

# **A Post-Pandemic World**

The Impact of the Pandemic on Emerging and  
Developing Economies

# Challenges of the Pandemic and Post-Pandemic World

**Many challenges previously facing the world have been brought into sharper relief:**

- Growth of inequality among and *within* nations
- Renewed debate about the costs and benefits of globalization
- The rise of nationalism, authoritarianism, and populism
- Transformation of work
- Mistrust of expertise and science
- Declining trust in public institutions and established parties
- Strains on multilateralism and global governance
- Fragmentation of Multilateral Institutions: legacy organizations evolving too slow and new organizations emerging as a result
- Rise of the Chinese development model

# **Eight Pressure Points Moving Forward**

- Fighting Inequalities and Reducing Poverty
- Confronting the New Debt Overhang
- Consequences of Health Crises in an Interconnected World
- Environment and Climate Change
- Ongoing Technological Breakthroughs
- The Future of Work
- Improving Domestic Governance
- Rethinking Global Governance

# Fighting Inequalities and Reducing Poverty

- The current pandemic has had a devastating impact on human life, well-being, and economic performance worldwide.
- Emerging evidence that inter- and intra-country equity and relative and absolute poverty has been significantly affected in many developed and developing economies.
- Prolonged closure of schools and the resultant lack of proper education during critical formative periods may put children at a permanent disadvantage, adding further to inequality and poverty.
- At a global level, The slowdown of population growth and aging of populations resulting in slower economic growth needs to also be taken into consideration
- Pragmatic policies should be considered by leaders in EMEs and IFIs to:
  - Explore the extent the pandemic and measures to control it (e.g., lockdowns) have led to further increases in inequities and poverty in different parts of the world and what measures, if any, are being considered to tackle these problems in both the short- and medium-term.
  - Review progress made on the pledges at recent G-7 and G-20 Summits to take steps to reduce inequalities in their own economies.
- Key issues and priority policy areas should:
  - Focus, by and large, on policies and measures to enhance the human capital of the population, especially in the lower income deciles.
  - Emphasize the quality of public education, enhance labor training programs, increase access to critical health services, and reduce gender discrimination in education and labor markets.

# Confronting the New Debt Overhang

- Prior to the pandemic many EMEs were facing rising foreign debt service payments; in some cases, representing 40%+ of government revenue.
- Heavy debt burdens hamper growth.
  - Underscored by HIPC and MDRI initiatives. After associated debt cancellations beneficiary countries saw significant growth. Many countries then increased their borrowing, taking advantage of low interest rates, and lenders (both bilateral and private) were eager to lend to these countries, in some cases excessively so. Neither the IMF nor the World Bank were able to help contain such borrowing.
- The current situation confirms the concerns of “moral hazard” involved in debt cancellation.
- Some of the emerging market countries are already, or soon will be, engaged in debt restructuring discussions.
  - Some countries engage in such discussions much too often. In the case of developing countries, there is a need to expand the remit of the IMF for it to become more assertive in its assessments of Debt Sustainability of advanced and emerging market countries. How can private creditors be brought into this process? If debt restructuring is unavoidable, should the IMF and the World Bank play a more prominent role as in the context of Paris Club debt-negotiations?
- Beyond the immediate issue of debt restructuring, there is the long-standing issue related to the governance of the global monetary system.
  - There is a need for a global lender of last resort
  - If the IMF and the World Bank cannot play those roles, should a new mechanism or global institution that would help prevent the recurrence of excessive borrowing that undermines debt sustainability be established?

## Health in an Interconnected World

- The Pandemic could be seen as a “black swan;” however, it was neither the first global pandemic nor will it be the last.
- This pandemic has vividly highlighted that health and safety are global public goods.
- Many leaders and a few international institutions have floated proposals to promote a provision of minimum health services to people in all countries.
  - At the last TICAD Summit, Japan proposed that African countries provide – with Japanese support – such health services by leveraging latest technologies.
  - The UN and the Tokyo G-20 Summit have called for a similar initiative worldwide.
- More needs to be done to:
  - Estimate the economic and social costs and responses to the current pandemic.
  - Analyze the support provided so far to emerging economies.
  - Develop strategies on what institutions can do to fight other global health threats.
  - Appeal to the global community for more equitable healthcare in EMEs.

## The Environment and Climate Change

- Growing international consensus that climate change is an existential threat facing mankind and the single most important challenge facing our generation.
- However, with each passing year there is increasing urgency to address this issue.
- Recent technological breakthroughs and developments in both China and the US, give hope for better results.
- Expectations on the outcome of COP-26 are modest; shortfalls in agreements likely.
- Policy and institutional actions needed at the national and regional levels to realize the aspirations expressed during COP-21 and make up the shortfalls at COP-26.
  - Support from the global community to facilitate and harmonize approaches.
- Technological changes spurred by the pandemic can help meet the challenge

# Ongoing Technological Breakthroughs

- Pandemic has accelerated the pace of development
- Technological breakthroughs can become a double-edged sword
  - Deepen divides within and between countries
- Technological developments have the potential to help resolve global issues (e.g., health, climate change)
- Yet new technologies pose potential challenges; increasing cyber security risks, erosion of personal privacy

# The Future of Work

- The pandemic has accelerated an upheaval of how we work and what we work on.
- The pandemic has vastly enhanced the speed of transitions but did not alter existing trends.
- By 2030, up to one third of work activities could be displaced.
  - It is projected that about 75 to 375 million workers (3 to 14% of the global work force) will need to switch occupations.
- There are several principal issues that need further examination:
  - Will the present pandemic result in a structural shift of work patterns, or will it merely accelerate preexisting trends, or will it just result in only a minor blip on the long-term trend line?
  - What will the effect of the COVID combined with the digital and educational divides be on rising income inequalities, particularly in the emerging economies?
  - As in any economic and social disruption, the coming changes in future patterns of work will result in “winners” and “losers” – as was the case with globalization. How will society compensate the “losers”? What social safety nets would need to be in place, particularly for an aging population, or for those in the least developed countries left behind in the new digital divide? And finally, what kind of policies (protection) countries should not pursue?



# Governance

## Domestic

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- It is critical to recognize and address a fundamental issue that plagues many emerging markets economies: more and more people have been losing faith in the institutions and the political elites that rule them.
- Analysis is complicated by three additional considerations:
  - Faster decline in some OECD countries versus EMEs
  - Different perspectives on what is “good governance” across the globe
  - Whether there even is a universal standard of good governance that incorporate democratic and human rights principles.
- Given the above complications, it is tempting indeed to conclude that it would be fool hardy to say anything on this subject. However, it is fundamental to the well-being and growth of our countries.

## Global

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- Challenges cannot be tackled at the national level alone. Rethink global governance and multilateralism.
- Multilateralism has waned; however, it is absolutely necessary and there is a renewed glimmer of hope.
- Not a return to the pre-pandemic world.
  - Reflect the new global economic, social and political realities
  - Needs to reflect the greater weight of emerging economies.
  - Evolution towards a multipolar, multi-cultural, and more equitable system.
- A focus on enhancing the effectiveness of global collaboration and cooperation in:
  - Reducing poverty and inequality.
  - Responding to health crises and treating healthcare as a global common.
  - managing the immediate debt crises and reforming the global monetary system.
  - Help EMDEs prepare for ongoing changes by bridging the digital and educational divide.
  - Realizing the aspirations tabled at COP-21 and COP-26.
  - Improve domestic governance and reducing corruption.