Statement by

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OECD
Helping Developing Countries Manage the Covid-19 Pandemic and Foster a Strong, Sustainable, Inclusive and Green Recovery

1. COVID-19 is undermining years of development progress – significantly disrupting progress towards the 2030 Agenda and climate goals – and is hitting the world’s poorest and most vulnerable hardest. Approximately 71 million more people are expected to fall into extreme poverty in 2020, the first rise in global poverty since 1998 (UN Statistics Division, 2020). Twenty-six million additional people living in areas on the OECD’s list of 57 fragile contexts will fall into extreme poverty by the end of 2020, in which 23% of the world’s population live (OECD, 2020). For countries that are already suffering from violence and conflict, prospects of peace and stability have become more distant.

2. The economic activity of developing countries and emerging economies remains hampered – directly or indirectly – by the consequences of the COVID-19 pandemic in every region. Emerging Markets and Developing Economies (EMDEs) are expected to face an economic recession in 2020 and could contract by 2.5% on average (OECD 2020). The COVID-19 crisis is also severely affecting key ocean-based sectors in Small Island Developing States, such as tourism and shipping, with a halting effect on much of the global ocean economy (OECD, 2020).

3. Underfunded health systems and high levels of informality constrain the ability of developing countries to respond to the health emergency, and risk exacerbating the social costs of the COVID-19 pandemic. The outbreak has had a disproportionate effect on informal economy workers throughout the world, especially in developing countries where informal employment is rampant. Over half of the world’s population, or more than 4 billion people, have no or partial social protection coverage (OECD/ILO, 2019). Nearly 40% of Latin-American workers, for instance, are not covered by any type of social safety net, making them particularly vulnerable in the face of the pandemic (OECD et al., 2020).

4. Food insecurity has severely affected populations, notably in the Sahel and West Africa (OECD, 2020). Over 51 million people are at the precipice of a food crisis, due to the combined effects of insecurity and the consequences of sanitary measures, including confinement, market closures, and barriers to trade that have greatly disrupted food systems on which the vast majority of the West African population depends for wealth creation and employment. The economic contraction induced by these measures has led to lower incomes and less purchasing power.

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5. Women in developing countries are facing higher risks of job and income loss, in addition to increased incidence of violence, exploitation, abuse or harassment during the crisis and while in quarantine (OECD, 2020). In addition, women’s unpaid workload has further increased, reducing the already scarce time potentially dedicated to paid activities (OECD, 2020b).3

6. The COVID-19 crisis has also exacerbated education gaps. School closures affect households differently depending on their access and use of digital devices. The pandemic has shed light on the persistent digital divide in Latin American households, where only 34% of primary, 41% of secondary and 68% of tertiary education students have access to an Internet-connected computer at home. Studying online is difficult for students from poor and vulnerable households in a region where, for instance, less than 14% of poor students in primary education have a computer connected to the Internet at home compared with more than 80% of affluent students (OECD et al., 2020).

7. The crisis has brought data and statistics to the centre of policymaking and public attention. However, data and capacity is missing in developing countries, making it a challenge to manage the COVID-19 pandemic effectively and to build back better. Significant data gaps and limited statistical capacity are making it harder for developing countries to design, develop and deliver efficient and informed responses to the crisis and build future resilience. High-frequency information on the economic aspects of the crisis, such as unemployment and income, is scattered or only available through estimates. According to the WHO, only about half the deaths that occur worldwide are registered with information on cause of death. Eighty-one countries (all the low-income and two-thirds of the lower-middle-income) either do not register deaths at all or have serious data quality issues.

8. As developing countries’ needs are increasing, resources are dwindling. The International Monetary Fund estimates that the overall financial needs in emerging economies as a result of COVID-19 amount to around USD 2.5 trillion. External private finance inflows to ODA-eligible developing economies are estimated to drop by USD 700 billion in 2020 compared to 2019 levels, exceeding the immediate impact of the 2008 Global Financial Crisis by 60% (OECD, 2020 forthcoming). In particular, remittances are expected to drop by 20% in 2020, demonstrating the immediate and strong impact of COVID-19 when compared to the 7% year-on-year drop observed in the aftermath of the 2008 Global Financial Crisis (OECD, 2020). Many developing countries already entered the COVID-19 crisis with limited fiscal space as indicated by their tax-to-GDP ratios; this is especially the case for LAC countries with 23.1% (2018 average) (OECD, 2020) and Africa with 17.2% (26 countries, 2017 average), compared to 34.3% in OECD countries (OECD, 2020). In almost 40% of EMDEs, public debt is now at least 20 percentage points of GDP higher than it was in 2007. If African countries were to implement the same fiscal policy measures as the largest EU economies have done so far, the OECD estimates that, all other conditions remaining equal, Africa’s public debt-to-GDP ratio would increase from 57.6% (2019) to about 85% (OECD, 2020).

9. The unique challenges faced by developing countries call for an unprecedented global response in size, range and ambition, on a scale with a new Marshall Plan. Today’s crisis brings an opportunity to boost global co-operation to help developing countries recover stronger. The OECD stands ready to play its part in such efforts.

10. Taking into account the steps already taken by the international community, a bolder, more innovative and inclusive multilateral approach is needed to mobilise financing, technology, and expertise across the policy spectrum to overcome the crisis, achieve the 2030 Agenda and global climate targets, and ensure that no one is left behind.

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11. **Taxation remains the only long-term source of sustainable domestic financing for developing countries.** As fiscal space tightens, the tolerance for international tax evasion and avoidance is hitting a new low, reinforcing the importance of the work carried out by the Global Forum on Tax Transparency, the Inclusive Framework on Base Erosion and Profit Shifting and the OECD/UNDP Tax Inspectors Without Borders Initiative. The OECD is continuing to analyse how governments can use tax policy and administration to help cushion the impact of the crisis on households and firms.

12. **Official Development Assistance (ODA) remains critical for developing country partners as the most stable source of external public finance.** ODA totalled USD 152.8 billion in 2019, and bilateral ODA to Africa and Least Developed Countries (LDCs) rose by 1.3% and 2.6% respectively (OECD, 2020). The OECD has called on the DAC to maintain and, to the extent possible, step up ODA, to which a number of Members have committed. Remittance flows are another crucial source of external financing for reducing vulnerabilities in exposed households. It is essential, therefore, both for migrant hosting countries and for both remittance sending and receiving countries, to continue efforts to lower the cost of remittances, making remittance transfers more accessible, and equipping receiving households with the tools to use the much-needed funds.⁴

13. **Bilateral debt service suspension can bring immediate relief to poor countries by avoiding a liquidity crisis, possible debt defaults and deeper debt restructurings down the line.** The G20/OECD Paris Club Debt Service Suspension Initiative (DSSI) is an important milestone for providing liquidity support to developing countries, and it will be important to monitor its impact and encourage the private sector to apply comparable treatment.

14. **Further coordination efforts and a supportive multilateral system are needed to resist restrictions to international trade and investment, promote access to technology, ensure coordinated fiscal expansion and deliver adequate investment in global public goods.** A recent Total Official Support for Sustainable Development (TOSSD) data survey captured an additional USD 2.5 billion of R&D expenditures that contribute to international public goods, which are not currently reported. It is expected that these figures will rise with R&D investments made to overcome the COVID-19 crisis.

15. **The OECD has called for action not only to put the global development path and economy back on track but also to rebuild better, more sustainable and inclusive economies and societies, to achieve the 2030 Agenda.**

- The OECD is working with UNDP to deliver a new framework for aligning all sources of global finance with the SDGs, including private finance – a request from the French G7 presidency in 2019 – which will be launched in November. The Bern Network, a new multi-stakeholder alliance led by Switzerland and supported by the OECD-hosted partnership, PARIS21, aims to promote sustainable financing for more and better data. A new global repository will be launched at the upcoming UN World Data Forum.

- In the area of tax, we are continuing to analyse how governments have been using tax policy and administration to help cushion the impact of the crisis on households, and help prevent viable firms from going under.

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• We are also calling for fiscal stimulus and public investment measures to support the 2030 Agenda and climate objectives, and ensure that developing countries are an integral part of designing and benefiting from a global sustainable recovery. This means maintaining continuous dialogue and cooperation on international trade, investment and technology with a view to avoiding uncoordinated approaches that may hamper the recovery. The OECD is also conducting new work that aims to recognize the role of women in confronting the pandemic. Putting gender equality at the heart of the recovery plans, by taking measures like making social protection mechanisms gender-sensitive and introducing a comprehensive gender lens in the design of economic policies, represents a critical opportunity. The OECD is also placing a special focus on the needs of vulnerable groups, to help protect citizen rights and freedoms and civic space. We are also calling for expanded social protection coverage to support the immediate- and long-term needs of the most vulnerable, doing so in a way that recognises the diversity of informal economy workers and provides them with mechanisms that are fair, efficient and sustainable.

16. Since the very beginning of the COVID-19 pandemic, the OECD has devoted significant analytical capacity to monitoring the impact of the crisis; to tracking governments’ policy responses; and to advising governments within – and beyond – the OECD. We are also contributing fully to the COVID-19 Financing for Development Initiative of the UN Secretary-General and the Prime Ministers of Canada and Jamaica.

17. You can trust that the OECD will continue to support policymakers and all stakeholders in this important effort. It is the only way to a fair, inclusive, peaceful and sustainable future in a post-COVID-19 world.