

March 21, 2022 - UNCTAD

Many thanks, Mister [Chair] / [Ambassador], and good afternoon, good morning or good evening to everyone.

Let me start by thanking UNCTAD for inviting me to participate in this discussion. It is an important and timely discussion. Even though the pandemic is not yet over, we are at a different stage from where we were two years ago, and we have already shifted to another phase where all stakeholders work with a forward look and with the view to build better, taking into account the lessons from the past.

[1] One lesson which I think is obvious is how interconnected and integrated the world has become. No country can consider itself immune or isolated from the others. But also, no major issue can be addressed in isolation, nowadays. All through the pandemic, we have realized how much the health and economic situations were interdependent. And this is something most people would not have understood before. Pandemics pose significant macroeconomic costs, but only recently have they garnered the attention they deserve. And this strong interconnection among topics, that used to be dealt with separately in the past, is an important lesson from the pandemic. Climate change is another topic that comes to mind, of course. But it is also true for some other topics. Not only is the world globalized in terms of interconnections between countries; it is also globalized in terms of interconnection of topics that need to be dealt with together.

Turning to more specifics, I would like to come back to the different phases of the crisis, the actions that took place in the last two years, and elaborate a bit on some of them.

I would like to start by what was done at the very beginning of the crisis, in March-April 2020. At that time, the international community did take actions that were unprecedented both in volume and in speed.

Many advanced and emerging market economies implemented at record speed fiscal and monetary stimuli that not only supported their domestic economy and households but also had very positive spillovers for the rest of the world.

The international financial institutions could also step in quite rapidly, with, for instance for the IMF, the deployment in only a few weeks of an unprecedented level of financial support, through fast disbursing emergency assistance with, no condition attached.

A record 62 countries received such very quick support within three months, of which two third on concessional terms. The adoption by the G20 and Paris Club creditors, in April 2020, of the debt service suspension initiative, the DSSI, was another quickly-approved measure of financial support to low income countries.

It seems to me that this fast reaction in the early stage of the pandemic was efficient. Acting fast, and stabilizing as much as possible the economies, freeing fiscal space to combat the pandemic and support households and companies, was the right thing to do. **One could argue that the emergency response at the peak of the crisis worked relatively well.**

[2]

It is the phase that followed that one, that was more difficult in my view. In particular, in the end of 2020 and the first half of 2021, when vaccines started to be available, the coordination and international efforts on vaccine production and distribution in support of developing countries has taken time, was difficult, and this has led to a major divide in vaccination rates among countries.

Maintaining a sustained collective effort and a collective management of the crisis, including the needed support to developing countries, has been a

challenge. The establishment, in June 2021, of the Multilateral Task Force on Covid-19 vaccines, therapeutics and diagnostics for Developing countries, which gathers the IMF, the World Bank, the World Health Organization and the World Trade Organization, has been an improvement. It helped boost the international mobilization and the financing, coordination and delivery of vaccines. Has it delivered in full? No. Has it been useful? Yes, I believe. **[3] One lesson of this is that multilateral organizations are key to sustain the momentum of collective action; but they are specialized, and they need to be specialized; so there is a need to overcome specialization by appropriate coordination mechanisms, especially in time of multi-pronged crisis, or anticipation of such crises.** This is one of the lessons I see for the future. Keeping specialized organizations but finding ways to overcome silos and make specialized organizations work closely together, possibly on time-bound missions, or to work on anticipation and preparedness scenarios, while avoiding duplication or bureaucratic entropy.

Looking forward, it is clear that the challenges associated to development finance are enormous. There may be different methodology to estimate the financing needs in developing countries, and we have at the IMF different estimates from what is in the background note.

But anyway, by any metric, the needs are huge. The scarring of the pandemic will affect disproportionately developing countries, and in particular low-income countries. Unlike advanced economies, who should recover rapidly the trajectory of GDP per capita they were expected to follow in the projections that were made pre-Covid, low-income countries will not recover for several years trajectories of GDP per capita that were expected for them pre-Covid.

Among the durable scars, school closures in low-income countries during the pandemic are likely to have a lasting impact on the level of education and human capital accumulation in these countries, which may affect durably their economic and social potential.

Which leads me to a fourth lesson I see from what happened during the pandemic.

[4] More than ever, we need to have a comprehensive approach to development finance. And we need that all the components of this comprehensive approach deliver efficiently. Filling the financing gap will require a large set of actions, starting with domestic reforms in developing countries, to improve the efficiency of public expenditure while securing sufficient effort on education, health, social transfers, infrastructure; mobilizing domestic resources; also fostering governance and a business environment that is conducive to growth and employment; and on the external sector front, having an increased support combining efforts from the multilateral institutions, bilateral partners, private sector flows; but also an action on debt.

On debt, we know that many developing countries, and in particular many low-income countries, have levels of debt and debt service that are too high. Some of these countries have situations of unsustainable debt. Other may have a debt situation which is sustainable, but would benefit from a reprofiling of their debt service, to facilitate their recovery which ultimately is in the interest of the debtor but also the creditors.

Here, there remains some unfinished job. The G20 and Paris Club creditors made in 2020 two historic breakthroughs when they agreed on the DSSI, in April, and on the Common Framework for Debt Treatments beyond the DSSI, in November. But the Common Framework has so far not delivered up to its potential. And debt challenges are so high that it is now very urgent to ensure we have efficient debt restructuring mechanisms in place to restructure debt where it is necessary.

I would like now to talk a bit about the new phase we are in. At the Fund, as you know, we started last year to prepare ourselves for this new phase. Last July, we reformed our concessional facilities, to be in the position to meet a demand for financial support from low-income countries

that we anticipate to be in the years to come more than 4 times what was the pre-Covid average. We are also working to establish a new Resilience and Sustainability Trust, the RST, that should be approved by our Board in the coming weeks and that we hope to become operational in the Fall.

The RST will be part of the effort to re-channel part of the historic SDR allocation of 650 billion dollars that took place last August. The RST will aim at helping countries tackle long term structural challenges, such as climate change and pandemic preparedness. Which is **the fifth lesson I see from the pandemic: If anything, the pandemic has demonstrated the key importance of tackling long term structural challenges to prevent shocks, and build resilience and buffers to be able to mitigate shocks when they arise. [5]**

Importantly, the RST will require the Fund to work closely with others, in particular the World Bank, to leverage expertise that is not core to the Fund.

And we see this increased need to work with others in a number of areas, not only on climate change or on pandemic preparedness. For instance, our financial support to low-income countries takes more and more into consideration the need to have adequately resourced budgets on education, health and social transfers; we can work with country authorities on budget volumes; but how to shape a school system, for example, how to recruit and train teachers, is beyond our expertise; and we work, of course, more and more with our partners to ensure coordination and leverage each other's expertise.

The current aggravation of food security concerns, with the ongoing fallout of the war in Ukraine, is another example of the need to work together among international organizations. We have at the Fund a longstanding cooperation at country level with the World Food Program. It goes without saying that this collaboration is even more important in the present juncture.

[6] That would be, I think, the last lesson I would draw from the past two years. I mentioned at some point the need for strategic cooperation among institutions, along the line of the “war room” that was established by the IMF, World Bank, WHO and WTO on Covid vaccines. There is also another cooperation among organizations which is vital. This is the daily cooperation, on the ground, between organization’s country teams and country authorities, to optimize our respective mandates and deliver the best outcome possible.

It is much easier said than made, and I would not deny the operational difficulties that we all encounter. But this is absolutely necessary. We cannot afford to waste energy and resources.

Let me stop here, and thank you all for your attention.