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“GLOBAL CRISIS: UNEQUAL SHOT AT RECOVERY”
HOW DEVELOPMENT CO-OPERATION CAN SUPPORT A STRONG, SUSTAINABLE,
RESILIENT AND INCLUSIVE RECOVERY FROM THE COVID-19 PANDEMIC

1. The COVID-19 crisis has caused global devastation, deepening pre-existing economic and social divisions and creating new fault lines. In addition to unleashing a global health crisis, COVID-19 has required unprecedented containment measures with significant economic and social impacts, particularly in low- and middle-income countries. Due to COVID-19, over 100 million people were pushed into extreme poverty in 2020, and 270 million faced starvation. This suffering and loss will continue as long as the COVID-19 pandemic persists.

2. The OECD’s latest Development Co-operation Report, Learning from Crises, Building Resilience, underscores the enormity of the task confronting the development co-operation system and focuses on charting a path towards resilience. It promotes an ambitious and comprehensive agenda to integrate cross-sectoral programmes, build country systems, increase development financing, step up action on global public goods and improve coordination within the development co-operation community.

3. With only nine years remaining, all developing countries must redouble their efforts to meet the 2030 Agenda and the Sustainable Development Goals. While over 15 trillion USD has been mobilised for global stimulus measures, the vast majority is earmarked for high income countries. This stimulus is about one hundred times larger than total annual contributions to Official Development Assistance (ODA) for developing countries. ODA remains the most resilient external finance flow for developing countries, and provides essential support for low-income and fragile contexts. As countries begin to formulate their recovery packages, they will need to strike a balance between addressing short-term priorities and honouring their ODA commitments and support for developing countries’ 2030 Agenda for Sustainable Development objectives.

4. But developing countries lack the necessary policy tools and fiscal space. Low-income countries spend, on average, four USD per capita on social protection, compared to 695 USD in high-income countries. While total global financial assets held by banks, institutional investors and asset managers are valued at more than USD 379 trillion, having grown at 6% year on year since 2012, the poorest developing countries, which are home to more than 80% of the world’s population, hold less than 20% of global assets. Compounding this, available data show a 13% decline in total external private finance and an 8% decline in trade in 2020 compared to 2019.
5. **Africa, in particular, faces many challenges.** Forty-one African economies experienced a decline in their GDP in 2020. This shock is likely to weaken many precarious households in the long-term, most of which are dependent on the informal economy. ODA from Africa’s partners will not be enough to offset these contractions. It must be supported by post-COVID strategies that tackle two major obstacles to Africa’s long-term sustainable growth: dependence on external markets, and the incapacity of formal economic sectors to create enough quality jobs. For example, the OECD’s 2021 *Africa’s Development Dynamics* report shows that many North African countries are performing well in terms of digital infrastructure, but countries still need to loosen regulatory constraints and strengthen digital skills to create an entrepreneurial environment conducive to digital transformation and better quality jobs.

6. **The global recovery requires a truly global effort.** We must work together to put the global development path and economy back on track, and to build strong, resilient, green and inclusive economies and societies. The COVID-19 crisis offers an opportunity to accelerate the pursuit of our collective goals.

7. **In this context, the COVID-19 crisis has prompted five tests of global solidarity.**

   - **First, defeating the pandemic.** The scientific community performed an enormous feat in creating and manufacturing numerous effective vaccines in record time. It is now up to all of us – governments, the international community, scientists, and pharmaceutical companies – to work together to achieve the highest possible level of immunisation across the world, by ensuring equitable access to, and delivery of, vaccines. Remember, vaccines don’t win the battle, vaccination does!

   - **While the World Health Organisation (WHO) and COVAX, among other initiatives, have helped make significant progress in global vaccine deployment, their efforts have been undermined by the prevalence of vaccine nationalism in many large economies.** Failure to deploy vaccines effectively in developing countries puts the world at risk of new, more threatening variants of COVID-19, which would raise the long-lasting economic and social costs from the pandemic. The crisis will not be fully over anywhere until it is over everywhere.

   - **Second, fostering economic stability and avoiding a debt crisis.** Developing countries cannot build forward better while under debt distress. Debt sustainability ratings were steadily deteriorating before the crisis, and went into freefall in 2020.

   - **Debt relief is thus a fundamental building block to recovery.** Low-income countries are saddled with around USD 30 billion in debt service for 2020 and 2021. The figure is 184 billion USD for lower-middle income economies. These funds, or a substantial part of them, could, in the next few years, be directed to health, social and economic support and to support sustainable energy.

   - **The Debt Service Suspension Initiative provided relief and immediate liquidity, and its extension is welcome.** Going forward, to meet developing countries’ financing needs and ensure that a new deal for development emerges from the crisis, the international community will need to engage all stakeholders in actions to reduce debt burdens. Many middle-income countries may not be able to access G20 initiatives, as their debt is mostly owed to private creditors. In these cases, bondholders and capital market stakeholders must coordinate actions to alleviate the burden of debt on those countries’ public finances. Several policy options should be on the menu, including: debt standstills and moratoria; debt relief; the creation of special vehicles to finance policy responses to the crisis and the recovery; and debt-servicing.
Third, ensuring international support measures are tailored to countries’ needs, particularly in the case of Least Developed Countries (LDCs). LDCs exhibit significant vulnerabilities that are often overlooked by current financing for development mechanisms. At the same time, these vulnerabilities expose the slow gains in structural transformation and productive capacity in LDCs, which continue to depend on commodities that prevent them from leapfrogging to higher development levels. This issue must be addressed through multilateral dialogue in the lead up to the fifth UN Conference on LDCs in 2022.

We need to support a shift in the trillions of dollars available internationally towards more sustainable and resilient investments, especially to LDCs and Small Island Developing States. To support these efforts, the OECD – in partnership with the United Nations Development Programme (UNDP) and developing countries – recently launched the OECD-UNDP Framework for SDG Aligned Finance.

International support should also focus on policy tools that help developing countries unlock their creative and innovative potential. For example, the Platform on Investment and Productive Transformation in Africa supports regional trade and value chains to achieve Africa’s resilient recovery, by articulating trade agreements with national strategies, the private sector and foreign partners. The solution for these countries cannot be a short-term one.

Fourth, preparing developing countries for the next global crisis around the corner – climate change, environmental degradation and biodiversity loss. Preliminary results from the OECD Green Recovery Database show that country-specific recovery measures with a likely positive environmental impact total around USD 340 billion. In contrast, measures with negative or mixed environmental impacts total around USD 351 billion. We are undoing with one hand what we do with the other.

Despite strong support for environmentally-friendly measures, total stimulus packages remain heavily skewed towards a business as usual approach and are not aligned with long-term net-zero climate objectives. The OECD is working to develop a set of climate-related indicators as part of a dashboard to help track countries’ progress to ensure a strong, green, resilient and inclusive recovery from the COVID-19 crisis.

In addition, the OECD – under the leadership of France – is developing the International Programme for Action on Climate (IPAC), which seeks to help countries achieve the aims of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. IPAC comprises four main components: (i) an Annual Climate Action Monitor; (ii) a dashboard of climate-related indicators; (iii) country peer review notes with targeted policy advice and good practices; and (iv) an online interactive platform for dialogue and mutual learning. The OECD will leverage its engagement with the G20 and G7 to encourage non-Members to join IPAC. Initial results are targeted for COP26 in November 2021. IPAC has received strong positive feedback from the UNFCCC, UNECE and UNSD.

Biodiversity loss is another looming challenge that is inextricably linked to the risk of future pandemics. It is thus vital to integrate biodiversity considerations into COVID-19 recovery plans. Biodiversity loss is a key driver of emerging infectious diseases and poses a variety of other growing risks to businesses, society and the global economy. Investing in the conservation, sustainable use and restoration of biodiversity can help to address these risks, while providing jobs, business opportunities and broader well-being benefits to society.
• **We cannot address global climate and biodiversity challenges without effectively supporting developing countries to overcome them.** Development co-operation providers should commit to supporting developing countries’ transition to net-zero, pro-growth economies, and phasing out harmful subsidies. This should include ending ODA subsidies for fossil-fuel related-infrastructure in developing countries, which almost tripled from 2018 to USD 4.2 billion in 2019, its highest level since the Paris Agreement was negotiated in 2015. This transition makes sound economic sense: estimates show that renewable energy could generate 42 million jobs by 2050; donors have a responsibility to ensure no one is left behind as the work shifts away from fossil fuels.

• **Finally, making up for the lost progress on the 2030 Agenda that we suffered at the start of the “Decade of Action,” because of the pandemic, particularly by supporting gender equality and women’s empowerment.** Legal and social barriers continue to hold back women’s economic empowerment. Discriminatory social norms partially explain women’s lower economic power: women own less than 15% of the world's land, account for 21% of all house owners and hold 24% of all management positions in business. Tackling these social norms and providing support for more open and inclusive governance and civil society will be crucial if the 2030 Agenda is to be achieved in developing countries.

8. **In advanced economies, there is strong public support for fair and equal access to global public goods, including vaccines, health security and a stable climate.** For example, a recent survey shows that 81% of respondents in advanced economies think that countries should act on these issues as part of a global community. This clear support for multilateral action gives decision-makers a mandate to address underlying vulnerabilities, and tackle inequalities on a global scale.

9. **Through development co-operation, OECD Members and the international community are well-placed to drive the global resilience agenda.** Only by acting together can we prevail. Advanced economies will not beat the virus and recover unless they help developing and least developed economies out of this crisis. These efforts give a new sense and a new meaning to global solidarity, multilateral co-operation and development assistance.