



## **EMERGING ECONOMIES N. 16 | SEPTEMBER 2020**

*Edited by Marta Marson, University of Turin and OEET*

### **COVID-19, DEVELOPMENT PERSPECTIVES AND INEQUALITIES**

Covid-19 has affected and is affecting the lives of many, and it is also reshaping economic policy approaches and perhaps the priorities and values underlying them. The impacts on poor countries and vulnerable groups call for a deeper consideration and allow an assessment of the overall consistency of priorities and ethical values on which decisions are based, and of their equity. In advanced economies public health has affirmed its priority over economic considerations, leading to the acceptance of two distinct types of costs. First, the lock-downs, to prevent contagions, imply very high costs especially for vulnerable groups, outside formal employment and social protection systems, and for businesses, which negatively affects the medium and long-term economic outlook<sup>1</sup> and the opportunities for young people. Second, the emergency has shown the need to increase public spending, particularly in the primary and territorial health sector and to compensate for the loss of earnings. Countries whose population is older, hence generally developed countries, are the ones which adopted more stimulus measures,<sup>2</sup> even financed with debt and derogating fiscal stability in Europe. We have here a somehow unprecedented affirmation of the priority of protecting human lives. In most developing countries instead dying because of a trivial disease is normal, even when suitable treatment is well known and cheap, but simply not accessible to many. Diarrhoea was the second leading cause of death in developing countries in 2016 with almost 2 million deaths.<sup>3</sup> To properly treat diseases like diarrhoea, malaria, or flu, the enhancement of primary health services is necessary, just like for Covid-19. Nonetheless, the orthodoxy of structural adjustment in developing countries and the subsequent consensus has generally discouraged this type of investments, so that current health expenditure in 2017 accounted for less than 6% of GDP in developing countries (WDI data) and less than half of this expenditure came from public funding. These figures are particularly striking because the pandemic proved that healthcare services were far below standards even in many advanced countries where the ratio of health expenditure to GDP is over 12%, more than double the proportion in the developing countries, and the public share is also higher. Now a first issue is why deaths by Covid-19 question economic orthodoxy and those in developing countries, despite they were there for all to see for a long time, do not. A simple, but somewhat brutal, answer is that it depends on the availability of financial resources and this raises the issue of international cooperation for the Covid-19 emergency, which is addressed by Annalisa Prizzon in her article in this newsletter. Governments are willing to spend to protect their citizens, but this cannot be done if the pandemic is not controlled at the global level. The effects of the lock-down in developing countries, as discussed in detail by the articles

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<sup>1</sup> <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>

<sup>2</sup> Stock, J.H., (2020). Data gaps and the policy response to the novel coronavirus, Covid Economics Vetted and Real-Time Papers, Issue 3, 10 April 2020

<http://www.amcham-egypt.org/bic/pdf/corona1/Covid%20Economics%20by%20CEPR.pdf#page=44>

<sup>3</sup> <https://www.who.int/news-room/fact-sheets/detail/the-top-10-causes-of-death>

by Frigero and Wang and by Caria in this newsletter, are very tough, particularly for vulnerable groups. And lock-down measures are not only aimed at protecting local public health, but even more at protecting global public health. The Covid-19 crisis shows how the sustainability of our production systems requires urgent interventions and global coordination solutions, as shown by Francesco Rampa in his article about food systems and the “One Health” approach. There is also a need for a strong framework to integrate issues affecting different countries and generations, as shown by Colombano and Navarro who focus on the 2030 Agenda. The responses to the Covid-19 crisis were game-changing, and disruptive with respect to economic orthodoxy, affirming a priority of the protection of human life, which is of course very positive. There is nonetheless the risk that such a new approach might reaffirm existing inequalities, discriminating vulnerable groups, poor countries, and future generations.

As anticipated, this newsletter includes a first contribution by Piercarlo Frigero and Xieshu Wang discussing the impact of Covid-19 on development and the risks of increased inequalities between the rich and the poor, as well as various dangers possible to harm the indigenous peoples. The outbreak and expansion of the pandemic have greatly challenged our complex social dynamics and has exposed the fragility of our systems. Compared to countries with better welfare and higher resilience, the crisis might bring much worse consequences and produce lasting negative impact in poor regions lacking social protection and food security, where people live in precarious situations and depend largely on informal economy.

The second article, by Sara Caria, enters into details on the pandemic in Latin America, one of the most unequal region of the world and also the most urbanized among developing countries, while high rates of informality and fragile social protection systems also contribute to making it particularly vulnerable. The article presents trends in international trade flows and explains that Latin America is going to be the most affected region in the world: a contraction of approximately 9,1% of GDP on average, less serious in Central America, and sharper in the Southern part of the region, is predicted.

The next three articles stress the importance of international cooperation, under three different angles. Annalisa Prizzon offers an interesting analysis about how developing countries’ governments are trying to reallocate resources to health care and plan expansionary fiscal policies to kick-start economic recovery in the face of the Covid-19 crisis. The article explains that, however, funding has dried up, the tax base has shrunk and the demand for exports has plummeted in many countries because of trade and travel restrictions. Many countries are very likely to seek additional external assistance because other financing options are simply no longer available or at least not at the scale needed. While other sources decline and fiscal needs expand, development aid is one of the few financing options that remain for many countries as it is less pro-cyclical than other development finance flows and it is in the interest of all countries to support emergency and recovery efforts against Covid-19 as well as the provision of vaccines.

Francesco Rampa underlines the necessity of building more resilient and sustainable food systems taking into account the connection between humans, animals, plants and their shared environments, which should be seen as long-term answers to multiple global challenges, including the ability to respond to pandemics. Both public and private investments are urgently needed, as well as new mechanisms to reduce investment risk associated with the food and agricultural sector in low-income countries. He also strengthens that the same level of importance should be given to a stronger global coordination in specific territories and in line with the local circumstances. And as a number of decisive summits are scheduled from October 2020 to the end of 2021, Europe who has already channelled significant aid to the Global

South in their response to the pandemic and has the ambition to be a global leader in sustainability, could do more to assume the leadership in food and health action as response to Covid-19.

Joe E. Colombano and David N. Nabarro, consider the Covid-19 crisis in the framework of the global 2030 agenda. They take a “system of systems approach” and consider how the virus negatively impacts on the 17 Sustainable Development Goals, but also find that the 2030 agenda can be helpful in bringing some form of order to the analysis of the effects brought about by the Covid-19 pandemic, and the shocks that it inflicts to the complex network of relationships, co-benefits and trade-offs that constitute sustainable development. The global reset triggered by the crisis is an opportunity for a better recovery, to rebound forward towards realizing a sustainable world, rather than backward to the original system with its flaws, as we did, for example, after the 2008 financial crisis. This is how we can turn this global pandemic into the opportunity to start anew and realize the vision of a fairer and more sustainable world.

## Rethinking Growth and Inequalities: The Spread of Covid-19

By Piercarlo Frigero\* and Xieshu Wang†

### ***Introduction***

The process of the poor becoming rich while the richest gets richer is challenged by sudden and unexpected events such as a global pandemic. Covid-19 is one of these events, and it shows why inequalities must be detected and described to reveal failures of development. It's quite easy to think of economic growth as an itinerary described by macro-variables, even if it is well known that the path is not so smooth, and the dynamics are more complex. An evolving society develops some sort of contradiction while its national income grows: the destruction of traditional livelihoods, new types of poverty, even the threat of disappearance of its native people. All this may be accepted as the inevitable cost of its future wealth: when the richest gets richer, also some of the poor will become richer, although many would lag behind, surviving without opportunities of a real change. The spread of Covid-19 has challenged this vision of growth: the pandemic is not *democratic*, but danger and fear are, and so is the risk of a substantial reduction of growth rates, with the collapse of financial markets. The rich and the poor need to cooperate to avoid the worst.

### ***Covid-19 in the context of complex social dynamics, system fragility and inequalities***

Surely, the pandemic has been an unexpected and shocking event. We will debate for a long time about how and why it has spread faster and wider than most outbreaks in history. But it is easy to assess its role as a source of a sudden change in complex societies, what is sometimes called a *catastrophic event*. A *catastrophe*, according to complexity and catastrophe mathematical theory, is a discontinuity in the dynamic of a process: a sudden change of state in a system, due to the accumulation of factors that are not controlled over time and are suddenly released by a set of circumstances.

Our economic and political system, endowed with a good level of resilience, is however weakened by the complexity of local and international relations. This complexity has grown with globalization (international supply chains, the exchanges of goods, services and people) and it was suddenly exposed as the unexpected spread of the virus forced governments to block the movement of people and stop economic activities.

Fragility means a high probability of social instabilities: protests, or even riots, and the impossibility to enforce the necessary emergency laws. We define fragility as a high probability of failure of declared development objectives, induced by external events that provoke a slowdown.

Undesirable consequences might also arise from a high level of interdependence between formal and informal economy, and no clear lines between legal and illegal ownership, or employment and

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unemployment. To understand failures of development we must analyze the coexistence of areas of higher levels of welfare with areas of poverty or where survival is at risk.

Inequalities are the outcome of structural changes that destroy traditional technologies and their social relations, attracting people into big cities, replacing old professions with low salary and marginal jobs. To cope with the pandemic, we have to endorse an ethical choice in the very concept of growth: fighting poverty and pursuing development goals are fundamental values grounded in a consensus about human rights, or only a device to preserve social stability?

In what follows, we describe vulnerable groups of people facing Covid-19 in poor and emerging countries, especially the indigenous peoples. The aim is to suggest how the pandemic may interact with inequalities provoked by unsuccessful growth-oriented policies.

### ***Ethnic minorities and indigenous people: a centuries-long tragedy***

In some places groups of indigenous people have never been involved with the newly emerging economic and social system. The native people are anchored to their ancient traditions and sometimes the involvement with the prevailing *modernity* represents a danger for their physical lives, as experienced in previous years, with diseases far less deadly than Covid-19. Unfortunately, it is easy to treat them as mere residuals of history, to be involved or destroyed, no matter if involvement will lead to destruction.

In Amazonia, saving the rainforest is perceived as one of the main targets of environmental protection, but it means more than avoiding deforestation. The lives of several ethnic groups are endangered by the contradictions of economic growth. On the stage of a fascinating ecosystem, a centuries-long tragedy takes place: natives are threatened by growth-oriented initiatives that destroy traditional livelihoods, subsistence, and sometimes life itself. The change continues with the arrivals of other people in search of profitable activities. Unfortunately, they are only able to exploit short term opportunities, while destroying useful long-term resources. In that context, the pandemic is a threat already experienced several times by the indigenous peoples in history. We have witnessed it before Covid-19, with the conflict between *Garimpeiros* (illegal gold miners) and natives. Yanomami, in the state of Roraima (Brazil), were already decimated by less dangerous epidemics during the last century. Paradoxically, in the present pandemic, the main concern is not the absolute number of affected or dead individuals, but the weakness of communities to take counter and contain measures, when a catastrophic event adds to an already devastating process of economic and social change. Indigenous people have different degrees of integration. Some benefit from useful type of relations with the so-called modernity, i.e. access to some education and health services. Development agencies and non-profit organizations are working on inclusion and technological advancement for better labor productivity and a more sustainable use of natural resources. All that requires time, but Covid-19 cannot wait. Trained and untrained are affected, and leaders of a sustainable development are too precious to be left to die. Now Covid-19 endangers long lasting projects of social inclusion.

Forest people named the pandemic “*Xamara*” and in the past they reacted by old wisdom and instinct: they retired into the forest, very far from dangerous interactions with the modern world. Facing the Covid-19, the Karen people of Thailand followed their ancient ritual of “Kroh Yee” (village closure); other spontaneous cases of lockdown are reported in Malaysia and Bangladesh (UN Department of Economic and Social Affairs, 2020). These are examples of traditional lockdown, but they also mean the

renouncement to potential health assistance and returning to the forest without the certainty of not having been infected.

Meanwhile, other problems and threats also arise from the Covid-19 and the consequent lockdown, such as food insecurity, breakdown of informal economy and seasonal work. This has happened to the Maasai in Kenya, who suffered from the closure of livestock markets which led to the collapse of the local pastoral production system (Wight, 2020).

The indigenous Batwa is a forest hunter-gatherer group spread throughout Burundi, Rwanda, Uganda and DRC; traditionally, they were deeply rooted in the forests of the Great Lakes region from where they derived their identity and culture as well as their source of livelihood and medicines (Olembo, 2020). However, in the last century, a majority of the Batwa people were chased from their ancestral land due to colonialization, civil wars and deforestation. As a result, many of them now live in a poor status and have to do precarious jobs such as washing, cleaning and carrying garbage to just survive. With the Covid-19 lockdown, they are prevented from leaving their homes to look for food or work and have to depend on the government and NGOs to get food relief in form of maize flour, beans and soap. But this is not a sufficient solution to help them build a sustainable way of life during and after the pandemic (United Organisation for Batwa Development in Uganda, 2020).

Indigenous communities are in a precarious equilibrium between tradition and change, with undernutrition, lack of clean water, poor access to healthcare. All that might contribute to higher morbidity and mortality rates. The UN stresses that the future of an already difficult sustainable integration is further endangered by the risk of death of leaders and elders in the indigenous zones, as the elders “are the last custodians of traditional knowledge, leading community governance, gatherings and ceremonies” (UN Department of Economic and Social Affairs, 2020).

### ***Urbanization and slums***

Meanwhile, Covid-19 reveals the implications of some phenomena that are considered unavoidable consequences of the difficulty to manage the very complex economic dynamics in our days. One of them is urbanization, which heavily contributes to the spreading of the pandemic. Mexico City became an epicenter in Latin America while New Delhi and Mumbai were heavily hit in India. The cities’ over-expansion, in Africa, Asia and Latin America, is an example of structural disequilibrium, with their slums, *barrios* or *favelas*. An unexpected event, as the pandemic, so pervasive and dangerous, reveals them as unsustainable contradictions, if sustainable development is to be pursued.

In Kenya, the slum of Korogocho is an example of poverties at the most dramatic level. Close to a large and polluted landfill, people try to survive through day to day activities without opportunities for the future. It is clear that restrictions on behavior and lifestyle are beyond the capabilities of local enforcement. In places like that, the individual concern is not the virus but hunger, and the priority is how to avoid starvation, more than how to escape from the only recently appeared disease (Floris, 2020).

In New Delhi’s landfill, poor people sift through garbage to gain their livelihood, and have no choice: if they stay they will die either from hunger or from the virus. Then, so many of them returned to their villages, thus further spreading Covid-19. Amnesty International reports that in Addis Ababa, Ethiopia, after the demolition of illegal settlements by public authorities many families are now at risk of infection, without having even basic shelter (Amnesty International, 2020).



In Brazil, 13 million people live in informal settlements in the favelas, where the State is almost absent, and the pandemic is tackled with forms of self-organization: they “monitor local health, find ambulances and doctors, produce masks, distribute hygiene kits and groceries, and set up interim sick wards to isolate people tested positive”; it is likely that the local gangs have also contributed to impose social-distancing restrictions (Eisele, 2020).

### ***Formal versus informal economy***

There is a photo, one of the many images published during the lockdown, showing the conflict between official statements and attempts to survive through day to day activities. A policeman is trying to enforce legal restrictions, facing a mother trying to sell goods in a marketplace, while holding her baby close to herself (Internazionale, 2020).

Everywhere, but particularly in poor countries, the effects of lockdown severely hit the informal economy, defined by ILO as the set of economic relations non-covered with formal arrangements. Informal jobs consist of street vendors, domestic workers, taxi drivers, home delivery workers, waste pickers and recyclers, transport and construction workers, and many more including small peasants in rural or suburban areas, and migrant workers (ILO, 2020). They are difficult to protect from the Covid-19 crisis with insufficient public subsidies and financial support.

Informal employment is the main source of employment in Africa, accounting for 85.8% of total employment; while in developing Asia, this figure, including agriculture, is 71.4% and in Americas 53.8% (ILO, 2018). One typical form is the so-called *Bazaar economy*: a network of small daily exchanges, which implies a great number of social interactions and contacts. As noted by ILO: “dependence on the informal economy means not being able to afford to be under total quarantine” (ILO, 2020).

A simple case of a family illustrates this fact (Lafuente et País, 2020). A mother and her young son cooked breakfast and lunch every day, and sold the food on the street to the children of a school in the neighborhood of Mexico City. When lockdown was imposed, they did not even know what happened but had to stay at home, without any source of income, waiting for the run out of their savings. As shown by this case, informal economy is a network of simple relations. In this type of economy, a link (e.g. selling to pupils at school in the neighborhood) might be substituted by another; what cannot be done is avoiding relations between people.

The situation of migrants may be even worse. Nicaraguan laborers cross the border with Costa Rica and work illegally and in poor conditions on local farms. When some of them were tested at the border and found to be positive, Costa Rica has blamed them for bringing the pandemic into the Country (DW, 2020).

### ***Conclusion: learning from Covid-19***

Two main lessons shall follow the pandemic experience: the relevance of a system of social protection (quite obviously) and the notion of democracy as partnership between all groups of people sharing the common intent of improving welfare.

Facing the spread of the disease, it was clear that everyone’s health is linked to the health of others. Unfortunately, benefits and costs of the restrictions are distributed in unequal measures, and many groups

have to rely on governments to regain some level of fairness. Covid-19 stressed everywhere the relevance of public healthcare and efficient education system. Both are instruments of social protection and progress, and can be used properly to reduce inequalities and enhance capabilities of the poorest.

An early warning system requires democracy. Free press, radio and television, and also the proper use of the web, might be a guarantee against fake news. Mostly important is the free and effective communication between scientists and healthcare professionals to process information and take timely decisions. In the fast spread of pandemic, time equals life.

The ILO experience has shown that social dialogue is more critical than ever at the time of Covid-19. “Social dialogue refers to all types of negotiation, consultation or information sharing among representatives of governments, employers and workers, on issues of common interest” (ILO, 2020). In informal activities, efforts may be done to organize groups with the common interest to maintain their jobs and stop the pandemic. What happened spontaneously in some communities is a proof of relevance of self-organization. All that shapes a network of relations, inside the social system and outside, for a useful partnership between states, governments, and international institutions.

While the nations with better welfare system have the capacity to put into place stimulus programs, the emerging economies and poor regions face risks of all kinds. An easy solution is not obvious, since there are already many contradictions caused by the economic growth and inequalities. More inclusive programs and collaborations to help and assist people in precarious situation, in particular those with limited access to modern health service and weak economic stability, are needed to build together a stronger defense against the pandemic. After all, the pandemic concerns everyone living on this globe, as we are more than ever connected to each other.

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## **COVID-19 in Latin America: the pandemic's impact on an already fragile and unequal economy**

*By Sara Caria\**

### ***A focus of vulnerability for the Covid-19 pandemic***

Latin America has turned into an important focus of the Covid-19 pandemic. At the time this article was written, August 2020, among the ten countries with the highest number of reported cases, five are Latin American: this includes Brazil and Mexico, each with huge populations, but also smaller countries like Peru, Colombia and Chile. Latin America is the most unequal region of the world and also the most urbanized among developing countries, while high rates of informality and fragile social protection systems also contribute to making it particularly vulnerable to the pandemic. The region's health systems, fragmented and scarcely integrated, were not prepared to guarantee the care required: public expenditure on health represents, on average, only 3,7% of GDP – in advanced economies it's about 12% of a much larger GDP – and the availability of doctors and hospital beds with respect to the population is approximately half of that of advanced economies (CEPAL, 2020a). The pandemic, although with different impacts in countries and sub-regions, has provoked an unprecedented economic and social crisis, that could end up in a humanitarian disaster if appropriate response is not provided.

With the Covid-19 outbreak, measures to control infection were adopted almost everywhere: based on physical distancing among people, they have caused a strong reduction, when not paralysation, of economic activity, as well as generalized closing of borders and customs, with severe effects on production and employment that are resulting in the worst global crisis since at least the end of the Second World War (World Bank, 2020).

Measures adopted by national authorities differ significantly in terms of the effectiveness of efforts to “flatten the curve” of infection and support vulnerable people. In most cases, however, public response beyond the implementation of lockdown measures –which have been declared quite rapidly –has been feeble and insufficient, due to limited fiscal space (Hausmann, 2020).

Before the pandemic, the world economy was already facing difficulties and had not yet recovered entirely from the 2008 crisis: indebtedness reached 300% of global GDP at the end of 2019, and global trade actually decreased in both volume and value the same year (WTO, 2020). Latin America suffered particularly from the collapse of commodity prices in 2015 that put an end to the 2003-2014 economic expansion, and had already entered a period of economic instability: growth rates in Latin America experienced an average of 0,4% per annum, over the period 2014-2019, the worst result since the early 50s (CEPAL, 2020a).

The principal mechanisms through which this crisis has been transmitted to Latin America are: a drop in international trade, due to the contraction of economic activities among the region's main commercial partners; the fall of commodities' prices, which heavily affected South American primary exporters; the

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interruption of global value chains, which concerns predominantly Brazil and Mexico, where manufacture represents a significant share of national production; the fall in tourism; and an increased risk aversion and generalised unstable financial conditions (CEPAL, 2020a). As an additional risk, remittances' transfers are decreasing, which accentuates vulnerability, particularly for Central America. The evaporation of traditional sources of foreign income for the regions' developing countries causes a dollar-shortage and reduced fiscal revenues from royalties and tax collection, resulting in harder fiscal constraints (Hausmann, 2020).

### ***Production, trade and employment in the pandemic***

Estimates from multilateral institutions vary slightly, but there is a broad consensus that Latin America is going to be the most affected region in the world: a contraction of approximately 9,1% of GDP on average, less serious in Central America, and sharper in the Southern part of the region, is predicted. The consequences are also differentiated among economic sectors: primary non-extractive activities, such as agriculture, farming and fishing have been far less penalized than manufacture, while services, which depend heavily on physical direct contact – tourism, restaurants, transports – are the most impacted (CEPAL, 2020a). The paralysation of tourism has important repercussions, since in 2019 it represented 48% of service exports (and 45% of *all* exports for the Caribbean area).

International trade is a major issue of concern: the Economic Commission for Latin America and the Caribbean estimates that the total value of imports and exports will fall 23% during 2020, a much stronger downturn than the one experienced in 2009, due to both lower prices (-11%) and volumes (-12%). Exports suffer from combined effects on the supply side (stopping production) and demand (economic contraction of most of the region's markets), while contraction of imports is a direct consequence of the recession affecting most Latin American countries (CEPAL, 2020b).

The Andean Community is the zone that most suffers from trade contraction (-23%), due to the high share of mining and energy in its export basket, both of which witnessed important price-reductions – oil's international price reaching emblematic negative figures in April 2020<sup>1</sup>. Mexico's exports fell 21%, mostly due to the crisis in manufacturing, which represents 88% of total deliveries abroad (agricultural and non-oil extractive activities slightly increased). As far as MERCOSUR is concerned, total exports were reduced by 12% since the beginning of the year, more severely in Venezuela and Uruguay, where oil and manufacturing, respectively, are predominant; Argentina and Brazil, both with a higher share of agricultural and farming products, managed to contain losses (CEPAL, 2020b). Prices of agricultural and farming products saw a minor decrease, in comparison with oil and mineral products, while prices of bananas and shrimp actually increased. Only four countries –all in Central America– experienced an increase in exports, basically to the United States; Costa Rica as provider of medical devices, Guatemala and Honduras as exporters of personal protection devices, and Nicaragua due to the high price of gold and agricultural products.

Generally speaking, exports to the United States and Europe fell drastically (-69% from January to May 2020), while shipments to Asia proved more resilient; they fell from January to March, but began to recover in April, due to the lag in pandemic phases between Asia and the West (CEPAL, 2020b).

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<sup>1</sup> In April 2020 oil prices turned negative for the first time ever: troubles in oil storage due to the collapse of fuel demand made traders willing to pay to dispose of stocks. See <https://www.nytimes.com/article/negative-oil-prices-facts-history.html>.

Trade blocs are suffering severe drops in intra-region trade, despite the *Central American Common Market (CACM)* showing greater resilience than southern commercial organizations. Intra-regional exports as a whole are expected to decline by 28% over 2020. Current circumstances are quite averse to the tightening of regional bonds, and a great divergence on which perspective on economic integration should be adopted still persists. Regional multilateral organizations failed to provide a coordinated reaction to the pandemic, confirming their traditional weakness and lack of leadership. Nevertheless, it is important not to forget the crucial role of regional markets for technology-intensive exports and manufactures, as well as for small and medium entrepreneurship, which represents the great majority of total firms and about half of total formal jobs. Regional trade is vital to sustain employment, prevent greater loss of productive capacity, and keep at bay a further re-primarization and concentration of productive assets and firms.

If production shrinks, labour conditions deteriorate: the World Bank (2020) foresees an unemployment rate in Latin America of 13,5%, versus 8,1% in 2019, which means that about 37 million people will lose their jobs. It is worth remembering that in the region 53% of total employment is in informal jobs, which rely heavily on interpersonal contact and also provide very poor access to social protection programs: for the majority of families, which depend on daily activities to survive, staying at home for a prolonged time is simply not an option, unless income support is provided as the United Nations Development Programme suggested (Gray Molina and Ortiz-Juarez, 2020).

### ***Challenges of poverty, inequality and democracy***

The risk of rising unemployment puts approximately 45 million people in the whole region in a situation of vulnerability, which could elevate the number of poor to 230 million (CEPAL, 2020a). Poverty had diminished between 2003 and 2015, during the commodity boom: when commodities' prices fell, poverty began to raise. The Covid-19 crisis could bring poverty above year-2000 figures. The commodity-led expansion had trickle-down effects and was in some cases accompanied by significant public investment in social welfare, but it wasn't able to change structural conditions such as inequality, wealth concentration and social exclusion. This situation had already caused social unrest at the end of 2019, especially in South America; several countries (Ecuador, Chile, Brazil, among others) had witnessed protests against the way economic crisis was being addressed through the implementation of austerity programs; if austerity is prolonged, and if governments' reaction is still repressive, it is likely to affect human rights and democracy.

In Latin America, as elsewhere, the Covid-19 crisis has not affected everyone equally: some groups bear a disproportional share of the crisis. Women, generally overrepresented in precarious, informal and non-remunerated jobs, in addition to having less access to income support, have been overburdened with care and household responsibilities and more exposed to domestic violence. Indigenous people, numbering about 60 million (nearly 10% of total population), and Afro-descendants, approximately 130 million, are also particularly vulnerable due to worsening socio-economic conditions and discrimination in the labour market. Migrants and refugees have experienced restrictions to mobility rights and the application of humanitarian laws (CEPAL, 2020a). As in other continents, rural people have not been able to obtain proper medical attention, because of the pressure that the Covid-19 has put on health systems and hospitals, adding up to the horrid death rate statistics during Covid-19 pandemic.

The spreading of the pandemic, inevitable once the infection had reached Europe and North America, found the region unprepared and unable to protect its citizens, due to structural deficiencies, weak

institutions and an extremely unequal and dependant development model (Yuso, 2020).

If the pandemic is not controlled, it will be impossible to recover the economy. And in order to control the pandemic, it is necessary to combine policy on both the domestic and international sides. At home, policymakers must design and implement integrated economic measures, differentiated by sector and geographically coordinated. And at the same time, they must strengthen health and social protection systems, which will allow people to survive during the social distancing phase, ensuring basic income, food and access to public services. A more progressive fiscal and tax contribution scheme could help to strengthen redistribution and increase fiscal resources to deal with the crisis, while in the medium and long run, more democratic access to productive assets and the dismantling of the many monopolies and privileges that still characterize the economy of Latin America is needed (CEPAL, 2020a). Internationally, more financial support is necessary, along with changes in international organizations' approach to public finance and fiscal space: debt renegotiation and wider financial facilities, such as purchasing emerging markets bonds, granting swap lines with central banks (with special regards to dollarized countries such as Ecuador, El Salvador and Panama), among other measures, would help countries to face the emergency (Hausmann, 2020), in Latin America as well as in the rest of Global South. Concerted international action is necessary, given the global nature of the pandemic; it is a global collective challenge and requires global collective efforts.

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## The COVID-19 crisis: What the response so far may mean for future international cooperation

By Annalisa Prizzon\*

Governments are trying to reallocate resources to health care and plan expansionary fiscal policies to kick-start economic recovery in the face of the Covid-19 crisis. However, funding has dried up, the tax base has shrunk and the demand for exports has plummeted in many countries because of trade and travel restrictions. As economies are designing their recovery packages, many are very likely to seek additional external assistance because other financing options are simply no longer available or at least not at the scale needed.

While other sources decline and fiscal needs expand, development aid is one of the few financing options that remain for many countries as it is less pro-cyclical than other development finance flows (ODI et al., 2015). It is in the interest of all countries to support emergency and recovery efforts against Covid-19 as well as the provision of vaccines.

### *Aid during the 2008–09 global financial crisis*

There are concerns about falling aid volumes presently but – as in previous crises – there are early signs that a few donors are keeping their commitments. As the 2008–09 global financial crisis unfolded, discussions arose about how this event would impact developing countries, including the effect on aid supplies. In November 2008 the Organisation for Economic Cooperation and Development (OECD, 2008) urged all member states to confirm their existing aid promises. The outcome document of the December 2008 Doha International Conference on Financing for Development stated ‘We are deeply concerned by the impact of the current financial crisis and global economic slowdown on the ability of developing countries to access the necessary financing for their development objectives’ (United Nations, 2009: 29).

While the OECD (2009a) reported that aid was at its highest level ever in 2008 and the G20 affirmed its pledge to increase financial resources to developing countries in April 2009, there was a lot of uncertainty around donor reactions and future aid budgets. Most early commentaries predicted large falls in official development assistance (ODA), while a few pointed to inconclusive evidence from previous crises (Cali et al., 2008; Roodman, 2008; CONCORD, 2009; OECD 2009b).

These forecasts proved wrong, all in all, as total aid flows still rose during the global financial crisis: between 2008 and 2010 they increased by 7.2% in real terms. Looking in closer detail, total aid flows rose by more than 10% over 2008–10 in several donor countries, including three of the largest ones – France, the United Kingdom (UK) and the United States (US). If debt relief is stripped out of the data, all five of the largest OECD Development Assistance Committee (DAC) donors at the time of the crisis – France, the UK, the US, Germany and Japan – recorded an increase in real disbursements of over 10% during this period. Figure 1 shows the change in real aid disbursements between 2008 and 2010 for a

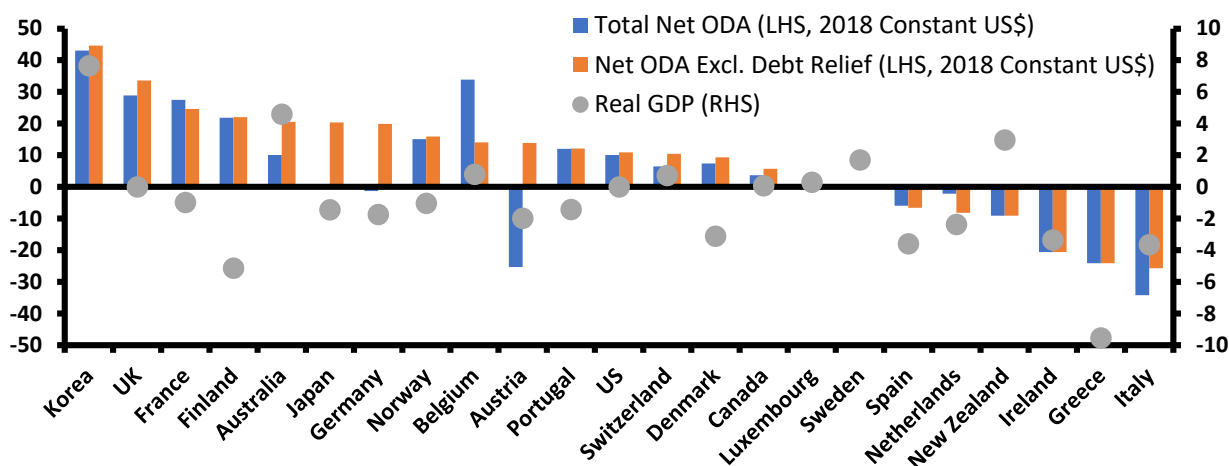
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sample of 23 donors: aid disbursements rose even in countries experiencing economic recessions, including, to different extents, all the largest donor countries by volume.

Figure 1: Percentage change in gross domestic product (GDP) and net ODA disbursements, 2008–10



Source: Authors' elaboration drawing on OECD (2020a and 2020b), based on Carson et al. (forthcoming). Note: Note: Ordered by change in net ODA excluding debt relief

### Aid and the Covid-19 crisis

Similar concerns have surfaced now, but this time the crisis runs far deeper than in 2008. Commentators and international organisations have raised concerns about economic recovery from Covid-19 and there have been negative outlooks for aid flows both during the pandemic and for the aftermath (Arlington, 2020; Development Initiatives, 2020). However, the impact of the current crisis is estimated to run much deeper and be more widespread than the 2008-09 global financial crisis.

Based on International Monetary Fund (IMF) and OECD forecasts, GDP is expected to decrease by between 2.9% and 7.9% among the top-10 DAC members in the period 2019–2021, ranked by volume of their ODA disbursements. This compares with a fall in GDP at the time of the global financial crisis of 1.2%. A paper produced by Development Initiatives (2020) projects that constant price net ODA flows will fall by between 2.6% and 16.3% between the end of 2019 and the end of 2021. The Development Initiatives study assumes that countries will retain the same share of aid-to-gross national income (GNI) post-Covid as pre-Covid. The study uses two sets of forecasts – the OECD ‘single-hit’ (a more optimistic scenario when a second wave of the pandemic does not materialise in 2020 and 2021) and ‘double-hit’ scenarios (a more pessimistic scenario when a second wave materialises). Meanwhile, the ONE Campaign (2020) estimates that, in a worst-case scenario, net ODA flows could fall by 9.9% throughout 2020.

Commitments have already been made but transparency is lacking. Many bilateral and multilateral donors have made a series of announcements of new packages and commitments. Some donors have committed to comprehensive Covid-19 support packages outlining their response, while others have made piecemeal announcements focusing on immediate support to the World Health Organization’s (WHO) funding appeal. However, analysing the actual programmes and how resources have been distributed so far is a rather challenging task for many reasons: the rapidly unfolding events make them difficult to capture and,

often as a result, there has been a lack of transparency in several donor commitments at least so far. Development partners have very different approaches to communications around the implementation of Covid-19 projects, which generally reflect their transparency overall and the standard practices of development agencies (Carson et al., forthcoming).

Several DAC members are striving to keep their commitments, at least so far. Among the top-10 bilateral donors, by volume, which report to the OECD DAC, Canada, Germany, the Netherlands and the US have all committed new ODA funding for the Covid-19 response; France, Sweden and Norway have maintained their existing budgets; the UK is the only donor to date that has announced budget cuts.<sup>1</sup> The Covid-19 crisis has made some projects (temporarily) unfeasible to implement, legitimising re-allocations within aid budgets. This was not the case in the previous crisis in 2008–09. Another difference is that the Covid-19 crisis has reduced expenditure for refugees/first-year asylum seekers, freeing up funding for other activities in the ODA budget (Carson et al., forthcoming).

Multilateral development banks (MDBs) have responded at scale but an expansion of lending and operations is needed. MDBs have provided a total of \$223 billion for the Covid-19 response– with economic resilience, liquidity and trade facilitation as the main areas of intervention – far greater than bilateral donors (Miller et al., 2020; Carson et al., forthcoming). MDBs are re-allocating and front-loading resources; for example, the European Bank for Reconstruction and Development (EBRD) has dedicated its entire portfolio to the Covid-19 response. But the scale of the challenge ahead will require additional financial effort from shareholders. Over the next two years, this should include a new round of general capital increases for non-concessional lending (“hard windows”) across the MDBs to further boost their lending capacity, as happened in the aftermath of the global financial crisis. Sufficient investments in recovery from the crisis will also require shareholders to support more generous replenishment rounds of the concessional finance windows (or ‘soft windows’) of MDBs and vertical funds (ibid.), i.e. development finance mechanisms targeting a specific purpose with mixed public-private funding (the Global Environment Facility or the Global Fund to Fight AIDS, Tuberculosis and Malaria are two examples).

The crisis prompted by the Covid-19 pandemic has accelerated an on-going transformation away from traditional aid models. Despite these turbulent times, there is potentially a positive outcome for the future of development assistance. The unprecedented systemic challenges posed by the Covid-19 crisis and the responses we have already seen will fast-track the transformation of an old paradigm of donor-recipient aid relations towards a model of international co-operation between all countries. This transformation, advocated by many commentators, was already underway pre-virus. Calleja and Prizzon (2019) have shown that countries moving up the income per capita ladder in Africa, Asia and the Pacific have seen their dependency on aid falling as their socio-economic indicators have improved. Government officials have repeatedly demanded other modalities of co-operation beyond financial transfers, such as knowledge sharing and peer learning. Countries want to learn how others have dealt with challenges and which solutions have worked. Development partners are also increasingly reflecting on how they should forge new relations with partner countries beyond traditional aid. During summer 2020, for example, the merger of the UK Department for International Development (DFID) into the Foreign and Commonwealth Office (FCO) – the Development Ministry into the Foreign Affairs Ministry in the UK – aims to forge an association between development aid and foreign policy that is closer than ever before.

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<sup>1</sup> The impacts on Italian and Japanese budgets are yet unknown.

Protecting or even expanding budgets for international development cooperation at times of crisis should be considered as an investment in global public goods, for a faster global recovery. Compared to advanced economies, many countries, especially in Africa and Asia, cannot either borrow in international capital markets at reasonable rates (because of their poor credit rating) or print currency (to avoid inflation spikes) or raise taxes (because of their low tax base and large informal economy) (Miller et al., 2020). It is in the national interest of all countries to support Covid-19 emergency and recovery efforts and the provision of global public goods such as vaccines via financial and technical international cooperation. The Covid-19 pandemic will be addressed only if it is addressed everywhere.

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## **Covid-19 and “One Health”: food systems, territorial investment and global leadership\***

*By Francesco Rampa†*

### ***One Health, with food systems as the centre of action***

The One Health approach means working on the connection between humans, animals, plants and their shared environments to prevent and control diseases circulating in animals and the environment and spilling over to human health. This approach – introduced by the One Health Coalition of governmental and private organizations (<https://onehealthplatform.com/ohp/who-we-are/international-one-health-coalition>) in the health sector to address animal disease, food safety and antibiotic resistance – is particularly relevant to tackle threats like Covid-19 and their complex causes. The current emergency offers the opportunity for stakeholders at all levels to realise the importance of the One Health approach, and to place food systems at the centre of One Health actions.

More resilient and sustainable food systems should be seen as long-term answers to multiple global challenges, including our ability to respond to pandemics. Each year, unhealthy diets are responsible for 11 million preventable deaths globally. Healthier diets, a key outcome of sustainable food systems, would support stronger immune systems and provide solutions to chronic threats to human health, reducing the impact of crises like Covid-19.

More sustainable food systems would reduce income inequality, a strong multiplier of the negative effects of pandemics, with the poor suffering the most from them. A much smaller footprint on the planet and better climate resilience, another key outcome of sustainable food systems, would limit negative interactions between ecological, animal and human health.

Such “multi-sectoral systems view” would facilitate policy and investment solutions addressing potential synergies, trade-offs and co-benefits (such as nutrition, climate adaptation, natural resource management, public health, innovative economic opportunities) that underpin sustainable production, increased food and nutrition security, and optimal health for all.

### ***Systematic coordination between food and other thematic institutions***

As Covid-19 responses have shown once again, global coordination is often ineffective, if not absent. Most international institutions and initiatives keep following a silo approach, even if it is increasingly evident that pandemics, climate disasters and food insecurity are all related to our huge footprint on the planet. Agriculture has been ignored in United Nations Framework Convention on Climate Change (UNFCCC)-led climate negotiations, and nutrition has been largely neglected in efforts to eradicate hunger. There have been very few international initiatives to help coordinate actions around those human

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activities that play a huge role in turning microbes into pathogens causing animal disease and pandemics (Samuel, 2020).

Resilience, to health and food crises alike, needs to be planned and coordinated more systematically, through multi-level governance arrangements that maximise synergies between institutions, actions and their financing, at global, regional, national and local levels. In a paper we published with Chatham House colleagues just before the Covid-19 crisis, we conclude that closing the large SDG 2 financing gap and making food systems more sustainable and resilient requires a more effective “food and agriculture” global institutional landscape as well as better task division between these institutions and other thematic institutions such as WHO, WTO and UNFCCC. We show that fragmentation of efforts and sometimes incoherent policies are leading not only to inadequate public investments at national, regional and global levels, but also to lost opportunities for coordinated investments in human, soil, plant, water and animal health, or for climate change adaptation actions to enable resilient local food production (Rampa et al., 2019).

This is partly why the UN Secretary General has launched a multi-stakeholder process to prepare for World Food Systems Summit in 2021 that will involve many different sectors. It is a great opportunity to build, in the coming months, a new global arrangement for the systematic coordination between food and other international thematic institutions to improve resilience and sustainability of food systems, based on One Health thinking. This new arrangement could be endorsed at the Summit and should:

- Build on ongoing reforms and coordination efforts of several international organisations, rather than launching a new institution mandated with such global coordination;
- Include the thematic organisations that so far have had little cooperation with food institutions, both at the policy level (the WTO for instance, since during emergencies like Covid-19 it is key to ensure the smooth flow of international food trade) and financing level (for instance the Green Climate Fund, since food system resilience requires a much higher allocation of international climate adaptation funds to the agriculture sector) (Tietjen et al., 2019);
- Involve directly the highest leadership of states, global institutions, farmer organisations, businesses and civil society, because inclusivity and political backing are essential for real implementation of any planned coordinated action.

### ***A territorial pact: Combining public and private investment for sustainable food systems***

A One Health approach with food systems as the centre of action requires much higher levels of public and private investment. This is just as urgent as a new level of global coordination, to develop One Health thinking in specific territories and in line with the local circumstances. Synergies and trade-offs among investments to improve climate adaptation, natural resource management, public health and economic opportunities will vary substantially in different contexts (with different features of, and interactions between, urban, rural and natural areas).

In April 2020, some of the largest food companies in the world, along with farmers’ organisations, various UN bodies, academics, and civil society groups issued an important “Call to Action for World Leaders”, including the G7 and G20. One of its three key recommendations is “investing in sustainable and resilient



food systems [...] for the recovery of people and planet” after Covid-19 (The Food and Land Use Coalition, 2020).

To urgently make this idea concrete, however, a sort of “territorial pact” is needed between public and private investors interested in better resilience and sustainability of specific food systems. This requires both new types of investment and new financial mechanisms.

Substantial public and private funding for agroecological systems would be a good example of innovative food investment (FAO, 2018). Agroecology can build resilience by combining different animals and plants and using natural synergies rather than synthetic chemicals – to fertilise crops, fight pests and regenerate soils.

New mechanisms are also needed to reduce the investment risk associated with the food and agricultural sector in low-income countries, which is one of the largest obstacles to the growth of their food economy. This can be done by blending public and private finance, with the public sector for instance providing seed capital to guarantee the private investment of a company or a bank. This “pact” would be in the interest of the private sector, that would see its return on investment “facilitated” by the public authorities, in addition to better prospects for a more stable business environment because of improved resilience and sustainability. On the other hand, the “pact” would also imply the acceptance by the private sector that under certain circumstances, like a pandemic, the public authorities would be entitled to centralise decisions around food production and distribution, as there will be the need for central coordination to avoid food supply and food jobs disruptions. This is particularly important, considering that food is the major expenditure item of the poor and the food economy is their major job provider. Moreover, adequate criteria would need to be defined to identify which specific private investments should be considered “aligned with the One Health approach” (for instance using agro-ecology principles or the degree of sustainability of specific value chains) and could thus be supported by public seed capital.

### ***Europe’s leadership in food and health action as response to Covid-19***

A number of important summits are scheduled from October 2020 to the end of 2021: Africa-Europe Summit in October 2020, the Climate Adaptation Summit in October, the Tokyo Nutrition for Growth Summit in December, the World Food System Summit of 2021, and the UNFCCC COP26 on Climate and the COP15 of the Convention on Biological Diversity, both postponed to 2021. The ambition to achieve some degree of coordination, coherence and complementarity between the results of different summits in terms of One Health and food system approaches, would require strong leadership by one or more of the involved key players. Europe seems well positioned to assume such leadership, thanks to the substantial assistance provided to other countries for Covid-19 responses, to the policies that it is planning to launch for Europe itself, and to the European presidencies of various international bodies scheduled for the next year and a half.

The package of measures already put in place by the European Commission to assist countries in the Global South with their response to the pandemic is very significant, totalling €15.6 billion (of which €3.25 billion is channelled to Africa) (PAEPARD, 2020). But the EU could do even more and better collectively (the EU and its member states provide 57% of global aid), as highlighted by ECDPM and partners recently (Bilal et te Velde, 2020). Even before Covid-19, the EU had put forward, through the independent “Task Force Rural Africa” of which I was a member, a new vision for its future cooperation

with Africa on food security that is centred around the sustainability of food systems, a territorial development approach and climate actions (EC, 2018).

Moreover, Europe has recently launched very ambitious internal policy initiatives that, if implemented, could make the continent a global leader in sustainability. The Green Deal puts forward an innovative agenda for deep transformations towards environmental sustainability and climate resilience within the EU and internationally. As part of this Deal, the “Farm to Fork” strategy was announced with the goal of making Europe’s food system the gold standard for sustainability (but its launch was postponed by a few months due to the Covid-19 emergency) (Spencer, 2020).

### ***Concluding remarks***

Of course all the above may sound politically difficult. But great reforms are often launched in times of serious crisis. The International Monetary Fund, the World Bank and the United Nations, for instance, were all designed during the Second World War. And one of the most effective coordination mechanisms on food systems at global level, the United Nations Task Force on Global Food Security (UNHLTF), emerged during the 2008-2009 food price crisis. The time therefore seems right to bring forward a new One Health approach, with food systems as the centre of action, and its key components: (1) a global arrangement for systematic coordination between food and other thematic institutions, (2) a territorial pact that combines public and private investment, (3) international summits and a strong global leadership led by Europe.

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## **Covid-19 and the Sustainable Development Goals (SDGs): Preliminary Considerations about a Dynamic Symbiosis\***

*By Joe E. Colombano<sup>†</sup> and David N. Nabarro<sup>‡</sup>*

### ***Introduction: the dynamic symbiosis between the virus and the SDGs***

If there is one lesson to be learned from the Covid-19 pandemic is that humanity and the planet it inhabits are tightly linked in a sophisticated whole of interconnected systems. These systems encompass the reality of the biosphere and the constructs of our society, its politics and the economy, and are all tied together in a dynamic symbiosis of interconnections and couplings of varying strength. Life, in every form, is at the center of such “system of systems:” from the microscopic of a virus to the macroscopic of the animal kingdom, the global commons and the world economy. Because of its complexity, however, such a structure is vulnerable to sudden catastrophic collapse triggered by small and at times insignificant events in any one of the constituent systems (Efatmaneshnik, et al. 2016).

One such event occurred late last year, when an unknown virus jumped from a wild animal, probably a bat, to a human, possibly in a wet market in Wuhan, China, thus transmitting the Severe Acute Respiratory Syndrome Corona Virus 2 (SARS-CoV-2) responsible for the coronavirus disease 2019 (Covid-19). Since then, this zoonotic virus spread as a pandemic of unprecedented speed and reach, infecting over 3.5 million people, killing over 250,000, and causing a global recession of historical proportions in May 2020. These numbers are still increasing, as Covid-19 continues to wreak havoc around the world, at least until a vaccine or a therapy are found and made available to all.

The pain inflicted by the pandemic is likely to have deleterious effects on the pursuit of sustainable development, the concept that more than others reflects a “system of systems” approach in the way in which it combines and juxtaposes socio, economic and environmental aspects of human activity and their inter-linkages, co-benefits and trade-offs.

In this article, we take a “system of systems approach” and consider how the virus impacts on sustainable development as expressed through the 17 Sustainable Development Goals of the 2030 Agenda for Sustainable Development.<sup>1</sup> While we recognize that this is a very preliminary analysis, largely based on qualitative and subjective interpretations and anecdotal evidence, we nevertheless believe it can be helpful in bringing some form of order to the analysis of the effects brought about by the Covid-19 pandemic, and the shocks that it inflicts to the complex network of relationships, co-benefits and trade-offs that constitute sustainable development.

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<sup>1</sup> In this article we refer interchangeably to SDGs and the 2030 Agenda for Sustainable Development.

### ***First-order dynamics: direct and indirect effects of Covid on the SDGs***

Because of its exponential pace of growth and the consequences of the measures required to contain it, the Covid-19 pandemic is a formidable challenge to human progress and the realization of the more equitable and sustainable future envisioned by the 2030 Agenda for Sustainable Development. Like any phenomenon that concerns human beings, its relationship to the natural world and its interactions within social constructs such as politics and the economy are complex. Indeed, the way in which the pandemic and the resulting health care crisis is linked to financial, economic and social crises forms a system of circular, interconnected, fast shifting and highly complex elements. We see this system of interactions between the virus and the SDGs as an interconnected and dynamic symbiosis amongst living systems.

The virus impacts each of the goals both directly, by way of its effects on health outcomes, but also indirectly, due to the consequences of the extreme measures needed to contain it (i.e. lockdowns). Covid-19 is a highly contagious virus: each infected person can transmit it to up to three people, and the infectious phase can often be asymptomatic, with people unaware of being a danger to others. As a result, the number of cases doubles every two and a half days on average. This makes it hard to suppress infections completely. A vaccine or a cure will help, but at present they remain under development, and it will be many months before they are made safe and widely available to everyone, including in the developing countries.

#### **Direct effects**

The rates of morbidity and mortality of the virus exert a direct impact on the achievement of the SDGs. At the time of writing, the novel coronavirus Covid-19 is affecting 212 countries and territories around the world. The total number of cases is estimated in excess of 18 million people, with around 700,000 deaths (WHO 2020). Out of 100 cases of Covid-19, on average the largest share is asymptomatic or mild, with only around 15-20 requiring hospitalization including in Intense Care Units (ICU), and around 3-5 succumbing to the virus. These numbers risk reversing the global progress achieved on health outcomes as measured by SDG3 on healthy lives and well-being for all at all ages. The most vulnerable, including women, the elderly, and informal workers, are hit the hardest.

Mortality and morbidity rates of Covid-19 also translate in a direct effect on the size and health of the labor force and its productivity, which in turns impact, for example, the fight against poverty (SDG1), the number of people at risk of famine (SDG2), education outcomes (SDG4), economic growth and employment (SDG8), and more. In addition, Covid-19 mortality rates also get compounded with the number of unnecessary deaths occurring because of the surge in demand for hospitalization, which rapidly overwhelms health systems, including in advanced countries with high level of capacity, when hospitals struggle or fail to accommodate demand, especially for ICU beds, and resources get shifted to front the pandemic emergency. Unnecessary deaths also occur when chronic patients with other diseases than Covid-19 postpone their treatment due to fear of coming into contacts with Covid-19 patients in hospitals and health centers where they would otherwise go regularly.

#### **Indirect effects**

In addition to the direct negative effects of the virus on health outcomes, SDGs implementation also suffers from the impact of the measures adopted to contain the pandemic. We refer to such impact as indirect effects of the virus. They largely come from the consequences of countries requiring their people to shelter in place, therefore effectively imposing a lockdown of their society and the stalling of their economy. Lacking a vaccine or a treatment for Covid-19, lockdowns are the only viable measure to

interrupt the transmission of the virus. Around half of the world population has experienced some sort of lockdown due to the pandemic.

While necessary, lockdowns have immediate and devastating consequences for all the SDGs. The artificial stop of the economy results in supply and demand shocks and a sudden drop in economic output: with estimates ranging between negative 6 and negative 40 percent, the recession expected for the second quarter of 2020 is likely to be one of the most severe on record, with historical levels of unemployment and deprivations. Sectors such as transportation, retail trade, leisure, hospitality and recreation have all been affected. A recent UN report on the crisis describes how supply chain disruptions have halted the manufacturing industry. This, combined with falling commodity prices, in particular oil, exacerbates the impact of the pandemic, and rattles the financial markets. In the developing countries, this has tightened liquidity conditions, and created unprecedented outflows of capital (United Nations 2020).

### ***Resilience dynamics: SDGs progress as a proxy for Covid-readiness***

The “resilience dynamic” effect is based on the consideration that societies that have made most progress on the achievement of the SDGs are also those that are likely to be better prepared to cope with the COVID-19 pandemic. In this sense, the level of SDGs achievement in a specific country can be considered a measure of its Covid-readiness. Put in other terms, the advancement on SDG implementation contributes to building resilient societies, which are able to better cope with the impact of the pandemic. The opposite is also true: societies that are lagging behind in implementing the SDGs are also more likely to be more impacted by the spreading of the virus and less able to cope with its consequences.

Take, for example, the first line of defense against the virus, as recommended by the WHO: frequent handwashing. This is explicitly included in SDG indicator 6.2.1 (b), which measures the proportion of population using a hand-washing facility with soap and water. While this is part of daily hygiene measures for many, the latest SDGs Progress Report reminds us that 2 out of 5 people worldwide do not have a basic hand-washing facility with soap and water at home. In the least developed countries, it is less than one out of three people (28 percent). This means that, globally, an estimated 3 billion people are still unable to properly wash their hands at home, and are therefore deprived of the most basic and effective prevention measure against Covid-19 (United Nations 2019). So countries that are lagging behind on implementing SDG 6 are more at risk of being impacted by the pandemic.

Similarly, it can be argued that in general the pandemic is more likely to affect those communities that are already at risk, as indicated by lack of progress on SDGs implementation. Examples include SDGs 3 on universal health coverage, as the virus is more likely to affect those whose health is already compromised, or on health emergency preparedness; or SDG 11, because people living in slums or densely populated urban areas are less able to adopt basic hygiene and social distancing measures to prevent the virus; or SDG 15, on the sustainable use of biodiversity, including to address the demand and supply of illegal wildlife products, which are considered to play a part in causing zoonotic diseases such as Covid-19; or SDG16 (Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels), because population caught up in or fleeing war and persecution are left unable to adopt precautionary measures against the virus and lack access to basic social and political protections or any support system (United Nations 2020).



### *Inter-linkages dynamics: Covid-19 and the integrated nature of the SDGs*

The analysis of the impact of the Covid-19 pandemic on an integrated system such as the SDGs requires exploring the inter-linkages between the goals. In a system of complex dynamics characterized by many feedback loops, time delays of varying durations, nonlinear patterns of growth and decline, and differing tipping points, any interruption affecting one SDG could result in cascading effects across the others. This calls for a dynamic systems approach to understand the complexity of the problem and suggest policies to solve it.

Figure 1. A systems map of Covid-19 and its effect on the SDGs



Source: Adapted from Millennium Institute's iSDG model.

Figure 1 provides a system map of Covid-19 and its effect on the SDGs. The diagram is adapted from the Integrated Sustainable Development Goals (iSDG) Model, a policy simulation tool developed by Washington, D.C.'s Millennium Institute to help policy makers make sense of the complex web of interconnections between the SDGs.<sup>2</sup> The model integrates economic, social, and environmental factors and includes elements of complexity, such as feedback relationships, non-linearity and time delays, that are fundamental to fully understand the dynamics of development. While not as sophisticated as a simulation, the diagram helps making sense of some of the dynamics triggered by the Covid-19 virus on the SDGs.

<sup>2</sup> The authors are grateful to Derek Chan of the Millennium Institute for his contribution to the original paper.

The diagram illustrates some of the feedback loops resulting from the introduction of drastic lockdown measures adopted to contain the pandemic. A feedback loop is a process in which the outputs of a system are circled back and used as inputs. Most of the feedback loops we describe in this section stem from the effect on economic growth and unemployment (SDG 8), which increases significantly in the short term, due to the sudden closure of the economy, but also persists over time, as economies are slow to restart once the lockdowns are gradually released.

A first simple feedback loop describes the relationship between unemployment (SDG 8), poverty and hunger (SDG 1 and 2) and health (SDG 3). In this case, individuals left without jobs become more prone to falling under the national poverty lines, and thus exposed to hunger and malnutrition. This in turn affects their health, which in turn prevents them from being able to rejoin the labor force. Another feedback loop links together SDG 8, 4 and 1. As jobs are lost due to the closure of the economy (SDG 8), household incomes decline (SDG 1), which in turn leads to an increase in school dropouts (SDG 4), either because families can no longer afford school fees, or because the opportunity cost of keeping children in school is too high, as they can be more helpful in the short term at home. By not completing their education (SDG 4), however, these children are less likely to get a well-paid job in the future (SDG 8) and are therefore at higher risk of poverty (SDG 1).

Often, it is possible to identify longer chains of feedback loops across SDGs. Consider, for example, that the jobs lost to the Covid-19 pandemic are disproportionately held by the working poor, whose job security is lowest, and by women, as they are forced to stay home to care for the children at home from school. Such effects of unemployment (SDG 8) on gender (SDG 5) and social inequalities (SDG 10) are exacerbated by lack of access to basic services such as health (SDG 3) and education (SDG 4) for the same groups, which in turn affects social cohesion (SDG 16) therefore threatening economic stability (SDG 8), and creating more unemployment (SDG 8) and poverty (SDG 1).

In addition to being an effective diagnostic tool, feedback loops are also useful in guiding government policy and expenditure allocation. Faced with the pandemic, governments have rightly invested in the strengthening of public health systems (SDG 3). However, given the budget constraint under which most countries operate, especially in the developing world, and the pressures to restart the economy, governments may be tempted to divert public resources away from the social sector, and invest instead in key productive industries and infrastructure (SDG 8 and 9), as it is often done to boost productivity. Often, these decisions are at the expense of sectors such as education (SDG 4), or water infrastructure (SDG 6), and access to electricity (SDG 7). In such cases, feedback loops such as those described above are helpful to clarify the impact of these choices, especially when they could weaken the response to Covid-19 and other diseases (for example by weakening water and sanitation infrastructure).

International cooperation and environmental policies may also become targets for cutting costs in the face of as severe a recession as that triggered by the Covid-19 crisis. Such decisions may be taken more easily now that populist parties are in power, or because lockdowns have brought about cleaner air (SDG 11) and more sustainable consumption patterns (SDG 12). However, building climate resilience (SDG 13), and increasing marine and land protection (SDG 14 and 15) is dependent on continuous investment and would suffer greatly from such cuts. In these cases, feedback loops are helpful to illustrate the risk of severe economic losses (SDG 8) resulting from neglecting climate action (SDG 13), or the risks of hunger (SDG 2) and adverse health outcomes (SDG 3) from weakened agricultural yields and fish stocks, if marine and land areas were to be neglected (SDG 14 and 15). Similarly, cutting international aid (SDG 17) would also have adverse economic effects by weakening trading partners (SDG 8), increasing poverty

in the developing world (SDG 1) hence increasing the likelihood of migration (SDG 10), and preventing coordinated action to address global challenges such as climate change (SDG 13).

Most of the feedback loops illustrated in the diagram above focus on the chains of effects triggered by the shutting down of the economy to contain the pandemic. While such a measure can be lifted relatively quickly, the economy will take time to rebound to pre-crisis level. Given the inherent inertia of the sustainable development system, any interruption is likely to severely set back progress towards the SDGs. Understanding the complexity of the system and its fragility is the first step towards making the right decisions for planning the recovery and building more resilient societies.

## ***Conclusions***

Covid-19 is not a “black swan,” an unpredictable event with massive impact on a global scale. On the contrary, many predicted the spreading of a respiratory infection caused by a coronavirus and warned us that the world was not going to be ready to deal with it.<sup>3</sup> Cassandras all of them, as their predictions were largely met, if not with incredulity, certainly with inaction. And yet it was not outlandish to foresee that the “system of systems” in which we live is complex enough that any unexpected event, even if small, can undo it, in accordance with the well-known risk management formula *complexity × uncertainty = fragility*.

In this article we looked at the complexity of the sustainable development systems, and analyzed the relationships that exist between the Covid-19 virus and the SDGs. We found that these exist in a dynamic symbiosis in which not only does the virus affects the chances of achieving the goals, but also the extent to which progress has been made in achieving the goals determines the level of Covid-19 resilience of societies. We also found that the virus’ impact on the SDGs is profound and largely negative, with perhaps the most important lesson being about the level of inequality exposed by the virus. Far from being the great equalizer it was initially thought to be, Covid-19 hits hardest the poor and most vulnerable. The only real positive effect of the crisis is that it has put the resilience of public health systems at the center of the political debate.

It would be wrong to make any precise recommendation for policy on the basis of the preliminary considerations outlined above. However, it is possible to indicate a number of general principles to keep in mind as we consider the actions to take in response to the Covid-19 crisis, while continuously learning about it and its impacts on sustainable development. These general principles include the following:

- *Managing complexity is a critical element of policy making for sustainable development:* given the sophisticated interactions between the several dimensions of sustainable development, it is important to understand how complex such system is, and how far it lies from its critical complexity limit, i.e. the threshold beyond which a system can unexpectedly fail. Because uncertainty cannot be controlled, the only alternative is to manage complexity.
- *Building resilience is key to sustainable development:* Building resilient societies will be critical to our ability to respond to the current Covid-induced crisis and achieve a sustainable future. Giovannini et. al. (2017) put it best: “Being resilient means that we are able to stay on – or move towards – the sustainable development path, even if we are challenged away from it, as it is happening now with the Covid-19 pandemic.”

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<sup>3</sup> A non-exhaustive list includes infectious disease expert Dennis Carroll, former USAID Administrator Andrew Natsios, epidemiologist Michael Osterholm, Pulitzer Prize-winner Laurie Garrett, epidemiologist Larry Brilliant, global-health expert Alanna Shaikh, philanthropist Bill Gates, and virologist Robert G. Webster.

- *Crisis response needs a global coordination and local feedback*: Covid-19 is a multidimensional pandemic of global proportion. The response to it needs to be commensurate in scope and nature. Policy solutions to the crisis will be most effective when globally coordinated and locally informed, with a whole-of-system approach.
- *The SDGs must be at the core of the response to the Covid-19 crisis*: the global reset triggered by the crisis is an opportunity for a better recovery, to rebound forward towards realizing a sustainable world, rather than backward to the original system with its flaws, as we did, for example, after the 2008 financial crisis. For this to happen we need to strengthen our commitment to implement the 2030 Agenda and invest in meeting the 17 goals. This is how we can turn this global pandemic into the opportunity to start anew and realize the vision of a fairer and more sustainable world.

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