ALIDE Asociación Latinoamericana de Instituciones Financieras para el Desarrollo

NATIONAL, MULTILATERAL AND REGIONAL DEVELOPMENT FINANCE INSTITUTIONS AND GOVERMENTS ACTIONS AND MEASURES AGAINST THE CRISIS - COVID 19

REPORT N°5

- **Brazil**

Brazil government talks to banks about bailing out companies -sources
Reuters, April 15, 2020
BRASILIA/SAO PAULO, April 15 (Reuters) - Brazil's Economy Ministry is talking with banks about providing bailouts to sectors such as airlines, automakers, power companies and large retailers to help them survive the coronavirus crisis, three sources with knowledge of the matter said on Wednesday.

Economy Minister Paulo Guedes met with chief executives of the largest privately owned Brazilian lenders - Banco Bradesco SA, Itau Unibanco Holding SA and Banco Santander Brasil SA - over the weekend and on Monday to discuss which financial instruments could be used to rescue embattled companies, the sources said on condition of anonymity.

The heads of the Brazilian central bank, state development bank BNDES and state-controlled Banco do Brasil SA's also attended the meetings, which are expected to continue in the coming days.

The ministry wants the BNDES, whose role Guedes had previously been seeking to scale back, to lead in the discussion. The development bank could use part of its roughly 80 billion reais ($15.23 billion) cash position to buy conventional or convertible bonds sold by troubled companies alongside other banks and investors under the ministry's plan.

A source close to the government said BNDES does not plan to take all the risk in a given company alone, because that would limit its bailout reach. By sharing risks with more banks and investors, more companies could be bailed out.

To receive the funds, companies would have to come to the BNDES with a restructuring plan.

The participants discussed using either convertible debt or loans partially guaranteed by the Treasury, the sources said. But the Treasury is unwilling to directly inject funds into companies.

Divisions remain in the ongoing talks, with the banks willing to cooperate in some way but insisting the government take most of the risk, the sources said.

Brazilian newspaper Valor Economico reported earlier on BNDES coordinating help for some sectors with the country's biggest lenders.
https://www.reuters.com/article/health-coronavirus-brazil-banks/update-1-brazil-government-talks-to-banks-about-bailing-out-companies-sources-idUSL2N2C31A2
Brazil's lower house approves $15.5 billion aid package for states and municipalities
Reuters, April 14, 2020
BRASILIA, April 14 (Reuters) - Brazil's lower house of Congress late on Monday approved a financial support package worth an estimated 80 billion reais ($15.5 billion) for states and municipalities whose tax revenues are being hit by the coronavirus pandemic.
The bill, which still needs Senate approval, has irked the government of far-right President Jair Bolsonaro, who is likely to veto the bill despite adjustments to the text to exert more federal control over the spending, a source told Reuters.

According to the bill, the federal government will make up for the fall in states' and municipalities' tax revenues between May and October. Lower house speaker Rodrigo Maia estimated the package could be worth around 80 billion reais.

Brazil's national development bank BNDES and state-owned Caixa Economica Federal, under the bill, will also be able to refinance state and municipal debt through the end of 2020.

Economy minister Paulo Guedes on Monday criticized the plan to allow the central government to plug the shortfall in local authorities' tax revenues, saying it was like signing a "blank check.
https://www.reuters.com/article/health-coronavirus-brazil/brazils-lower-house-approves-155-billion-aid-package-for-states-and-municipalities-idUSL2N2C20B3

Brazil to launch $1.9 billion credit scheme for micro firms - sources
Business News, April 13, 2020
BRASILIA (Reuters) - Brazil will launch a 10 billion-real ($1.9 billion) program to support micro businesses with good credit history but whose finances have been hit hard by the economic impact of the coronavirus pandemic, two Economy Ministry sources told Reuters.

The scheme, to be unveiled this week, will be targeted at firms with annual revenue of up to 360,000 reais (US$69,632) and will be operated via state-owned lender Caixa Economica Federal.

Some 3 million businesses could be eligible, according to the sources, who spoke on condition of anonymity.

Caixa Economica Federal and the Economy Ministry did not immediately respond to requests for comment.

One of the sources said around 10 billion reais ($1.9 billion) of financing will potentially be made available, to firms that have shown themselves to be "good payers" of their income taxes via the "Simples" tax payment system for small businesses.

Initially, the idea was that the Treasury would make funds available via public banks. But for that to occur a proposal would need to be drawn up and sent to Congress, which would take longer.

The plan now is to offer these small companies a credit the equivalent of 30% of two months' worth of revenue, which according to one of the sources would be the calculated amount the business needs "to survive."

The scheme follows the 40 billion-real (US$7.6 billion) program announced last week aimed at helping companies with annual revenue of between 360,000 and 10 million reais meet payroll.

Brazil's primary budget deficit this year is approaching 500 billion reais ($96 billion), or 7% of gross domestic product, even before a state aid proposal of up to 222 billion reais to tackle the coronavirus is factored in, the Economy Ministry said on Saturday.

Reporting by Marcela Ayres in Brasilia; Writing by Jamie McGeever; Editing by Matthew Lewis
https://www.reuters.com/article/us-brazil-economy-credit-exclusive/exclusive-brazil-to-launch-1-9-billion-credit-scheme-for-micro-firms-sources-idUSKCN21V1JB

- **COLOMBIA**

Colombia central bank cuts reserve requirements by more than $2 bln
Reuters, April 14, 2020
BOGOTA, April 14 (Reuters) - Colombia's central bank said late on Tuesday it has reduced reserve requirements for banks by some $2.3 billion in a bid to "permanently" increase liquidity amid economic troubles caused by the global spread of the coronavirus.

In late March, the bank cut the benchmark interest rate for the first time in nearly two years, to 3.75%, as it seeks to mitigate the effects of the coronavirus outbreak.

The government predicts Colombia's economy will contract between 1.5% and 2% this year, though it will perform better than many of its neighbors. The International Monetary Fund predicts Latin America overall will contract 5.2% this year.

"With this measure liquidity will be injected into the market permanently for an amount close to 9 trillion pesos," the bank said in a statement. "It aims to stimulate the generation of loans in the economy."

Products like savings and checking accounts will now require reserves of 8%, the bank said, instead of 11%. Fixed-term savings accounts of 180 days will need reserves of 3.5%, instead of 4.5%.

The measures, decided during an extraordinary meeting of the bank's seven-member board, will apply beginning April 22.
https://www.reuters.com/article/health-coronavirus-colombia-cenbank/update-1-colombia-central-bank-cuts-reserve-requirements-by-more-than-2-bln-idUSL2N2C301T

- **BDC, CANADA**

COVID-19: Supports for Canadian Businesses
As the COVID-19 outbreak unfolds, we know these are challenging times for you and your business.
BDC stands ready to support entrepreneurs like you through to a more stable period.
This compilation of federal and provincial government support measures for business focusses on:

1. Access to capital and other liquidity support measures
2. Measures to avoid or minimize the impact from layoffs
3. Provincial / Territorial Measures
4. Resources and Additional Information

BDC has also made available free tools and tips that can help you map out your next steps, identify new opportunities, mitigate risk and create resilience in your company, so you can emerge strong in recovery.
(SEE ATTACHED ANNEX BDC CANADA)

How to apply for the government's $25-billion CEBA business loan program
Financial Post, April 14, 2020
Here's everything you need to know about the Canada Emergency Business Account
Barbara Shecter

The federal government has rolled out a series of measures to help Canadian businesses and families weather the COVID-19 pandemic. Here's everything you need to know about the Canada Emergency Business Account, or CEBA:

What is the CEBA?
The Canada Emergency Business Account is part of the federal government's loan and loan-guarantee program for small and medium-sized businesses affected by the COVID-19 pandemic.
The $25-billion program opened to applicants on April 9, and provides a $40,000 loan that is interest-free until Dec. 31, 2022.

The loans are intended to help businesses meet their financial obligations amid shutdowns of non-essential businesses to slow the spread of the virus.

CEBA loans are backed by the government, and up to 25 per cent of each loan, or $10,000, is eligible for forgiveness if the rest is paid on time (by Dec. 31, 2022). For those unable to repay at that time, the loan can be converted into a three-year term loan at an interest rate of five per cent.

"Every entrepreneur who banks with us wants to see their business through this challenging time so they can focus on their ambitions for growth," Laura Dottori-Attanasio, group head of personal and business banking at Canadian Imperial Bank of Commerce, said Monday. When the program opened to applications last week, she said it was clear from conversations with small business owners that there was an "urgent need for this new source of funding."

Who qualifies?
Canadian-operated businesses that have federal tax registration and a payroll in the 2019 calendar year of between $50,000 and $1-million, verifiable by Canada Revenue Agency documentation (a T4 summary of remuneration paid, or T4SUM), are eligible.

How do you apply?
Qualifying businesses apply online through the bank or financial institution that holds their primary business operating account.

Applicants need their T4SUM document from the Canada Revenue Agency, as well as their 15-digit CRA business number or employer's account number. Bank account information is also required.

Banks such as Toronto-Dominion Bank, Bank of Montreal and Canadian Imperial Bank of Commerce require those applying to have online business banking set up.

Who doesn't qualify?
Businesses that were behind on their payments for an existing loan on March 1 of this year are not eligible for CEBA loans.

Sole proprietors who use a personal chequing account while operating in the name of a business are not eligible.

Businesses owned by a government body or an elected official cannot receive a CEBA loan

Most union, charitable, or religious organizations are not eligible under the CEBA program.

How is it working?
Bank of Montreal had processed more than 10,000 applications Monday, and distributed $500 million in CEBA loans.

Royal Bank of Canada had approved 35,439 applications, each for $40,000, for a total of $1.4 billion as of 9 a.m. Monday.
By 3:45 p.m. Monday, CIBC had issued $846 million in loans under the program to 21,150 clients. And on Tuesday, Toronto-Dominion Bank said it had helped submit more than 70,000 applications, with approximately 50,000 meeting the government-defined eligibility criteria.

The Canadian Bankers' Association expects to have "CEBA uptake" figures for all its members compiled later this week, according to spokesperson Mathieu Labrèche.

Despite the large numbers of loans going out, the Canadian Federation of Independent Business said Tuesday that as many as one in five firms don't qualify for a CEBA loan. Some are disqualified because they pay family members and dividends rather than cash, so they fall short of the payroll requirements, according to the CFIB.

"We're hearing from many hard-hit businesses that need the loan but don't qualify, whether it's because they're too small, too large or don't have a payroll," said Corinne Pohlmann, CFIB's senior vice-president of national affairs.

"Criteria that made sense three weeks ago don't make as much sense today and we are hoping the federal government will change this program to cover more of those in need as it did with the Canada Emergency Wage Subsidy
https://business.financialpost.com/news/fp-street/how-to-apply-for-the-governments-25-billion-ceba-business-loan-program

- **KfW - GERMANY**

COVID-19: Pandemic Legislation in Germany
JD Supra (press release), 10 abr. 2020
K&L Gates LLP
Both the German federal government and various German federal states are pushing ahead with packages of measures to mitigate the as-yet-unforeseeable economic consequences of the COVID-19 pandemic.

This client information is intended to provide you with an overview of the measures currently planned and already in force, as well as a list of issues that should be considered when taking out any new financing.

KfW Special Programme 2020 (KfW Coronavirus Aid)- KfW Loans for Companies
KfW (Kreditanstalt für Wiederaufbau) [1] grants loans to companies that have got into finan-cial difficulties as a result of the coronavirus (COVID-19) crisis to improve liquidity and cover running costs. These loans are not applied for directly from KfW, but from the company's bank. KfW assumes part of the risk of the financing bank, thus increasing the chances of a loan commitment. Companies that were already in difficulties as of 31 De-cember 2019 are not eligible for support.

For companies that have already been on the market for more than five years, the risk assumption by KfW (indemnity) for large companies (more than 250 employees, more than EUR 50 million turnover, or more than EUR 43 million balance sheet total) is up to 80% and for SMEs (up to 250 employees or up to EUR 50 million turnover), up to 90% of the risk.

The maximum loan amount is limited to EUR 1 billion per group of companies but may not be more than:

- 25% of the annual turnover in 2019;
- twice the wage costs in 2019;
- the current financing needs for the next 18 months for small and medium-sized enterprises or 12 months for large enterprises; or
- 50% of the company's total debt for loans exceeding EUR 25 million.

The term may be up to five years, with a grace period of up to one year. The interest rate is between 1.00 and 2.12% p.a. and is determined by the borrower's bank depending on creditworthiness and collateralization. Further information can be found on the KfW website here.

The same conditions also apply to younger companies that have been active in the market for less than five years, but at least three years. Further information can be found on the KfW website here.

As a rule, it will not be possible to take out new, KfW-supported loans without a detailed assessment of the effects on the existing financing structure. Numerous loan agreements contain provisions restricting the taking out of new loans. These restrictions take various forms and often contain a certain basket for additional financial indebtedness. Even if new borrowings are permitted, the effects on financial covenants in the existing loan agreements should be examined. New loans can affect financial covenants such as leverage or equity ratio and may require the approval of existing lenders, who may only be willing to grant them under certain conditions, such as additional collateral or higher interest rates.

Direct Participation by KfW in Syndicated Financings
KfW also participates directly as a member of a consortium in syndicated financings with a term of up to six years for investments and working capital of medium- and large-sized companies. KfW assumes up to 80% of the risk but no more than 50% of the risks of the total debt. Participation is on the same terms and conditions as for the other members of the consortium.

This programme is not eligible for refinancings of debt or financing of projects which are already completed, companies that were in difficulties as of 31 December 2019, or projects outside Germany of German companies or their subsidiaries based abroad. In addition, KfW generally excludes certain projects from financing or requires compliance with further conditions.

The KfW risk share amounts to at least EUR 25 million and is limited to:

- 25% of the annual turnover in 2019,
- twice the wage costs of 2019, or
- the current financing requirements for the next 12 months.

KfW Schnellkredite for SMEs
On the basis of the adjusted Temporary Framework published by the EU Commission on 3 April 2020, the German government introduced a further comprehensive protective shield for small- and medium-sized enterprises (SMEs) on 6 April 2020.
So-called KfW Schnellkredite are to be granted to medium-sized enterprises, provided that they:

- have been active in the market with more than 10 employees at least since 1 January 2019;
- have reported a profit in 2019 or on average over the last three years; and
- were not in difficulties as of 31 December 2019 and were in an orderly financial situation at that date.

The KfW Schnellkredite can be granted as “immediate loans” without further credit risk assessment by the bank or the KfW in accordance with the following key points:

- the loan volume per company is up to 3 months’ turnover in 2019, maximum EUR 800,000 for companies with more than 50 employees, maximum EUR 500,000 for companies with up to 50 employees,
- the interest rate is currently 3% with a term of 10 years; and
- the lending bank receives a 100% indemnity from KfW, secured by a guarantee granted by the Federal Government.

The KfW Schnellkredite can start after approval by the EU Commission. Further information on KfW’s direct participation in syndicated financing can be found here.

Other Federal States
The federal states have also set up special programmes to deal with the “Corona crisis”. A large number of overviews with links to the websites of the Federal States can be found on the Internet, see here.
https://www.jdsupra.com/legalnews/covid-19-pandemic-legislation-in-germany-31697/

- **CAF**

CAF to lend Govt $1 bn in COVID-19 fight
Guardian Media, April 13, 2020
The T&T government is expected to receive just over $1 billion from the CAF-development bank of Latin America as it grapples with the economic fall out from the COVID-19 pandemic.

According to Gianpiero Leoncini, representative of CAF in T&T, the money will be divided into two areas of support: one for assisting the country to deal with the hit to the national budget caused by weak oil and gas prices and the second to assist the Ministry of Health in its emergency response to the virus.

In an email response to questions from the Sunday Business Guardian, Leoncini said the US$50 million for support of the Health sector will be disbursed quickly because it is needed urgently.

“We are currently in the process of approving a US$50 million loan for the emergency response, which will contribute to strengthening the capacity of the health system to fight the epidemic. As these resources are drawn from a contingency line we created in 2014 to face pandemics and natural disasters in Latin America and the Caribbean, they provide an agile mechanism that facilitates a rapid disbursement." Leoncini explained.

Finance Minister Colm Imbert had projected that based on current calculations, taking into consideration the oil and gas prices and COVID-19 fallout, the country is now expected to lose some $4 to $5 billion based on what was originally projected in the 2020 fiscal package.
"When you factor in Green Fund and Unemployment Levy you lose a billion," he said. "This takes no account of the slowdown in business activity and the natural decline that would take place as a result of the precautions (of the virus)." The Finance Minister recently told a news conference to discuss the economy.

He reminded that last year the budget was formulated against the price of US$3.15 per MMBtu (million British thermal units) of natural gas but the actual price the Government is now receiving only US$1.70.

"A substantial drop in revenue," Imbert said.

With regards to oil, Imbert said there was a natural decline from the country's ageing fields. According to Finance Minister, oil production dipped from 80,000 to 55,000 barrels per day as of the month of March.
Imbert explained that the COVID-19 virus is proving to be a harsh double whammy for T&T.

"If I had to make my best estimate of what will happen, we will lose over $5 billion in revenue this year as a result of the oil price shock and the issues arising from the precautions taken from the virus," Imbert said.

Leoncini said CAF had set aside US$2.5 billion to assist the region in its response to the COVID-19 pandemic and was in the process of approving US$100 million for T&T.

He explained that unlike the US$50 million for the health sector, this second tranch of money will go towards sustaining the economy.

"Furthermore, CAF has put forward a new US$2.5 billion facility for the region, specifically designed to cope with the economic and social impact of the pandemic. This is unrestricted budget support to finance anti-cyclic measures which are crucial to sustain the economy when many key economic activities are being disrupted.

"We expect to provide an additional US$100 million to T&T from this facility." the Representative in T&T of CAF-development bank added.

He said to be effective in the current scenario CAF understood the need to act quickly.
In addition, the beneficiaries of the loans, including T&T will not have to repay any of the money for six years as the bank gives countries some time to recover from the precipitous fall in economic activity caused by measures designed to limit the spread of the virus.

"So we are offering loans which can be disbursed almost immediately. We are also aware that countries will need time to recover, so the facility will give a six-year grace period to begin repayment," Leoncini said.

CAF said it had a duty to assist its member countries and while it is providing funding in the form of loans there were many other instruments that are available to member states including free technical assistance.

"As a multilateral development institution, CAF—Development Bank of Latin America has the duty to assist its member countries in times of need. We have therefore proposed to our member countries a series of instruments to help them fight the pandemic and its economic and social effects, including non-reimbursable technical assistance, emergency loans for the health sector and anti-cyclic budgetary support.

"We are working in partnership and solidarity with the Government of T&T on these fronts," the bank added.

Imbert has indicated that the government plans to finance the budgetary shortfall and the emergency spending measures through a mixture of borrowings, drawdowns from the Heritage and Stabilisation Fund and possible sale of assets.
http://www.guardian.co.tt/article/caf-to-lend-6.2.1096772.db559d2c9b

- **Caribbean Development Bank**

CDB to provide US$3 million for equipment in response to the COVID-19 pandemic
CDB News, April 7, 2020
The Caribbean Development Bank (CDB) is providing funds to purchase personal protective equipment needed by its Borrowing Member Countries (BMCs) to tackle the COVID-19 pandemic. The Bank's Board of Directors recently approved US$3 million for the procurement of these urgently needed supplies.

According to the Caribbean Disaster Emergency Management Agency (CDEMA), personal protective equipment, such as masks, goggles, gloves, and safety gowns are among the priority items required by BMCs to enhance their COVID-19 preparedness and response. CDB will centrally procure this protective equipment.

"With the disruption of supply chains, increased demand, and soaring prices, the Caribbean Development Bank will purchase personal protective equipment in bulk to achieve greater value for money and certainty of supply to frontline helpers who are fighting the COVID-19 pandemic," said CDB Vice-President (Operations), Monica La Bennett.

The Caribbean Disaster Emergency Management Agency, the Pan American Health Organisation, and the Caribbean Public Health Agency, which are responsible for emergency response coordination for the Region's health sector, will work closely with national governments to identify their needs. In partnership with CDEMA, the Bank will distribute the equipment to eligible Borrowing Member Countries.

CDB's response to COVID 19 to date includes US$140 million, which will be directed mainly towards the most vulnerable groups and give the highest priority to strengthening social safety nets in Borrowing Member Countries.
https://www.caribank.org/newsroom/news-and-events/cdb-provide-us3-million-equipment-response-covid-19-pandemic

- **IMF**

IMF Executive Board Approves a US$389 Million Disbursement to El Salvador to Address the COVID-19 Pandemic

Press Release, April 14, 2020

The IMF approved El Salvador's request for emergency financial assistance of about US$389 million under the Rapid Financing Instrument to combat the COVID-19 pandemic.

This assistance will help El Salvador direct funds swiftly to the country's most affected sectors, including the healthcare system.

This is the first disbursement under an IMF lending arrangement to El Salvador in over three decades.

The Executive Board of the International Monetary Fund (IMF) approved El Salvador's request for emergency financial assistance of about US$ 389 million (SDR 287.2 million, 100 percent of quota) under the Rapid Financing Instrument (RFI) to help the country meet the urgent balance of payments need stemming from the outbreak of the COVID-19 pandemic and direct funds swiftly to the country's most affected sectors, including the healthcare system. This emergency financial assistance represents the first disbursement under an IMF lending arrangement to El Salvador in over three decades.

El Salvador has adopted strict measures to prevent and contain the pandemic since early February—even before the first case was diagnosed—including travel restrictions, mandatory quarantine for exposed citizens, suspension of non-essential public and private sector operations, and a nationwide shelter-in-place order. These containment measures coupled with the global economic downturn are expected to stall economic activity in the short term and cause a temporary deterioration in the country's fiscal and external positions.

The authorities' emergency response also comprises measures to mitigate the economic impact of the pandemic on the population, including through targeted cash transfers to vulnerable households and tax relief in the most affected economic sectors. IMF financing will help preserve fiscal space and catalyze significant funding from other multilateral institutions.

The IMF continues to closely monitor El Salvador's situation and stands ready to provide policy advice and further support as needed.

https://www.imf.org/en/News/Articles/2020/04/14/pr20155-el-salvador-imf-executive-board-approves-a-us-389-million-disbursement-to-address-covid-19

- **European Investment Bank**

EIB's Hoyer Says 'It's a Question of Days and Weeks' for European Companies

BNN Bloomberg, April 14, 2020

Apr.14 -- European Investment Bank President Werner Hoyer says European companies, small businesses and households will not get through the coronavirus pandemic without liquidity and bridge financing. He speaks with Bloomberg's Guy Johnson and Vonnie Quinn on "Bloomberg Markets

Video: https://www.bnnbloomberg.ca/investing/video/eib-s-hoyer-says-it-s-a-question-of-days-and-weeks-for-european-companies~1939296

- **African Development Bank**

The African Development Bank and its partners want your ideas for beating the COVID-19 pandemic
AfDB, 10-Apr-2020
The African Development Bank and partners are set to host an online #AfricaVsVirus Challenge from 16 to 19 April 2020. The 72-hour competition is a global hackathon – or "ideathon" – to develop effective solutions to the coronavirus pandemic.

The Challenge is open to entrepreneurs, companies, civil society organizations and governments with bankable solutions or ventures to address the pandemic. The top pitches will be eligible to win thousands of dollars' worth of financial, technical and skills-learning support to advance their implementation. Details on competition qualifications and methods of participation can be found here: www.africavsvirus.com.

"COVID-19's impact on the global economy is pushing millions of people, especially women and young people, into unemployment, underemployment and working poverty. Part of our response is the #AfricaVsVirus Challenge," said Tapera Muzira, Coordinator of the African Development Bank's Jobs for Youth in Africa Strategy. "This online Challenge will channel youth creativity and innovation to real life solutions that mitigate the impact of the coronavirus on health, the economy, SMEs and jobs," he added.

The #AfricaVsVirus Challenge opens on Thursday, 16 April at 6:30 pm CET and runs non-stop through to Sunday, 19 April at 6:30 pm CET. Entrants can choose to submit ideas under one of the following sectors: public health and epidemiology; vulnerable populations; businesses and economy; community; education; entertainment; government support; environment and energy; and food security. Alternatively, they may choose their own theme.

An expert panel will select the twenty best solutions submitted, and these finalists will be invited to take part in a one-month educational program by Seedstars. The top three winning ideas will receive up to $50,000 worth of in-kind prizes.

#AfricaVsVirus Challenge is part of the Bank's strategy to support young African entrepreneurs – especially young women entrepreneurs – and their SMEs and startups by providing an enabling environment to innovate appropriate solutions to the COVID-19 crisis. The Bank's Innovation and Entrepreneurship Lab, working closely with the Youth Entrepreneurship & Innovation Multi-Donor Trust Fund is hosting the ideathon, with partners Seedstars, digital agency WAAT and development consultants Luvent Consulting.

Rollout of the Challenge follows the African Development Bank's launch on 8 April of a $10 billion COVID-19 response facility, and the sale of a record $3 billion debt issue last month to raise financing to help African countries confront the pandemic, which is already wreaking havoc on their economies.

Interested parties can follow the global conversation about the competition by following #AfricaVsVirus on social media, or by logging on to www.africavsvirus.com.
https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-and-its-partners-want-your-ideas-beating-covid-19-pandemic-35189

- <u>Asian Development Bank</u>

Asian Development Bank triples coronavirus war chest to $20bn
Nikkei Asian review, April 14, 2020
JSTGovernments get the most, but companies can access $2bn in financial aid
Cliff Venzon, Nikkei staff writer

MANILA -- The Asian Development Bank on Monday tripled its fund to fight the coronavirus outbreak to $20 billion, as the regional economy faces deepening fallout from the pandemic.

Around $18 billion is earmarked for governments, many of which are readying massive stimulus programs to support their economies during the crisis, while the rest can be accessed by the private sector.

The Manila-based multilateral lender has held talks with around 10 countries, including India, Indonesia, the Philippines and Vietnam and said it would adjust internal procedures to boost lending.

"This pandemic threatens to severely set back economic, social, and development gains in Asia and the Pacific, reverse progress on poverty reduction, and throw economies into recession," ADB President Masatsugu Asakawa said in a statement.

The expanded package will help the countries and companies tackle "the pandemic and economic downturn."

The ADB expects the pandemic to wipe out 2.3%-4.8% of the world's gross domestic product and developing Asia's growth this year to fall to 2.2%, the slowest since 1998, a year after the Asian financial crisis.

Nine economies are expected to shrink, including Thailand and Hong Kong, the ADB said in its Asian Development Outlook report early this month.

The ADB said loans and guarantees will be provided to financial institutions to revitalize trade and supply chains. It will also support small and medium-sized enterprises and companies responding to, or impacted by the COVID-19 crisis.

Asakawa said "the current of economic globalization will not change" as a result of the pandemic, although steps such as shifting production from China to neighboring countries "may accelerate."

"Once the novel coronavirus is brought under control, Asia will continue to be the center of global economic growth," he added.
https://asia.nikkei.com/Economy/Asian-Development-Bank-triples-coronavirus-war-chest-to-20bn2

- <u>ERBD</u>

EBRD President calls for “collective responsibility” in response to coronavirus
ERBD News, 8 Apr 2020
EBRD President Suma Chakrabarti has called on the international community to join forces to combat the coronavirus pandemic. “We have a collective responsibility,” the

EBRD head said at the meeting of the EU Foreign Affairs/Development Council today which he joined via video link.

With its initial €1 billion Solidarity Package, approved on 13 March, the EBRD took a first step to address urgent needs of businesses and economies. “Demand for emergency financing is huge,” President Chakrabarti said, adding that the Bank was already working on a second phase of its programme. He also said, “We never operate in isolation. As a multilateral bank with a European heart, we coordinate our work at all levels to ensure maximum impact.”

He strongly endorsed the “Team Europe” initiative led by the European Commission which aims to provide support to partner countries during and after the Covid-19 crisis, including humanitarian and health actions as well as support to overcome the social and economic consequences of the pandemic. “The EBRD stands ready to support Team Europe as a strong partner of the EU,” he said.

Outlining the scale of the challenge the EBRD President warned that the current crisis, in addition to the tragic loss of life, is expected to lead to the “greatest disruption to global economic activity since the Second World War”. Emergency measures in many countries around the world have severely impacted economic activity, while countries are facing a huge increase in public spending at a time when revenues are shrinking.

This also affects many economies where the EBRD invests in the Western Balkans, eastern Europe and North Africa, regions with which the EU is also closely linked through its Neighbourhood and Partnership policies and programmes. The EBRD has a strong local presence that reaches as far as Central Asia.

It is uniquely placed to address immediate threats rapidly and effectively while also continuing its work towards the development of successful economies based on a vibrant private sector through its combination of investment and policy engagement.
https://www.ebrd.com/news/2020/ebrd-president-calls-for-collective-responsibility-in-response-to-coronavirus-.html

- **United States**

How the Fed is trying to rescue the economy from the coronavirus with an emergency stash of cash
Bankrate, April 15, 2020
The Federal Reserve is backing up a multi-trillion dollar dump truck of cash into the world’s largest economy. How it delivers that pile to more than just Wall Street is the ultimate question.

U.S. central bank officials are in the middle of a firefight to contain the massive economic hit from the coronavirus. They’ve slashed interest rates to zero and given a 2020 twist on the crisis-era playbook from 2008: a no-limits bond buying program and expanded interventions in the market for short-term loans. It’s meant to keep interest rates low and the financial system awash with credit.
But that hasn’t stopped the U.S. economy from continuing to crumble beneath monetary policymakers’ feet. More than 17 million individuals applied for unemployment insurance in the past four weeks, with the job market deteriorating “with alarming speed,” as Fed Chair Jerome Powell described Thursday.

It’s pushed the Fed down a new, uncharted path. The Fed has implemented 11 new emergency lending facilities since the coronavirus crisis took hold, all designed to help states, cities, municipalities and employers big and small with access to financing.

“The Fed in the past has been concerned primarily about getting credit flowing among large institutions and keeping the markets working,” says William Isaac, former chair of the Federal Deposit Insurance Corporation (FDIC) who now co-chairs bank regulation and compliance firm Isaac-Milstein Group. “This time around, the Fed is going to need to be a middle American.”

Fed’s race to help Main Street in full force

The race to help the areas beyond Wall Street broke new ground Thursday, when the Fed announced a series of sweeping programs totaling up to $2.3 trillion in lending. One of which was the long-awaited Main Street lending facility, offering financing to hard-hit employers who have been otherwise squeezed out of existing government initiatives.

Separated into two programs — one for new loans and another for existing loans — U.S.-based businesses with up to 10,000 employees or $2.5 billion in revenue are eligible to borrow from funds totaling $600 billion. They come with easy provisions: four-year terms and deferred payments for the first year. The Fed maintains a 95 percent stake, with the remaining 5 percent left up to the bank that administers the loan.

“Without revenue, businesses can’t pay their employees’ wages or rent on the building. There would be millions of businesses laying off their employees or going out of business,” says Steve Rick, chief economist at CUNA Mutual Group. “We need something to provide them a temporary bridge from today to when the coronavirus has run its course.”

But other programs were resurrected from the 2008 financial crisis, with one of the most important for consumers being the Term Asset-Backed Securities Loan Facility (TALF).

Reinstated on March 23, the Fed is pouring up to $100 billion into the program. Banks and financial institutions then use the funds to make loans, with eligible borrowers offering up as collateral different types of consumer credit packaged into securities, from student and auto loans to credit-card receivables. It’s key to keeping the wheels of the economy turning.

“You’re kind of intermediating between the people who want to own the debt and the people that need to borrow,” says Stephen Stanley, chief economist at Amherst Pierpont. “When those markets freeze up, it affects the ability of banks and others to lend new debt. If they can’t sell the debt that they’ve issued into the markets, then obviously they don’t have space on their balance sheets to issue new debts.”

Other resources include the Money Market Fund Liquidity Facility (MMFLF), the Primary Dealer Credit Facility (PDCF), and the Commercial Paper Funding Facility (CPFF). Simply put, the entire alphabet soup of programs in the coronavirus catalog let the Fed purchase debt it isn’t normally allowed to buy. The Fed now has some skin in the game for municipal bonds, corporate debt and commercial paper.

Buying debt gets markets up-and-running again

But it’s hard to understand how buying debt actually helps Main Street. It’s a behind-the-scenes scheme — and not as direct as the $1,200 cash payment from the federal government.

Instead, the Fed's programs are designed to make sure markets are well-oiled again. Given the uncertainty surrounding the outlook, individuals have been clamoring for safe-haven assets, while many are flat-out scared to buy and invest. Sellers have thus started to outnumber buyers in many corners of the financial system, pushing up interest rates and making it harder for banks to issue new loans. The Fed's programs are creating demand for the assets that have been hard to trade.

"Think of it like a two-lane highway where there's construction, and all of a sudden you're closing it down to one lane," Stanley says. "The Fed is temporarily opening a lane through its own facilities to try to get everyone out of that bottleneck."

When markets don't function properly, it means it's harder for financial firms to make more loans. And access to credit is ultimately the difference between a firm falling under and an individual still being able to get a paycheck. Meanwhile, there's little point to cutting rates if they don't hold where the Fed wants them: near zero percent.

Fed's uncharted path presents new challenges

But sizing these programs is the biggest challenge. Pitfalls include propping up already-struggling companies that were living on-edge before the coronavirus crisis hit. Banks' willingness to lend out might be contingent upon the Fed's willingness to swallow losses, but even though the Fed wouldn't "shutter" if a loan is defaulted on, it could still lead to intense scrutiny.

"If the Fed does take losses, they're extremely open to criticism from Congress and essentially from the public," says Steven Friedman, senior macroeconomist at Mackay Shields who worked at the New York Fed during the 2008 crisis. "To be most successful, the Fed has to be willing to take losses at the end of the day, to encourage banks to lend, but any losses that the Fed takes ultimately go back to the taxpayer."

Borrowers under the Fed's new Main Street programs have to agree to conditions to take advantage of the funds. They can't purchase stock buybacks or pay dividends; they also can't use the money to pay existing loans. Still, critics of the program point out a moral hazard.

"The idea is, if we don't bail out the airlines and a lot of these firms, we're going through a major depression," Rick says. "But if you keep bailing out your child every time they get in a bad situation, well the child doesn't change their behavior."

Access is also critically important, Rick says. Many firms who don't have a working relationship with an FDIC-insured bank might be squeezed out of the program. The program could also risk limiting the smallest of businesses from participating, given that the minimum loan size is $1 million.

What's missing, Isaac says, is a facility that could help the 4,750 community banks work with borrowers on "old loans" taken out before the coronavirus came along. Community banks play a key role in small business and commercial loans across the U.S. But that probably includes enlisting the FDIC, which regulates two-thirds of all banks, he says.

"Banks are sitting on loans that are soon going to be in default," Isaac says. "The smaller companies and the retailers are not paying because their stores are closing, and they have no income coming in. They really can't afford to make payments."

Even after lending trillions, Fed still keeping powder dry
The Fed dusted off in a matter of days the same game plan that took years to create during the 2008 financial crisis. That's largely because "they have that experience to fall back on," Stanley says.

Moving with speed and aggression is a crucial part of addressing the fallout, experts say. Powell also indicated that the Fed isn't out of ammo just yet, saying Thursday the Fed will continue to act "forcefully, proactively and aggressively until we are confident that we are solidly on the road to recovery" merely a few hours after introducing the Fed's new Main Street programs.

Though it can't prevent a recession from taking hold, it can help the economic recovery be more prosperous.

"If you didn't have these monetary and fiscal programs, there'd be a significant risk that when social distancing activities are lifted, activity cannot get anywhere close to what was in place," Friedman says. "With these facilities in place being well-timed and the appropriate size and reaching a wide range of businesses, it means that the economy has a better chance of recovery."
https://www.bankrate.com/banking/federal-reserve/fed-trying-to-rescue-economy-from-coronavirus/amp/

Fintechs OK'd to make emergency small-business loans
American Banker, April 13, 2020,
By John Reosti, Penny Crosman
Online lenders had lobbied federal officials hard to participate in emergency lending to small businesses hurt by the economic fallout from the novel coronavirus outbreak. Three fintech companies — PayPal, Intuit QuickBooks Capital and Square Capital — said that in recent days the federal government has approved them to make loans under the $349 billion Paycheck Protection Program.

Other prominent fintechs, including Funding Circle, are awaiting approval to be direct lenders in the program. Applications were first taken from fintechs last Wednesday, though banks and credit unions have been involved since the program's inception on April 3.

Some online lenders — including Square, PayPal and Kabbage — have participated indirectly in conjunction with bank partners that were already active in the program. OnDeck Capital said Monday that it would process applications on behalf of Celtic Bank, a Utah industrial bank, and that it had applied last week to become a direct lender in the program, too.

As of Monday afternoon, the Small Business Administration said it had approved more than 941,000 loan applications for the program, totaling about $228 billion. Many banks have prioritized existing customers ahead of noncustomers, leaving smaller businesses lacking core banking relationships looking frantically for help.

According to several industry experts, fintechs are the most likely vehicles for loans to smaller concerns that have had a hard time accessing the emergency loan program.
"Having another outlet has to help," said Steven Busby, CEO of Greenwich Associates, a data analytics firm in Stamford, Conn. "There are all these stories of businesses that didn't have a bank relationship, and they're going to anyone who'll listen" to obtain funding.

Viral Acharya, a former deputy governor of the Reserve Bank of India who teaches finance at New York University's Stern School of Business, said the program is approving loans brought to it by lenders on a first-come, first-served basis.

As a result, "there are likely to be deserving businesses that aren't getting money," Acharya said. "Attempts have to be made to broaden the program; otherwise you could get a very adverse crowding out."
Fintechs can be "particularly helpful" in that regard, Acharya said. "We need to keep the universe of eligible lenders very broad."

John Pitts, policy lead at Plaid, a San Francisco data and technology firm that serves hundreds of fintechs, said the median size of program loans made to date is about $79,000 — substantially more than what is needed by the small businesses fintech lenders typically serve.

Most fintech borrowers need $25,000 or less, and "banks aren't making those kinds of loans," Pitts said. "Across the fintech ecosystem, we're seeing unmet demand for loans."

The Paycheck Protection Program was included in the so-called third-round stimulus package Congress passed and President Trump signed on March 31. It offers small businesses with 500 or fewer employees loans of up to $10 million. Much of the money firms borrow can be forgiven if they spend it on payroll and basic operating expenses during the first few months after receiving funding.

The law allowed fintechs to participate, but the Treasury Department and the SBA — which are running the program — created a separate approval process for nondepository lenders.

PayPal declined to discuss the response it has seen since it began lending Friday but said any borrowers eligible under the program can apply through PayPal, spokesman Joseph Gallo said Monday.

"We believe it is necessary to help the smallest of small businesses in this unprecedented time," Gallo said.

Jackie Reses, head of Square Capital, said it is trying to avoid making borrowers endure long waits for approvals by sending invitations to merchant customers that it thinks could get quick and easy approvals. All Square Capital loans are made to merchants that use the Square payments platform.

"Our goal is ... to take the most automated first so that we could get them through and get approved and hopefully disbursed," Reses said after tweeting Monday that Square Capital had been named a direct lender in the program. "We're only sending out applications as we could expediently get them to the SBA."

This should help a lot of very small businesses, especially ones owned by women and minorities, avoid "the Catch-22 where they need to have a pre-existing lending relationship with a bank."

Intuit QuickBooks Capital, which joined the program as a direct lender Friday, did not provide an executive for an interview before the deadline for this story.

Funding Circle submitted its application to the federal government on Wednesday, “just a couple of hours after the application form was released,” Ryan Metcalf, its head of public policy, said Monday.

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The SBA did a good job in approving fintech lenders as quickly as it did, given that they did not participate in 7(a) lending prior to the coronavirus crisis, Plaid's Pitts said. He estimated that more than 20 fintech lenders would probably apply to participate in the program.

Still, the weeklong head start that banks and credit unions received means much of the program’s initial $349 billion funding authority has already been allocated. Given that, Pitts and other industry observers are hopeful Congress and the Trump administration will reach an understanding that allows for an additional infusion of cash into the program.

“The demand is clear,” Pitts said. “It won’t be met in full by the first $349 billion.”

Likewise, Jack Heath, president and CEO of the $7.2 billion-asset WTB Financial in Spokane, Wash., the parent of Washington Trust Bank, said additional funding was “critical.”

“We truly need to get more funds,” Heath said Monday. “We don’t want the program to run out.”

Heath added that he had no objection to fintech lenders' joining the program.

“I see no reason not to push hard to get money into more people's hands,” Heath said.

The Trump administration has called for an additional $250 billion in funding for the Paycheck Protection Program, but negotiations about broader stimulus measures are in the early stages in Congress.
https://www.americanbanker.com/news/fintechs-okd-to-make-emergency-small-business-loans

- **France**

France to set aside nearly $1.3 billion to combat coronavirus in Africa
ABC News, April 10, 2020
Some observers believe Africa could be the next global hotspot.

France’s President Emmanuel Macron announced Thursday nearly $1.3 billion of development aid to Africa for the fight against the coronavirus.

While most of the money will be reallocated from funds already set aside for international aid, the announcement is part of an initiative from the French government to highlight COVID-19’s potentially debilitating health and economic impact on Africa.

"We will no doubt have to consider organizing a humanitarian airlift from Europe to transport aid [to Africa],” France’s foreign minister, Jean-Yves Le Drain, told the French National Assembly on Thursday.

"The needs are immense" in the continent, he added, calling for a moratorium on interest rate payments and the restructuring of debt in countries where the pandemic will have the most impact.

France's development agency says that the African aid package would include nearly 1 billion euros in loans to countries to assist public development banks and to strengthen national coronavirus responses. The plan only includes 150 million euros in direct monetary donations.
Nineteen countries, most with historic ties to France, will receive the majority of the announced aid.

France's aid package is in addition to the European Union's planned 20 billion euro aid package to the continent, Asia, Latin America and the Balkans, which was announced Wednesday.
https://abcnews.go.com/amp/International/france-set-13-billion-combat-coronavirus-africa/story?id=70081853

- **European Union**

Euro countries agree 'unprecedented' support package[1]
Yahoo news, 9 April 2020
David McHugh, Associated Press
Governments from the 19 countries that use the euro have agreed a package of measures that could provide more than £442 billion for companies, workers and health systems to cushion the economic impact of the coronavirus outbreak.

The deal struck Thursday did not, however, include more far-reaching co-operation in the form of shared borrowing guaranteed by all member countries.

It leaves the issue open as leaders look forward to a further discussion about a fund to support the economic recovery in the longer term.

Borrowing together to pay for the costs of the crisis was a key demand from Italy, whose already heavy debt load is expected to increase because of the recession caused by the virus outbreak.

But it was rejected by Germany, Austria and the Netherlands.

Mario Centeno, who heads the finance ministers' group from euro countries, called the package of measures agreed upon "totally unprecedented".

He said: "Tonight Europe has shown it can deliver when the will is there."

The ministers agreed that hard-pressed governments such as Spain and Italy could quickly tap the eurozone's bailout fund for up to 240 billion euros (£210 billion), with the condition that the money is spent on their health care systems and the credit line expires after the outbreak is over.

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1 https://uk.news.yahoo.com/euro-countries-agree-unprecedented-support-223248037.html?guccounter=1&guce_referrer=aHR0cHM6Ly9uZXdzLmdvb2dsZS5jb20v&guce_referrer_sig=AQAAAGBJMzHJP06qBgR5oZLMiFPrSMDSuOuHkzU9o0e2Gd_xHdKmB5kSBiXxy5AUqvDb2Te-dNkOstRbi1yAwiGtxo3DQGbfNXZXyxBxBx_Eny2e_dKOhpLMfB2Qjn9edzGF5Lw-teBnL_a4uFlMw-xTlY5Wat6HTc52cs-eXCRUWGrd

The agreement also provides for up to 200 billion euros (£175 billion) in credit guarantees through the European Investment Bank to keep companies afloat and 100 billion euros (£88 billion) to make up lost wages for workers put on shorter hours.

Mr Centeno said that countries would work on a recovery fund for the longer term and as part of that would discuss “innovative financial instruments, consistent with EU treaties”.
He said that some countries support shared borrowing and that others oppose it.

The deal overcame bitter disagreement between Italy and the Netherlands over the conditions for loans from the bailout fund, the European Stability Mechanism.

Italy had rejected the idea of using the fund because the money comes with tough conditions that recalled the austerity imposed on Greece, Ireland and other indebted eurozone countries that were bailed out during the eurozone debt crisis in 2010-2015.

The compromise struck in the final statement says that countries could borrow up to 2% of annual economic output at favourable rates to finance “direct or indirect” costs of the current health crisis.

The question now is whether the package will be seen as big enough to impress markets and prevent new accumulations of government debt from triggering a new eurozone financial crisis.

For now, bond-market borrowing costs of indebted countries such as Italy are being held in check by the European Central Bank, which has launched an 870 trillion-euro bond purchase programme.

But that programme is so far limited in size or duration.

State aid: Commission approves German guarantee scheme to stabilise trade credit insurance market in coronavirus outbreak
Press reléase, 14 April 2020
The European Commission has approved, under EU State aid rules, a German guarantee scheme to support the trade credit insurance market in the face of the coronavirus outbreak.

Executive Vice-President Margrethe Vestager, in charge of competition policy, said: “The German guarantee scheme will help ensure that trade credit insurance continues to be available to all companies. The measure will support the liquidity of European companies and help them continue their commercial activities in these difficult times. We continue working closely with Member States to ensure that national support measures can be put in place in a coordinated and effective way, in line with EU rules.”

The German support measure
Germany notified to the Commission a State guarantee scheme supporting the insurance of trade between companies affected by the coronavirus outbreak.

Trade credit insurance protects companies supplying goods and services against the risk of non-payment by their clients. Given the economic impact of the coronavirus outbreak, the risk of insurers not being willing to maintain their insurance coverage has become higher. The German scheme ensures that trade credit insurance continues to be available to all companies, avoiding the need for buyers of goods or services to pay in advance, therefore reducing their immediate liquidity needs. The Commission assessed the measure under EU State aid rules, and in particular Article 107(3)(b) of the Treaty on the Functioning of the European Union (TFEU), which enables the Commission to approve State aid measures implemented by Member States to remedy a serious disturbance in their economy.

The Commission found that the scheme notified by Germany is compatible with the principles set out in the EU Treaty and is well targeted to remedy a serious disturbance of the German economy. In particular, (i) the trade credit insurers have committed to Germany to maintain their current level of protection in spite of the economic difficulties faced by companies due to the coronavirus outbreak; (ii) the guarantee is limited to only cover trade credit originated until the end of this year; (iii) the scheme is open to all credit insurers in Germany, covering also trade credit to purchasers of goods and services in third countries; (iv) the guarantee mechanism ensures risk sharing between the insurers and the State, up to a volume of €5 billion, and provides an additional safety-net to cover up to €30 billion in total if required; and (v) the guarantee fee provides a sufficient remuneration for the German State.

The Commission therefore concluded that the measure will contribute to managing the economic impact of the coronavirus in Germany and beyond.It is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, in line with Article 107(3)(b) TFEU and the general principles set out in the Temporary Framework adopted by the Commission on 19 March 2020, as amended on 3 April 2020

On this basis, the Commission has approved the measure under EU State aid rules.

Background
In case of particularly severe economic situations, such as the one currently faced by all Member States and the UK due the coronavirus outbreak, EU State aid rules allow Member States to grant support to remedy a serious disturbance to their economy. This is foreseen by Article 107(3)(b) TFEU of the Treaty on the Functioning of the European Union.

On 19 March 2020, the Commission adopted a State aid Temporary Framework based on Article 107(3)(b) TFEU to enable Member States to use the full flexibility foreseen under State aid rules to support the economy in the context of the coronavirus outbreak. The Temporary Framework, as amended on 3 April 2020, provides for the following types of aid, which can be granted by Member States: (i) Direct grants, equity injections, selective tax advantages and advance payments; (ii) State guarantees for loans taken by companies; (iii) Subsidised public loans to companies; (iv) Safeguards for banks that channel State aid to the real economy; (v) Public short-term export credit insurance;(vi) Support for coronavirus related research and development (R&D); (vii) Support for the construction and upscaling of testing facilities; (viii) Support for the production of products relevant to tackle the coronavirus outbreak; (ix) Targeted support in the form of deferral of tax payments and/or suspensions of social security contributions; (x) Targeted support in the form of wage subsidies for employees.

The Temporary Framework will be in place until the end of December 2020. With a view to ensuring legal certainty, the Commission will assess before that date if it needs to be extended.This complements the many other possibilities already available to Member States to mitigate the socio-economic impact of the coronavirus outbreak, in line with EU State aid rules. On 13 March 2020, the Commission adopted a Communication on a Coordinated economic response to the COVID-19 outbreak setting out these possibilities. For example, Member States can make generally applicable changes in favour of businesses (e.g. deferring taxes, or subsidising short-time work across all sectors), which fall outside State Aid rules. They can also grant compensation to companies for damage suffered due to and directly caused by the coronavirus outbreak.

The non-confidential version of the decision will be made available under the case number SA.56941 in the State aid register on the Commission's competition website once any confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the State Aid Weekly e-News.

More information on the temporary framework and other action the Commission has taken to address the economic impact of the coronavirus pandemic can be found here.
https://ec.europa.eu/commission/presscorner/detail/en/ip_20_653

- **World Economic Forum**

How governments and mobile operators are easing network congestion during the COVID-19 crisis
WEF, 14 April, 2020
Mats Granryd, Director-General, GSMA
Global Internet traffic has increased by about 30% in the past month.

Mobile operators have been working closely with governments to help manage unprecedented traffic needs.

In the wake of the social restrictions in place to help manage the threat of COVID-19, mobile broadband, fixed wireless connections and mobile apps have become the main tools for billions to stay in contact with everyone from medical professionals to work colleagues, educators and loved ones. Changing user demands due to this extraordinary situation have led to surges across mobile voice, text and data services in both download and upload streams.

In the past month, global Internet traffic has increased by about 30%, according to Akamai, a tech company that monitors web defenses for companies. That means that we have seen an entire year's worth of growth in Internet traffic in just a few weeks. That growth was accomplished all without live sports streaming, which set new records prior to COVID-19.

During this unprecedented situation, mobile operators have been working closely with governments to support the management of the crisis through the provision of mobile services to the public and government. Spectrum resources, or frequencies, can be made available by governments during times of crisis. These resources can help optimize mobile network infrastructure to better serve the needs of communities and public services.

Some mechanisms being implemented include:
- Providing short-term/emergency spectrum licences to mobile network operators (MNOs) to access any portions of unallocated spectrum, renewable depending on national requirements
- Expediting the issue of short-term/trial licences to MNOs where new technologies may enable operators to assist on delivering or augmenting connectivity and deploying services on an ad-hoc basis

- Facilitating and expediting access to backhaul spectrum, which is used to connect base stations to the rest of the mobile network and the internet
- Extending deadlines for any ongoing transitions or renewals for licensees providing high-speed broadband and other critical services
- Removing red tape and restrictions on ways to immediately access more spectrum, including spectrum sharing

We have already seen some impressive examples of governments and mobile operators working together to help manage this unrivalled and rapidly changing situation, including:

United States. The United States Federal Communications Commission has granted short-term access to available mobile spectrum in important spectrum bands to provide additional mobile broadband capacity. These bands include both "coverage" bands (600 MHz) and "capacity" bands (1.7 -2.2 GHz). (Spectrum bands have different characteristics, making them suitable for different purposes. In general, frequencies below 1 GHz can travel greater distances and therefore they have better coverage. Higher-frequency transmissions carry more data, so they have greater capacity, without offering better coverage. Both types are needed to offer advanced mobile services to connect everyone and everything.)

Ireland. The Commission for Communications Regulation (ComReg) in Ireland is temporarily releasing extra radio spectrum in the 700 MHz and 2.6 GHz bands to provide additional capacity for mobile phone and broadband provision and liberalizing the use of 2.1 GHz so that it can be used for 4G and other technologies, rather than just for 3G.

Jordan. Jordan is releasing available spectrum to MNOs in coverage and capacity bands.
Saudi Arabia. Saudi Arabia is releasing available spectrum to MNOs in coverage and capacity bands on a short-term basis (700MHz band).

Tunisia. Tunisia is making all International Mobile Telecommunications (IMT) spectrum tech-neutral on a short-term basis. [This means that, rather than being earmarked for a specific technology (e.g. 3G or 4G), MNOs have the flexibility to use the spectrum for the technology that has the biggest impact.]

Panama. In Panama, the Regulator (Autoridad Nacional de los Servicios Públicos) will grant temporary spectrum licenses to MNOs for additional capacity upon request.

Brazil. An agreement between MNOs and regulator Anatel in Brazil confirms that the agency will take any regulatory action necessary, including with spectrum, to make sure all services remain intact.

South Africa. The regulator ICASA in South Africa is working with MNOs on "spectrum relief" (i.e. access to more spectrum) to increase capacity in the face of huge demand for data

"Changing user demands due to this extraordinary situation have led to surges across mobile voice, text and data services in both download and upload streams."
—Mats Granryd

Currently, mobile operators are sustaining the sudden and significant increase in traffic demand. The Global System Mobile Association (GSMA) advocates for timely, affordable and fair access to a sufficient amount of spectrum for the mobile industry to continue to connect more people and meet rapidly rising data demand. In this unprecedented time,

we call for governments to work with the mobile industry to find ways to support the enormous efforts to keep everyone and everything connected in this increasing time of need
https://www.weforum.org/agenda/2020/04/how-governments-and-mobile-operators-are-easing-network-congestion-during-the-covid-19-crisis/