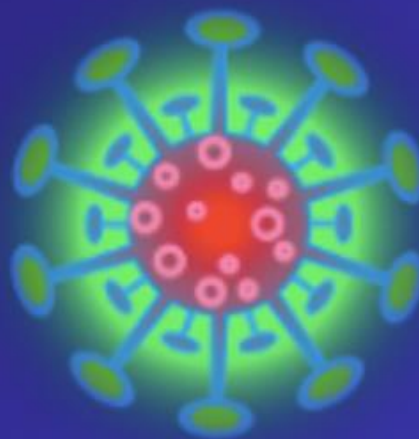




**BEYOND RECOVERY:  
A LEAP INTO THE FUTURE**



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# BEYOND RECOVERY: A LEAP INTO THE FUTURE

*While we cannot live without history, we need not live within it either.*<sup>1</sup>  
Amartya Sen

The global pandemic revealed the unsustainability of our development path. The world of January 2020 was neither environmentally sustainable, nor socially inclusive, nor economically resilient. It rested on fragile foundations. Most of the shifts we are witnessing started prior to the pandemic and have been amplified throughout the crisis. We need both short- and long-term thinking to move forward.<sup>2</sup>

The recovery agenda proposed in this paper moves beyond a return to the old normal. It envisions a leap forward to a new future—one that is greener and more inclusive, humane, and resilient. This aspiration has been at the heart of the most ambitious global agendas of our times: the Sustainable Development Goals (SDGs) and the Paris Climate Change Agreement.

The shift from aspiration to reality is unfolding before our very eyes. The current crisis is lifting fiscal, financial, political and institutional constraints that seemed impossible just a few months ago. From large cities to remote villages around the world, the seismic shifts in social expectations and behaviour, in the labour market and in systems of care, in fiscal and financial resource mobilisation, in gender roles and with respect to politics will not reset to the old normal.<sup>3</sup>

We don't expect this process to happen seamlessly. Economic growth, poverty, unemployment and hunger projections suggest things will get worse before they get better. Unlike other crises in recent history, however, this one is not circumscribed to a failed bank, a debt default, a civil war or a *coup d'état*. It encompasses the entire planet, illustrating a costly system failure. Scientists had warned us for years: undeterred deforestation, illegal wildlife trade, and zoonoses were bound to unleash an uncontrollable pandemic.<sup>4</sup>

While the urgent task today is to save lives and respond to a complex socio-economic and humanitarian crisis, it is also a time to set the course for the future—to prepare for recovery and negotiate the terms of that recovery. This paper attempts this in three steps: imagining a future, tracing tipping points back in time, and engaging with the demands of the present.

The first part imagines **a leap into the future** to make sense of how choices today have ripple effects over time. Many of the fiscal, financial, and political constraints that acted as tripwires in the pre-Covid-19 era are shown to be policy choices—made flexible in the context of an urgent crisis.<sup>5</sup>

The second part of the paper digs into potential **tipping points** that are materializing as the crisis proceeds. We understand tipping points to mean small, incremental shifts that trigger large changes over time. These involve policy and other catalysts that change the trajectory of development over the long run.

The third part lands in **the present**—the here and now. Many important facts are still uncertain. And yet, policymakers around the world are making decisions, taking risks, and moving forward. They are rethinking what development itself is about—no longer a climb up a ladder, but a redefinition of well-being when everyone is vulnerable.

### Box 1: Tipping Points from the Great Depression: A 90-year legacy

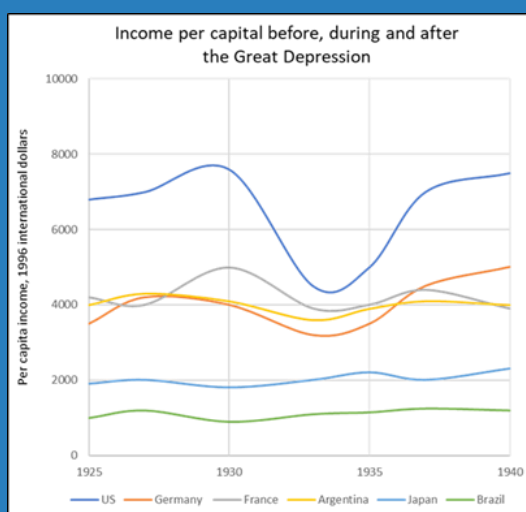
This is not the first time a great crisis rippled across history. Though originating in the United States, where it caused economic and social havoc, the Great Depression reverberated globally, impacting economies worldwide and resulting in political and social changes that defined the remainder of the 20<sup>th</sup> century.

#### Economic contraction and unemployment

The United States economy shrank by 50% during the first five years of the Depression and unemployment reached 25% of the population. Banks failed and people lost all income and savings.<sup>6-7</sup>

#### Rise of totalitarianisms

In societies around the world, populations questioned the uninhibited free market and debated the role of the State in steering economies. The populations of Germany and some other European countries had been hit hard by economic recessions, inflation, austerity programmes, soaring unemployment, and repeated political turmoil; these countries began seeing the formation of totalitarian ideologies and political groups that would rise to power and culminate in the eruption of WWII in 1939.



#### The New Deal and the Birth of the Welfare State

In the United States, President Franklin D. Roosevelt implemented the New Deal based on Keynesian ideas of increased government spending, which successfully reactivated the American economy, boosting GDP growth to 17% in 1934. In several countries, economic support such as social security and unemployment benefits were launched, serving as early examples of the types of social protection schemes that would later serve as the basis of post-WWII welfare states.

#### Keynes and the *Economic Possibilities of our Grandchildren*

In 1930, John Maynard Keynes imagined the world in 2030, a place where people would work “three-hour shifts or a fifteen-hour week” and where the standard of living would be 4 to 8 times what it was at the time of the Great Depression. His foresight was remarkable, but off by 20 hours per week in the world of work and by half a century on the living standard which saw a four-fold increase by 1980 and 17-fold

increase by 2020: “all this means in the long run that mankind is *solving its economic problem*”. We are still grappling with the “economic problem” 100 years later.

Source: Ben Bernanke, *Essays of the Great Depression*, John Kenneth Galbraith, *The Great Crash of 1929*.  
Lorenzo Pecchi and Gustavo Piga, *Revisiting Keynes: Economic Possibilities for our Grandchildren*,  
Cambridge: Cambridge University Press.

# 1. THE FUTURE: LOOKING BACK FROM 2050

In this section we engage in a thought experiment. We are in the year 2050. The world remembers 2020 as a significant turning point. While calls for a greener, more inclusive, and more resilient path of development had been in the works for years, most pronouncements had not led to transformative change with the speed required by an unfolding planetary crisis.

## **The Great Disruption set in motion a set of inter-related tipping points**

What *did* accelerate change? The crisis lifted fiscal, financial, political, and societal constraints that had seemed impossible to lift in the past. The size of the policy response to the global pandemic helped to contain multiple emergencies that saved lives across the globe. This was the first in a set of disrupting steps.

Shifts in social expectations, changes in behaviour, failed government responses, and protracted recoveries in dozens of developing economies set in motion other disrupting steps.

We call these shifts *tipping points*,<sup>8</sup> and describe how they reshaped trajectories of development over the long run. We examine two critical elements: *pre-existing inequalities, unsustainability, and vulnerabilities* that were exacerbated during the pandemic; and *decisive policy actions* that shaped pathways out of the crisis.

## **Rights-based social contracts based on the rule of law and governance, human solidarity, and humane communities emerged from the crisis**

A shift in behaviours and social expectations followed the end of the pandemic, much as they had in the aftermath of the Great Depression and the two World Wars. The crisis pushed new agendas to the forefront of political discussion across societies and generations. Some of these shifts were based on positive learning experiences; others on dissatisfaction with the pandemic response.

Reforms were more than the sum of their parts. They encompassed a new view of the rights and obligations that citizens had with respect to each other and to the future. Social contracts of the 21<sup>st</sup> century added to the usual rights and obligations to fellow citizens, the rights and obligations to future generations and to all of humanity.

The virus had discriminated, and some parts of our societies suffered more than others. Vast swathes of populations—including women, people with disabilities, youth, migrants, displaced people, LGBTQ people, ethnic minorities and indigenous people—moved centre stage. In plain sight, the grievances of people who had long suffered discrimination and inequality were heard.

New social contracts were drafted, not by the usual experts, but by neighbours and friends, written in the ink of empathy and sealed with shared values, connecting all nations, engaging with governments that listened, and working constructively with a private sector that was increasingly part of the social fabric.

## **A capabilities revolution started with a forceful drive for universal health coverage (UHC), and soon bridged to social protection and care, the future of work and basic incomes**

**The pandemic was the largest disruptor of the century, greatly exacerbated by pre-existing inequalities.** Inequality within and between countries had been on the rise in 2020. Many people in the developing world still lacked the basics for a decent life, and inequalities had widened around enhanced capabilities such as quality education, health, women's empowerment, youth empowerment, technology, urbanization, and resilience to climate change.

The crisis reversed many of the development gains achieved over the previous decade, with hundreds of millions job losses, especially among the world's 1.6 billion vulnerable workers in the informal sector.<sup>9</sup> Poverty increased by hundreds of millions, and consumption and income shocks averaged 10% within countries and affected more vulnerable groups by up to 20%.<sup>10</sup>

The crisis of care disproportionately fell on women's shoulders.<sup>11</sup> Those who continued to work in public spaces, in particular health workers, were exposed to significant health and economic risks. The pandemic led to a greater impact on women, such as lower livelihood opportunities, and higher exposure to poverty and inequalities, including gender-based violence.<sup>12</sup>

Out of this crisis emerged a wave of social reforms focused on delivering universal health coverage (UHC) for all, extending social protection systems to informal workers, and revamping care systems around the world. A capabilities revolution followed, led by a new generation forging a new pathway for the future of work—based on continuous skills attainment, digital leapfrogging and a new balance between life and work.

## **A climate and nature-based transition, de-coupling growth from carbon emissions and unsustainable consumption and production patterns**

**Calls for a radical rebalancing of nature and economies had emerged before 2020.** In early 2020, the World Economic Forum<sup>13</sup> spoke of a 'planetary emergency' that included the dual threat of biodiversity loss and climate change. Scientific evidence<sup>14</sup> was mounting that the Earth was on the verge of irreversible and catastrophic damage affecting all life on the planet.

We knew we faced a biodiversity crisis. From various studies we knew of our degraded land,<sup>15</sup> vanishing topsoil,<sup>16</sup> the ubiquity of microplastics,<sup>17-18</sup> species loss,<sup>19</sup> and the loss of tropical forests,<sup>20</sup> moving us closer to irreversible tipping points in areas such as the Amazon.<sup>21</sup>

We knew we faced a climate crisis. A 2018 report by the Intergovernmental Panel on Climate Change showed that we were on track for a 3.5-degree rise in temperature by the end of the century, with dire consequences.<sup>22</sup> We knew, backed by science, that we needed to increase climate ambition by more than fivefold to limit warming to 1.5 degrees.<sup>23</sup>



We knew we faced a human crisis. Water scarcity was already recognized as a key issue before 2020<sup>24</sup> -<sup>25</sup> and we knew that the response to Covid-19 was exacerbated by water shortages caused largely by land degradation, pollution, and deforestation, as seen in Malawi<sup>26</sup> and Brazil.<sup>27</sup> Land degradation had already trapped 1.3 billion farmers on marginal and ever-degrading land.<sup>28</sup> Millions of fishers around the world faced a collapse in their livelihoods, with 90 percent of global fish stocks either full exploited, over-exploited, or collapsed.<sup>29</sup>

All of this was known, yet the global community had not responded proportionately.

It took Covid-19 to jolt the world into action. Framed by reports that found that half of all GDP globally to be at least partially dependent upon nature,<sup>30</sup> and warning of the profound economic consequences of biodiversity loss,<sup>31</sup> the global pandemic helped lay bare the economic drivers that had maintained an entrenched and unsustainable world—governance failures; subsidies for fossil fuel extraction; and investment and banking policies that hid the effects of climate change. This was the tipping point needed to spark a new definition of planetary and human wellbeing. In its wake, Covid-19 left a global society that was ready for a new relationship with the planet.

## **A decisive move to a gender-equal society, celebrating Inclusion and diversity**

**Equal gender relations were a long time in the making.** Before the Covid-19 crisis, the #MeToo movement and feminist demonstrations around the globe made clear that a different world was needed. The pandemic revealed how this was a crisis of social reproduction and care systems and how the costs of the response were again not equally distributed.

In 2020, globally women made up 70% of the workers in the health and social sector, and performed 76% of the unpaid household every day—a volume of work equivalent to that of 2.2 billion full-time jobs.<sup>32</sup> Women faced greater economic vulnerability, while sexual and reproductive health and rights were threatened.

During Covid-19 there was a rise in violence against women in diverse countries around the world,<sup>33</sup> as well as against LGBTQ people.<sup>34</sup> The closing of business and falling labor supply (due to public health restrictions) had dramatic impacts on the supply side of the economy, where women were concentrated in small enterprises and informal sectors.<sup>35</sup> UNDP's Gender Social Norms Index showed that close to 90 percent of men and women still held some sort of bias against women. Social norms also perpetuated gender-based violence: globally 30% of people believe it is justifiable for a man to beat his partner.<sup>36</sup>

The Covid-19 crisis showed how strong leaders could emerge with more inclusive institutions. Leaders in New Zealand, Finland, Germany, among other countries, exercised “feminist leadership” in handling the crisis.<sup>37</sup> They focused more attention on empathy, democratic and consultative approaches, appreciation for diversity, and more effective communication.

The focus of gender inequalities shifted back to norms, values, and power. “Power is the protagonist of this story: the power of the few, the powerlessness of many, and collective power of the people to demand change.”<sup>38</sup> The 2020 pandemic prompted governments to change policy and tackle the discrimination underlying gender inequality.

## Box 2: Youth, powerful changemakers

Young people felt the impact of the Covid-19 crisis acutely. Over 1.54 billion children and youth were out-of-school. Young refugees, displaced persons and others caught up in conflict or disaster were faced with increased vulnerability. Before the pandemic, the World Bank estimated that 1 billion young people would enter the labour market in the following decade, out of which only 400 million would find a job. The recession that followed Covid-19 only increased the uncertainty of the prospects of the remaining 600 million. One in five young people were not in education, training or employment; one of every four affected by violence or conflict. Every year, 12 million girls became mothers while they themselves were still children.

Only 2.2 percent of the world's parliamentarians were under 30 years of age. Many young peacebuilders, especially young women, reported that their participation was not welcomed by the public or those in power, and exclusion from political decision-making increased their vulnerability to discrimination, sexual violence and exploitation, trafficking and child marriage. Frustrations and lack of responses fueled declining confidence in the political establishments and institutions.

Yet, young people still found powerful and effective ways to engage, support each other, and to demand and drive change. Young activists and peacebuilders, actively contributed to efforts to reduce the spread of the virus, mitigating the pandemic's impact, advocating for environmental action, leave no-one behind, collecting data, fighting misinformation, promoting solidarity and demanding accountability.

Countries emerged from the COVID-19 crisis with a determination to increase investments in young people's capacities as they delivered on the SDGs. A fundamental new understanding emerged: young people must be recognized as active agents with equal rights, as full members of societies, and as powerful changemakers.

## A digital disruption rebooted, for people and planet

**The pandemic rebooted the digital revolution, adapted to the needs of a world in recovery.** The interdependence between energy access and internet connectivity became clear during the crisis. With more than 840 million people living without electricity in their homes (most pronounced in Sub-Saharan Africa), and with more than half the world's population experiencing limited or no internet connectivity,<sup>39</sup> the need for connected citizen participation was thrown into sharp relief.

The shape, form, and spread of information shifted during the pandemic. Public health education surged in developing countries. Internet connectivity enabled a sharp upswing in tele-commuting and tele-schooling, and reduced carbon footprints normally associated with road transport and air travel.

Energy was recognized as a driver of digital disruption. Automated systems, the cloud, big data, AI, robotics, and blockchain all helped shape a low-carbon, Fourth Industrial Revolution future. Air quality improved significantly during the Covid-19 pandemic, as indicated by satellite imagery,<sup>40</sup> preliminary modelling in the European Union (EU),<sup>41</sup> and measurements in China, where data showed a 25% decline in emissions as compared to before the outbreak.<sup>42</sup>

Looking back, digital innovation also strengthened climate intervention. Across all transport modes, e-mobility facilitated improved energy efficiency and reduced maintenance costs, thus slashing global carbon emissions. Highly interconnected and efficient energy systems were developed and mainstreamed by combining big data analysis with digital tools to enhance operations and create energy supply.<sup>43</sup>

## **Peaceful and resilient institutions societies capable of prevention, preparedness and risk management**

**The search for a global ceasefire in 2020 did not stop after the pandemic. However, conflicts, crises, and fragility reversed development gains in the world's most fragile settings.** The pandemic aggravated the causes of conflict and undermined institutions at all levels. It fanned the flames of hate, xenophobia, racism, nationalism, mistrust and violence. With little or no access to security, police, and justice services, the most vulnerable and marginalized—women, youth, the elderly, the disabled—were left to fend for themselves.

Extremist ideologies also found fertile ground in this context, invoking images of the wrath of the divine for all of humanity's sins, and calling on whoever would listen to abandon the inclusive human family and join or re-join groups that thrive on 'otherness'.<sup>44</sup>

The number and intensity of violent conflicts grew.<sup>45</sup> Without intervention, 80% of the world's poor, by 2030, would live in conflict and fragile settings.<sup>46</sup> Absent a ceasefire, national financial resources were redirected to war, or were depleted or stolen. National human resources were displaced. With global GDP sharply falling, financing humanitarian, development, and peacebuilding efforts became even more difficult.

The quest for peace faced many challenges in the years following the crisis. Since 2015, development partners had spoken of the need for peaceful, just, and inclusive societies in "fragile settings." Looking back, the pandemic turned this on its head. We have since understood the power of a peace dividend as an imperative not only for fragile settings—but for the world at large.

## **A green Bretton Woods, reasserting the rights of people and planet**

**The COVID-19 crisis led to a vast restructuring of the global economic and financial architecture.** This process was set in motion from lingering crises after the 2009 Global Financial Crisis and clear calls for climate action in 2019.

The disruption and unprecedented uncertainty faced by economies, governments, workers, and companies led to dramatic action on how investment decisions were made, economies were organized, assets were valued, wealth was measured, and risk was assessed. In the period leading up to 2020, there was growing awareness that the existing economic system was broken. The one-sentence front page of a special edition of the *Financial Times* in 2019 had previewed this: "Capitalism. Time for a reset."<sup>47</sup>

Covid-19 held up a mirror up to the inadequacies of traditional economic thinking. Previously niche ideas around 'green growth' moved into the mainstream. In the years after the pandemic, policymakers and central bankers the world over coalesced around renewed commitments to create conditions for sustainable

and inclusive economic growth; shared prosperity and material well-being for their citizens; and a financing model “to ensure the right mix of resources are available in the right places at the right time to solve specific real-world problems.”<sup>48</sup> An SDG economy was born.

In private sector finance circles, BlackRock CEO Larry Fink’s letter to chief executives in January 2020 would help a new conceptualization of ‘fiduciary responsibility’ go viral, based not on altruism but on the recognition that “sustainable investing is the strongest foundation for client portfolios going forward.”<sup>49</sup>

A green Bretton Woods has since provided a platform for countries to negotiate new rules for sustainable finance and commerce. It produced new science-based targets and metrics for the private sector and governments, more financing for global public goods (crucially, biodiverse ecosystems), deeper international alignment among national-level subsidy and tax regimes, and longer time horizons for investments.<sup>50</sup>

### **Box 3: Feminist leadership in the COVID-19 crisis management and response**

The leaders of Germany, New Zealand, Iceland, and Finland received accolades for their effective handling of the COVID-19 pandemic.<sup>51</sup> These countries—all multi-party democracies with high levels of public trust in their governments—have addressed the pandemic through early intervention, widespread testing, easy access to quality healthcare, and clear restrictions on social gatherings. And above all, they have one thing in common: they are all led by women. The success of these and other women-led governments in dealing with the global pandemic is all the more noteworthy, given that there are only 10 female heads of governments among 193 countries. From these country experiences it is clear that the world is in dire need of feminist leadership and gender-equal representation in decision-making.

## 2. TIPPING POINTS: CHOICES THAT SHAPE THE FUTURE

We are back in the year 2020. The countries of the world face a set of tipping points on justice, gender, inequalities, and other areas. In each of these areas, policy choices made today will determine the direction in which the world “tips”—exacerbating the crisis, reinforcing the status quo, or creating a new compact on health, society, the economy, environment, and governance.

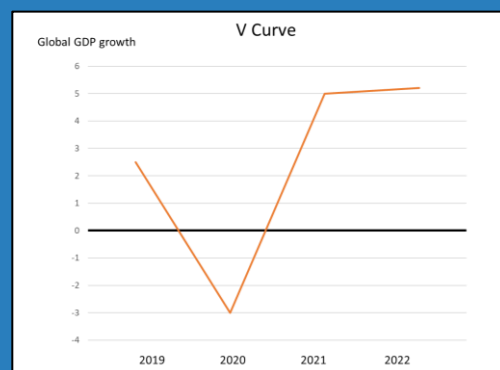
In the remainder of 2020, things are expected to get worse before they get better. In February, some observers predicted a V-shaped recovery—a rapid downturn in GDP followed by an equally rapid upswing—but this prediction was based on assumptions that have not materialized.<sup>52</sup> Slower, longer, or up-and-down recoveries—called U-shaped, L-shaped and W-shaped pathways—are quickly becoming the default scenarios for most of the developing world. In all these scenarios, however, the following seven tipping points remain salient.

### Box 4: Four types of recoveries

Different scenarios show what economic recovery could look like depending on the duration of lockdowns and the depth of the socio-economic impacts of the crisis.<sup>53</sup> V, U, L and W curves are graphic simplifications of how the pandemic may play out. They describe plausible trajectories, but do not in themselves reflect locked-in pathways. Although often posed in strictly economic terms, W-shaped recovery trajectories can be extended to services, jobs, society, and governance.<sup>54</sup> Whole-of-society responses will be required to move beyond the pandemic.

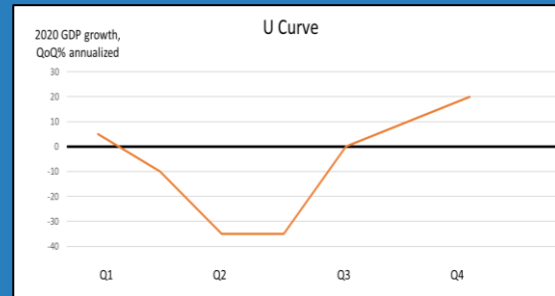
#### The V-Curve

This ideal scenario illustrates a sharp and sudden drop in GDP, but an equally sharp recovery in a short time frame, for instance in case of short lockdowns due to effective containment of Covid-19 and a sharp GDP recovery driven, for instance, by fiscal and monetary stimulus packages and the speedy reopening of business after lockdowns.



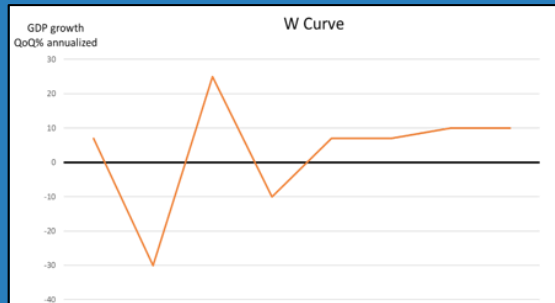
### The U-Curve

In this scenario, recovery happens at a slower rate and extends over several quarters as the impacts on GDP endure beyond the duration of lockdown, affecting the speed of economic recovery.



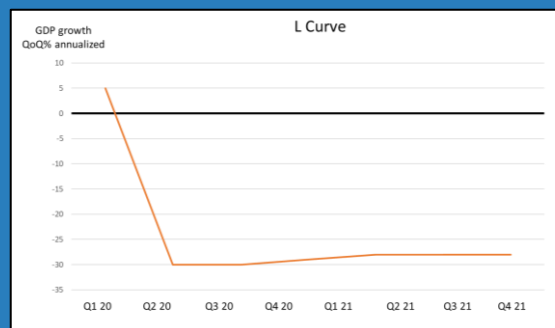
### The W-Curve

This scenario could occur if, following a sharp V-type recovery, the medium- to longer-term impact of the crisis on unemployment, closing of businesses, and other adverse impacts of the crisis manifest and cause a second drop in GDP, followed by second, albeit slower, recovery phase.



### The L-Curve

This scenario occurs when, after the initial plunge in GDP growth, there is little to no recovery for an extended period of time. This could for instance be the case if lockdowns are extended for longer periods due to continued or a resurgence of Covid-19 cases.



**Tipping point #1: A shift in behaviours and expectations is highlighting that accountable and inclusive governance is needed and that people are agents of change.**

**There is a fundamental shift in social expectations taking place across the globe.** While trust in government has improved markedly during the first months of the Covid19 crisis,<sup>55</sup> the run-up to the crisis looked very different: confidence in governments, particularly among younger generations, was falling, human rights were being undermined, and millions of people in over 60 countries took to the streets to protest on a range of social, economic and political concerns. A profound shift in the global landscape of dissent was underway.<sup>56</sup> How are these conflicting trends likely to evolve?

Much depends on how governance, human rights, and security challenges are addressed during the pandemic. Tough choices have been made but obligations to respect human rights and the rule of law

remain.<sup>57</sup> Such choices occur in the area of social media, civic space, security, justice, governance, and local mobilization.

**Social media:** The major social media companies have taken steps to curb misinformation about the pandemic. Governments could build on this by providing the legal and regulatory space for free media to operate and enabling high-quality, fact-based media content to circulate, with a priority to meet the needs of all sections of society. Smartphones and social media should be leveraged for enhanced participation and access to services.<sup>58</sup>

**Civic space.** According to the global NGO Civicus, only 4% of the world's population lives in a truly open civic space.<sup>59</sup> Misinformation and distortion of the media has undermined political processes<sup>60</sup> and sown confusion, discontent,<sup>61</sup> and human rights challenges. The UN Secretary-General outlined a path forward,<sup>62</sup> "stating that such trends must be reversed in order to avoid civil unrest, exclusion, and the exacerbation of inequality.

**Justice:** In 2019, the Justice Gap was exposed:<sup>63</sup> some 1.4 billion people had unmet civil and administrative needs; 1.2 billion victims of violence or crime globally did not report to the authorities; access to justice is even more at risk during the pandemic.<sup>64</sup> Various needs include modernization measures,<sup>65</sup> collaborations<sup>66</sup> to provide access to justice for all people, especially women,<sup>67</sup> youth and undocumented migrants, small businesses, the homeless/ evicted, and debtors and other vulnerable people. Community-based organizations, legal aid providers, and human rights defenders need financial and legal backing.

**Security:** Where national authorities have been dependent on the police and the military to handle the crisis there is a risk that people feel alienated and afraid. In conflict and fragile contexts, where the legitimacy of the government was already contested, there may be an increased dependence on non-state armed groups or even terrorist organizations for protection instead of the local security services. A public disconnect with the police usually creates a wider malaise and lack of confidence in government.<sup>68</sup> Hence, police systems must quickly refocus on the task of protecting communities and be capacitated to do so.<sup>69</sup>

**Governance:** The Covid-19 crisis is global, but the response and recovery is local. Local government, being close to communities it serves, provides the best opportunity for trust to be formed between state and people. However, their potential has not been matched by fiscal resources.<sup>70</sup> Local governments are frontline responders from Somalia to China,<sup>71</sup> playing an essential role in reimagining economic development, social protection, and public investment,<sup>72</sup> using old and new technologies to assess need.<sup>73</sup> Their responsibilities are high, their potential role in cementing the social contract is huge, but finance is low.

**Civic mobilization:** Alongside local efforts, the current crisis has catalyzed new forms of civic mobilization, showing how it is possible to do spatial distancing and not social distancing—to remain connected even as people remain physically separated. Trade unions, women's groups, youth organizations, neighbourhoods, religious organizations, and the private sector<sup>74</sup> have all risen to the challenge, filling in gaps left by governments to provide essential services, share information, and protect each other. Not all are constructive voices but governments are obligated to protect civic space.

If the world is to rebalance the equation of trust, accountability, and justice then it must use different indices for success. The GDP is no longer a lone indicator of satisfaction or stability. The Happiness Index<sup>75</sup> has taken on a new relevance now that wellbeing is understood to be causally linked to peace and development.<sup>76</sup> A YouGov poll published in the UK on 11 May 2020 shows 80% of the public expect

wellbeing and health to have primacy over the economy after the pandemic.<sup>77</sup> We progress towards a positive social contract only when we measure the changes we want to see.

## **Tipping point #2: Inequalities have been exacerbated during the crisis, starting with access to universal care and extending to basic incomes, social protection and care.**

**A worldwide shift is underway in concepts of health, social protection, systems of care, and well-being.** When health stops, everything stops, and where health blossoms everything has a better chance to grow. Covid-19 is a deadly and disruptive way of health announcing its centrality to virtually everything.

In the crisis evolves and passes, the world will need to put in place the building blocks for Universal Health Coverage (UHC). Everyone should have access to quality health services without financial hardship. But even with wide access, focusing only on the supply-side of the equation would not stop one pangolin<sup>78</sup> or one under-regulated wet market from unleashing another pandemic. Telling people to wash their hands means nothing if they do not have access to water. Staying at home is meaningless without shelter. Staying informed does not work without access to accurate information. Access to essential health technologies—diagnostics, medicines and vaccines—is fast becoming a global public good and equitable access is no longer a distant dream.<sup>79</sup> The right to health is not just the right to health care, but the right to a health-enabling environment.

Covid-19 is revealing that health inequities are driven less by differences in biology than by social structures, political systems, policy choices, and cultural norms and values. UHC can prompt us to remove barriers to health and improve the health care and systems. We can change the laws and policies to advance the health and rights of all but focused first on those typically left behind, including women and girls, LGBTIQ people, migrants, sex workers, prisoners, and people who use drugs.<sup>80</sup> In efforts to ensure UHC, we can address the web of social, economic, commercial and environmental factors which largely determine how health and health services are distributed between and within populations. UHC also becomes the driver of more systematic pandemic preparedness.

As envisaged in the 2030 Agenda, universal means universal—that is, all people, regardless of gender, ethnicity, age, race, income, religion, disability, sexual orientation or gender identity. UHC is at the core of human dignity. UHC also allows issue-specific interests and constituencies to combine rather than compete; UHC also puts to rest false dichotomies between treatment versus prevention. The drive to provide UHC covers all nations and places. We are learning the hard way, that we are only as strong as our weakest health system, and we are only as protected as our worst protected neighbour. The notion of global health solidarity and human security is becoming a critical condition. Countries build different UHC systems and there is no one size that fits all, but the fundamentals are unshakable across societies.

This crisis has exposed deep societal inequalities and fissures that are affecting the most vulnerable and marginalized groups. Close to 4 billion people and 2 in 3 children have no access to essential health services and have no or inadequate social protection; and about 100 million people are being pushed into extreme poverty because they must cover health care expenses.<sup>81</sup> Recent estimates indicate that between 180–280 million under a 10 per cent contraction, and between 420–580 million under a 20% contraction people could fall into poverty because of Covid-19.<sup>82</sup> The world of work is experiencing a massive surge of



unemployment, affecting about 1.6 billion people, mostly vulnerable workers in the informal sector and small and medium-size enterprises.<sup>83</sup>

Countries need urgent support to link the Covid-19 response to an equitable, resilient, and sustainable post-Covid recovery that caters to the rights of the most vulnerable segments of society: interrupted livelihoods and incomes of informal workers must be compensated for and protected; access to quality basic services must be preserved; and the crisis of care addressed with gender-responsive measures.

Against this backdrop, social protection is more relevant than ever to deliver sustainable development outcomes, including poverty reduction, better health and education. Not only is it a human right, but also a critical lever to leave no one behind. Without a social safety net to protect the vulnerable segments of the populations, the social costs of the pandemic will soar, making a powerful argument for universal basic income (UBI) not as a short-term fix but rather a long-term solution to ensure minimum living standards for all, and provide a token of a renewed government-citizen social contract.

#### **Box 5: What if the world had invested \$9 trillion in the SDGs since 2015?<sup>84</sup>**

The world is off-track to achieve the SDGs by 2030 and the current Covid-19 crisis threatens not only to slow progress further, but to reverse it.

The World Bank estimates there are 720 million people living under 1.90 per day.<sup>85</sup>

Imagine a one-time social transfer to eradicate extreme poverty. What would it cost? Living in extreme poverty means having less than \$1.90 (2011 prices) a day. If we assume that it takes \$1.90 per day to pull the average person out of extreme poverty, then the cost of eradicating it for a full year would be \$492 billion—equal to about 0.5% of world GDP.

WHO estimates that health care expenditures alone are keeping 100 million people caught in extreme poverty and that half the world's population does not have full coverage of essential services.<sup>86</sup> Such factors will significantly push up the fatality ratio of Covid-19.

Now imagine achieving Universal Health Coverage (UHC) by 2030, a goal to which all UN Member States have agreed. What would it cost? The World Bank estimates that the cost of achieving UHC in the world's 54 poorest countries (home to 1.5 billion people) to be \$176 billion annually by 2030 —or about 0.2 of GDP.<sup>87</sup>

In summary, it would roughly cost \$668 billion a year (or a little over 0.7% of world GDP) to eradicate extreme poverty and achieve UHC in the world's poorest countries.<sup>88</sup>

### **Tipping point #3: There is a historic opportunity to initiate a green recovery, with sustainable uses of nature and climate.**

**Covid-19 has demonstrated yet again that public health is linked to climate and nature. This crisis started in a cleared forest, with the illegal capture of a wild animal**—which is how 2.4 billion cases of human illness and 2.2 million deaths happen every year.<sup>89</sup> To ensure public health, the world must address nature, climate, and the underlying economic system that made our world unsustainable. For that reason, Covid-19 will be remembered as a tipping point for environmental sustainability. Three major transformations could emerge from the crisis: the creation of a planetary safety net; extensive decarbonization; and a green economic and finance reset.

***Building a Planetary Safety Net.*** As decisionmakers, thanks to the mobilization and advocacy of civil society, youth and the scientific community, begin to understand the consequences of our planetary emergency, they may resolve to undertake measures to create a planetary safety net in such areas as biodiversity loss, land and water protection, and the illegal trade in wildlife. Policymakers could bend the curve on biodiversity loss by restoring degraded ecosystems, especially those—such as degraded tropical forests, peat lands, wetlands, rivers, mangroves, and coral reefs—that are most likely to convey societal benefits. Decisionmakers could also dramatically increase the amount of land and water under some form of protection, including national parks, indigenous reserves and community conserved areas. The illegal trade in wildlife, which imperils thousands of species, could come to a halt with proper policies and enforcement. In its place, new public-private partnerships could emerge and lead a revolution in nature-based ecotourism, with wildlife as the centerpiece.

***Radical decarbonization of energy and land use.*** Decarbonizing energy more effectively would cost up to \$130 trillion; however, this investment would not only transform the energy system, but could boost cumulative global GDP gains above business-as-usual by \$98 trillion between now and 2050. At least two things are required to radically transform our energy sources: (1) Increasing investments in renewable energy and shifting subsidies away from fossil fuels; (2) Dramatically increasing funding for nature-based solutions (currently at 3% of climate mitigation finance<sup>90</sup>), which have the potential to provide 38% of climate mitigation needs for a low cost-benefit ratio.<sup>91</sup> This could be achieved through a global carbon tax, best applied in a time of low oil prices<sup>92</sup> and a transformation in agriculture from a major greenhouse gas contributor to a carbon sink—primarily through regenerative agriculture,<sup>93</sup> and agroforestry.

***Green economic and finance reset—scaling up and mainstreaming sustainable finance.*** There is a growing awareness that the existing economic system is broken, as illustrated by the one-sentence front page of a special edition of the Financial Times in 2019: “Capitalism. Time for a reset.”<sup>94</sup> Sustainable finance has its roots in several developments that are being amplified by Covid-19. First, even before Covid-19 emerged, some investors had made commitments to divest their portfolios<sup>95</sup> from fossil fuels; and while 70 percent of the world’s corporations are not disclosing data on forest loss,<sup>96</sup> pioneering groups such as the CDP<sup>97</sup> and efforts such as the Accountability Framework Initiative<sup>98</sup> are pressuring corporations to report on their social, climate, and nature impacts. Second, due to the risks posed by such factors as inequality, health, and climate change, certain types of economic activities may become uninsurable, and new forms of micro and sovereign insurance will appear. Third, government appetite for the \$5.2 trillion spent annually in fossil fuel subsidies<sup>99</sup> and the \$700 billion in unsustainable agricultural subsidies<sup>100</sup> is waning, and measures such as a proposed debt standstill<sup>101</sup> for vulnerable countries could ensure that a transition would be borne equitably. Fourth, philanthropists may help to catalyze action by providing “first loss capital” to new forms of investment. Fifth, banks may shift investment priorities, as increased tools for disclosure

mean this pattern of investment is no longer tenable. Sixth, governments may yet start to view nature not as a maintenance cost but as an investable asset for society and a sustainable economy.

**Tipping point #4: This crisis is reassessing what is needed to secure gender equality. A surge in gender-based violence is exposing the urgency to address the deeper and intersectional drivers of gender discrimination and bias, implicit in social norms, laws, policies and everyday behaviour.**

**The Covid-19 crisis is triggering a reassessment of what is needed to secure gender equality.** States need strengthened capacity to enhance gender equality, including accountable frameworks that secure gender-based human rights. Achieving gender equality requires addressing not only what are commonly thought of as “women’s issues,” but a range of issues such as social reproduction, the care system, leadership, and the digital sphere.

In the post-Covid-19 era, a new economic paradigm centered on preserving social reproduction, and the care system will help bolster an economic recovery and achieve human rights, fairness, and social justice. A moral economy that re-focuses attention to economic redistribution and to activities that are essential to life can accelerate the path towards gender equality. Also needed are robust care systems that offer services throughout the lifecycle; de facto equal economic opportunities; more equitable power relations, gender-based social norms, and access to resources; and measures to advance positive freedom,<sup>102</sup> such as expanded scholarship programs and business incubators.

Also important is rethinking what leadership means in times of crisis and beyond, new forms of leadership that promote soft skills and behaviors, including empathy, more democratic and consultative approaches, appreciation for diversity, and more effective communication and transparency. Understanding and recognizing our emotions—one of the ‘ten central capabilities’ suggested by Martha Nussbaum<sup>103</sup>—and the way we react and behave when feeling fear and anxiety has vital gender-differentiated impacts on power relations. This important dimension needs to be integrated into development discourse and practice after Covid-19.

The gender divide must also be considered with respect to digital transformation and redefining globalization. Governments need to proactively expand digitalization to women. Governments and the private sector can push for digital competitiveness and digital foreign investment that benefits all. This can be done through investments in gender-responsive digital firms, inclusive digital infrastructure, and digital adoption by non-digital businesses.

Changing discriminatory gender norms embedded in social institutions will transform our future. Many people have a vested interest in upholding discriminatory gender norms, because it benefits them or the institutions of which they are a part. Efforts to replace discriminatory gender norms with more equitable attitudes and practices need to change how the norm is promoted and reinforced across all institutions and settings. All norms change in response to forces such as changing economic opportunities or the spread of new ideas. It is often easier to encourage people to change a specific harmful practice or the norm that governs it than to change underlying cultural values—but these, too, can and do shift over time.

Building gender equality also requires that the world eliminate gender-based violence and discrimination on grounds such as race, gender, sexual orientation, religion, and disability. Any post-Covid-19 policy should consider civil rights as the basic ground from which to build upon. Civil rights should protect individuals' freedom from infringement by governments, social organizations, and private individuals. The right of everyone to "life, liberty and security of person" is stated in the article 3 of the Universal Declaration of Human Rights. Gender-based violence is an essential infringement of people's civil rights, thus all post-Covid-19 policies should explicitly consider how this kind of violence increased after the Covid-19 outbreak and ways to prevent and address it through dedicated and broader sectoral interventions.

A new gendered pathways approach in the post-Covid-19 era is a moral and ethical imperative. Building more equitable gender relations that support human rights, dignity and capabilities of women and men, intersected by differences in gender identities, is a central requirement of an ethical world order.

#### **Box 6: Gendered Social Norms: "Turtles all the way down"**

Shocks to a society can change gender roles and expectations.<sup>104</sup> In Uganda, for example, an initiative to end violence against women found that new economic pressures made it harder for men to provide for their families, leaving some of them feeling worthless; that attitude may result in more violence against women. The Covid-19 crisis may radically transform gender norms in societies worldwide, and these may result in changes in behaviors, some of them violent. Such changes in roles and behavior rest on the back of social norms, which themselves are part of deeper unconscious individual and collective beliefs. According to an apocryphal story, British philosopher Bertrand Russell was once asked, "If it is true that the world stands on the back of a massive turtle, what does that turtle stand on?" Russell responded: "I'm afraid it's turtles all the way down." Beneath power, beneath institutions, beneath behavior are social norms that provide the moral space for all action.

#### **Box: 7: Investing in the "upside" – empowered youth**

COVID-19's impact youth has brought to the fore fundamental challenges related to power- dynamics, trust, human rights, inclusion, accountability, and prevention of violence at the core of young people's concerns.<sup>105</sup> In addition to socio-economic hardships, young people are specifically affected by increased threats and attacks on young activists; abusive tracking and misuse of personal and sensitive data in the digital space; increased discrimination and exclusion; shrinking civic space; gender-based violence and violence against children. A shared understanding of these impacts and of the role that young people are playing in driving solutions will help to meaningfully respond to the pandemic and define new pathways to recovery.

We are aware of the triple imperative to work with youth as partners: a demographic dividend to seize (1.85 billion young people); a democratic imperative, to build inclusive, just and peaceful societies; and a question of development effectiveness and scale by giving young people concrete opportunities as they care and contribute with scalable solutions, access to marginalized communities and broad and agile networks to offer.

Interventions related to the COVID-19 pandemic and recovery need to be mindful of young people who are marginalized or vulnerable, such as rural young people, young migrants and refugees, adolescent girls and young women, Indigenous and afro-descendent youth, young persons with disabilities, young people living with HIV, young members of LGBT communities.

At this juncture, there is an alternative opportunity for governments and international actors to truly 'invest in the upside':<sup>106</sup> in young people's resilient commitment to peace. Only by listening and responding to youth's needs in a given context on the basis of their work, vision, local knowledge and comparative advantage, can we achieve progress on the 2030 Agenda. This includes transforming systems and barriers to young people's contribution to and benefit from development; consulting meaningfully with young people on their development priorities and ensuring that their priorities are taken into account through a broad range of public policies for youth; mitigating risks connected to shrinking of civic space, discrimination and stigma and promoting human rights; systematically gathering disaggregated data by gender and age; enhancing viable opportunities for decent jobs for youth; supporting youth political participation; providing access to relevant, formal and non-formal education and promoting safe education institutions; specifically investing in youth organizations and in young women's leadership.

### **Tippling point #5: The wave of tele-working, tele-schooling, tele-medicine and digital payments during the Covid-19 crisis are likely to usher in a deeper use of digital technology.**

**The surge in tele-working, tele-schooling, tele-medicine and digital payments during the Covid-19 crisis are just the tip of the iceberg in digital transformation.** Artificial Intelligence, blockchain, cryptocurrency, virtual reality, the Internet of Things were already transforming the world prior to the pandemic. The 'Fourth Industrial Revolution' mobilizes the potential of technological innovations and touches every arena of life. Emerging technologies have the potential to advance sustainability and to lead to better development work at different scales—from satellite imagery to supporting health services in a remote village.

Digital technologies also trigger new challenges, because they can exacerbate existing inequalities and even drive new forms of inequality. Rapid change and the increasing number of digital technologies available to the digital 'haves' risks further excluding the 'have-nots'—such as the 3.5 billion people who still don't have internet access.<sup>107</sup> Some entire countries face the threat of being left behind, widening the digital divide.

Behind the immediate opportunities and challenges of the digital revolution lies a deeper promise to help leapfrog development challenges. Probably the most famous instance of stage-skipping is the mobile revolution, which put phones in the hands of millions of people while allowing developing nations to skip directly to mobile phones without the need to invest in landline infrastructure. This was followed by the explosion of mobile payment systems and digital banking apps in the developing world. These new services have dramatically expanded access to financial services while allowing emerging economies to chart an alternative path to the credit card-based systems that still dominate in most developed nations.<sup>108</sup>

Developing countries have latecomer advantages over more developed countries when it comes to technology adoption. The lack of legacy infrastructure and entrenched vested interests speeds the rapid adoption of emerging technologies. This flexibility could allow developing nations to plan their policies, innovation ecosystems, and infrastructure with emerging technologies in mind from the start. Dashboards for logistic management systems are improving the efficient deployment of essential resources—from hospital beds to PPE to, ultimately, vaccines. More advanced technologies including AI are being employed to provide insights into complex questions of how individual behaviors impact transmission and identifying which policies work best.

The learning-by-doing gains of the crisis will become important down the road. The pandemic is transforming the global health community's acceptance of digital health technologies. As health systems around the world are overwhelmed, leaders are adopting technologies that only three months ago were on the sidelines of most health care systems. As doctors, patients and home care providers turn to telemedicine to reduce exposure to the virus, they are discovering these virtual consultations are effective for triaging care, sharing critical guidance, and providing emotional support. Such lessons have implications for the world long after this crisis.

## **Tipping point #6: The crisis reveals the particular needs of fragile and conflict- and crisis-affected contexts and building resilience against shocks.**

The Covid-19 crisis has revealed yet again the urgency of building resilience against shocks, most especially in fragile and conflict- and crisis-affected contexts. Among the essential components of resilience are the factors addressed in the UN's Global Humanitarian Response Plan,<sup>109</sup> which include social cohesion, human rights, crisis governance, response capacity at core and local levels, xenophobia, and hate speech. Also vital are a global ceasefire<sup>110</sup> and a socioeconomic framework that is inclusive, equitable, and follows the rule of law.<sup>111</sup> These and other factors are part of a tipping point on resilience.

Whether the world tips toward further crisis and conflict, or whether it tips toward resilience depends on how its response addresses such questions as the following:

- How are our responses geared toward prevention of different kinds of violence, relapses, crises, conflicts and fragility? How are our governance responses institution- and people-centered and conflict-sensitive, and are we (re)building resilience capacities at the level of communities and institutions?
- How are we addressing issues of risk, heeding early warnings, and what are the mitigation measures through integrated analysis and integrated solutions? How do countries understand and appreciate risk-informed development policies, with a view to shoring up government functions and basic services?
- How are we reinforcing basic principles of human rights, rule of law, and the balance of powers that are often the root causes of fragility, conflict, and violence? How can partnerships help us mitigate risk, expand the scope or prevention and resilience actions, and bring peace?

In conflict and crisis contexts, justice- and security-related concerns will be even more acute. While guidance exists to address protection issues in humanitarian contexts, there is a need to also review how justice and security institutions are functioning across the humanitarian-development nexus.

Already weakened state institutions will likely be unable to respond effectively to the pandemic, further compounding mistrust in the state. The unchecked spread of misinformation can further exacerbate conflict. Different parties may exploit the situation, stoking xenophobia and employing hate speech to harden divisions and increase tensions between populations.

In contexts where unrest and social movements have been calling for governments to address inequality, injustice and corruption, the Covid-19 crisis may serve to reinforce disparities and magnify tensions. Ensuring the role of law enforcement in protecting the population, and strengthening access to restorative justice, including mediation and alternative dispute resolution, will be important for safeguarding political and security gains in these situations.

## **Tipping point #7: Unmanageable debt, capital flight and trade stops threaten the recovery.**

**Debt build-up, search for yield in emerging markets and trade wars were the immediate backdrop for the current crisis.** Global predictions for economic growth moved from +3% to -3% in a matter of months.<sup>112</sup> That 6.3-percentage-point drop signaled a major revision over a very short period, making the current crisis the worst recession since the Great Depression, and far worse than the Global Financial Crisis.

Public sectors had already been tapping into the international markets for over a decade. The private sector also bloomed. Between 2007 and 2019 the value of internationally traded emerging market corporate debt almost quintupled from \$500 billion to \$2.3 trillion. Over a similar period, foreign investors bought up one-quarter of the local currency bonds issued by emerging-market governments, helping to pay for new infrastructure. Observers of the world economy have been warning for some time that this global debt mountain harbors risks.<sup>113</sup>

Some countries are expected to withstand the blow better than others. Developing and emerging economies hold trillions of dollars worth of reserves, a lesson learned from their experience in the 1997 Asian crisis. However, as the global economic downturn affects trade, commodity prices, oil, remittances, tourism, and global supply chains it will strain all buffers. Particularly worrisome cases are least developed countries (LDCs), 44% of which were already in debt distress or near debt distress prior to the pandemic;<sup>114</sup> small-island developing states (SIDS) which include some of the highest indebted economies, in per capita terms, in the world; and highly indebted middle-income countries (MICs) that will have to add either to debt distress or to “development distress.”<sup>115</sup>

A critical tipping point for the global economy will arise if and when debt liquidity problems become debt solvency crises.<sup>116</sup> The existing debt standstill for 76 International Development Association (IDA) countries is good but insufficient, as demonstrated by a few data points. The total amount of external debt held by developing and emerging countries is \$11 trillion (\$9.3 trillion excluding China), with \$3.9 trillion of debt service repayment due in 2020 (\$2.9 trillion excluding China).<sup>117</sup> The IDA debt standstill with official bilateral creditors plus IMF amounts to over \$20 billion in 2020. While this is positive, ongoing debt servicing from developing economies will continue to crowd out fiscal space this year. Missing from the debt standstill is debt owed by MICs and SIDS, as well as debt owed to private creditors, non-traditional creditors, and multilateral development banks.



Given the size of the problem, the debt standstill should be extended to all developing countries, from all creditors, as signaled by the UN Secretary-General’s paper on debt. The critical question is, debt standstill for what? The UNCTAD has made a bold proposal on using the debt standstill to pay for the additional resources needed to respond the crisis.<sup>118</sup> UNDP is assessing how a global debt standstill could translate into a Temporary Basic Income (TBI) for all poor and vulnerable households around the world.

Ultimately, the world needs to prepare for debt restructuring—and link it to “building back better”: Past debt crises show that the incentives for the next cycle of debt are set at the debt restructuring table; this experience also demonstrates the need for a robust portfolio of options for the future. Everything from Debt-for-Nature Swaps<sup>119</sup> to accelerate the Paris agreement commitments, to Pandemic Bonds<sup>120</sup> that work, to State-Contingent Bonds and Debt instruments that could help the most vulnerable economies around the world.<sup>121</sup>

While the tipping point may arise from cascading debt, the deeper question is how to grow economies in more resilient and sustainable ways. This underpins much of what an incentive-compatible economic and financial architecture will look like coming out of the Covid-19 crisis.

#### **Box 8: Transitory Basic Income (TBI) funded by a full debt moratorium**

While scaling up existing social transfers is the prevalent policy choice to compensate poor and vulnerable households for lost income during the pandemic, a more ambitious option involves covering all poor and vulnerable households with a Transitory Basic Income (TBI).

A recent paper uses the latest available (2018) country-level data from the World Bank’s PovcalNet database on harmonised household survey data, and on poverty headcount figures for 132 developing countries. These data are the basis for the simulation of the size of a Temporary Basic Income (TBI) relief scheme under ten different scenarios.

Poverty is usually measured according to a gradient: \$1.90 a day, equivalent to the median value of the national poverty lines among low-income countries; \$3.20 a day, which equals the median value of the poverty lines among lower-middle-income countries; and, \$5.50 a day, or the median value of the poverty lines among upper-middle-income countries.

TBI would thus consist of a cash transfer of \$3.20 a day to 465.52 million poor and vulnerable people living on less than \$3.20 a day in low-income countries; a cash transfer of \$5.50 a day to 2.12 billion poor and vulnerable people living on less than \$5.50 a day in lower-middle-income countries; and, a cash transfer of \$9.25 a day to 1.10 billion poor and vulnerable people living under \$9.25 a day in upper-middle-income countries.

A 3-month period of TBI coverage, reaching 1.10 billion people, would cost \$2.1 trillion in transfers; a 6-month period of TBI would cost \$4.2 trillion. As a reference point, all developing countries will pay \$3.9 trillion in debt service payments in 2020 (\$2.9 trillion excluding China).

A global debt standstill would go a long way to free up fiscal resources in developing and emerging economies.



C. Transfer of a **varying** vulnerability level of \$3.2, \$5.5, and \$9.25 a day per person

- (i) \$3.20/day for all the current number of poor/vulnerable under the \$3.20/day line living in low-income countries
- (ii) \$5.50/day for all the current number of poor/vulnerable under the \$5.50/day line living in lower-middle income countries
- (iii) \$9.25/day for all the current number of poor/vulnerable under the \$9.25/day line living in upper-middle income countries

	(i)	(ii)	(iii)	(5)				
<i>Global TBI fund required</i>								
Daily (billion)	1.49	11.65	10.18	23.31				
Monthly (billion)	45.31	354.26	309.53	709.10				
<i>Monthly TBI fund required, by region (billion \$)</i>								
East Asia and Pacific	0.00	0.0%	46.44	13.1%	177.40	57.3%	223.84	31.6%
Europe and Central Asia	0.13	0.3%	5.61	1.6%	20.85	6.7%	26.59	3.7%
Latin America and the Caribbean	0.56	1.2%	1.87	0.5%	71.14	23.0%	73.57	10.4%
Middle East and North Africa	3.48	7.7%	13.82	3.9%	26.97	8.7%	44.27	6.2%
South Asia	0.92	2.0%	226.55	64.0%	0.04	0.0%	227.51	32.1%
Sub-Saharan Africa	40.23	88.8%	59.96	16.9%	13.14	4.2%	113.32	16.0%
<i>Monthly TBI fund required, by income group (billion \$)</i>								
Low-income	45.31	100.0%					45.31	6.4%
Lower-middle Income			354.26	100.0%			354.26	50.0%
Upper-middle Income <sup>a</sup>					309.53	100.0%	309.53	43.7%

<sup>a</sup> Includes the following high-income countries: Argentina, Chile, Croatia, Hungary, Panama, Poland, Seychelles, Trinidad and Tobago, and Uruguay

Source: Ortiz-Juarez, Eduardo and George Gray Molina (2020), "Transitory Basic Income (TBI) Simulations for Developing and Emerging Economies", SPE Policy Brief, New York: UNDP.

### 3. THE PRESENT: CHOICES HERE AND NOW

**The pandemic’s timetable is indeterminate.** The best evidence suggests that a vaccine or cure will not likely be available for the next 12 to 18 months.<sup>122</sup> The best evidence also suggests the incubation period of the virus runs between 5 and 14 days<sup>123</sup>—with millions of unknowing asymptomatic carriers and spreaders of the virus. All policy decisions play out between these two sets of goalposts.

Policymakers are under immense pressure to take action. Their decisions are made under uncertainty about the active rate of infection,<sup>124</sup> the effects of co-morbidities,<sup>125</sup> the age gradient,<sup>126</sup> the chances of re-infection,<sup>127</sup> the tipping points for herd immunity,<sup>128</sup> mortality rates, and other factors.

There is also uncertainty about the depth of the socio-economic crisis as well. There are various scenarios for GDP growth/decline,<sup>129</sup> job losses,<sup>130</sup> poverty increases,<sup>131</sup> increases in hunger,<sup>132</sup> long-lasting effects in supply chains,<sup>133</sup> trade, and how financial markets can perform so well in the middle of the worst economic crisis of our lifetimes.<sup>134</sup> Add to that uncertainty about social trust, trust in government, and preferences for “getting back to work” across the world.<sup>135-136</sup>

There is less uncertainty about the fact that decisions play out over a pre-existing canvas of inequalities, exclusions, and discrimination. This is our starting point. Millions, if not hundreds of millions, are in double distress: hit by the effects of a complex crisis, compounded by multiple past exclusions.<sup>137-138</sup> All policies interact with the terrain of inequalities upon which they are enacted.

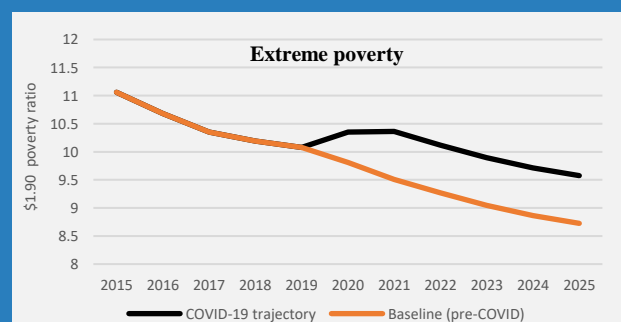
#### Box 9: Off-track SDGs are set to face large even larger reversals

We use the International Futures<sup>139</sup> integrated forecasting system to undertake an analysis of the global impact on extreme poverty (under SDG 1), infant mortality (under SDG 3) and access to electricity (under SDG 7) using the cross-country economic growth rate projections by the IMF in its April WEO: <sup>140</sup> a sharp drop in GDP growth in 2020 and recovery growth in 2021 for most countries.<sup>141</sup>

#### Extreme poverty

The global recession is expected to raise the global extreme poverty rate from 10.1% in 2019 to 10.36% by 2021 which is 0.85 percentage points above the 2021 baseline (pre-COVID) forecast (orange line in the figures) of 9.51%. COVID-19 will be responsible for rolling back progress on extreme poverty reductions by four years by adding to or keeping in extreme poverty 67 million

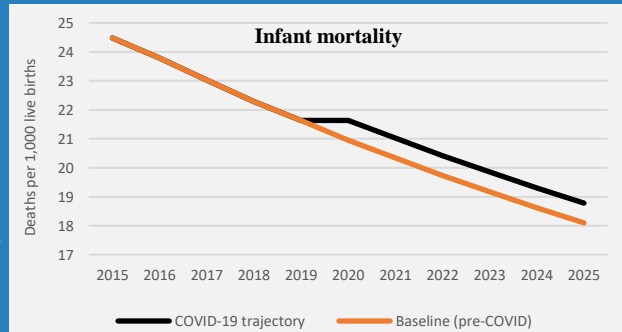
people by 2021 - equivalent to roughly 16 million people per one percent drop in global GDP. Worst hit will be the South Asia region with 30 million people held in or added to the ranks of the extreme poor followed by more than 20 million in Sub-Saharan Africa, close to 6 million in Latin America and the Caribbean, close



to 5 million in Middle East and Northern Africa, more than 3 million in East Asia and the Pacific, close to 3 million in Europe and Central Asia and less than 1 million in North America.

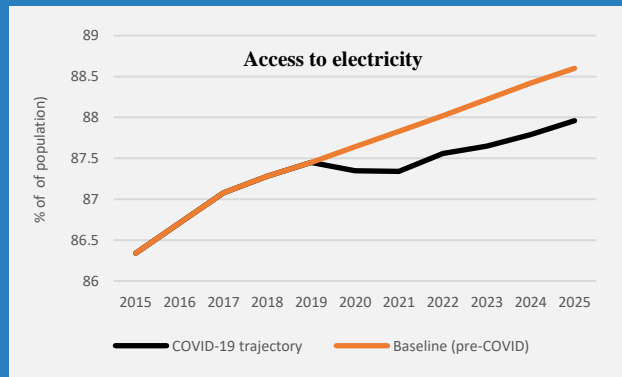
### Infant Mortality

Infant mortality measured as deaths per 1,000 live births is a strong overall health indicator and strongly linked to economic growth and poverty. Because of the economic crisis caused by COVID-19 infant mortality can be expected to rise by about 0.68 deaths per 1,000 live births above the baseline forecast. This is in 2020 alone equal to more than 96,000 infant deaths caused indirectly by the economic crisis – which is more than one-fourth of global confirmed COVID-19 fatalities at the time of writing.<sup>142</sup>



### Electricity

A sharp decline in growth will negatively affect government finances and thus also ability to maintain and improve services and expand infrastructure. Globally more than 935 million people - or 12% of the population – still lack access to electricity. By 2021 the economic crisis from COVID-19 is likely to have reduced the share of the global population with access to electricity by 0.5 percentage points below the baseline forecast – rolling back progress on access to electricity by more than three years and responsible for more than 39 million people not getting access to electricity.



## The bare minimum: a five-pillar response

The United Nations system has launched a 5-pillar response to the ongoing crisis<sup>143</sup>—the five pillars include strengthening health systems; expanding social protection and basic service; protecting jobs, small and medium-size enterprises (SMEs) and essential supply chains; promoting social cohesion and governance; and providing adequate fiscal and financial resources to match the size of the challenge.

Each society faces a different starting point for this crisis. As we zoom in on national and subnational contexts, the sequences and the responses change. In the first three months of the crisis, at least three distinct pathways for the pandemic and responses can be observed:

- **Health-crisis first pathways:** For most countries, the health crisis preceded the socio-economic response. Containment strategies aimed to slowdown or stop business activity, with implication for jobs and incomes. The sequence starts with the health system and moves to the socio-economic response and conditions for re-opening.
- **Socio-economic crisis first pathways:** For a subset of countries, the socio-economic crisis preceded the health crisis. Job and income losses, often punishing rural and informal sector workers, are the point of departure. They are followed by the actual virus spread, often exposed to co-morbidity risks—TB, malaria, HIV, and other chronic and infectious diseases. Critical supply chains, including food and essential services, play out differently in these contexts, as do income compensation for the most vulnerable populations.
- **Fragile context pathways:** Describes a subset of countries going through conflict, in transition from conflict, or in post-conflict settings, as well as those impacted by geopolitical risk factors exacerbated by the pandemic. In these contexts, countries find themselves on the brink of state fragility or failure due to an inability to respond to the crisis, where momentum for peace has evaporated, where international attention to their plight and recovery has dwindled. The failure of state institutions leaves the task of crisis response up to the population, many of whom are disaffected.

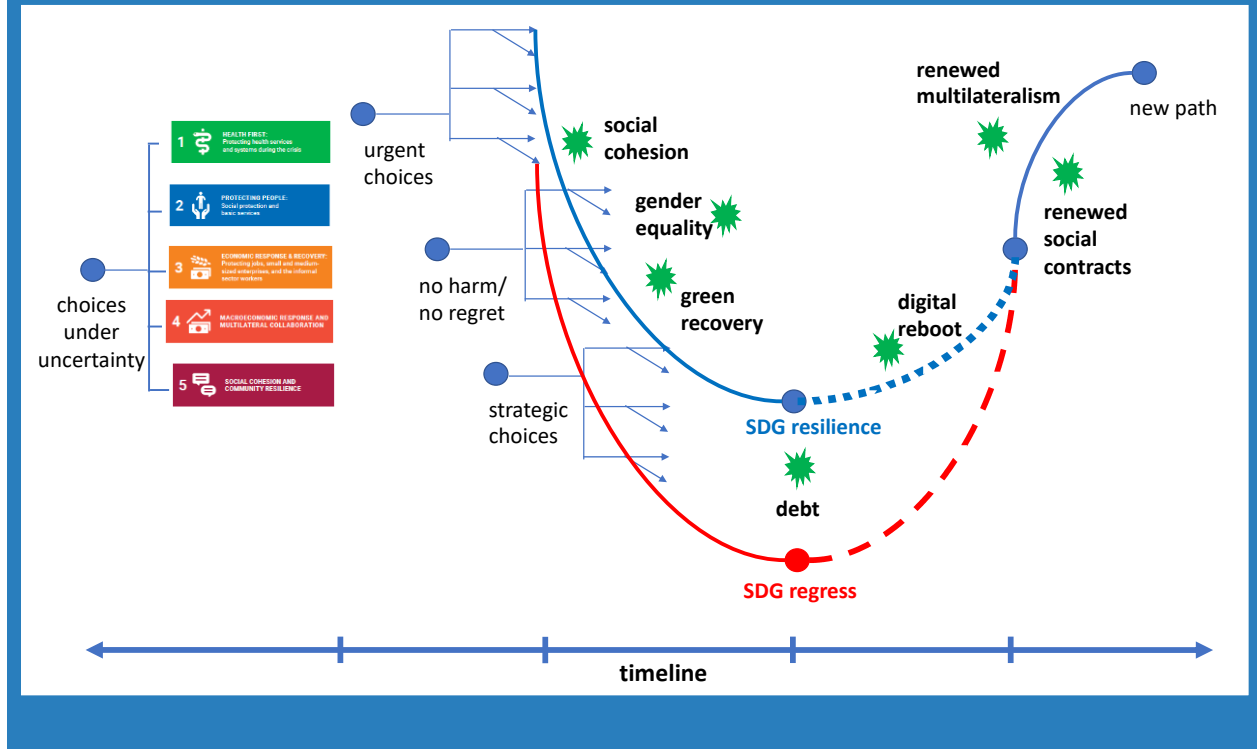
For most of the developing world, the projected 6.3 percentage point decline in global GDP growth this year will not be reversed by a domestic fiscal or financial stimulus package. The supply- and demand-side shocks are too large, and the very health containment policies that save lives are meant to slow down the economy, not stimulate it.

Policy trackers have mapped the size of fiscal and financial efforts in the developing world.<sup>144</sup> While G20 countries are together marshalling close to 10% of GDP in fiscal support and over 10% for temporary financial support,<sup>145</sup> non-G20 economies are able to commit a much lower level of fiscal and financial spending power—adding to 1-2% of GDP.

The five pillars of the UN's response are critical to all countries, no matter what their income level.

## Box 10: Each society forges its own pathway

There is no single template for pandemic responses. However, certain factors and choices are at play in all societies. All societies face some degree of uncertainty in the areas described on the left of the graphic; this uncertainty means that they must make policy choices. Those choices fall into three categories or times periods as the situation progresses: *urgent* choices in response to the outbreak of the crisis; *"no harm/no regret"* choices in the next phase; and finally, *strategic* choices to guide recovery and development in the medium and long term. As the crisis evolves, a society might take action in the areas marked with a green splotch. Each society needs to build its own theory of change with respect to how decisions play out. Which choices a country makes shapes how it recovers or regresses.



## Urgent and strategic policies

**Urgent responses are designed to mitigate the effects of the crisis.** These include how to implement full or partial containment measures<sup>146</sup> such as testing, tracing capacity, health response capacity, fiscal social protection resources, financial business credit lines; and how to re-open fully or partially after containment measures.<sup>147</sup> Some salient areas include:

- Social protection, assistance and insurance for the most vulnerable populations, particularly informal sector workers, rural workers and those not covered by existing social transfer programs.
- Jobs and livelihoods protection, particularly for SMEs, rural farms, and informal service sector self-employed. The longer the disruption in supply chains, the greater the need will be for reskilling and training workers to adapt to new market opportunities.
- Protecting food and essential services during the pandemic.

**Strategic responses may shift the course of development trajectories into the future:** These responses include steering fiscal and financial resources into green recoveries,<sup>148</sup> making the response inclusive<sup>149</sup> and oriented towards building better health and social protection systems; ensuring the policy, legal and regulatory framework for building back is made with an eye on resilience to future shocks.<sup>150</sup>

- They include catalyzing future sources of economic growth, productivity and job creation. New opportunities arise for the private sector and for economies pivoting towards green recoveries, digital solutions, and enhanced human development capabilities.
- There is a distinct opportunity for a green stimulus and ‘green new deals’ once economic recoveries are underway. Catalyzed by government calls to action in the earliest phase of the crisis,<sup>151</sup> these economic packages all share some characteristics. They put environmental sustainability and climate action at the center of recovery; governments are adopting new models, including the ‘doughnut model,’ which seeks to achieve sustainable development goals within planetary boundaries.<sup>152</sup> They mobilize private green finance for green investments.<sup>153</sup> They use green investment opportunities to stimulate economic recovery;<sup>154</sup> green investments in energy infrastructure, sustainable construction, green hydrogen and battery technology are set to mobilize a \$3 trillion market.<sup>155</sup>
- There is also a distinct opportunity to rethink the architecture of social protection, social insurance and social assistance to fit the challenges of the future of work. Systems of care will play an important role, as will gender-equal policies in the labour force and in occupational de-segregation. The discussion on Universal Basic Incomes (UBI) and variants—such as transitory incomes or guaranteed minimum incomes—will also be front and center of a forward-looking agenda.

## No harm, no regret policies

**No-regret policies are those that are worth doing now regardless of how the trajectory of the pandemic actually plays out.**<sup>156</sup> Three groups of policies stand out in the current discussion.

The first set involves public health, specifically linked to community health care, protecting the most vulnerable populations; vaccine development, production, and distribution; and other medical supplies essential for the exit and recovery. There appears to be a window of opportunity to accelerate progress, including through fast-tracked production and regulatory approval. Without global coordination, poor countries are likely to be priced out of the market, and delivery to those most in need will be delayed.

The second set involves protecting firms, families and the poor and vulnerable. The greatest losers will be informally employed or self-employed workers in the informal sector, mainly in urban centers, but also in rural areas. The risk is that these vulnerable groups will not only lose out now, but also drift into poverty permanently, as they have to sell their productive assets. There are initiatives using digital payments, mobile money and other digital means to transfer resources quickly.

The third set involves investment in data, evidence-based policymaking, testing and tracing and systems to track how the crisis is evolving.<sup>157</sup> Data will be key to depend less on assumptions and more on evidence. Policymakers need good data on population-wide infections over time, testing and tracing. Whether in public health or for the economy, the key is to collect data to allocate public health resources as well as

financial resources to the right place. Given the extreme uncertainty, investing in data at scale is a clear no-regret policy decision.

**No-harm policies are those that recognize that policies have intended and unintended effects**—and may harm poor and vulnerable populations during policy implementation. There are two sets of no-harm policies on the agenda.

The first set of policies concerns human rights as a cornerstone of the prevention of abuses.<sup>158</sup> Several governments have acknowledged the risk that states of emergency pose to human rights and adopted measures to prevent abuses. Some harms may be committed by members of the armed services, police, and military against people during enforcement of the restrictions; the human rights response is to condemn the abuses and circulate information about platforms to report confidentially on infractions. Also useful is transparency, with daily press briefings to explain the rationale behind the policy decisions to address the pandemic.

The second set of no-harm policies revalues public goods and global public goods. The state has been brought back in to fill in for underfunded and unprepared public hospital systems, recruit doctors and nurses, finance furloughs of millions of suddenly unemployed workers, maintain unemployment benefits for the already unemployed, and provide credit guarantees and emergency liquidity to firms large and small.

Global public goods—such as global research on vaccines, or the flow of essential medical equipment and supplies—stand out in the short run.<sup>159</sup> As the pandemic evolves, it also includes a new appraisal of global action on debt relief, standstills and restructuring, global fiscal and monetary policy coordination, and an ambitious agenda on climate change and nature-based solutions.<sup>160</sup>

## Development is Being Redefined

This paper elaborates upon a single idea: The pandemic and the response to it have catalyzed shifts in incentives, behaviors, and expectations that can reshape the future. Constraints are being lifted and the trajectory of development is changing—through the crisis and the recovery.

The pandemic has helped to condense the experience of a slow and cumulative 80-year climate crisis into an 18-month health emergency.<sup>161</sup> It has the potential to shift incentives to act in ways that were not on the policy, legal, and regulatory table before.

As we scan the horizon, we sense that human vulnerability<sup>162</sup> has been revealed on a global scale—magnified by preexisting inequalities. This is a glimpse of the future, multiplied many times over by the ongoing climate crisis. The intersection between vulnerability, inequalities, and unsustainability will define the future course of development.

Has the 'convergence narrative' of development of the past 30 years run its course? The Great Convergence,<sup>163</sup> The Great Escape,<sup>164</sup> Getting Better,<sup>165</sup> The Rise of the South<sup>166</sup>—have all illustrated the power of a particular concept of development: namely, that technological catch-up, global trade, and the exponential power of income growth can drive progress, reducing inequality between countries and leading

to a point of convergence. In this view, development is about climbing a ladder and holding on to the highest rung possible.

But what if development is not like climbing a ladder at all? UNDP's 2019 Human Development Report<sup>167</sup> takes note of the remarkable improvements in wellbeing achieved over the past three decades, but zooms in on a critical insight: the very dynamics that drove these improvements also drove inequalities, unsustainable patterns of production and consumption, gender inequality, intergenerational inequalities and violence.

In most countries, convergence in one dimension of well-being includes divergence in others.<sup>168</sup> This churning process leaves millions behind in the digital economy, the race for newer and better skills, better health, well-being and longevity. Any future cycle of well-being will need to redress these legacies (closing the loop on the convergence cycle of the past 30 years) with a higher ambition: delivering wellbeing decoupled from CO2 emissions, protective of nature,<sup>169</sup> ready for more climate and pandemic shocks as the century unfolds.

While we have often talked about the potential for transformative change, the tipping points catalyzed by this pandemic may actually move the needle. From the greatest reversal of development, may arise a historic leap forward.

This is the challenge of our times.



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