



EMEA WEBINAR

COVID 19 PANDEMIC, WAR AND STAGFLATION: HOW CAN COUNTRIES IN THE MEDITERRANEAN AND AFRICA RESPOND?

Thursday 28 April 2022, 15:00 CET

Moderator:

Prof. Rym Ayadi,
President, Euro-Mediterranean Economists Association (EMEA) and Professor The Bayes Business School (Former CASS)

Reporteur:

Alanna Irving,
Assistant Project Officer, Euro-Mediterranean Economists Association (EMEA)

Speakers:

Dr. Cinzia Alcidi,
Director of Research, Centre for European Policy Studies (CEPS) and Member of the Executive Board of EMEA

Prof. Moez Labidi,

Professor At the Faculty of Economic and Management of Mehdiya, Tunisia and Member of Associate Committee of the EU Mediterranean and African Network for Economic Studies (EMANES)

Nagla Bahr,

Managing Director of CGC Egypt and Chairwomen of Euro-Mediterranean Guarantee Network (EMGN)

Kwame Barnieh,

Partner KPMG Ghana and Member of EMEA Expert Panel



Concept note

The April 2022 World Economic Outlook of the IMF raised the twin challenges of slowing growth and high inflation - so-called "stagflation" - that will hit the global economy amidst the Russian war against Ukraine. Recovery from the COVID-19 pandemic was disrupted by increasing energy, food prices and mounting geopolitical uncertainties. In the meantime, countries in the Mediterranean and Africa, with weak economic fundamentals and growing stock of sovereign debt, have lower fiscal space available to honour their commitments. Additionally, the IMF flagged that the fast private debt accumulation across the world will act as a drag on growth, amidst the pressure of increasing interest rates, which will reduce overall spending and investment.

On the eve of its spring meetings, the IMF downgraded its forecasts for most countries in view of the gloomy global economic outlook.

How are we to address rising energy and food prices? What can countries in the Mediterranean and Africa with low fiscal space achieve to avert mounting poverty, hunger and social unrest? The war in Ukraine has worsened an already-fragile economic outlook weakened by two successive years of pandemic and brought to the surface major geopolitical misalignments. These countries lack policy options and manoeuvrability after having stretched their capacities during the pandemic.

Europe, exposed to the war in Ukraine and struggling to reduce its reliance on Russian energy imports, must respond to the pressure to accelerate the transition to a clean, green economy. However, to respond to the risk of an imminent energy crisis, European Mediterranean countries such as Italy have reintroduced coal into their energy mix, and/or are in the process of signing new deals with Southern Mediterranean countries such as Algeria. These new deals may boost the energy sectors in this part of the world with increasing investments and revenues. However, the fragility of the states in these countries could pose a risk in the medium-to-long run of increasing conflicts and wars.

This webinar is co-organised by EMEA and CEPS with the aim of discussing the current state of affairs amidst the war in Ukraine and the subsequent setback to global economic recovery, with a focus on the Mediterranean and African countries. What can these countries do to limit the risk of imminent energy and food crises, and what can international partners such as the EU, the IMF and others do to help?





Summary of the session

Professor Ayadi welcomed speakers and attendees, and opened by saying the war in Ukraine has weakened a global economic outlook already made fragile by successive waves of pandemic and brought to the surface worrying geopolitical fragmentations. Many countries in the Mediterranean and Africa lack policy options, with weak economic fundamentals and a growing stock of sovereign and private debt giving a very low fiscal space to allow them to stabilise their economies and honour their financial obligations. Increasing private debt is likely to act as a drag on growth, and interest rates are likely to rise to tackle rising inflation, which is likely to reduce overall spending and investment – so-called “stagflation”. This situation is likely to make global solutions and agreements difficult to reach.

The need to reduce reliance on Russian energy imports can present an opportunity to accelerate the transition of cleaner, greener economies, but in responding to the short-term risks of energy crisis, some Mediterranean countries have moved in the opposite direction, reintroducing coal into their energy mix or seeking new deals for fossil fuels with other countries like Algeria.

She invited a first round of comments from the panel on the current state of affairs, the main uncertainties facing countries in the region, and the challenges and opportunities these uncertainties face.

Cinzia Alcidi summarised the three main sources of uncertainty currently facing the global economy: the Russian invasion of Ukraine and subsequent sanctions have created uncertainty around commodity supply and prices, particularly food and energy; inflation in the EU and US is at a 40-year high, which may challenge supportive post-COVID measures; and the pandemic itself is still disrupting global trade thanks to the zero-COVID policy in China. She noted that the length of the Ukraine war would be a crucial issue, not only for commodity prices but also in terms of the 5 million refugees unable to return to their homeland, which could cause political pressures. Secondary effects from increasing food prices could include social distress and new migration flows to Europe. She noted that it was unlikely that countries would move to a contractionary fiscal policy, given the need to support refugees, increase military expenditure, and compensate for high energy and food prices; and yet many countries in Europe and elsewhere will find themselves reaching the limit of expansionary fiscal policy. Therefore, there will be a huge pressure on monetary policy to curb inflation, meaning interest rates will rise, and the changes in capital flows are likely to impact emerging and developing economies.

Moez Labidi illustrated the example of the Tunisian economy in the context of the pandemic and the Ukraine crisis. He demonstrated weak resilience to cyclical shocks and a very high debt ratio, and how the restricted fiscal space means the government had low capacity of intervention in the fact of the pandemic, with a very high cost of financing, meaning they were unable to initiate an ambitious recovery plan and unable to meet the needs of social expenditures. High food and energy prices have caused a tightening of monetary policy, impacting employment and poverty, and fiscal expenditure has risen to mitigate the shocks. The decrease of growth, high level of unemployment and widening of the current account deficit has destabilised monetary policy.

Nagla Bahr noted that Small and Medium-Sized Enterprises (SMEs) dominated most of the economies in the region, a segment particularly affected by the shocks of the pandemic and the Ukraine war. The effects of the pandemic have been overcome in Egypt by using guarantee schemes to drastically change methods of doing business. Now there is a need to work on different models to tackle the effect of supply chain disruption, facilitate access to finance on preferential terms and conditions as a mitigation tool, while the same time dealing with the climate crisis and sustainability. In response to supply chain disruption, as a major importer of wheat from Russia and Ukraine, Egypt has started to look into different ways to meet their need, increase subsidies in important areas and decrease others, and establish guarantee programmes to provide better facilities for substituted imports, particularly fertilizer. Work is ongoing with under-performing SMEs to enable them back to business, for example by applying equity programmes to assist finance, and programmes for creating or maintaining jobs. She noted that at the local level, immediate actions have been taken to absorb the crises, but there should also be regional action.

Kwame Barnieh said that the lack of a collaborative approach to COVID-19 in the region had been a serious issue, and that countries should "think regional" faster. He explained that it should be assumed that, if and when the Ukraine war ends, there will be another challenge, and the region should focus on building resilience. He mentioned the example of Nigeria, which has moved away from dependence on fertilizer imports by consolidating small-scale farmers at a national level. He noted the importance of domestic credit ratings and the sustainability of governance processes, including accountability and diversity – with the right people and the right governance, economies can withstand shocks.

Professor Ayadi then invited a second round of comments on future scenarios and what the international community can do to support Mediterranean and African countries to restart their economic recovery, resist external shocks and be able to advance in their development path.





Cinzia Alcadi admitted to a pessimistic outlook on what global coordination can achieve, given the irreversible change in geopolitical order. She suggested we are likely to see the emergence of different blocks, which will mean the existing structure of international coordination will find itself working in a very hostile environment, and it will be difficult to make decisions to achieve common objectives if there is no convergence of values. She said individual countries need to take strategic steps to increase resilience, by focusing on diversification and strengthening internal endowments and capacities. She noted the need to balance trade, which carries risk of dependency, with the risks presented by protectionism.

Moez Labidi spoke of need for international institutions to prioritise environmental transition and digitalisation, and for countries to focus on building economic resilience by consolidating public finance and implementing social reform, food and water resilience by reforming the agriculture sector, improving food storage capacity and improving the options for desalination and waste water treatment, and energy resilience by diversifying and improving energy sovereignty. He mentioned the urgent need for greening monetary and fiscal policy.

Nagla Bahr restated the high levels of debt in many countries in the region, and that international support can be associated with requirements that are not suited the local context, meaning international support cannot be relied upon. She agreed that a balance must be struck between dependency and independency, to enable countries to be resilient but also take advantage of cooperation and collaboration.

Kwame Barnieh also noted the need to focus on digitalisation, and how Africa needs to consider its collaboration with China to make sure arrangements are mutually beneficial.

Concluding remarks

Professor Ayadi concluded by reiterating the many uncertainties, not least the duration of the Ukraine war, obscuring a clear vision of any future scenario. Decreasing growth, high risk of inflation, reduced investment and resource dependency of many countries will present severe challenges, and could lead to further complexities, social unrest, unemployment and migration, while in the meantime the climate crisis still needs to be addressed. She said the proximity of countries in the region meant that cooperation at the regional level was essential, and thanked the speakers for their participation.

Moderator:



Prof. Rym Ayadi

President, Euro-Mediterranean Economists Association (EMEA) and Professor The Bayes Business School (Former CASS)

Prof. Rym Ayadi President and Founder Euro-Mediterranean Economists Association

Professor Rym Ayadi is the Founder and President of the Euro – Mediterranean Economists Association (EMEA). She is Founder and Director of the Euro-Mediterranean Network for Economic Studies (EMNES). She is Senior Advisor at the Centre for European Policy Studies (CEPS); Professor at the Business School, City University of London; and Member of the Centre for Banking Research (CBR); Academic member and Chair (2018-20) of the European Banking Authority – Banking Stakeholders Group (EBABSG). She is also Associated Scholar at the Centre for Relationship Banking and Economics (CERBE) at LUMSA University in Rome.

Speakers:



Cinzia Alcidi

Director of Research, Head of Economic Policy Unit
Centre for European Policy Studies (CEPS), Brussels

Dr. Cinzia Alcidi is Director of Research, Head of the Economic Policy Unit at the Centre for European Policy Studies (CEPS) in Brussels and LUISS- School of European Political Economy- research fellow. Since November 2019 she is also the acting Head of the Jobs and Skills unit.

Prior to joining CEPS, she worked at International Labour Office in Geneva and she taught International Economics at University of Perugia (Italy). Her research activity includes international economics, macroeconomics, central banking and EU governance. Since 2015 she is the coordinator of CEPS Academy Activities. She has experience in coordinating research projects and networks. She has published extensively on the economics and governance of the Euro area crisis and participates regularly in international conferences. She holds a Ph.D. degree in International Economics from the Graduate Institute of International and Development Studies, Geneva (Switzerland).



Moez Labidi

Professor of International Finance and Monetary Policy
University of Monastir, Tunisia

Professor Labidi holds a PhD in Economics from the University of Nice-Sophia Antipolis (1992). In February 2011 he joined the board of directors.

As of January 2020, he is a member of the License Banking Commission of the central bank of Tunisia.



Nagla Bahr

Managing Director
Credit Guarantee, Egypt

Ms. Bahr has more than 30 years of experience in finance, economic development, and strategic planning with a focus on emerging markets development. Ms. Bahr has a special expertise in MSMSs Finance and development and structuring and managing Guarantee Schemes. Her expertise was practiced in markets of MENA, Africa, East Europe, and South Asia. Ms. Bahr is the Managing Director of the Credit Guarantee Company (CGC) in Egypt since 2015. Prior to 2015 Ms. Bahr has served under both local and international umbrellas of BP, Shell Winning, Fulbright Commission and Finance and Banking Consultancies (FinBi). Ms. Bahr across her different services interacted with different ministries and authorities of GOE as well as the Central Bank of Egypt. Ms. Bahr has BSc in Economics and a Master degree in Professional Economic Development. She also acts as the chairwomen of the Euro-Mediterranean Guarantee Network (EMGN).



Kwame Sarpong Barnieh
Partner KPMG Ghana

Kwame is a Partner for Internal Audit, Risk and Compliance. He has over 18 years' experience working across various dimensions of Internal Audit (IA), Risk Assessment & Management, Governance, and Compliance Review. He works with clients in diverse industries to understand their business environments to generate sustainable returns through the assessment, design and implementation of Enterprise Risk Management, Governance, Compliance, Internal Controls and Internal Audit frameworks. As a lead facilitator for KPMG's external training programmes, he designs and facilitates training programmes across various disciplines. Kwame is a Certified Public Accountant and a Certified Global Management Accountant.

Reporteur:



Alanna Irving
Assistant Project Officer, Euro-Mediterranean
Economists Association (EMEA)

Alanna Irving holds a Bachelors degree in Classics from the University of Cambridge, and a Masters in International Relations from the Institut Barcelona d'Estudis Internacionals. Her professional experience ranges from local government and the public housing sector in the UK to international governmental organisations. She joins the EMEA team to support the implementation of projects and communication and dissemination activities.

