ICGFM Community of Practice in PFM

Public Financial Managers are invited by the International Consortium on Government Financial Management to join the Community of Practice that we are launching to stimulate exchange on critical challenges facing us during the COVID-19 pandemic. Consult with peers via Zoom on Monday, October 19, 2020 at 0900 – 10:30 EDT (UTC -5). Search time zones to determine the corresponding hour in your community. A second virtual meeting will be held in early November. ICGFM's main annual event will be held in early December as usual but will be virtual this year.

In preparation, we invite ICGFM members and friends participate, extending the invitation to interested colleagues. Participation is free but you must register on the ICGFM website and choose a regional breakout group. You will need a computer, tablet or smartphone connected to the internet. You can download the free Zoom app ahead of time. It is also available when signing in with the link you will receive after registering, but that will delay your entry. Regional ICGFM Ambassadors will moderate each breakout group, initially Latin America and the Caribbean and Africa. The Pan-African Federation of Accounts is partnering with ICGFM on this and providing moderators in English, French and Portuguese. Due to time-zone constraints, members in other regions may have to hold breakout sessions using a recording of the October 19 introductory plenary session.

PFM Policy Responses to COVID-19

Please read now and prepare for participating

Breakout Group Assignment

Before joining the Community of Practice discussion on October 19, use the internet to search how your country compares to the case study countries described below. Search the IMF COVID Policy Tracker for country summaries. (Do not try to do this during the discussion, as it would be a distraction. Save it for afterwards if unable to do it beforehand.)

After the discussion, in preparation for next month's Community of Practice session:

Set a measurable goal for minimizing COVID cases and the economic impacts of the pandemic on your country's

- Case rate declines to x per day.
- GDP for 2020 and 2021, for example, decline less than x %
- Main economic activities: just name the most affected

What are the public financial measures most likely to assist in meeting that goal? How well are the current government steps working?

Limit your written answers to ½ page.

Case Studies: Compare Uganda, Ghana and South Africa

Africa total confirmed COVID cases a/o 4 October 2020: 834,147 (8,875 in last 24 hours) (WHO)

Uganda

Population 2018	44.3 million[1]
GDP 2018	34.4 billion USD
Confirmed COVID Cases a/o October 4, 2020	1,203

Key Policy Responses as of August 20, 2020 (IMF COVID Policy Tracker)

Uganda

Background. Corona virus positivity rates have increased since the easing of most of the lockdown measures. Community infections are on the rise but the death rate has remained low. The increasing cases have somewhat strained hospital capacity though the authorities have identified additional space for patient management. In addition, the authorities have recruited additional staff/ volunteers to assist with the management of the pandemic. Funding for scaling up of testing continues to be mobilized.

Reopening of the economy. Uganda has gradually relaxed one of the most stringent lockdowns in the region that started in late May by: (i) allowing the movement of private cars, albeit with a limit in place on number of passengers; (ii) reopening sequentially merchandise shops; (iii) relaunching public transport with strict regulation on passenger capacity and obligation to wear masks; and (iv) shortening the curfew to 9.00 PM–5.30 AM. Schools will reopen for candidate classes, universities and other tertiary institutions for all final year students starting September 20. International commercial flights will resume starting October 1.

The Consultative Meeting of the East African Community (EAC) heads of state held on May 12th agreed on a harmonized regional response to the COVID-19 pandemic that includes: (i) adopting a harmonized system for certification and sharing of test results; (ii) establishing a regional mechanism for testing and certifying truck drivers and the adoption of an EAC digital surveillance and tracking system for drivers and crew; (iii) supporting agro-processing and value chains; and (iv) establishing special purpose financing schemes for SMEs.

FISCAL

[1] World Bank, Data, GDP in Current USD and population a/o 2019.

- The authorities have used part of their Contingency Fund in the FY2019/20 budget to finance the Ministry of Health Preparedness and Response Plan from January with approximately $1.3 million to June 2020. Two supplementary budgets have increased the spending envelope for critical sectors and vulnerable groups by about US$370 million. In addition, the government has announced the following measures:

  i. accelerating import substitution and export promotion by providing additional funding to the Uganda Development Bank (UDB), recapitalizing the Uganda Development Cooperation (UDC) and accelerating the development of industrial parks;

  ii. increasing agriculture production and productivity by boosting funding for agriculture inputs and entities that support the sector;

  iii. increasing households' incomes by providing additional funding to SMEs;

  iv. delaying payment of CIT for corporations and SMEs; deferring payment of PAYE by affected sectors such as tourism and floriculture; waiving interest on tax arrears; expediting payment of outstanding VAT refunds and reducing domestic arrears;

  v. providing additional funding to the health sector, food to the vulnerable in the urban areas, social insurance (by continuing the Social Assistance Grants for Empowerment (SAGE) Scheme); introducing a tax exemption on items destined to medical use and expanding labor-intensive public works programs in the Roads and Water and Environment sectors.

  On the 29th of June, the World Bank approved a US$300 million budget support under the Uganda COVID-19 Economic Crisis and Recovery Development Policy Financing supporting reforms to provide immediate relief to individuals and businesses most affected by the pandemic.

MONETARY AND MACRO-FINANCIAL

- The Bank of Uganda (BoU) maintained its policy rate at 7 percent in August 2020, following two consecutive 100 basis points reduction in April and June. The BoU remains committed to providing liquidity support to for a period of up to one year to supervised financial institutions in need and putting in place a mechanism to minimize the likelihood of insolvency due to lack of credit. The BoU waived limitations on restructuring of credit facilities at financial institutions that may be at risk of going into distress and has also worked with mobile money providers and commercial banks to ensure they reduce charges on mobile money transactions and other digital payment charges. All Supervised Financial Institutions (SFIs) were directed to defer dividend payments and bonuses for at least 90 days effective March 2020 to ensure capital adequacy. Other measures include purchases of Treasury Bonds held by microfinance deposit taking institutions and credit institutions to ease liquidity pressures and exceptional permission to SFIs to restructure loans as needed on a case by case basis.

Ghana

Population 2018	30.4 million
GDP 2018	67 billion USD
Confirmed COVID Cases a/o October 4, 2020	37,812

Key Policy Responses as of August 20, 2020 (IMF COVID Policy Tracker)

Ghana

Background. Ghana registered the first confirmed COVID-19 case on March 14, 2020. Starting March 16, the government adopted sweeping social distancing measures and travel restrictions to avert an outbreak, including (i) suspension of all public gatherings exceeding 25 people for four weeks; (ii) closure of all universities and schools until further notice; and (iii) 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 23, Ghana closed all its borders to travelers. On March 30, a partial lockdown of major urban areas was implemented. As an oil exporter, Ghana is significantly affected by the volatility in oil prices.

Reopening of the economy. The partial lockdown was lifted on April 23 following expansion of treatment and isolation centers, enhanced testing and contact tracing capacity, increased capacity to produce sanitizers and medicines, and the severe impact of the lockdown on the most vulnerable. Phase One of the process of easing restrictions began on June 5. Provided social distancing restrictions were met, religious services for fewer than 100 congregants were allowed, and schools and universities re-opened so that older students could resume classes ahead of exams. Phase Two started on August 1, lifting restrictions on the number of congregants for religious services and opening tourist sites. However, beaches, pubs, cinemas and nightclubs remain closed. International flights resumed from September 1, subject to enhanced COVID-19 protocols. Land and sea borders continue closed for human traffic.

FISCAL

- The government has so far committed a total of GHc 11.2 billion to face the pandemic and its social and economic consequences. The bulk of these funds (GHc 10.6 billion) are being used under the Coronavirus Alleviation Programme to support selected industries (e.g., pharmaceutical sector supplying COVID-19 drugs and equipment), support SMEs, finance guarantees and first-loss instruments, build or upgrade 100 district and regional hospitals, and address availability of test kits, pharmaceuticals, equipment, and bed capacity. Another GHc 600 million were used initially to support preparedness and response.

To compensate for larger spending related to the COVID-19 crisis, the government plans to cut spending in goods and services, transfers, and capital investment (also reflecting the lower absorption capacity due to the pandemic), for a total of at least GHc 1.1 billion (0.3 percent of GDP). In addition, 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). The government has also drawn US$218 million from the stabilization fund, and will borrow up to GHc 10 billion from the Bank of Ghana.

MONETARY AND MACRO-FINANCIAL

- The Monetary Policy Committee (MPC) cut the policy rate cut by 150 basis points to 14.5 percent on March 18, 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.

  At its May 15 meeting, the MPC kept the policy rate unchanged and announced a new bond purchasing program to provide emergency financing to the government in light of a higher projected fiscal financing gap. A 10-year bond with a face value of GHc 5.5 billion (1.4 percent of GDP) has been purchased, and the MPC indicated that future purchases may increase up to GHc 10 billion. The MPC also announced relief measures for small depository institutions and a US$1 billion repo agreement with the U.S. Federal Reserve under its FIMA facility.

EXCHANGE RATE AND BALANCE OF PAYMENTS

- No measures

South Africa

Population 2018	58.6 million
GDP 2018	351,432 billion USD
Confirmed COVID Cases a/o October 4, 2020	521,318

Key Policy Responses as of August 20, 2020 (IMF COVID Policy Tracker)

South Africa

Background. South Africa reported its first confirmed COVID-19 case on March 5, 2020. The government has declared a national state of disaster and adopted containment measures, including social distancing, travel bans on visitors from high-risk countries and quarantine for nationals returning from those countries, screening at ports of entry, school closures, screening visits to homes, and introduction of mobile technology to track and trace contacts of those infected and inform individuals if they have been in close proximity to a person diagnosed with Covid-19. A nationwide lockdown was put in place from midnight March 26, with only critical workers and transport services, the banking sector, essential food and medicine production, and retail, operating. On April 27, a delegation of 217 infectious disease experts arrived at the request of the government to support its health response to Covid-19. On May 1, 2020, a phased lifting of the lockdown began, allowing a few sectors to resume operation and others only partially. On May 13, a further relaxation of the lockdown was announced effective June 1. On May 24, it was specified that the June 1 relaxation would be broader than previously announced. Most economic activities reopened under strict health and social distancing practices except for high risk ones (i.e., restaurants, bars, taverns, accommodation, domestic air travel, conferences, events, entertainment, sporting activities, and personal services). The sale of alcohol was allowed on a restricted basis while the sale of tobacco remained banned. Remote work has always been encouraged where possible. Starting June 8, schools started to reopen and on June 17, restrictions on sit-down restaurants, hotels, conference centers, casinos, non-contact sports, and personal care services were relaxed under strict adherence to health protocols. On July 12, in response to a growing number of Covid-19 cases, a curfew and an alcohol ban were reintroduced and the wearing of facemasks in public was made mandatory. The national state of disaster was extended to August 15. On July 23, it was announced that, starting on July 27, public schools would be closed for one month with minor exceptions. On August 15, the national state of disaster was extended to September 15 and on September 11 extended once again to October 31. On August 17, following a drop in the number of daily cases, the sale of alcohol was allowed to resume subject to certain restrictions while restrictions on inter-provincial travel and the operation of accommodation, hospitality venues, beaches, restaurants, bars, and taverns were relaxed subject to strict adherence to health protocols and social distancing. On September 21, following a flattening of the Covid-case curve, an additional relaxation of restrictions was announced, lifting almost all restrictions including international travel to certain countries from October 1. Net capital outflows (bonds and equities) since the beginning of the pandemic have amounted to $10.1 billion (3.6 percent of GDP); the sovereign's dollar credit spread has increased more than 50 percent to 312.4 bps; and the rand has depreciated by about 15 percent vis-à-vis the US dollar. Following a request from the government, on July 27 the IMF approved emergency assistance under the Rapid Financing Instrument equivalent to US$4.3 billion.

FISCAL

- The government is assisting companies and workers facing distress through the Unemployment Insurance Fund (UIF) and special programs from the Industrial Development Corporation. Additional funds are available for the health response to Covid-19, workers with an income below a certain threshold are receiving a small tax subsidy for four months, and the most vulnerable families are receiving temporarily higher social grant amounts for six months. A new 6-month Covid-19 grant was also created to cover unemployed workers that do not receive grants or UIF benefits and the numbers of food parcels for distribution was increased. Funds are available to assist SMEs under stress, mainly in the tourism and hospitality sectors, and small-scale farmers operating in the poultry, livestock, and vegetables sectors. A new loan guarantee scheme is helping companies with turnover below a certain threshold to get bank financing for the payment of operating expenses as of May 12. Allocations are also being made to a solidarity fund to help combat the spread of the virus, with assistance of private contributions, and support municipal provision of emergency water supply, increased sanitation in public transport, and food and shelter for the homeless. The revenue administration is accelerating reimbursements and tax credits, allowing SMEs to defer certain tax liabilities, and has issued a list of essential goods for a full rebate of customs duty and import VAT exemption. A 4-month skills development levy tax holiday is also being implemented.

MONETARY AND MACRO-FINANCIAL

- The central bank (SARB) reduced the policy rate several times since the pandemic started: 100 bps to 5.25 percent on March 19, another 100 bps to 4.25 percent on April 14, 50 bps to 3.75 percent on May 21, and 25 bps to 3.5 percent on July 23. On March 20, it announced measures to ease liquidity conditions by: (i) increasing the number of repo auctions to two to provide intraday liquidity support to clearing banks at the policy rate; (ii) reducing the upper and lower limits of the standing facility to lend at repo-rate and borrow at repo-rate less 200 bps; and (iii) raising the size of the main weekly refinancing operations as needed. On March 23, the government announced the launch of a unified approach to enable banks to provide debt relief to borrowers. On March 25, the SARB announced further measures to ease liquidity strains observed in funding markets. The program aims to purchase government securities in the secondary market across the entire yield curve and extend the main refinancing instrument maturities from 3 to 12 months. On March 26, the SARB issued guidelines on modalities to provide debt relief to bank customers. On March 28, it announced temporary relief on bank capital requirements and reduced the liquidity coverage ratio from 100 to 80 percent to provide additional liquidity and counter financial system risks. On April 6, the SARB issued guidance on dividend and cash bonuses distribution to ensure bank capital preservation. Effective May 11, the SARB returned the number of repo auctions to once a day and, on May 12, announced a series of prudential priority measures for co-operative financial institutions on prudential matters, supervisory activities, as well as governance and operational issues. On August 3, the SARB announced that the easing of macro-prudential policies would be extended until further notice. As of August 19, noting a normalization of liquidity conditions, the SARB reverted to standard standing facility borrowing rates (repo rate less 100 basis points).

- **EXCHANGE RATE AND BALANCE OF PAYMENTS**

- The SARB announced it will continue its longstanding practice of not intervening in the foreign exchange market.

- **OTHER ECONOMIC MEASURES**

- On March 19 and 27, the Department of Trade and Industry introduced regulations against price gouging and export control measures on essential goods respectively. The government has also outlined measures for Covid-19 emergency procurement including the specifications of the health essentials it will purchase and the maximum prices for the personal protective equipment it will procure.