

To all Business at OECD (BIAC) members
Tackling Our Joint Health & Economic Crisis via Better Integrated Policies

Dear Colleagues,

All sixteen members of our team worked remotely last week, made full use of the OECD e-working capabilities and strictly followed the physical distancing measures implemented by the French Government. **We also stepped up our business input into areas where the OECD updated its policy advice ahead of the launch of its new Covid 19 website.** To date all worked as planned and we have the capability to continue on this basis for considerably longer if and as needed.

This week we are further increasing our focus on Member outreach programs. In addition to our well established communication tools we will be making much more use of video conferencing using the Zoom software as our primary tool. **This is the start of a process to further enhance international policy dialogue throughout our membership.** This update is primarily to provide some initial insights and examples of how we plan to work together to accomplish our mutual goals including faster dissemination of better integrated policy advice.

As capitals put themselves on a “war footing”, the most common response to this global health crisis has been the immediate adoption of the most extreme containment measures ever implemented. This in turn is accelerating an unprecedented economic crisis that has rapidly moved beyond the travel, tourism and hospitality industries to every sector of the economy.

We believe it is now more important than ever that the OECD delivers the best policy advice both on short-term collective response measures, as well as the longer-term recovery plans that will soon need to be implemented. **The extensive experience of the OECD, from its origins emerging from the Marshall Plan implementation, to the 2008-2009 global financial crisis makes the organisation a unique forum to help governments achieve an effective balance between the health and economic needs of our society.** Evidence-based analysis, enhanced best practice sharing and improved coordinated collective actions will prove decisive.

There are similarities but also important differences with past crises and the issue specific comments below provide examples of that. On a more generic level there is one noticeable difference to initial responses to the 2008-2009 global financial crisis; and that is the reduced appetite for international cooperation, multilateral solutions and truly integrated policy thinking. **Our respective business organisations are at the frontline of this crisis; with your help we can better overcome this and your contributions will ensure that the OECD becomes an even more visible force for effective, dynamic and positive policy measures.** To avoid excessive information overload we have focused on four initial policy areas but will be broadening this to additional areas as we work with our members to better understand their priority needs.

Policy Specific Examples

- **Health:** Balancing health driven isolation policies with the resulting collateral economic damage (which will create its own health issues) is both delicate and difficult. The need for better evidence here is especially urgent and critical. Without sufficient testing capabilities / results it is very difficult to judge the effectiveness of and priorities for isolation measures. Evidence here is evolving rapidly, but already examples from countries such as South Korea (that are providing 20,000 tests per day) demonstrate the critical role of “testing evidence” in their relatively effective containment policy.

As with all policy responses governments will need to address both short term needs without unduly impacting longer term imperatives. Immediate actions should ensure there are no potential supply chain disruptions, as there is a significant increase in demand for respiratory assistance devices, patient monitoring systems, portable X-ray, ultrasound equipment, and Computer Tomography equipment—among others. Governments should avoid restrictions that delay the purchase of medical equipment, and allow life-saving products to move where they are needed the most.

Keeping relevant production facilities open and enhancing public private cooperation to meet demand is essential. Quarantine measures for travelling employees such as drivers, service engineers and clinical support staff remain a major obstacle. Likewise meeting and anticipating the demand for personal protective equipment particularly for all people working in healthcare is an absolute top priority.

The gaps being exposed in our pandemic preparedness and the challenges we already face with international coordination will be vital lessons to prepare for both second waves of infection and the next foreseeable global health crisis which could produce a similar or potentially worse impact than the current one.

- **Economics:** COVID-19 is affecting both demand and supply and will impact the world economy to an extent not seen since World War II. Exact estimates of economic impact are at this stage difficult to make but it is already clear that all sectors, businesses of all sizes and all countries will be materially impacted.

The OECD's Economic Outlook from March 2 projected that, in the event of a long lasting, widespread virus outbreak, global GDP growth could drop to approximately 1.5% in 2020, about half of what was previously projected. As governments around the globe implement increasingly drastic containment measures, and restrictions on movement of people, these estimates will need to be updated.

In this situation maintaining "our economic fabric" has to be a top policy priority. In practice this means keeping workers, including the self-employed, in work. Temporary work schemes, targeted subsidies and liquidity support for companies to avoid insolvency are examples of this. New approaches to credit guarantees and deferring payments of taxes or social security contributions are other examples of effective measures. The key goal is to ensure rapid resumption of operations once containment measures are lifted. In this context, it is also important to define criteria for such a relaxation of current measures; both for companies to plan ahead and to clarify the health and economic trigger points for this. Without these criteria, there is a risk of economic collateral damage which could seriously worsen the current situation.

Most importantly the emerging global economic crisis can only be tackled with joint efforts. Previous OECD work has shown that if G20 economies implement stimulus measures collectively and in a coordinated manner, growth effects tend to be 1/3 higher after just two years.

Klaus Günter Deutsch, Chair of *Business at OECD's Economic Policy Committee*, stressed that "*while international cooperation on monetary policy is already well-advanced, reinforced coordination on fiscal measures is urgently needed. The OECD can serve as an important platform for the sharing of best practices and the promotion of coherent policy responses.*"

Initial OECD analysis in the form of its March Economic Outlook is attached in PDF format.

- **Smaller Businesses:** Small and medium-sized enterprises (SMEs) are of crucial importance to the economy. They represent over 95% of registered firms, make up a large part of employment (over 60% in most OECD countries) and generate the most “value-added” (between 55 to 75% in most countries). The overarching need to keep as many people as possible engaged in paid work is especially pertinent for smaller businesses. They are typically the first to face liquidity and cash flow problems (for example earlier evidence shows that half of all small businesses surveyed hold cash buffers of less than one month, a number dropping to only 13 days for one quarter of small businesses). Moreover, differentiated measures will often be needed due to sector, employment type and country differences. However in all cases, speed of response and ease of access will be critical as delayed programs will be both less effective and more costly.

The main policy measures proposed to date include direct payment programs, faster access to loans with flexible repayment options, deferred payment possibilities including for some existing loans as well as increased flexibility for a range of payments including tax. Some forward-looking support for companies to strengthen resilience has also been implemented, in order to minimize further impacts for SMEs.

The updated PDF from the OECD on SME policy responses is also included. Page 5 of this document provides an overview summary and the more detailed appendix provides specific examples of actions from around the globe.

Business at OECD SMEs and Entrepreneurship Committee Vice Chair, Lars Jagrén, highlighted that in our effort to support SMEs during this crisis we should not forget “the importance of reducing administrative burdens and red tape as this is both critical to facilitate access to support programmes and help small companies throughout the recovery phase.”

- **Taxation:** Tax policy measures must focus on the three top issues that companies have to very quickly address in a crisis; namely liquidity and cash flow, P&L (Profit and Loss) impacts and tax related technical issues arising from resource restrictions (for example addressing compliance deadlines and remote location challenges).

In order not to further exacerbate existing economic uncertainty for companies, tax policies should focus on tax certainty and demonstrate that the tax system is helping rather than hindering the critical commitment to encouraging cross-border trade and investment, especially in the recovery phase ensuing this crisis.

Our tax committee experts from around the globe have contributed to the OECD tax policy documents that have just been published. The PDFs on emergency measures and administrative needs are included in this email by way of an example. There is also more detailed information including an overview of 190 individual country measures.

Our Tax Committee Chair Will Morris summed up progress by stating *“In both the tax policy and tax administration areas, the OECD’s guidance is to be welcomed -- as is the assistance they are offering to governments. We all have only one common interest at the moment -- inside and outside of tax -- and that is to cooperatively use all the tools at our disposal to stabilize the economy, safeguard jobs, and preserve the economic structures off which future growth can be built.”*

As always suggestions and feedback from our members are both welcome and indeed essential, both with regard to the areas mentioned above as well as additional topics you believe we should address in our cooperation with the OECD. For overarching comments please send the email to puoti@biac.org copying the relevant policy lead in those cases where you would like to provide input on specific policy areas.

The new OECD COVID 19 web site is available to the public via this address www.oecd.org/coronavirus.

With my very best regards,
Russel



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