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We will not and cannot return to the world as it was before the pandemic struck. We must rebuild societies that are better, more resilient – and we must do so together.1

Secretary General Antonio Guterres

The unprecedented crisis triggered by the spread of the COVID-19 virus, has focused the full attention of the United Nations’ System (UN) on a strategy of rapid response and recovery. In the words of the UN Secretary-General, this pandemic is the worst global crisis since World War II. The IMF’s World Economic Outlook frames the depth of the current global economic recession as the deepest since the Great Depression.2

I. Introduction: The COVID Response

The UN’s efforts to help save lives and protect people from the COVID-19 pandemic focus on three critical components, all led by each country’s Resident Coordinator: the health response, coordinated by the World Health Organisation (WHO); the humanitarian response, coordinated by the Office for the Coordination of Humanitarian Affairs (OCHA); and the socio-economic response, coordinated by the UN Development Programme (UNDP) in close collaboration with all UN agencies in 162 countries and territories.

In a recent report entitled Shared responsibility, global solidarity: Responding to the socio-economic impacts of COVID-19, the UN Secretary-General calls for a large-scale, coordinated, comprehensive multilateral response that amounts to at least 10 per cent of GDP. The size of this commitment requires an open discussion about debt relief in all developing countries –in fragile/crisis contexts, in low and middle-income countries as well as in Small Island Developing States.

While its impact will vary from country to country, Covid-19 will likely increase poverty and inequalities at a global scale. According to the UN International Labour Organization, working hours are

projected to decline by 6.7% in Q2 (2020), equivalent to 195 million full-time workers, with the world losing between $860 billion to $3.4 trillion in labor income. The UN Conference on Trade and Development projects 30 to 40 per cent downward pressure on global foreign direct investment flows. The World Tourism Organization sees a 20–30 per cent decline in international arrivals. The UN Educational, Scientific and Cultural Organization forecasts that 1.5 billion students will be out of school. Inequality of access to broadband connectivity and inaccessibility of ICTs hinders effective remote participation and access to remote schooling arrangements, health information and telemedicine by all. According to the International Telecommunication Union, an estimated 3.6 billion people remain offline, with most of the unconnected living in the least developed countries.

To operationalise the UN Secretary-General’s report, the UN development system has developed a socio-economic response framework and has switched into emergency mode. A significant portion of the UN’s existing portfolio of sustainable development programmes of a total of $17.8 billion across all the SDGs is being adjusted and expanded towards COVID-19 related needs, in close collaboration with programme countries, donors and partners.

II. The Socio-Economic Response

The UN’s response to the socio-economic impact of the COVID-19 crisis considers a variety of interlinked dimensions that need to be addressed in an integrated manner to protect the needs and rights of people living under the duress of the pandemic, with particular focus on the most vulnerable countries, groups, and people who risk being left behind.

1. HEALTH FIRST: PROTECT AND STRENGTHEN THE HEALTH SYSTEM: Health systems are being overwhelmed by demand for services generated by the COVID-19 outbreak. When health systems collapse, both direct mortality from the outbreak and avertable mortality from vaccine and other care interventions, preventable and treatable conditions increase dramatically. At least half of the world’s population still do not have full coverage of essential health services and about 100 million people are still being pushed into extreme poverty (defined as living on 1.90 USD or less a day) because they have to pay for health care. Over 930 million people (around 12% of the world’s population) spend at least 10% of their household budgets to pay for health care.3

Countries with the weakest health systems stand before huge challenges in all these aspects. There must be immediate, targeted actions to allow countries to maintain essential lifesaving health services even as they surge to meet the spike in demand for acute care. And there must be a complementary effort on health systems recovery, preparedness and strengthening with a focus on primary health care and Universal Health Coverage (UHC). Massive investment in health will be needed for both, maintaining services and to strengthen preparedness of health systems to respond to future waves of COVID-19 and future global outbreaks.

2. PROTECT PEOPLE: SOCIAL PROTECTION AND BASIC SERVICES: The COVID-19 crisis impacts the world’s poorest and most vulnerable. The crisis will devastate incomes and access to basic services with intergenerational implications for families on multidimensional poverty and inequality. Many governments are responding to the crisis by expanding existing programmes, but 4 billion people – accounting for 71% of the world population, including 2 out of 3 children – have no or inadequate social protection to start with. Therefore, the scope of the challenges ahead requires an extraordinary scale up of the response. Those with informal or unstable employment,

entrepreneurs and those working in the service industry (majority women) are most affected, with only 1 in 5 unemployed persons able to avail of unemployment benefits. Social protection responses must consider differentiated impacts of COVID-19 on vulnerable groups and women and men.

Access to social services is being curtailed either through reduction in services or in access. Key areas include: (a) Food and Nutrition: The disruption of markets impacts on the quality of diets and nutrition practices, which translate into an increase of mortality, morbidity and malnutrition among the population groups with the highest nutrition needs; (b) Education: About 90% of the total number of school children in the world have been directly affected by school closures, with an estimated 370 million school children also missing out on school meals. Adolescent girls already lack access to secondary education and are at heightened risk; (c) Water and sanitation: WASH services will be affected with public utilities potentially facing less than optimal staffing and available workforce, disrupted supply chains, and challenges in payments to support functionality putting these services at grave risk of collapsing. Women-headed households are more likely to have inadequate housing, including on water and sanitation, which can increase health risks, especially in cases of overcrowding of shelters; (d) Gender-Based Violence (GBV): Quarantine and isolation policies, coupled with financial stress on families, individuals and communities, will exacerbate the conditions for women already vulnerable to domestic violence, estimated to be at least one third of all women. Care and support to GBV survivors may be disrupted when health service providers are overburdened; (e) Protection, mental health and psychosocial support: Fear, worry and acute stressors can lead to long-term consequences, coupled with diminished availability to services from social workers and case workers, leaving women and the most vulnerable exposed to violence, abuse, exploitation and neglect.

3. PROTECT JOBS AND ECONOMIC RECOVERIES: COVID-19 has plunged the world economy into a recession with deep consequences and historical levels of unemployment and deprivation. It is estimated that we could lose 25 million jobs and see losses in labour income in the range of USD 860 billion to USD 3.4 trillion⁴. Small and medium enterprises, the self-employed, daily wage earners and migrant workers are hit the hardest. Supporting income and employment for workers needs to be a core element of stimulus packages. Most vulnerable workers are in the informal economy, with no or limited access to social protection, nor do they have the economic security to take sick leave, get treated if required, or cope with lockdown. Women represent approximately 70 per cent of frontline workers dealing with the pandemic in the health and social sector, many of whom are migrant workers. Women are also overrepresented in some of the services sectors most impacted by the crisis, mostly lacking social protection, and will also bear a disproportionate burden in the care economy.⁵

Economic recovery is about protecting critical productive assets, productive units and productive networks during the crisis. Ensuring the continued or improved functioning of SMEs across sectors, including food and other essential goods and services supply chains, is of particular urgency. First, policy actions across multiple sectors and mitigation of adverse policy effects on essential services are needed to avoid disruption and permanent job losses. Second, employment crises are the harbingers of political crises. Disruptions in massive employment sectors presents immediate existential threats to essential services that result in riots, violence and erosion of trust in institutions and governments. Third, a global economic recession will impact global population movements

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⁴ (ILO 2020)
and hence affect countries with high levels of migration and large portions of remittances in their GDP. The return of migrants and the reduction of remittances will likely surpass the capacity of the formal and informal sectors in those countries to absorb large numbers of returnees or additional local job seekers in the local labour market.

4. THE MACROECONOMIC RESPONSE AND MULTILATERAL COORDINATION: **A major global economic recession is underway, along with the possibility of a financial crisis, with major implications for vulnerable population groups and households.** A large-scale fiscal and financial effort for counter-cyclical spending is urgently needed everywhere.

A three-step strategy is essential for the socio-economic response to the COVID-19 crisis. First, a rapid assessment of the potential impact of the crisis is needed in order to quantify the spending necessary to contain it. Second, an assessment of the fiscal space available to finance increased spending, as it will restrict the government’s capacity for action. Third, an analysis of policy priorities and available policy measures considering both financing and implementation constraints faced by governments. The possible implications of the proposed policy measures will need to be accounted for as well.

As the UN Secretary-General has noted, “a large scale, coordinated and comprehensive multilateral response is needed now more than ever”. COVID-19 is a global problem and confronting the effects of the pandemic will require global and coordinated efforts supported by regional initiatives and regional institutions. While the level and intensity of the impact of COVID-19 varies across the world, countries under sanctions may be particularly affected. Three areas of regional coordination are particularly relevant: trade policy, monetary coordination and enhanced connectivity.

5. SOCIAL COHESION AND COMMUNITY RESILIENCE: **The impact of COVID-19 on the life of rural and urban communities is set to be massive,** particularly in poor and densely populated urban areas and slums. 1 billion people live in slums, where living conditions affect the health of the urban poor dramatically, where people are unable to self-isolate and where their livelihood depends on income from day to day work in the informal sector.6

The scale of the socio-economic impact of COVID19 on the urban and rural poor will largely depend on tailored solutions for these communities. This will require a close interaction between national, subnational and local Governments and communities, based on a good understanding of the specific situations of communities through local assessments, strengthen community-led advocacy and service delivery. It will also require that communities are empowered to participate in local planning and in the oversight of services.

The COVID-19 crisis also threatens social cohesion as the crisis can erode trust within society and with respect to governments. Whole-of-society approaches are essential to confront the socio-economic impacts of the crisis. Social cohesion, embedded in actors, communities and institutions, holds the society together and is critical to the achievement of the SDGs, advancing the values, norms and fundamental human rights.7 Close attention should be paid to the impact of COVID-19 on fragile political transitions and in countries already facing a rapid deterioration of security conditions, on top of weak health systems and climate change.

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7 Cite “Whole societies must come together”. (UN, 31 March, 2020)
III. A focus on debt

The size of fiscal and financial stimulus needed in each country - short run measures to address the pandemic, and fiscal policy to spur demand in the medium run - is in the order of several percentage points of GDP. Yet, many developing countries, including low- and middle-income countries, fragile/crisis context countries and Small Island Development States, will be unable to raise the resources needed.

Even before the COVID-19 pandemic, global debt had reached record highs. As the UN 2020 Financing for Sustainable Development Report⁸ points out, the long period of unusually low international interest rates and unprecedented levels of global liquidity associated with quantitative easing gave developing countries, including least developed countries, increased access to commercial financing. While providing much needed resources in the short term, this has also resulted in higher debt servicing costs, and heightened interest rate, exchange rate and rollover risks. Forty-four per cent of least developed countries and other low-income developing countries were already at high risk of external debt distress or already in debt distress prior to the outbreak of the pandemic.

A UN proposal: Debt relief should not be based on level of income but on vulnerability⁹

The global COVID-19-induced contraction in economic activity is having dire consequences, including on debt sustainability. This is not limited to low-income countries. Middle-income countries, home to 75% of the world’s population and 62% of the world’s poor, are highly vulnerable to a debt crisis, lost market access and capital outflows. Small Island Developing States face structural constraints on growth, energy and food imports, and fiscal space –that need to be addressed in comprehensive fashion.

Principles for Global Solidarity

To effectively halt a debt crisis, we need to move quickly. We propose a framework that aims to ensure debt relief, while accounting for heterogeneous debt situations across countries and the need for tailored policy responses.

This approach builds on principles for debt sustainability discussed and agreed at the United Nations and laid out most recently in the Addis Ababa Action Agenda. They also reflect best practices underlying debt resolution at the IMF and the World Bank.

These include:

i) Debtors and creditors must share responsibility for preventing and resolving unsustainable debt situations

ii) Debt restructurings should be timely, orderly, effective, fair and negotiated in good faith

iii) Debt workouts should aim to restore public debt sustainability, while enhancing the ability of countries to achieve sustainable development, growth with greater equality and the sustainable development goals.

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A Three Phase Approach

A comprehensive approach across three phases, involving all relevant creditors and all countries facing liquidity and solvency issues due to the crisis is required.

Phase 1

An across-the-board debt standstill for two years for all developing countries who cannot service their debt and request relief should be instituted. To start, official bilateral creditors should immediately institute an emergency debt payment moratorium on sovereign debt.

The standstill should also:

Include other creditors (private creditors as well as multilaterals). Coordination is of the essence.

Extend beyond IDA countries to include other low-income and those heavily indebted middle-income countries that request relief.

Include principal and interest payments, as well as associated fees and charges

Set a cut-off date, after which new financing is excluded from future debt restructurings, in order to facilitate access to financing after this date.

Allow for repayment schedules that ensure ability of countries to implement the 2030 Sustainable Development Agenda.

Phase 2

A second phase should consider a more comprehensive assessment and options towards debt sustainability. Debt swaps can release resources for the COVID-19 response in developing countries, although they may not adequately solve unsustainable debt situations.

A debt mechanism for the SDGs, with a focus on creating fiscal space for recovery in a resilient manner and SDG achievement could be considered.

Phase 3

Addressing long outstanding issues in the international debt architecture should be cast as a third phase given the urgency and immediacy of the need to act in the face of COVID.

This new international debt architecture should build upon the Principles established in the Financing for Sustainable Development Agenda of timely, orderly, effective, fair resolutions. It should aim at preventing defaults from turning into prolonged financial and economic crises, restoring public debt sustainability, and enhancing the ability of countries to achieve the sustainable development goals.
IV. Next Steps

The pandemic has reminded us, in the starkest way possible, of the price we pay for weaknesses in health systems, social protections and public services. It has underscored and exacerbated inequalities, above all gender inequality, laying bare the way in which the formal economy has been sustained on the back of invisible and unpaid care labour. It has highlighted ongoing human rights challenges, including stigma and violence against women.

Building a better, post-pandemic future will require social and economic interventions today that build greater resilience tomorrow. To be resilient, COVID-19 recovery efforts must be part of the solution to climate change – the ‘other’ global crisis facing this generation. They must accelerate rather than undermine decarbonization, the protection of natural capital, social equality and inclusion, the realization of human rights for everyone, and strong, capable governments and institutions – all critical, systemic elements to avoiding such an outbreak again.

Rather than being put aside as aspirational in a time of crisis, the SDGs offer a framework for a fair and sustainable transition, as they recognize the interconnected nature of all life on this planet. Beyond the socio-economic frame of the current response, the role the environment and natural capital will play in the path to recovery is a policy choice that warrants further elaboration, as do good governance, gender equality and empowerment, and the protection and promotion of human rights for all.

As the UN Secretary-General report avers, we need to “build back better”. A large-scale, coordinated and comprehensive multilateral response is needed now more than ever. The COVID-19 crisis is a global problem and confronting the effects of the pandemic will require global and coordinated efforts supported by regional and sub-regional collaboration.

The UN is fully mobilized. It will make full use of its programmatic assets, contribute through actions that enable and empower, and through words that connect and protect – with the SDGs as compass. It is also establishing a new Multi-Partner Trust Fund for COVID19 Response and Recovery. The collective know-how of the UN’s Country Teams is operational and mobilized to implement this strategy over the next 12 to 18 months, led by Resident Coordinators in 162 countries and territories, and supported by a global and regional network of expertise and experience.

There will be no return to the “old normal”. The massive fiscal and financial repurposing made by governments in these weeks and months, including the redirection of fossil fuel subsidies to aid the response, are a glimpse of the future. They suggest that the status quo and business-as-usual are policy choices, not inevitable constraints on sustainable development.

Recovering from this pandemic must not come at the expense of tackling others. We need to do everything possible to ensure that our efforts to support countries ravaged by Covid-19 do not divert resources from existing crises – addressing the needs of refugees and other vulnerable groups; tackling the global climate emergency; ending violence against women and girls; and putting an end to discrimination in all its forms. How stimulus plans are implemented matters to what this recovery will look like. The global recovery needs to be fair; it needs to be green, and above all, it must be inclusive.