actors, Controversies and Events

In lieu of the above, it seems now history repeats itself with regards to the 2008 financial crises because 2.2 trillion coronavirus stimulus package is strongly corporate-focused since a quarter of it (500 billion US dollars) is to bailout large corporations, 454 billion US dollars will be back funding for up to 4.5 trillion US dollars in corporate loans from the Federal Reserve. The stimulus bill also includes a 170 billion US dollar tax break over 10 years for real estate investors and developers and this is to be administered by Treasury Secretary Steven Terner Mnuchin. The U.S. Federal Reserve also hired asset management company BlackRock to help the Federal Reserve implement the purchase of commercial mortgage-backed securities declared as part of the central bank’s efforts to brace up the U.S. economy.

Democrats indicate particulars of how the stimulus bill would be carried are not clear. Democrats said that the new bill would also give Treasury Secretary Steven Mnuchin and the Federal Reserve total discretion about how the money would be distributed, with little transparency or oversight.

It seems there were alternative ways in which a crisis was dealt with in the past that can be re-adopted. E.g., in 1932, President Herbert Hoover’s administration set up a quasi-independent federal agency under the Reconstruction Finance Corporation (RFC). The RFC assisted troubled banks and railroads. In 1933, the administration of the newly elected President Franklin Roosevelt expanded the RFC scope through to the rest of the nineteen-thirties and throughout the Second World War. The institution provided vital financing for businesses, agricultural interests, public-works schemes, and disaster relief. The RFC had people of opposite political parties who interacted and cooperated every day with each other which encouraged more transparency.

To Conclude on Financial Imagination

10 Ibid.
11 Ibid.
13 Ibid.
17 Ibid.
19 Ibid.
In general, without considering the COVID-19 pandemic, if governments always bailout banks and corporations, then these entities are encouraged to take more risks because if they fail, they know the government will come to their support. However, if an ordinary firm or a small business takes risk and loses, then no-one will bail them out.

It is also unfair for taxpayers to pay the cost of bank and corporation bailouts because tax payers didn’t cause financial crisis. Moreover, the more bailouts that take place, the more the Federal Reserve have to print money, the higher inflation thus decreasing the value of the money. Increasingly governments come under the influence and pressure of the financial sector and government begin to act in financialised ways that policies are increasingly set through a sort of generation of speculative value.

This being said, I understand that a majority of the general population also comes under the power of a group of creative elites who come together in head-offices of investment banks and corporations around the world who imagine and came up with concepts such as credit default swaps, collateralised debt obligations, derivative contracts securities to name a few and these imagined constructs have a big influence / control over global life. Therefore, most of the money made or created goes to a small group of people and the majority of us are expected to spend our lives working to create money or invest in money we might never see. Although, this system may seem broken or unfair, we are still part of it. Therefore, we need to continuously improve our financial education, treat money and finance as a tool or as leverage in order to be better prepared for the next financial or economic crises.
‘When America sneezes, the whole world catches cold’ was a popular saying by my political science professor to explain the interconnected nature of the global economy. This time around it is not the American sneeze that put the activities the entire globe to an unprecedented halt but rather a novel virus first detected in the world’s most populous and fastest-growing economy, China. On December 2019, the world got strike of an unknown virus identified in the city of Wuhan, then referred to as COVID-19 by the World Health Organization (WHO). By March 2019, the virus gets spread in almost every part of the world and the WHO eventually declares a global pandemic. What was widely viewed as a ‘Chinese problem,’ and then an ‘Italian problem’ has become an ‘everybody problem’ (Baldwin & Mauro 2020). According to the WHO, by April 2020, approximately 1.8 million got infected across the world resulting in over one hundred thousand fatalities globally.

The initial response by the Chinese authorities was to put Wuhan on lockdown. This response receive staggering criticism from scholars and media houses. Some describe it as an excessive and disproportionate extraordinary measure by an authoritarian regime. While so-called democracies describe the lockdown as a human rights violation by the world’s most totalitarian establishment. However, China’s strategy of containing the spread was later recommended by the WHO as the best model for all countries to adopt. India, the world’s most populous country, put one billion people in a lockdown. Other comparable emergency responses emerged worldwide, such declarations of state of emergency, border closures, closing schools and religious sites, putting a moratorium on non-essential businesses, imposing restrictions on people’s movement among others.

The impact of these emergencies measures by governments around the world is believed to have a boomerang effect on the economy, which the Gambia is no exception. This chapter aims to discuss the impact of the financial response strategy by the government of the Gambia to lessen the impact of the coronavirus pandemic. It briefly assesses the limitations of the Gambia government’s financial policy response.

According to the Ministry of Health (MoH), the Gambia has only 9 confirmed cases of COVID-19, as of April 11th, 2020, including one fatality and 2 fully recoveries. There are 247 people officially quarantined. Although the Gambia has just a handful of coronavirus cases notwithstanding the government have taken extraordinary measures in anticipation of a likely event in the spread of the virus. In a televised statement over the state’s broadcaster, The President of the Gambia has declared a state of emergency starting March 27th including closing all non-essential public and private businesses. Emergency powers have been invoked by the President to freeze prices on essential food (rice, meat, fish, and cooking oil) and non-food (soap, sanitizers and cement) commodities to prevent price hiking and hoarding. To enforce social distancing all licensed commercial vehicles are only allowed to carry half of their passengers and all public gatherings including funerals are limited to 10 people. Tourism – a key driver of foreign exchange and trade – has been halted and foreign exchange flows and remittances have declined, while financial conditions have tightened.
The government of the Gambia has designed some economic policy response mechanism to alleviate the financial impact of the coronavirus pandemic. Key among them is a fiscal policy action plan. According to International Monetary Fund (IMF) 2020 policy response to COVID-19 report, the government of the Gambia has prepared a US$9 million COVID-19 action plan for which they are seeking grant financing given the country’s debt situation. The government has also reallocated 500 million dalasis (0.6 percent of GDP) from the current budget to the Ministry of Health and other relevant public entities to complement the support already received from partners to prevent and control the spread of the COVID-19 outbreak.

This is a gigantic response from the Gambia government but if the funds are not well managed by way proper monitoring and auditing, giving the limited number of COVID-19 cases in the country, this huge fund is just another avenue for corrupt technocrats’ and politician to enrich themselves. The Gambia is one of the poorest countries on earth rank 174th out of 189 countries in the 2018 Human Development Index of the United Nations Development Programme and with a total population 1.4 million people (GBoS 2017). A country where corruption is deep-rooted in every government office and department, the Gambia is ranked 96th least corrupt nations out of 180 countries, according to the 2019 Corruption Perceptions Index reported by Transparency International. Critics believe this ranking is underreported giving the enormous of corruption cases across the government architecture.

In addition to the US$10 million grant approved by The World Bank on April 2nd, 2020, for the COVID-19 Response and Preparedness, in a press release from the State broadcaster, The Gambia Revenue Authority (GRA) has also extended by two months the filing of the 2019 annual tax return, the payment of final 2019 tax as well as filing the first quarter 2020 declaration and payment of the first-quarter installment.¹

Domestic financial conditions have tightened with the average yield on the most used 364-days T-bills increasing to 11.5 percent (410 bps higher than at end-2019). To ease liquidity conditions the Central Bank reduced its monetary policy rate by 50 basis points at end-February 2020 to 12 percent and increased its standing deposit facility rate by the same margin to 3 percent. It is also actively monitoring the situation and is in close communication with banks and ready to respond to the situation as inflationary pressures warrant. Further measures are under consideration to provide emergency liquidity support together with increased intensity and frequency of supervision to address any financial stability concerns (IMF Policy Responses to COVID-19).

The government of the Gambia has ordered all schools to close to prevent mass contagion of the coronavirus. The education ministry considered this as a public health

¹ This is welcome news from the revenue authority but it’s a response that is necessary but not sufficient. The Gambia has the most expensive tax system in West Africa. A country which is primarily a tax-based economy like all other sub-Saharan African economies is projected to enter a severe economic recession (World Economic Outlook Report 2020). This economic downturn will be catastrophic if the government of the Gambia fails to temporarily adjust its tax system to help small business survive the impact of COVID-19. As businesses are at a standstill, expensive operating cost such as rent and electricity cost will wipe many businesses away and increase the number youth employment which is already at 13 % (The Gambia Bureau of Statistic 2018). Tax payment deferral is excellent but rates should not only be revised but also a tax holiday scheme introduces to enable small business pay rates without horrendous negative externalities such as mass redundancy of employees. Besides, the government will have responded better if the cost of energy is subsidised. The Gambia’s energy cost is quite high and the supply is erratic. This is making the cost of operating a business quiet expensive.
preventive measure that aims to protect students and teachers from any risk of contracting and transmitting COVID-19. The ministry basic and secondary education has allocated 35 million dalasis (700 thousand US dollars) to continue conducting tutorial through radios and television stations.\(^2\) The Gambia government has also suspended all official travel to prevent the spread of the virus. This is done in consultation with the ministry of finance to enable the government to cut cost and save money to respond effectively to any eventuality resulting in the COVID-19 pandemic. The government believes this will cut excessive spending on official travelling and allowance.

The unfortunate aftermath of the coronavirus pandemic to African economies and the Gambia, in particular, will be an excessive dependence on domestic loans to stimulate and jumpstart growth. As western donors are also facing similar economic challenges, the Gambia government is at the mercy of the commercial banks to obtain the needed capital in ensuring continuity of the state bureaucracy. As commercial banks fail to do anything as part of their corporate social responsibility to the fight against the coronavirus, the profit motive institutions now have the chance to further exploit the government by way of demanding high-interest rates to be paid on their bonds and Treasury bill investment. The domestic debt of the Gambia remains high at e 36.6% of total GDP (IMF 2019).

In conclusion, the government has taken giant steps to efficiently provide an economic response to the effects of coronavirus. However, it needs to do more to ensure the monies are properly accounted for and ensure it is properly allocated. There is a need to provide a comprehensive economic response package not only to the government institution but also to small and medium enterprises to stimulate growth. The commercial banks should be compelled to reduce their lending rate to enable easy and affordable access to business loans. The government should also revise the tax rate and provide tax holidays to small business. Cost of energy should also be subsidies to reduce business expenses.

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\(^2\) This is a laudable gesture but many students especially those living in the countryside will suffer from systematic exclusion because of the lack of access to either televisions or electricity supply. The ministry promises to spend this huge amount of money to secure air time and pay allowances to teachers taking part in this online tutorial. Similarly, critics believe this is yet another opportunity for corrupt officials to enrich themselves.
The spread of the coronavirus has affected all of the world’s biggest economic power houses. The world stock markets are experiencing their worst weeks of trade since the 2008 financial crisis. Supply chains are experiencing massive disruptions. Decades of globalization have created a supply chain so deeply interconnected that when there are issues in China’s economy it is felled across the globe. This is because China makes one third of the world’s manufactured goods and is the world’s largest exporter. Both the USA and Canada have slashed their Central Bank’s interest rate by half a percentage point in response to mounting economic concern. According to the Organisation for Economic Co-operation and Development (OECD), global growth could be cut in half to 1.5% in mid-2020 if the coronavirus continues to spread.

The coronavirus outbreak’s impacts on the World’s economies are as severe as the great financial crisis of 2007-2008. It started as a series of sudden stops in economic activities and quickly cascaded through the economy and culminated into full blown shocks simultaneously affecting both demand and supply. Countries around the world are using fiscal and monetary policy measures to curb the extraordinary nature of the situation and according to analysts the price tags for bailouts could surpass 10 trillion dollars because many countries are taking extreme measures. With many countries effectively freezing economic and social, non-essential business activities and ordering their residents to stay at home for months, we can only hope for the best but expect the worst amid these dreadful times.

The aviation industry is facing its worst crisis in history as a result the demand for energy has fallen which has affected the economies of energy exporting countries such as Iran, Venezuela, Iraq, Saudi Arabia, etc. Airlines have cancelled thousands of flights, Etihad and Emirates have stopped flying at all, disinfecting those in service as airports and flights sit largely empty. The International Air Transport Association (IATA) reported that the world’s passenger airlines could suffer a huge global revenue loss $ 252 billion in 2020 from the COVID-19 pandemic due to the combination of flight cancellation and certain countries restrictions on international flights. According to the Official Airline Guide (OAG), the number of scheduled flights globally for March has declined by 63% compared to the same time last year. The aviation industry started experiencing decline in passengers since before coronavirus was officially declared a pandemic by the World Health Organisation (WHO) because countries were urging their citizens to avoid non-essential travels. An estimated eight and a half thousand aircrafts are sitting in storage around the world. Many experts say some carriers simply would not survive. Airlines typically have two months of cash reserve at any point in time. Analysts say that airlines have learned valuable lessons from the 2008 financial crisis but they are saying an even leaner industry would emerge after the global pandemic is over. There is no doubt that it will take months before global travel restrictions are lifted and even longer before the aviation industry returns to pre-crisis level.

The flight capacity in and out of China during the Chinese lunar year declined significantly as it experienced a 75% drop in year over year flights on February 25th 2020 compared to the same date in 2019. In March 20th 2020 flight capacity for Hong Kong also declined by 81% compared to the same month last year. With the announcement of the nationwide lockdown on March 9th 2020, Italy is now experiencing an 80% fall from normal
rates in flights to and from the country amid the escalating situation. The United States has also enforced a 30-day ban on travellers from Schengen areas including UK and Ireland. In order to limit the spread of coronavirus, the Canadian government has also announced that it will allow entry to only Canadian citizens, permanent residents, family members and US citizens.

This is the largest crisis to hit the aviation industry in the history of commercial flights, it is prudent to say the only way airlines can survive through what is the largest crisis they have ever faced, that they cannot planned for, that there are not enough cash reserves in the world for, is with government intervention. That is where we get the ‘survival of the fittest’ nature. It is not necessary down to the performance of the airline and whether or not they were in a fit and healthy nature financially before this pandemic started but it’s about how supportive their governments would be. Countries have demonstrated their support to their respective airlines because air connectivity will play an important role in rebuilding the global economy once this pandemic is over.

Australia have announced a package of over $1 billion to support most of their aviation industry, Brazil is allowing airlines and airports to defer payments of air navigation fees for six months and also allowing private airport operators to defer payment of airport concession fees to 15th December 2020 as pressure for government aid intensified across Latin America and in Singapore the government has said they will pay 75% of salaries to aviation industry workers for 6 months. Air Canada has also suspended its share repurchase program effective March 2nd and it’s also initiating a nationwide reduction cost and capital deferral program targeting at least $500 million.

In China a joint notice was issued by the Chinese Ministry of Finance (MOF) and the Civil Aviation Authority of China (CAAC) offering support to airlines amid the coronavirus outbreak in order to help the respond proactively to the impact of the pandemic on the industry. According to the notice both domestic and foreign carriers which operate flights to and from China will be supported through direct cash incentives on the basis of conditions that they operate flights in and out of China. The domestic airlines in China are charging as little as $4 for domestic flights.

In Europe, the Italian government has also renationalised the already bankrupt Alitalia which is the largest airline in Italy in order to ensure its survival. Alitalia was privatised for one billion euros in 2008 by a group of Italian investors and filed for bankruptcy in 2017. Recent reports from the Italian news agencies state that the government is setting up a $670 million stimulus package to respond to the damage caused by the COVID-19 pandemic on its aviation industry. Elsewhere, the United Kingdom government is discussing a stimulus package of $8 billion to help airlines such as Easy Jet and Virgin Atlantic but has warned airlines and airports that the industry will not receive an industry-wide bailout.

In the United States, the federal government has come to the aid of its operators including airlines, airports and travel agencies with a nearly 60-billion-dollar bailout. Half of this relief package will be offered as loans and half will be offered as grants. But the industry says that will only keep it in the air for so long. The relief consist of $50 billion to passenger airlines, $25 billion will be in the form loan and $25 billion will be in grants. The cargo carriers will receive a relief of $8 billion, $4 billion will be in the form of loans and $4 billion will be in grants. The remaining $2 billion will be for economic assistance to aviation contractors such as check in employees, ground crew, caterers and ticketing. This is done to compensate for the reduced liquidity and payroll concerns in the industry. Airports will receive $10 billion from
this money to assist them make bond payments. The grants are conditioned on the discretion of the government to take on an ownership stake. The Coronavirus, Aid, Relief and Economic Security Act (CARES Act) prohibits them from laying off frontline employees like pilots, flight attendants, ramp operators, etc., through September 2020 once they accept the federal money. The law also limits the airlines from increasing executive compensation and buying back shares with the federal money.

The profit margins of these airline industries cannot be used in buying aircraft, leasing aircraft or training new employees. There will be a big challenge for the next generation aviation professionals coming through because they might find it hard to get a job in the industry as the industry starts to grow again. Big aircraft manufacturers like Airbus and Boeing have been producing game-changing fuel-efficient aircrafts but these airlines will struggle to purchase because of the financial situation caused by the current crisis. However, the air cargo industry is doing a great job of transporting equipment’s predominantly medical supplies around the world. This is an opportunity for them to recharge and think about their expansion. Many air carriers in Europe, South Korea and the USA are utilizing their idle jets as well as passenger planes to aid the movements of food and medical equipment across key international freight hubs. As a result, many cargo airlines have undergone rapid expansion plans, especially low-cost carriers in the developing world. It is also important for airlines to reconsider how quickly they expand. There is no doubt that there would be casualties because many airlines rely on summer travels to generate more revenues and profit. The aviation industry is also one of the most resilient industries in the world. It has recovered from past crises like September 11th, the 2008 financial crisis as well as the SARS outbreak. In the immediate aftermath of the SARS outbreak air travel demand was back to pre SARS level in just nine months. There is a growing sense of optimism that when this crisis is all set and done the aviation industry will bounce back because many people will be eager to travel around after being in home isolation for months. In that case airlines have a mountain to climb in boosting people’s confidence and assuring them air travel is safer than ever and to bear in mind that comfortable seats, speed and delicious foods will be less important in gaining passenger trust than improve hygienic conditions of aircrafts and airports.

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Ethiopia has a weak healthcare system where the majority of its population cannot access basic healthcare services. The coverage of health facilities in the country is poor. There are limited number of health facilities concentrated in urban areas. Inefficient distribution of medical tools due to lack of funding makes access to healthcare services difficult in the country. More than half of the country’s population lives far from nearest health facilities.\(^1\) This fact makes the country more vulnerable to the pandemic. It has identified the first victim of the virus on March 13\(^{th}\), 2020. As of today, the number of confirmed cases are 71.\(^2\) So far the total laboratory tests conducted in the country are only 3877.\(^3\)

**Responses by the Government**

Following the outbreak of the virus in the country, the government has been responding by introducing different emergency measures aimed at halting the impact of the virus in the country. The authorities have closed borders, closed schools, ordered the shuttering of nightclubs and entertainment outlets, announced social distancing measures, and called in retired and in-training medical personnel, and enacted a state of emergency.\(^4\) Financially, the government injected 5 Billion ETB ($154 Million) to the health system designed to enhance preparedness.\(^5\)

The pandemic slows down economic activities in the country and started challenging the country’s economy. The country’s gigantic state-owned enterprise, Ethiopian airlines, is now experiencing the financial bleeding resulted from the pandemic. It suspended its international flights to its 91 passenger destinations out of its 110 total destinations.\(^6\) It reported that it has lost $550 million due to the pandemic.\(^7\) Being a major source of foreign currency to the government, the airline’s problem will directly affect the country’s ability to purchase vital healthcare materials. The national bank’s capacity of availing foreign currency for health care suppliers, manufacturers of sanitation products and specialized testing laboratories will be impaired.\(^8\) The country’s flower export to Europe declined due to decreased demand and airport closure.\(^9\)

This all indicates how the pandemic is a threat to the country’s economy. To mitigate the impact, the government announced six major economic reforms. The National Bank availed $452 million to private banks intended to enable them to provide debt relief and new loans for

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\(^1\) WHO, Humanitarian Health Action: [https://www.who.int/hac/donorinfo/callsformobilisation/eth/en/](https://www.who.int/hac/donorinfo/callsformobilisation/eth/en/)

\(^2\) Ministry of Health report: [https://twitter.com/lia_tadesse/status/1248921791235530753](https://twitter.com/lia_tadesse/status/1248921791235530753)

\(^3\) Ibid.


\(^5\) https://twitter.com/PMEthiopia/status/1242034044017299456

\(^6\) https://www.voice-online.co.uk/news/coronavirus/2020/03/30/ethiopian-airlines-suspends-flights-to-over-80-destinations-due-to-COVID-19/


It also extended tax relief measures and provide priority of access to foreign currency for business importing essential equipment to protect COVID-19.

**Financial Responses by the International Community**

According to a study by United Nations Study and Oxfam International, half a billion more people could be pushed to poverty, unless developing countries receive urgent assistance. Ethiopia, being one of the poorest countries in the world, will be one of the countries that their economy will be harshly affected by the pandemic. In cognizant of the vulnerability of the economy, aimed to mitigate the impact of the pandemic, the Ethiopian government requested different financial assistance from international organizations and individuals.

Particularly, Nobel Peace Prize laureate Abiy Ahmed in his piece for the Financial Times, titled “If COVID-19 is not beaten in Africa it will return to haunt us all” demonstrates how the Ethiopian health system is not ready to halt the virus and how the economy is threatened by the pandemic, requested the G-20 to assist $500 million to the African economy. He has indicated how the virus could badly hit the Ethiopian economy. In response to this effort, international organizations extended their good hands to the continent in general and the country in particular.

The Ethiopian government was able to facilitate a donation of 1.1 million testing kits, six million masks, and 60,000 protective suits and face shields from the Alibaba Group. The Chinese billionaire and Alibaba co-founder Jack Ma provided this donation to assist countries effort in halting the pandemic. The government said it has successfully distributed the donation to all African countries. However, there are still allegations about the distribution of the aid to the targeted countries. For instance, Eritrea did not accept aids from Jack Ma.

**Financial Response by the World Bank Group (WBG)**

Part of the New COVID-19 Emergency Response and Health Systems Preparedness Project, the World Bank Group availed $82.6 million ($41.3 million grant and $41.3 million credit) to Ethiopia. This assistance aimed to enhance preparedness in developing countries. As mentioned in the press release of the World Bank Group on April 2, 2020, the purpose of the assistance is to support the country’s preparedness by financing the procurement of medical supplies and equipment, building diagnostic capacity and training, improving health screening of people entering into the country, and establishing quarantine, isolation and treatment centres.

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10 COVID-19 Ethiopia Government Responses Tracker: [https://www.trackethiogov.com/relief-measures](https://www.trackethiogov.com/relief-measures)
12 If COVID-19 is not beaten in Africa it will return to haunt us all: [https://www.ft.com/content/c12a09c8-6db6-11ea-89df-41bea055720b](https://www.ft.com/content/c12a09c8-6db6-11ea-89df-41bea055720b)
14 [https://twitter.com/AbiyAhmedAli/status/1244292255285940225](https://twitter.com/AbiyAhmedAli/status/1244292255285940225)
This credit and grant help Ethiopia to fill the foreign currency gap that the country is experiencing at this time due to the downing of its export. Despite enhancing preparedness in the health sector, it will possibly play an essential role in assisting the private sector.

**Transparency and Accountability**

The problem of emergency financial responses is the risk of corruption and mismanagement. Though not directly to the World Bank Group’s financial assistance package, international NGOs and different initiatives are calling for accountability and transparency measures. Due to the urgent nature of such financial responses, the possibility of corruption and misuse of emergency aids is high. Therefore, it is necessary to attach basic measures aimed at controlling the use of the money by the receiving countries.

Concerning the IMF’s financial assistance to developing countries to halt the pandemic, international campaign directors wrote a letter to the IMF and requested it to implement and strengthen existing anti-corruption and anti-money laundering frameworks, to demand auditing by the government and independent monitors and to ensure transparency and accountability in public procurement.\(^{17}\) Sharing urgency and flexibility features with the IMF’s financial response, the World Bank Group’s New COVID-19 Emergency Response and Health Systems Preparedness Project grant to Ethiopia couldn’t escape from this danger of misuse. Therefore, starting from disclosing the terms and conditions of the grant and credit the WBG is required to take transparency and accountability measures.

**Criticisms**

There are debates as to the importance of financial aids by the WBG and the IMF. Some studies suggest the WB and IMF funds may have very little or even negative effects on economic growth in recipient countries.\(^{18}\) Former Chairman of the IMF and Nobel Laureate Joseph Stiglitz is one of the economists that criticizes the IMF and the World Bank. According to Stiglitz, the IMF is controlled by ministers and bank governors that advance the interest of the financial community.

The World Bank endorsing Washington Consensus promotes stabilization, liberalization and privatization. This will not allow developing countries to develop the right regulatory structure.\(^{19}\) However, recently it seems that his view about the IMF is changed. In an interview with the Economist Radio, Money Talks Program, on April 7\(^{th}\), 2020 regarding the measures proposed by the IMF to assist emerging economies, he fully endorsed what the group proposed. He said that the IMF reformed itself for the past fifteen years and he is hopeful that the IMF will play an important role in fighting the pandemic.\(^{20}\)


\(^{20}\) Banking on it—are lenders healthy enough to weather this storm https://www.economist.com/podcasts/2020/04/07/banking-on-it-are-lenders-healthy-enough-to-weather-this-storm
The IMF proposed Special Drawing Rights (SDR) and Currency Swap Lines as a solution. Special Drawing Rights (SDR) refer to an international type of monetary reserve currency created by the International Monetary Fund (IMF) in 1969 that operates as a supplement to the existing money reserves of member countries.\(^{21}\) A currency swap line is an agreement between two central banks to exchange currencies.

\(^{21}\) Investopedia: [https://www.investopedia.com/terms/s/sdr.asp](https://www.investopedia.com/terms/s/sdr.asp)
The Gambia is found in the West African continent and surrounded on all its three sides by Senegal and the fourth side is the Atlantic Ocean with its source from the Fouta Jallon highlands in Guinea Conakry. The Gambia has a population of roughly 2.2 million people. The Gambia’s economy is mostly dominated by farming, fishing and the tourism industry. The official language of the country is English with tribal languages such as Fula, Jola, Mandinka, Wolof, Serahule and other minor ethnic groups.

The Gambia has been under colonial rule for several decades before it gained its independence on 18th February 1965. Became a republic in 1970 with the late Sir Dawda Kairaba Jawara as the first head of state. He ruled the country for 3 decades. He was overthrown in a coup d’état by Yaya A.J.J Jammeh, a dictatorial regime that lasted for two decades until the presidential election in 2016, a coalition of opposition parties with Adama Barrow as the president won the election. In The Gambia Islam and Christianity are the most popular religions however there are minor religious groups as well. Banjul is the Capital city of The Gambia and the country’s currency is Dalasi.

Without trying to bypass the discussion that follows a brief description of the Gambia’s health care system is imperative to the to the topic. The Gambia has a very weak healthcare system and according to a study released in January by the medical journal The Lancet, a patient going through surgery in the Gambia is twice as likely to die following the operation than elsewhere in the world. The reason, the report says, is because of minimal follow-up appointments after surgery, the poor state of the equipment, and a lack of competent doctors. The study was about Africa in general and includes the Gambia, and its main hospital, the Edward Francis Small Teaching Hospital in Banjul. In this hospital, around 200 000 patients are treated every year. But the conditions are poor, and doctors sometimes have to improvise to do their job as Claire Bargelès explains in the third report in a series of five on health in the Gambia.

The World Health Organisation (WHO) has described the COVID-19 crisis as a pandemic given its wide throughout the world. United States, Italy and Spain became one of the worst hit countries by the pandemic disease, with daily increase in the number of confirmed cases and death tolls. The Gambia first registered its COVID-19 case on the 16th of March 2020 and have subsequently registered a total of 4 case with one death as of today 10th of April.

The pandemic has caused inter-state trade disruptions with the closure of borders. Most developing countries depend largely on humanitarian assistance for survival in the face of COVID-19. A major setback in the economy is expected in most developing countries. The pandemic will most likely put families at nutrition risk thus weakening their capacity to cope with the disease, with increased probabilities of health crises, with limited or no medical facilities to contain the spread of the virus.

1 https://www.britannica.com/place/The-Gambia
Financial Aid by the World Bank Group

As developing countries are strained in their health systems, the World Bank Group has quickly responded to COVID-19 to help developing countries with financial assistance to tackle the further spread of the disease. The president of the World Bank David Malpass noted that “The poorest and most vulnerable countries will likely to be hit the hardest”. And for that reason the World Bank Group has deployed billions of dollars to developing countries to help bring more medical staffs on board and ensure that they are well trained and equipped to deliver emergency care. The group has also provided resources to fight the pandemic and to build the capacity of the country’s health system, where the equipment will facilitate the early detection of the virus and to limit its spread. The group has also provided the finance that will equip and rehabilitate primary care facilities so that they can operate the standard needed to combat the pandemic.\(^4\)

The World Bank Group financial assistance to the Gambia towards the fight against COVID-19 is in the nature of a grant. The sum amount of the said grant is $10 million. As indicated by the press release statement of the World Bank NO: 2020/082/AFR, that the said grant is given to The Gambia towards to the preparedness and response to the COVID-19 pandemic. According to the press release, the fund is allocated to the Gambia towards preventing, detecting and responding to the virus. The press release thus provides: “This rapid response operation draws from the World Bank Group’s $14 billion package of fast-track financing to help countries in their efforts to prevent, detect and respond to the spread of COVID-19”.\(^5\) The press release continues to indicate that the fund is meant to provide “the financing needed to strengthen coordination with partners and implement the Government’s National COVID-19 Preparedness and Response Plan.”

It is clear from the press release of the World Bank that the emergency fund allocation to the Gambia for the fight against the coronavirus is in the nature of a grant. The nature of this financial aid is advancing funds to the Gambia without imposing any corresponding obligation to pay for it in the future. Thus, it works as a gift that is dedicated to be utilized in a sector for which it is given. The Gambia has no obligation of paying back the money advanced to her by the World Bank Group. Thus there is no burden of future payment. The implication of the grant is that the funds advanced to the Gambia have to be used towards the mandate for which they were given. There is no repayment of the funds by the Gambia. This implied that The Gambia is free from any future monetary obligation with respect to these funds, despite the fact that it might be subjected to reporting or other obligations.

The Objective of the Financial Aid and Reactions

The objective of the financial aid as highlighted is towards the health sector. It is meant to be invested in the healthcare sector to help in preventing, detecting and responding to the COVID-19 pandemic. Thus, the funds are meant to help the government in its effort to minimize the spread of the virus.\(^6\)

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The reaction of the government of the Gambian to this financial aid has been very positive. In reacting to the preventive measures, the government has rented a number of hotels where potential or suspected people to have contracted the virus are quarantined. During the quarantine, all their necessary needs have been catered for by the government using the financial aid from the World Bank. In a bid to realise the detection of COVID-19, the government has and is still using part of the funds to train more health officers on how to detect basic signs and symptoms of COVID-19. The training also covered the knowhow of using the kits and tools for detecting the virus. The government of the Gambia is not only spending the money on what’s happening within the Gambia, it is going as far as giving a helping hand to all the Gambian students that are studying abroad. It is as a way of keeping them abreast and not to try going back home where they can make matters worst, and also to help them abide by the rules provided for by their respective host countries.

If they are to stay at home they will need money for survival and the internet to be attending online lectures, in the case of students. The government is also considering helping the extremely poor families that feeds from they earn daily. The State of Emergency declared by the President and the extension approved by the parliament is seriously affecting some of such families.

Admittedly, the government of the Gambia through its Ministry of Health has responded positively on the part of the few that had COVID-19. All the three people that had the virus were taken care of adequately and they responded well in which they all recovered and reunited with their families. There was a fourth case in which a Bangladeshi national died and he was later confirmed to have had the virus before his death. The health officials made sure that all the people that were around him were quarantined immediately.

There is an ongoing debate on how this aid is to be assessed and handled, however, and on whether the World Bank should have given this aid to the developing countries or not. Considering the bad economy in developing countries, can the means of controlling COVID-19 be implemented at all? In a country like the Gambia, where 90% of the civil servant earn a salary of nothing more two hundred dollars, where does one expect government to get the money to put in place all what is needed to prevent, detect and respond to the deadly virus? That is not even the most worrying part because the civil servants are going to be paid anyway. The state of Emergency would not affect their salaries. The most worrying part is the business sector. “Business sector” not in the sense of large multinational corporations, but, above all, in the sense of petty traders and small-scale businessmen and women. And labourers. A very small fraction of the Gambian population are employees of the government. They rest are petty traders and small-scale business holders. These are people who live on the small profits they make daily. If one is to tell these group of people not to go for a period of two months or so, one really needs to consider their plight and welfare first.

Telling them not to go on their daily business would mean stay at home and die of starvation because the government really don’t have enough money to take care of them. If hunger persist on them then fear of getting the virus whilst out on their business be a non-issue. They will take the risk and go out to get what to eat thereby increasing the risk of the virus been spread out easily. If I’m to choose between staying at home to die of hunger and taking the risk of getting the virus whilst looking for what to eat, I will rather choose the later. In sum, the grant from World Bank is going a long way in augmenting the poor health infrastructure in place to avoid the further spread of COVID-19. I’m imagining what a country as poor as the
Gambia would have become if funds are not available to help prevent, detect and respond to this virus. It is obviously not from its budget.
Bailouts and Environmental Deregulation in the Time of Coronavirus: Canada and the United States

Sara Echevarría Castresana

The pandemic associated with COVID-19, also known as coronavirus, has had enormous effects on the economy of the globe. The fast spread of the disease and the necessary sanitary measures have shocked the economic and productive system. Even though, it seemed to reach the North American continent later than others, the effect has been significant. In both Canada and the United States of America, one of the biggest measures taken to mitigate the effect on their economy has been a major bailout along with other emergency responses.

Both aid packages have been presented as ways to prevent a deeper economic recession and to mitigate a probable future financial crisis. The US bailout is presented in the CARES (Coronavirus Aid, Relief and Economic Security) Act and it was passed by the Senate of the US on the 25th of March, 2020 (Senate and House of Representatives of the USA, 2020). On the same day, the Parliament of Canada passed the COVID-19 Emergency Response Act (Parliament of Canada, 2020). We find the bills focus on the medical sector and other economic effects, but in fact they both leave enough room for a massive bailout of some sectors of the economy.

The focus from now on of these responses will be on the aid directed specifically to the oil and gas industry in Canada and US. In none of texts of the respective bills there is an explicit call for these sectors, but through declarations of the governments it is understood that they will be prioritized. Onwards, the references to these sectors will be found through press declarations especially.

It is expected from a government to try to soften the effects of such an economic crisis, but one goal of this article is to analyze if the prioritizing of these sectors comes from an objective of economic relief for the general public or as a reinforcement of the corporate interests. Then again, through the context of an emergency state and a pandemic, another measure taken has been environmental deregulation. Therefore, the second goal of this article will be to connect these responses and analyze their logic.

The point that this article will try to examine is if due to the context of a pandemic, some corporate powers are more protected and specifically, if the pandemic narrative is being utilized to stop the environmental regulations that challenge the current capitalist system.

When we focus on the oil industry and their crisis during the pandemic of COVID-19, the factor that must be considered to understand the whole context is the price war between Saudi Arabia and Russia. This conflict, that started in the beginning of March, has driven the oil prices down in their steepest one-day drop in almost 30 years (Jeff Stein, 2020). Even though this is a major shock for the industry in US and Canada, it is not directly connected to the measure from the statements of the authorities. The effects of this conflict on the industry of the respective countries and the specific reaction to it is outside of the reach of this article.

The case of the US
The CARES Act

Since Donald Trump is in office, he has openly supported the oil and gas industry. Furthermore, a lot of the production of oil and its industry is based on Republican states. The low prices and the falling demand linked to the COVID-19 pandemic has put even more pressure on the prices. The White House had expressed worries about different shale companies and that some could be driven out of business if the crisis is prolonged. These worries reached major oil companies like Occidental Petroleum. Before the bailout came into force, other companies also asked for supportive economic responses from Trump, like from Harold Hamm founder of Continental Resources, who stressed the weak situation and the jeopardization of jobs (Jeff Stein, 2020).

On the other hand, there was some opposition to it coming from the oil industry. Anne Bradbury, CEO of AXPC, which represents the top 25 independent oil and gas producers in the US, said in a statement: “We believe in the free market system and will advocate for policies that support a level playing field to address geopolitical manipulation of the market”. Later, she said in a follow-up interview that “we are not seeking a bailout” (Jeff Stein, 2020).

Furthermore, Mike Sommers, the CEO of the American Petroleum Institute (API) said: “we have no interest in engaging in discussions about bailouts (…). This is not something we are advocating for”. The API represents more than 600 oil and natural gas producers from all segments of the industry. That includes oil supermajors involved in fracking such as ExxonMobil and Chevron. “Because we’re in a time of crisis doesn’t mean we’re going to change our overriding free market philosophy. (…) We don’t want to invite more government intervention in this industry”, Sommers said. Despite these statements, it was clear that the industry was facing big difficulties and that some important companies were planning on saving costs and maybe reduce staff (Egan, 2020).

As a last addition to the idea of bailout, a group of 20 House Democrats sent a letter 10 days before passing the bill asking him not to bail out the oil and gas industry. They argued that:

“Diverting public funds to bail out this industry will do nothing to stop the spread of this deadly virus or provide relief to those in need (…). A bailout tells the American public that fossil fuel investors can rely on U.S. taxpayers to cover their bills when the industry’s corporate executives’ risky investments don’t pan out (…). Using this public health crisis as an excuse for another giveaway to the fossil fuel industry is badly misguided. It would only worsen the climate crisis.” (Richter, 2020)

Finally, the CARES Act was passed, which meant that, overnight, the bill made the US Treasury Department one of the largest investment banks in the country authorized to make loans to, guarantee them, and take equity positions in businesses of all types (Lindsey Burke, 2020). The whole economic stabilization package consists of 2 trillion dollars, which is more than 2 times bigger the package given in 2008 and 2009. The biggest portion of spending – more than $500 billion – goes to large corporations and industries. The businesses also have more flexibility to be benefited by the bailout, which can be problematic (Lere, 2020). So far, Congress has not revealed which companies will be eligible for bailouts, though there are many that are asking for one. The Democrats of the Senate pushed for more oversight and transparency in the legislation (Lere, 2020).
The general implementation of the bailout has called for some mistrust. For instance, the bill provides over $200 billion in special assistance to specific industries in a way that could encourage political abuse. “Furthermore, turning the Treasury Department into a large investment bank with almost unlimited discretion is a recipe for cronyism, favoritism, poor results, and taxpayer losses” (Lindsey Burke, 2020).

In specific terms for the oil industry, as said before, the CARES Act and its implementation doesn’t make this sector specific. Partly, due to the widespread opposition for the prioritization of this industry. Still, the government will help the sector in other ways, and we will have to wait to see what oil businesses benefit particularly from the economic stimulus.

Since the passing of this bill and even before, Trump has had a clear focus on the recovery of the oil industry. He held a meeting with different oil CEOs to discuss measure to help the sector recover from the crash. Also, he announced before passing the bill that the US would buy “as much as 77 million barrels of oil to help the industry as prices slump. Those barrels would be held in the Strategic Petroleum Reserve, a move that would cost taxpayers more than $2.5 billion” (Frazin, Trump says government will buy crude oil to help industry, 2020).

Environmental Deregulation

One day after the CARES Act passed, the 26th of March, the Environmental Protection Agency (from now on referred to as the EPA) suspended its enforcement of environmental laws. This means that during the state of emergency due to the coronavirus pandemic companies will not face any sanction for polluting (Oliver Milman, 2020).

The details can be found on the memorandum published by the EPA: “The consequences of the pandemic may constrain the ability of regulated entities to perform routine compliance monitoring, integrity testing, sampling, laboratory analysis, training, and reporting or certification” (EPA, 2020). Through this change, pollute will be able to ignore environmental laws if they can claim that the violations are related to the COVID-19 pandemic.

It needs to be highlighted that, neither on the memorandum or in other declarations, is found an end date for the dropping of enforcement. The justification argued by Andrew Wheeler, the administration of EPA, was that the pandemic had made it complicated for businesses to protect workers and the public while adhering to clear air and water rules. Another clear goal of this measure is to make it easier to approve of major infrastructure projects like oil and gas pipeline (Dzhanova, 2020).

This memo has had immediate effects. For instance, oil refineries aren’t obliged to report and reduce their carcinogenic benzene emission. At the moment, at least ten refineries had already started exceeding the limits, most of them found in Texas. It almost seems ironic that the White House is asking nonetheless to try to follow the regulations and that they have trust in businesses on doing so (Oliver Milman, 2020).

Some changes to enforcement of the EPA had already been proposed before the pandemic. The argumentation back in January 2020 was that the bureaucracy of environmental regulation had blocked the construction of many projects and that this needed a change to
maintain the growth economy. The main change was that projects that lack substantial government funding wouldn’t need federal environmental review (Dzhanova, 2020).

But behind this measure, we need to see the lobbying of different oil and gas producers that were pushing for this deregulation. The American Petroleum Institute wrote a letter to Trump and to the EPA asking for waiving “non-essential compliance obligations” such as record-keeping, training and other non-safety requirements. The letter said: “The oil and natural gas industry needs to maintain safe and reliable operations, taking into consideration that there may be limited personnel capacity to manage the full scope of the current regulatory requirements” (Frazin, 2020).

Nonetheless, this measure has again found different kinds of opposition. Even from the inside of the institution, the previous administrator, Cynthia Giles, has argued that this memo poses different dangers to the American public. One of the main concerns is air pollution emitted by industrial facilities, because COVID-19 attacks the respiratory system and these industries are usually located around low-income communities. These worries and other complaints were expressed through a letter directed to Trump by Giles and several other environmental advocates (Oliver Milman, 2020). Another negative opinion was expressed by the Union of Concerned Scientists, that said in a tweet: “we can’t use one crisis like #coronavirus to make another crisis like climate change worse” (Frazin, 2020).

Nonetheless the rollback of the EPA comes with other measures that promote environmental deregulation. Following the research done by the team of Drilled News (Westervelt & Gertz, 2020), we find the next cases:

- Regulatory Relief from the Toxic Substances Control Act (TSCA) effective since March 25th. Provides immediate regulatory relief and fee exceptions for a wide range of chemical manufacturers, including petrochemical manufacturers. TSCA is the main federal law regarding the safety of chemicals used in commerce.
- EPA Temporary Waiver on Summer Low-Volatility Gas Requirements, effective since March 27th. “EPA intends to provide additional flexibility to the marketplace to transition from winter-grade, high volatility gasoline to summer-grade low vapor pressure gasoline. EPA will temporarily waive the summer low volatility requirements and blending limitations for gasoline.” Winter-blend gasoline emits more volatile organic compounds, which are precursors of smog, when used in warmer weather.
- Rollback of Fuel Efficiency Standards since March 30th. An agreement with automakers to raise fuel economy standards for cars and light trucks (known as CAFE, or Corporate Average Fuel Efficiency standards) to 55 mpg by 2025, significantly lowering greenhouse gas and other air pollution. The Trump administration has changed that mandate to about 40 mpg by 2026.
- California, Idaho, Nevada, Oregon, Utah, and Washington Fuel Breaks Project. The Department of Interior/Bureau of Land Management Fuel Breaks Project DOI approved a $275 million BLM plan to construct and maintain a system of up to 11,000 miles of strategically placed firebreaks, aimed at protecting native vegetation and vulnerable species such as the Greater sage-grouse. It was finalized April 1st, 2020.
- FERC Fast-Tracks Requests for Regulatory Relief with a stated goal of ensuring the “reliability of the nation’s energy infrastructure” during the COVID-19 emergency since April the 7th. The Federal Energy Regulatory Commission has shortened the review period for requests and petitions to waive some regulations or extend deadlines for meeting them. FERC regulates the nation’s electricity and natural gas suppliers, as well as oil pipelines.
• Proposal to Change Rule on Nuclear Waste Disposal from the Nuclear Regulatory Commission, that would allow for the disposal of some nuclear waste in municipal landfills, rather than a licensed nuclear waste facility.
• Bureau of Land Management Releases Final Plan to Open 1.7 Million Acres of Colorado Public Lands to Fossil Fuel Extraction finalized on April 10. The plan faces popular opposition from inconsistency with climate and land planning laws.
• EPA Moves to Finalize “Secret Science” Rule. The EPA has forged ahead with finalizing new rules that will upend how the agency uses science to inform important anti-pollution regulations. The public comment period ends on May 18th.

As a final analysis of this environmental deregulation, I would like to briefly mention the effects on certain plans and projects. In March already, Interior ticked off required procedural steps in March on consideration of a ConocoPhillips oil and gas project in the Alaska wilderness, and on a development plan for land surrounding New Mexico’s Chaco Culture National Historical Park, a World Heritage site at the center of a long debate over oil and gas development, among other projects (Knickmeyer, 2020).

Finally, Trump unblocked the construction of the pipeline known as Keystone XL, going from Canada to the US and that is 1,900 km long. He justified this project to create employment during the crisis of COVID-19. This announcement came after some of the states involved declared it as essential infrastructure. Again, this project rises opposition because it cuts through indigenous territories, it will have negative environmental effects and the Obama administration blocked it 2015 (Rico, 2020). In the context of a lockdown due to a pandemic, it is also controversial that TC Energy, the constructor, is moving workers (considered essential) to rural America where the health systems are already strained (McKibben, 2020).

The case of Canada

The oil and gas industry in Canada sum up for the biggest exports of the country, but in fact, it is a sector that is mainly found in Alberta. The industry started the COVID-19 crisis with little hope, already due to the price war. The sector employs more than 100,000 Canadians across the country, but it’s facing challenges especially related to sustainability (Fife, Cryderman, & Graney, 2020).

Before passing the COVID-19 Emergency Response Act, the authorities in Ottawa expressed concerns. “We know that the oil and gas sector has been particularly affected, and specific help is needed. We’re looking at all options – including helping maintain jobs in the industry by enabling workers to put their skills to use remediating the environmental liabilities associated with orphan wells,” said Mr. O’Regan’s communications director, the Natural Resource Minister. Also, the Minister held a three hour talk with the Canadian Association of Petroleum Producers (Fife, Cryderman, & Graney, 2020).

Following the declarations of the Minister of Finance, Bill Morneau, he said that Ottawa will provide financial assistance to create jobs in reclaiming orphan wells and that there will be the possibility of changes to payroll taxes of the sector (Fife, Cryderman, & Graney, 2020). The value of the whole bailout was estimated to be around $15 billion, a big part of the whole $107-billion package for the entire country.

The concrete details of the plan haven’t been officially announced and, as mentioned before, in the relief package there is no explicit highlight of the oil and gas sector (Helgren,
The idea is that there is no direct bailout targeted to this sector due to strong opposition but that the relief package will greatly benefit them from the programs for businesses (Fife, Cryderman, & Graney, 2020). Another way that the sector will be benefited is through the funding given to hire laid-off oil and gas workers to clean up the abandoned wells in Alberta, which have undergone a quite irresponsible management. This last remark seems problematic because it can show that the federal employment aid is designed for Alberta’s needs, which problems were the province’s own making. The direct relief didn’t come in action as soon as it was expected, but still President Trudeau stated that they would support the sector (Helgren, 2020).

On the level of the government of Alberta, different responses have taken place. The state started a plan to declare oil sand workers essential on the context of the pandemic as well as funding the Alberta Energy Regulator industry levy for 6 months ($116 million in industry relief). “A $100 million loan was recently extended to the Orphan Well Association to bolster immediate reclamation efforts, decommission about 1,000 wells, and start more than 1,000 environmental assessments – creating up to 500 direct and indirect jobs” (Alberta, 2020).

The pressure for the bailout doesn’t come only from the authorities of Alberta, but also from the CEOs of the sector. Several of them wrote an open letter in the beginning of April to Trudeau asking for payroll relief and for the federal government to purchase their accounts receivable at a discount, to give the companies instant cash flows (Collins, 2020).

Nonetheless, the opposition to the prioritizing of the sector has also been widespread. There was another letter directed to Trudeau signed by 265 academics that criticized the plans for a $15 billion bailout package to the oil and gas companies. On the letter, they ask not to put the big companies in the center, to focus on other energy sectors that have proven to be more sustainable and criticize the continues support from public authorities to the sector, even when it’s wealth hasn’t been redistributed and it’s been unstable economically (Adkin & Davidson, 2020).

On another note, different organizations have asked the federal government to direct the bailout of the oil sector to the families and workers, not corporations. The letter was signed by environmental, faith and social groups representing up to 1.3 million people. The criticize the support to a sector that is about to die and that its wealth doesn’t trickle down to the workers. They also suggest giving money for retraining workers for “emerging low-carbon sectors like energy efficiency, technology, health care and renewable energy”. Moreover, they suggest the program “should also be tied to regulatory change in Alberta to ensure the province puts in place a polluter-pays program so the public is not left with these liabilities in the future” when considering orphan wells (Weber, 2020).

Environmental Deregulation and New Projects

Following similar argumentation as the neighboring country, the states of Alberta and Ontario in Canada have suspended environmental protection rules, saying they could hinder their response to the pandemic.

Alberta has suspended environmental requirements through a ministerial order on the 31st of March affecting parts of the Environmental Protection and Enhancement Act, the Water Act and the Public Lands Act, except for drinking and wastewater facilities. It is set to finish in the 14th of August (Alberta), if not said earlier. Thee Alberta government said industry must
still “record and retain complete information relating to any reporting or return requirements”. One key difference with the rollback of EPA in US is that in the case of Alberta there is no need to justify the infraction as related to the COVID-19 pandemic by the companies (Dryden, 2020).

Again, there is widespread opposition for the environmental deregulation. The New Democrat Marlin Schmidt stated that it was an “outrageous” move and that “Albertans deserve environmental protection at all times, especially during a pandemic”. Coming from the law firm Ecojustice, it is perceived that “project permitting proceeds at full speed in Alberta while environmental oversight is out the door”. Finally, this order could reduce some costs on the new pipeline projects, but the effects are still unclear (Dryden, 2020).

Another change comes in the Alberta Energy Regulator since the 21st of March. It oversees permitting, operations, and environmental compliance of the province’s fossil fuel and mineral extraction operations, collecting administrative fees from industry to fund its operations. But citing the COVID-19 pandemic, the agency has stopped collecting those fees for six months; the loss will total around $113 million. AER also announced that it will automatically extend mineral agreements that were set to expire at the end of 2020. The agency regulates, among other things, more than 181,000 wells, over 258,000 miles of pipeline, 8 tar sands mines and 8 coal mines (Westervelt & Gertz, 2020).

Since the 2nd of April, the provincial legislature passed a law that has effectively turned the Orphan Well Association into a way for industry to offload its obligations to reclaim and remediate abandoned well sites. Known as Bill 12, the “Liabilities Management Statutes Amendment Act 2020” broadens the list of activities companies can carry out on private property without consent from or compensation for landowners. It also gives politicians, rather than scientists or industry experts, control over how the orphan well funds are spent. Further, it allows the OWA to take over the assets of bankrupt companies, continue operating their wells, and conduct clean-up free without consulting landowners. Reacting to this, the Alberta Liabilities Disclosure Project said that the new law “lacks any conditions that uphold Canada’s Polluter Pays Principle, ensuring industry pays for cleanup, property taxes and landowner compensation” (Westervelt & Gertz, 2020).

In the state of Ontario, the change allows the Progressive Conservative government to not consult the public or consider environmental values when pushing forward projects. The measures don’t specify what kind of coronavirus-related project could be accelerated and they suspend sections of the Environmental Bill of Rights. The new rules came in force the 1st of April and will last until 30 days after the state of emergency ends (McIntosh, 2020).

The current government of Ontario, led by Doug Ford, has been cancelling clean energy projects, conservation programs, weakened endangered species protections and taken away powers from the province’s environmental commissioner. Even though, there is no clear evidence that this move will lead to anything nefarious, there are still concerns. Robert Wright, lawyer in Ecojustice, stated: “in our view, this is opportunistic. This statute has been so important for environmental protection. To take this opportunity to essentially gut it or environmentally gouge the protections, it’s illogical” (McIntosh, 2020).

During the pandemic of COVID-19, a project that has pushed through is the Keystone XL pipeline, as presented in the case of the US. The project had been postponed because the builder, TC Energy, had trouble arrange the financing and permits, without mentioning the
opposition from social movements and indigenous nations. It was expected for the project to be blocked for a longer period, but the COVID-19 pandemic has given a chance to succeed. The premier of Alberta, Jason Kenney, had already invested $1.1 billion of taxpayer’s money (on the 31st of March) to TC Energy for the construction throughout the year and set aside $4.2 billion in a loan guarantee (McKibben, 2020). Complementary, Premier Horgan of British Columbia, has embraced the project and given some “sweeteners” like discounted electricity prices, exemptions from increases in the BC carbon tax, a corporate income tax break and deferral of provincial sales tax on construction. The construction is to start immediately (Hackett, 2020).

One question that has been raised by different scholars was on the reason for the big need of public financing of this project. Probably the first respond to it is that currently, investing in high-carbon fuels is very risky considering the era of climate change. Therefore, banks and international financiers like HSBC, BNP Paribas, Natixis, ING or Axa have confirmed that they will no longer provide financing for oilsands projects, like the one in Keystone XL (Berman, 2020).

Some of the most controversial, yet publicly funded projects are the Coastal GasLink fracked gas pipeline and the Trans Mountain pipeline (purchased by the Canadian government for $4.5 billion in 2018). Economically, Canada’s government owns the pipeline since 2018 and taxpayers subsidize it. In political terms, there have been multi-million-dollar campaigns by Alberta government and Trudeau to present the Trans Mountain pipeline as national interest (Hackett, 2020).

The United Nations Committee on the Elimination of Racial Discrimination called for their suspension along with the Site C hydroelectric dam because they go through Indigenous nations territories, without informing and consultation (Patterson, 2020). Further criticism to this projects come from the infrastructure and working conditions: “the culture and work conditions of ‘man camps’ exacerbate isolation, drug and alcohol abuse, violence, misogyny, hyper-masculinity, and racism among the men living there” stated the Unist’ot’en Clan of the Wet’suwet’en Nation in northern British Columbia (Patterson, 2020).

Conclusions

The study of Canada and the US shows a fair amount of similarities between their responses to COVID-19 pandemic as well as its connection to the oil and gas sector. The general critique about bailout is that it will benefit Big Business and that it leaves room for gains in the oil and gas sector. Not only can we see this issue in the packages, but also a lack of imagination in comparison to the response to the crisis of 2008.

If the bailout doesn’t show a clear prioritizing of oil and gas sectors that are less profitable and that come with a short-sighted vision of solutions; then, the changes in regulations and the support to controversial projects does. Especially, in the Canadian example, there is a narrative tendency for “progressive extractivism”. This is characterized by progressive rhetoric and then empty promise of financing a transition to a zero-carbon economy in some vague future, with uncertain profits from extractivist megaprojects. It’s theorized by Professor Chen, from Ryerson University and presented as “it’s an approach as contradictory as dealing drugs to fund a rehab clinic” (Hackett, 2020).
It’s necessary to mention that this logic is also found in other territories, such as Andalucía, the southern region of Spain, where there was a strong environmental deregulation. Also, in China, focusing on the argument of economic recovery from the COVID-19 pandemic crisis, one of the central projects is the building of 12 coal plants.

In the context of a pandemic that has the capacity to reduce CO$_2$ and that gave hope to some for a more ecological shift of the productive system, both countries seem to take an opposite road. The fact that public authorities are allocating such a big quantity of resources in the oil and gas industry means the rejection of other sectors like the renewable energy one. This choice either presents a path dependency connected to the petro-elites and the indebtedness of the industry or a lack of imagination and innovation to choose and boost other paths.

The measures taken for environmental deregulation proves that climate change and ecology aren’t a priority and haven’t been. Maybe this isn’t a surprise for Trump’s administration; but certainly, it shows the hypocrisy of the Trudeau’s government when trying to portray Canada as a forefront runner for a transition to carbon-free economy.

Finally, different authorities mentioned in the article had already advocated for environmental deregulation and climate risky projects. Therefore, it can seem that the emergency state due to the COVID-19 pandemic has given them the chance to place their priorities in bolder way. This can be related to what the author Naomi Klein has called the “shock doctrine” or the “catastrophe capitalism”. This is the phenomenon wherein profitseers and their allies in government exploit the mayhem of a public emergency to push through unpopular policy changes that benefit the industry. The shock brought by COVID-19 has given a chance to pursue an economic growth at the expense of the planet.

References


The role of the International Monetary Fund in the coronavirus crisis: tackling the problem or perpetuating the bigger one?

Šimon Batík

The word crisis invokes the notion of destruction; of temporal instability within a period of long-term stability. This would imply that the financial crisis of 2008 and economic slowdown of 2020 have been only abnormalities within a well-functioning economic framework. However, what if the use of the word crises means that we have normalized certain less visible economic practices that are either threatening the future or harming the marginalized? Horacio Ortiz has made a great contribution in the field of the anthropology of finance when he identified the notion of crisis through the lenses of financial imagination. The crisis is in this way perceived as a deviation from market efficiency itself expected to lead to an optimal allocation of credit (Ortiz, 2014). To a person trapped in this paradigm, it serves as a dogmatic lens through which the functioning of the economy/financial sector is perceived.

The economic effects of the financial crisis of 2008 and of the coronavirus pandemic are being used as an example of the crisis of the same nature. Indeed, short-term effects are in many ways similar: recession chatter and bloodbath on global stock markets (Pandey, 2020).

However, the nature of these systemic disruptions differs in many aspects... The financial crisis of 2008 was brought about by financial mechanisms. After a long-period of deregulation of the financial sector and flowering financial imagination, the inaccuracies in the equations created by “financial experts”, caused enormous disruption in the functioning of the global financial market. The economic “crisis” of 2020 is of another nature. It is not directly caused by excesses of the financial sector, but by disruptions to the global supply-chain by protective measures taken as a response to the outbreak of the coronavirus pandemic:

“The global financial crisis was kind of endogenous in the economic system meaning that there was a strong capital stock distortion in some countries and there was a problem of over-indebtedness. These two roots of a crisis are much harder to cure than the situation that we are facing today where we have an interruption of production structures, which in principle are fundamentally sound”, Stefan Kooths, head of forecasting at the Kiel Institute for the World Economy, told DW. (Pandey, 2020)

Knowing the different nature behind the systemic failures of the above mentioned examples, is there a link between them? Within both of these failures we can identify a common denominator: the denominator is the systemic inability to provide expected return on investment. When we witness a strong capital stock distortion or whether we have an interruption of production structures, the word economic crisis is always used in relation to unfulfilled expectations when it comes to net profit. Therefore, the notion of perpetual growth underlies both of them.

The economy has entered a phase when the financial flows are inherently global and when the international organizations such as the International Monetary Fund play an important role in the management of global economic governance. The reason why I have chosen the International Monetary Fund is because together with the World Bank Group it is highly politicized institution with enormous impact on low-income countries. Given the fact that it stands for certain values (in opposition to investment banks whose purpose is solely financial),
to follow the narratives behind its actions is a good way to get an insight into the economic
narrative behind the functioning of the global political economy.

The purpose of this article is to analyze the logic of the IMF’s economical narrative and
study whether its recent development as an institution and its responses to the coronavirus crisis
signals a course that can bring a truly resilient global financial system designed not only to
withstand a real crisis but to work in a way that does not cause it. The best way to see where
the discourse is located is to analyze behavior of a similar actor in a course of different times.
To achieve this goal we have to look at the historical development of the International
Monetary Fund and its performance during the aforementioned crisis of 2008 and 2020 and see
what narratives have been used before and after.

The International Monetary Fund: Historical Context

The International Monetary Fund presents itself as an organization whose primary
purpose is:

“to safeguard the stability of the international monetary system—the
system of exchange rates and international payments that enables countries
(and their citizens) to buy goods and services from each other. This is
essential for achieving sustainable economic growth and raising living

The IMF has developed on the ideas of J. M. Keynes, suggesting that the natural
business cycle of the markets can be managed by the governmental intervention producing
sound economic policies and alleviating the economic crisis. These presuppositions were built
into a new global economic order embodied in the newly created international architecture for
global governance - consisting of the IMF, the World Bank and The General Agreements on
Trade and Tariff (predecessor of the WTO). At the heart of the IMF was the system of fixed-

Keynesianism received shock therapy by the oil crisis in 1973 and the mainstream
economic narrative shifted after the so-called “Washington consensus” which marked the
IMF’s policy approach for the following decades (Williamson, 1990). After the Washington
consensus the IMF and the World Bank (based in Washington) began providing financial
assistance to member states on the condition that borrowers will apply certain economic
policies (Babb, 2012). The condition can be summarized under the term “neoliberalism”:

“Noeloliberalism or neo-liberalism is the 20th-century resurgence of
19th-century ideas associated with laissez-faire economic liberalism and free
market capitalism. It is generally associated with policies of economic
liberalization including privatization, deregulation, globalization, free trade,
austerity, and reductions in government spending in order to increase the role
of the private sector in the economy and society.” (Neoliberalism, 2020)

What this tells us is that the IMF was created as an “international agency responsible
for ensuring global financial stability” (Stiglitz, 2013, str. 76) based on the understanding that
the social, political and economic issues are interrelated. However, the several crises in the 70s
marked a shift to a new neoliberal paradigm with a strong belief that economic growth equals
economic stability.
In 2005 the IMF’s Director of research Raghuran Rajan warned that there was a toxic combination of high housing prices and excessive rewards in financial risk taking. However, Lawrence Summers has marked him as a Luddite (textile workers destroying the machines perceived as a threat for their jobs) and the IMF supported Summers’ opinion in its 2005 Global Financial Stability Report:

“The resilience of the global financial system has further improved in the past six months, largely because of solid global economic, buoyant financial markets, and continued improvement in the balance sheets of the corporate, financial, and household sectors in many countries” (IMF, Global Financial Stability Report, 2005)

At that time economic growth was perceived as the most important element in a healthy economy and resilient financial systems. However, questions such as “is the economic growth fueled by investment or debt” were not asked. For example, the IMF made the assumption that “the US Administration’s goal of halving the deficit by 2009 was achieved three years early” (IMF, Global Financial Stability Report, 2005, str. 54) although the US was able to halve its deficit ‘thanks’ to its citizens debt.

The IMF’s importance grew considerably after its central role as a global financial firefighter during the 2008 financial crisis. After the crisis of 2008, the IMF has become a recipient of large infusions of resources and became a “crisis manager”. The IMF was also a part of so called “Troika” of creditors along with EC and ECB. The IMF rebuilt its governance structure, created new financial instruments and changed its view on appropriate economic policies. The IMF lending skyrocketed from modest US$ 1 billion in 2007 to more than US$ 220 billion in 2011. In 2013 its lending capacities reached nearly US$ 1 trillion (Gutner, 2015). One of the major changes was the improvement in surveillance methods. The IMF uses two types of surveillance methods: bilateral (addressing individual members) and multilateral (focusing on the global economy).

Since 1981, the IMF has been publishing the World Economic Outlook which has established itself as one of the main economic forecasting platforms and evaluation pamphlets worldwide. A second important surveillance mechanism is the Global Financial Stability Report published since 2002. The report is done through annual meetings and revision of the country’s economic and financial performance (under the agreement of the Article IV) (Gutner, 2015).

Post-2008 Period

We have stated that the importance of the IMF grew considerably after the Great Recession of 2008. In what way has the IMF changed since then? Has it evolved to a real bodyguard of the global economic system or is the IMF itself still trapped in the economic discourse focusing solely on macroeconomic measures and neoliberal policies? As a response to the crisis the IMF has multiplied its resources and “lent almost $400 billion to 38 countries to help them deal with the crisis” (Office, 2014, str. 18). As a result of the GFC “the principles of neoliberal free-market economics were suspended for a few weeks” (Stockhammer, 2015, str. 937).
Not only had the IMF gained relevance but also the governments and central banks were “back”. Piketty describes the moment as “the crisis of 2008 and the return of the state” (Piketty, 2014, str. 472). Central banks increased the IMF budget and “advanced economies” such as Greece or Spain were in the centre of “the biggest bailout in the history of modern finance” financed mostly by the IMF and ECB. The IMF Managing Director Strauss-Kahn stated: “Today is the proof that the IMF is back” (Rodriguez, 2017).

The financial crisis of 2008 posed a significant challenge to neoliberal ideology: “The neoliberal model has now met its own crisis in the recent banking and finance debacle. Neoliberalism is wearing out, as all models do” (Crouch, 2011, str. 163). When confronted with the empirical evidence of the efficiency of the self-regulating markets, Gabriel Zanotti, professor of the philosophy of science, argues: “Numbers and data are a false conception of reality. Reality does not consist of numbers, data and facts. Reality consists in being able to evaluate the social situation in the light of true ideas which are the fruit of the deepening of intellectual abstraction” (Zanotti, 2013).

It has been recognized that neoliberalism rather than being an empirically well-founded reality is more of a mathematical phantasy that source its legitimacy from the historical inheritance of the Cold War dichotomy between effective free-markets and oppressive planned economies while its legitimacy being represented only through one valuable metric – economic growth – without taking into account the allocation of wealth and the environmental costs. Despite the growing mistrust towards the neoliberal policies, there was also movement stating that it was governmental intervention that triggered the recession and what is needed is more deregulation. (Salsman, 2013) Gregory, for example, produced an OECD report arguing that “the most successful anti-poverty movement in history is called ‘the free market’” (Gregory, 2015).

In early period after the financial crisis, there was a strong sense that the IMF is changing its course. The Managing director Dominique Strauss-Kahn (IMF, The Global Jobs Crisis – Sustaining the Recovery through Employment and Equitable Growth, 2011) accepted that “what we have learnt over time is that unemployment and inequality can undermine the very achievements of the market economy, by sowing the seeds of instability”. The IMF Managing Director and Director of Communicators has suggested that the IMF has to change its direction from focusing solely on growth and privatisation at any cost and shift towards understanding the economic reality in which the rising inequality between rich and poor is creating an economic time bomb (Rodriguez, 2017).

And there were important actions, e.g. the Managing Director Strauss-Kahn requesting the Fund to keep the conditionality for the loans as low as possible (Rodriguez, 2017). Furthermore, thanks to its Emergency Financing Mechanism (EFM), the Fund was able to agree with national governments in significantly faster manner (up to 72 hours). Also in 2016, the IMF's Finance & Development Team published a report titled ‘Neoliberalism, oversold?’ (Ostry, 2016, str. 38). According to an IMF report produced by its Strategy, Policy and Review Department, the increase in income of the richest 20% leads to lower GDP while the increase in income of the bottom 20% can actually increase it (Dabla-Norris, 2015).

However, in 2017, the organization has advised Greece, “to take further decisive steps to privatise state assets—including in the area of energy, where costs remain high due to extensive state interference” (IMF, IMF Quotas, 2017). What happened to the Fund is that quickly after the global market started to recover from the GFC its learning curve proved to be
temporal. Some sections of the Fund continued using the post-crisis narrative but in terms of policy implementation the crisis was forgotten (Güven, 2012). Austerity policies were being endorsed only two years after 2008 while unemployment remained high (Office, 2014). The IMF continued to pursue its belief in self-regulating markets as a medieval doctor who believed in bloodletting but “when the patient did not get better argued that what they really needed was another round” (Stiglitz, 2013).

The struggle to move past barriers for transformation consist mainly of two key elements (Rodriguez, 2017):

- Inability to effectively enforce policies to prevent financial risks taken by the “developed” countries.
- The intra-organizational tensions
  - The divide between so-called “borrowers” and “contributors”. Therefore, the IMF has to stand for its contributors that demand their money back and its borrowers.
  - Voting power allocated according to member’s economy (led by the USA).
  - The internal conflicts between different branches of the IMF’s administration.

The IMF has returned to the practices where the majority of developing countries dictate the condition under which the borrowers represented by the smaller economies should run their countries. The IMF tends to portrait itself as an independent organization (Lagarde, 2015), yet it still depends on the voting power in ratio to the economy’s size. As such, the Group of G7 that accounts for 4% of the member states controls 45% of all votes (Blomberg, 2006).

So why is it that the small economies continue to open their markets to Western financial firms? Perhaps, says the Nobel laureate Joseph Stiglitz, it is just because of the feeling of possible future crises. Western countries want to be repaid, hence the advice for Greece to foster privatisation in order to facilitate foreign investment into Greek economy (IMF, IMF Quotas, 2017). However, there are some changes that deserve acknowledgement and to argue that the IMF has returned to “business as usual” would be misleading.

The IMF has shown willingness to question its fundamental assumption. But these changes have materialised only in a narrative way but not in policy terms (as we can see in the example of Greece) (Nunn, 2016). Gutnar acknowledges the change in view on the appropriate economic policies. However, these views appear to occur only in the departments of research with no direct influence on the policy making (Gutner, 2015). There has been an acknowledgement that “increasing the income share of the poorest can boost growth, but raising the income share of the richest can actually harm growth” (Rodriguez, 2017). However, Nunn and White highlight that, “while inequality is accepted as a potential challenge to growth, the guidance is clear that this is a secondary and subordinate consideration” (Nunn, 2016). Therefore, the IMFs obsession with growth has remained the single most important target of its policies.

_Why Can’t the IMF Learn its Lesson?_

The most likely reason behind the unsuccessful learning curve of the IMF is its governance structure. The IMF was created after the Second World War, not long after the Great Depression. Yet, its most influential shareholder was the member state where this crisis originated. Some 80 years later after another speculative crisis, the USA still possesses the
largest amount of voting power over the IMF. The IMF has been promoting the US interest since its deployment in the restoration of the European economy after WWII in order to make it viable for purchasing the American goods (Rodriguez, 2017). And the USA as the IMF’s main creditor has potential power to veto its decisions. (Gutner, 2015).

After the crisis of 2008, there has unfolded a more complex picture of global economic governance. China has set up the Asian Investment Infrastructure Development Bank in 2014. Also the BRICS (Brazil, Russia, India, China, South Africa) set up the New Development Bank in 2014. The IMF therefore is becoming just a part of the increasingly complex global economic governance (Rodriguez, 2017).

Boin argues that the evidence available “strongly suggests that the crises of the future will be increasingly trans-boundary in nature” (Boin, 2009, p. 367). And until there will be a truly trans-national, democratic and legitimate financial institution to manage the governance of global finance, the global financial economy is doomed to fail. This is not the case of the newly formed financial institutions (the Asian Investment Infrastructure Development Bank and New Development Bank) which seem to follow some patterns that resemble some of the neoliberal practices of the International Monetary Fund. It is beyond the scope of this paper to evaluate the extent to which free-market fundamentalism is creating deceptive promises. However, it is more than clear that neoliberalism, more than creating a free-market, is actually “devoted to domination of public life by corporations” (Crouch, 2011).

**Coronavirus Emergency and the Role of the International Monetary Fund**

“It is already clear that global growth will turn sharply negative in 2020, as you will see in our World Economic Outlook next week. In fact, we anticipate the worst economic fallout since the Great Depression,” said Kristalina Georgieva, the Managing Director of the IMF (Georgieva, Confronting the Crisis: Priorities for the Global Economy, 2020). The economic slowdown had some positive impacts, such as significant reduction in the air pollution and GHG emissions worldwide (mainly due to lower levels of production and transportation) (McGrath, 2020), however, due to the nature of the globally interconnected capitalist economy, it has left many people on the verge of bankruptcy (or starvation). The role of the International Monetary Fund has always been to stabilize the global financial (monetary) system and since it regained its position as a global financial firefighter it is also expected that the IMF will provide financial relief especially for the “emerging” and low-income economies whose people will suffer the most. How has the response been so far?

The IMF stated that the global policy makers have to enact “wartime” measures to help the households, business and financial sector to fight the pandemic (Schultze, 2020). It has asked governments to provide support for individuals who lost their jobs, to support the health system and provide “exceptional support” like wage subsidies for private companies. The IMF further stated that “greater intervention from the public sector is warranted” while the pandemic lasts (Schultze, 2020). Management of the IMF “has already declared that it is willing to raise a trillion dollars,” mainly from the states that hold the majority of its shares – USA, Japan and China (however, it is expected that the majority of the effort of these states to extricate themselves from the crisis will be directed inward – due to independent means of international help that they are likely to use before turning to the IMF) (Stein, 2020).
Georgieva stated that there is no trade-off between saving lives and saving livelihoods. The improvement of health care systems and containment is claimed as a priority on the list of the IMF’s four priorities (Georgieva, IMF chief flags up grim global economic forecast, 2020):

- First, continue with essential containment measures and support for health systems. “Some say there is a trade-off between saving lives and saving livelihoods. I say it is a false dilemma. Given this is a pandemic crisis, defeating the virus and defending people’s health are necessary for economic recovery.”
- Second, shield affected people and firms with large, timely, targeted fiscal and financial sector measures. “However, we need to prevent liquidity pressures from turning into solvency problems and avoid a scarring of the economy that would make the recovery so much more difficult.”
- Third, reduce stress to the financial system and avoid contagion. “The financial system is facing significant pressures, and monetary stimulus and liquidity facilities play an indispensable role. Interest rates have been lowered in many countries. Major central banks have activated swap lines and created new ones to reduce financial market stress. Enhancing liquidity for a broader range of emerging economies would provide further relief. Importantly, it would also lift confidence.”
- Fourth, even as we move through this containment phase, we must plan for recovery. “As measures to stabilize the economy take hold and business starts to normalize, we will need to move swiftly to boost demand. Coordinated fiscal stimulus will be essential. Where inflation remains low and well-anchored, monetary policy should remain accommodative. Those with greater resources and policy space will need to do more; others, with limited resources will need more support.”

The IMF stated: “The Fund’s priority has been to respond to the extraordinary spike in requests for emergency finance, so countries can implement the necessary policies to protect the health of their people as well as their economies” (Georgieva, Confronting the Crisis: Priorities for the Global Economy, 2020).

Among first applicants to the IMF funding was Iran. Since the beginning, Iran was one of the most severely affected countries by the Coronavirus outbreak. Within 3 weeks, China has sent 18 plane loads of medical and humanitarian equipment. The United States did exactly the opposite and expanded its sanctions (that prevent Iran to purchase medical equipment from abroad) towards the Islamic republic of Iran (Dareini, 2020). For six decades Iran hasn’t asked for financial support from the IMF. Now, Iranian officials confirmed that they asked the International Monetary Fund for a $5 billion emergency loan. On his Twitter account, the Iranian foreign minister Mohammad Javad Zarif wrote “The IMF/IMF Board should adhere to the Fund’s mandate, stand on the right side of history & act responsibly”. However, this loan would undermine president Trump’s sanctions against the Islamic republic of Iran and given the fact that the USA sits on the IMF’s decision-making board, it could veto the response of the IMF. Even if the decision-board responds positively, there can be obstacles such as the Financial Action Task Force (FATF - world’s top anti-terrorism and money laundering monitoring group) that earlier in the February voted to keep the Iran on the blacklist and ban it from the international financial system. As of 12.4.2020, the US is still blocking the loan approval which reflects the deep geopolitical lock-in of the organization (Talley, 2020).

Not just Iran but already 90 countries had sought help from the IMF after the capital outflow from emerging market economies. This outflow amounted to $100bn – more than three times the outflows seen during the financial crisis of 2008:“The IMF stands ready to support
vulnerable countries with different lending facilities, including through rapidly disbursing emergency financing, which could amount up to $50 billion for low-income and emerging market countries” (Georgieva, Confronting the Crisis: Priorities for the Global Economy, 2020).

The IMF will provide financial support mainly through a number of mechanisms (IMF, 2020):

- Augmenting existing lending programs.
- Emergency financing – the IMF has doubled what has been provided normally under this name. Our current estimates of the countries that could potentially need emergency financing suggests demand for emergency financing of around USD 100 Billion of which USD 50 billion is already under active consideration. This estimate of demand is subject to considerable uncertainty. In particular, demand for new IMF financing arrangements involving Fund-supported programs (rather than emergency financing involving outright purchases and disbursements) could lead to rapidly higher demand in the months ahead. There are some requirements for support under the Rapid Credit Facility (RCF) and Rapid Financial Instrument (RFI), including that the county’s debt is sustainable or on track to be sustainable, that it has an urgent balance of payments needs, and that it is pursuing appropriate policies to address the crisis. There are two main mechanisms of emergency financing:
  - Rapid Credit Facility – is currently interest-free and provided to the members of the PRGT (Poverty Reduction and Growth Trust).
    - PRGT is aimed to (1) link proposed program policies with the member’s poverty reduction and growth objectives, (2) preserve national ownership of the poverty reduction strategy process, and (3) provide flexibility in scope and coverage to reflect particular country circumstances.
    - The RCF places emphasis on the country’s poverty reduction and growth objectives.
  - Rapid Credit Instrument – is available to all members and is designed when a full-fledged economic program isn’t necessary or feasible. Financial assistance provided under the RFI is subject to the same financing terms as the Flexible Credit Line (FCL), the Precautionary and Liquidity Line (PLL) and Stand-By Arrangements and should be repaid within 3 ¼ to 5 years. A member country requesting RFI assistance is required to cooperate with the IMF to make efforts to solve its balance of payments difficulties and to describe the general economic policies that it proposes to follow. Prior actions may be required where warranted.
  - Grants for debt relief – in a direct response to the COVID-19 pandemic, the CCRT (Catastrophe Containment and Relief Trust) was recently enhanced to provide urgent debt service relief to the world’s poorest and most vulnerable countries, thereby freeing up scarce resources for medical spending and health-related and other immediate needs during the pandemic. And what is catastrophe Containment? Assistance in containing a public health disaster. There are two qualifying cases: life-threatening epidemic or global life-threatening pandemic. In addition, to qualify for the support, the afflicted country should put in place appropriate macroeconomic policies to address the balance of payments needs. The countries would benefit from up-front grants for an initial tranche covering eligible debt.
“More broadly, IMF member countries can also draw on the Fund’s overall firepower of $1 trillion by requesting new financing arrangements or augmenting existing financing arrangements” (IMF, The IMF’s Response to COVID-19, 2020). The IMF has already approved several of those requests (IMF, Lending Tracker, 2020):

- Albania – SDR 139.3 million under RFI (Euro 174 million)
- Kosovo – SDR 41.3 million under RFI (Euro 51.6 million)
- Republic of North Macedonia – SDR 140.3 million under RFI (EUR 176.53 million)
- Gabon – SDR 108 million under RFI (about US$147 million)
- Republic of Madagascar – SDR 122.2 million under RCF (about US$ 165.99 million)
- Rwanda – SDR 80.1 million under RCF (about US$109.4 million)
- Togo – SDR 71.49 million as an augmentation of ECF
- Kyrgyz Republic – SDR 59.2 million under RFI and SDR 29.6 under RCF
- Tunisia – SDR 545.2 million under RFI (US$745 million)
- Guinea – SDR 17.213 million (US$23.5 million)¹ (IMF, IMF Executive Board Completes Fourth Review Under the Extended Credit Facility Arrangement and Approves US$23.5 Million Disbursement for Guinea, 2020)
- Senegal – SDR 161.8 million of which two thirds under RFI and one third under RCF (US$ 221 million) (IMF, IMF Staff completes Discussions for a US$221 Million Disbursement to Senegal in response to the COVID-19 Pandemic, 2020)
- The Gambia – SDR 35 million under the ECF (Extended Credit Facility) which is about US$47.1 million.²
- Honduras – SDR 104.92 million (US$143 million) as an addition to currently running SBA/SCF arrangements. (IMF, IMF disburses US$143 million to Honduras to fight Covid-19 Pandemic, 2020)

“Many governments are faced with this dilemma: Do they provide support to people to simply survive, do they fight the virus? And we want this to be the false dilemma. We want them to have for the next month substantial financial resources so they can step up their support for the people, against the pandemic and their support for the economy” (Georgieva, IMF to Double Emergency Funding to Help Poorer Countries, 2020).

The IMF Blog

To better understand the position of the IMF I would like to present several quotes from the official IMF blog written by the leading figures of the organization. All of these fragments present responses to the COVID-19 pandemic and what is necessary to do right now:

¹ One of the conditions under which the disbursement was approved is: “The authorities are advancing growth-supporting structural reforms. Strengthening the anti-corruption framework and the business climate will enhance governance and support private sector development. Implementing the new asset declaration regime and further strengthening the AML/CFT regime will be important” (IMF, IMF Executive Board Completes Fourth Review Under the Extended Credit Facility Arrangement and Approves US$23.5 Million Disbursement for Guinea, 2020).

² One of the conditions under which the program was approved is: “The authorities’ support for social programs and commitment to structural reforms and improvement in governance, as outlined in the authorities’ National Development plan, will be necessary to help address social needs, combat corruption and promote private-sector-led inclusive growth” (IMF, IMF Executive Board Approves US$47.1 million Extended Credit Facility (ECF) Arrangement for The Gambia, 2020).
“In a war, massive spending on armaments stimulates economic activity and special provisions ensure essential services. In this crisis, things are more complicated, but a common feature is an increased role for the public sector.” (Dell’Ariccia et al., 2020)

“The success of the pace of recovery will depend crucially on policies undertaken during the crisis. If policies ensure that workers do not lose their jobs, renters and homeowners are not evicted, companies avoid bankruptcy, and business and trade networks are preserved, the recovery will occur sooner and more smoothly.” (Dell’Ariccia et al., 2020)

“This is a major challenge for advanced economies whose governments can easily finance an extraordinary increase in expenditures even as their revenues are dropping. The challenge is even greater for low-income and emerging economies that face capital flight; they will require grants and financing from the global community.” (Dell’Ariccia et al., 2020)

“Greater intervention by the public sector is justified by the emergency for as long as exceptional circumstances persist, but must be provided in a transparent manner and with clear sunset clauses.” (Dell’Ariccia et al., 2020)

“It is essential to maintain international trade and cooperation, which are essential to defeating the pandemic and maximizing the chances of a quick recovery. Promoting the recovery will have its own challenges, including higher levels of public debt and possibly new swaths of the economy under government control. But relative success in Phase I will ensure that economic policy can go back to its normal operation.” (Dell’Ariccia et al., 2020)

And last but not least, a statement about sub-Saharan Africa:

“A decade ago, the region was spared the brunt of the global financial crisis. Lower debt levels meant most countries had room to increase spending and they were able to implement counter-cyclical policies. Countries were also less integrated with global financial markets and that meant being cut off from financing was harmful for only a handful of countries.” (Ongley, 2020)

Conclusions

If we return to the last IMF’s statement about sub-Saharan Africa, we realize that during the financial crisis of 2008, the African economy was less integrated with global financial markets and also in lower debt. Both of those conditions meant that the African economy didn’t suffer as much during the economic crisis of 2020. Why then, does the IMF try to “maintain international trade (…) and provide grants and financing from the global community?” (Dell’Ariccia et al., 2020). As we have seen, the IMF is a highly politicized institution that currently serves to dismantle the political barriers to globalize the markets and homogenize the
financial system. Through deceptive promise of all-enriching free-trade and inclusive growth it is financing not a betterment of the “emerging economies” but their sell-off.

One consequence of the coronavirus pandemic is likely to be a prolonged economic recession. A return to Keynesian state intervention with fostered international cooperation is likely to be necessary (Jones, 2020). Just as after the financial crisis of 2008, the IMF has supported “greater intervention by the public sector” (Dell’Ariccia et al., 2020). However, only for the state of emergency until the “economic policy can go back to its normal operation” (Dell’Ariccia et al., 2020).

Some people have suggested that the return to “normal capitalism” is impossible and that we need an economy that puts people’s wellbeing at the centre instead of its focus on growth. (Mason, 2020) The IMF however, still focuses on the financial programs that have growth at the centre. Its rhetoric about the growth changed. After adoption of the SDGs, the international organizations started use expressions such as “sustainable economic growth” (IMF, Annual Report: Making the Global Economy Work, 2008). However, some authors have argued that it is just a linguistic disguise of the practices that hasn’t changed. In the introduction we have described the different nature of the crises of 2008 and 2020: “During the 2008 crisis it appeared as if this financial “roof” collapsed onto the building that was supporting it, but the building – though it suffered damage – remained stable and the roof was rebuilt. The problem is, by the same analogy, this time it’s not the roof collapsing, it’s the foundations” (Mason, 2020).

We identified the perpetual growth as the link between those crises. Capitalism needs perpetual growth and the coronavirus crisis has revealed that once we stop generating return to capital invested, the economy collapses. Once we stop consuming, the system is seriously wounded. The financial system needs fuel to generate return on its investments. Some authors say that the current system, in opposition to the one of the previous financial crisis is sound (Pandey, 2020). However, the growth since the 2008 has been fueled by borrowing – by companies, households and states and by the creation of $20tn of free money by central banks (Mason, 2020). Total worldwide debt has never been higher – $253 trillion (in comparison, the global GDP is $84 trillion) which constitutes around $32,500 of debt per person (CNBC, 2020). The IMF is trying to tackle the short-term problem of the pandemic by providing more loans and lowering the interest rates to some of its emergency finance packages. In short-term it is meant to solve the emergency crisis posed by the pandemic. In the long-term, it fuels the debt of low-income countries which are the ones unable to repay it and as a result are forced to open their markets to foreign investors.

There have been several debt waves in the past 50 years (CNBC, 2020):
- 1970-1989 when many South American governments borrowed large amounts of money from US commercial banks to support their development.
- The second wave from 1990-2001 was represented by higher indebtedness by the private sector (after the neoliberalization of the markets). Most of it represented in the East Asian region. This crisis remained “unnoticed” given its occurrence together with high economic growth rates and its embededness in a private sector.
- The third wave from 2002-2009 represented by removal of certain financial barriers which led to excessive private sector borrowing ended up as a financial crisis of 2008.
- Fourth wave is happening right now. The World Bank has called this wave “the largest, fastest and most broad-based.” It involves public-private indebtedness, new forms of creditors and is much more global.

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The coronavirus crisis revealed that until there is a state of emergency that affects the whole globe on more or less equal terms, the neoliberal phantasy can shift the effects of its predatory nature to the peripheries or on the marginalized. In this regard, the IMF has changed some of its practices (just like majority of the international organizations as a response to the adoption of Sustainable Development Goals by the UN in 2015). The policies behind solutions have remained. In its magazine called Finance & Development, the IMF has looked at the economics and financial impact of climate change policies and offered “opportunities for growth (…) driven by technology, innovation, investment and dynamic private sector” (F&D, 2020).

If we should answer the original question of this paper, is the IMF tackling the crisis or is it just perpetuating the problem, the answer is clear. If the coronavirus pandemic has been able to distort the global economy, what is going to happen when the economic growth powered by fossil fuels will bring the climate change to its peak? However, this is a question for another article.

References


