MACRO-ECONOMIC AND FINANCIAL IMPLICATIONS OF THE COVID-19 PANDEMIC FOR THE GLOBAL SOUTH

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INTRODUCTION

Although warnings about the spread of zoonotic diseases that pose a threat to human life have become more frequent in recent years (Davis 2020), nobody anticipated the arrival of COVID-19 or its impact. The global economy was, however, in trouble before the pandemic struck and its vulnerability to shocks was less a bug and more a feature of the hyperglobalised system that emerged after the decline and fall of the Bretton Woods system during the 1970s (UNCTAD 2019). Moreover, there was plenty of evidence to show that vulnerability to shocks is not evenly experienced in that system given that our globalised world operates with a clear asymmetric bias, favouring creditors over debtors, large over small producers, profits over wages, and with the interests of developed countries given priority over those of developing countries in international decision making (UNCTAD 2017). These asymmetries have been on full display during the pandemic.

This article examines the economic impact of COVID-19 on the Global South, with a particular focus on how the existing rules and structures of the global economy constrain developing country efforts to manage shocks and reach a sustainable development path. The structure of the article is as follows: in section I, we discuss the overall and differentiated impact between the countries of the South and the North, and look into regional variations; Section II offers a critical evaluation of the mainstream assumptions for recovering better; In section III, we discuss the debt issue as the major challenge to build back better post-COVID-19; Section IV analyses current recovery policies; In section V, we take stock of the failures of the multilateral system to support developing countries; A last section concludes.

WORLDS APART: ECONOMIC PERFORMANCE DURING COVID-19

The macro-economic and financial implications of the COVID-19 pandemic on the Global South have been debilitating and potentially long lasting, augmented in many cases by a series of underlying (and interconnected) conditions, among them: high levels of public and private sector indebtedness; lack of fiscal and monetary space; informality of employment, the frailty of social safety nets and weak healthcare systems.

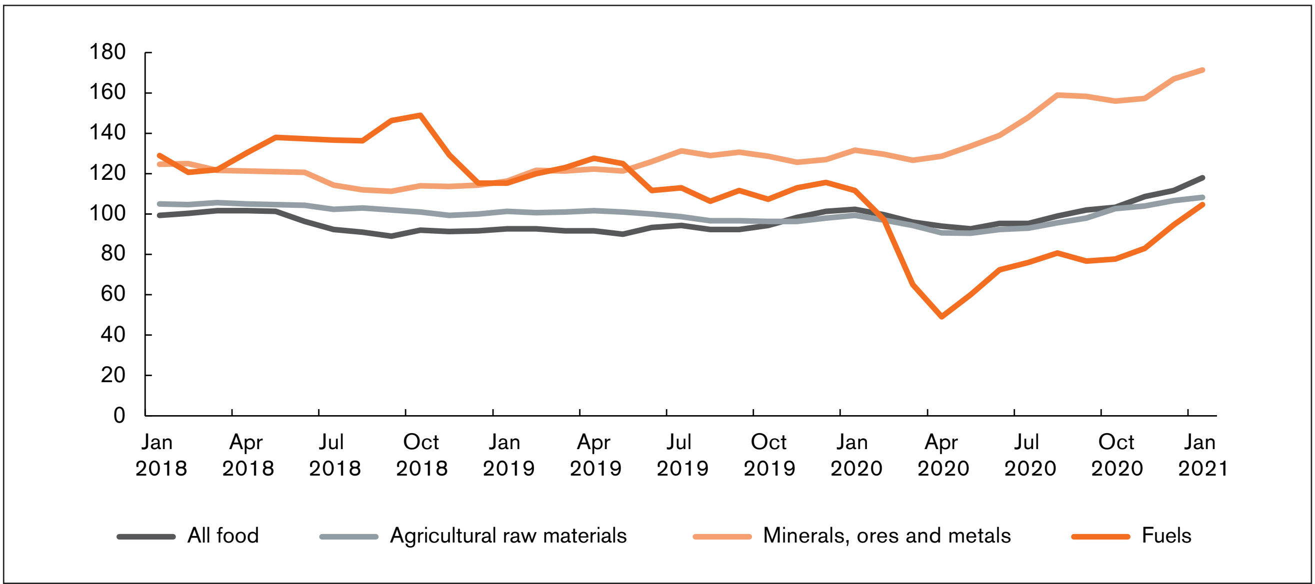
Lockdowns – mostly in advanced economies – to contain the spread of the COVID-19 virus had an immediate and dramatic impact on output and employment through combined supply and demand-side effects that spilled across the global economy. ILO (2021) has estimated that the crisis triggered an effective loss of 255 million full-time jobs worldwide, mainly in the Global South, and while jobs will return with the end of workplace closures, some will be permanently lost. As a result, between 90 million and 120 million people will be pushed into extreme poverty in the developing world, with hunger and malnutrition certain to follow, while income gaps will widen everywhere. Even as the pace of economic recovery has picked up, with more and more countries lifting remaining restrictions and confidence boosted by the roll out of vaccine programmes, the inequities and asymmetries present before the crisis have made it uneven across sectors, income groups, countries and regions.

Advanced economies have been able to mobilize trillions of dollars in government spending and monetary injections to mitigate the crisis, roll out their vaccination programmes, and stimulate recovery. By contrast a combination of precarious and informal employment conditions, high levels of debt distress and insufficient fiscal and policy space have limited the macroeconomic response and recovery options in most developing countries. The urgent need for increased health spending along with declining tax revenues, a collapse in export earnings and pending debt payments have exposed a 2-3 trillion US $ financing gap in the developing world which the international community has, so far, failed to fill. There is now a very serious danger that this will drag developing countries into another lost decade ending any hope of meeting the Sustainable Development Goals by 2030.

The inability of the international community to agree on debt standstills and write-downs, the delay in providing appropriate levels of emergency liquidity and the reluctance to rein in rogue bondholders in sovereign debt negotiations along with the sight of vulture capital already hovering ominously over distressed economies are all signs that things could get worse in many parts of the developing world even as the advanced economies recover. Despite the recent talk at the G7 meeting in Cornwall of a "building back better world", building back separately looks the more likely trajectory of the post-COVID global economy.

In the Global South, East Asian economies managed the crisis better than most thanks to a very strong public policy response to the pandemic with some countries even managing to post positive growth in 2020 (UNCTAD 2020a). By contrast, some of the larger emerging economies, including Argentina, Brazil, India and South Africa have been very hard hit while many smaller island economies have been devastated even when the health crisis has been limited. The recovery in commodity prices beginning in the second half of 2020 (figure A) has helped commodity exporting countries, including in sub-Saharan Africa, to manage the crisis better than might otherwise have been expected. Even so the depth and breadth of the recession in the developing world has carried a very large economic and social cost.

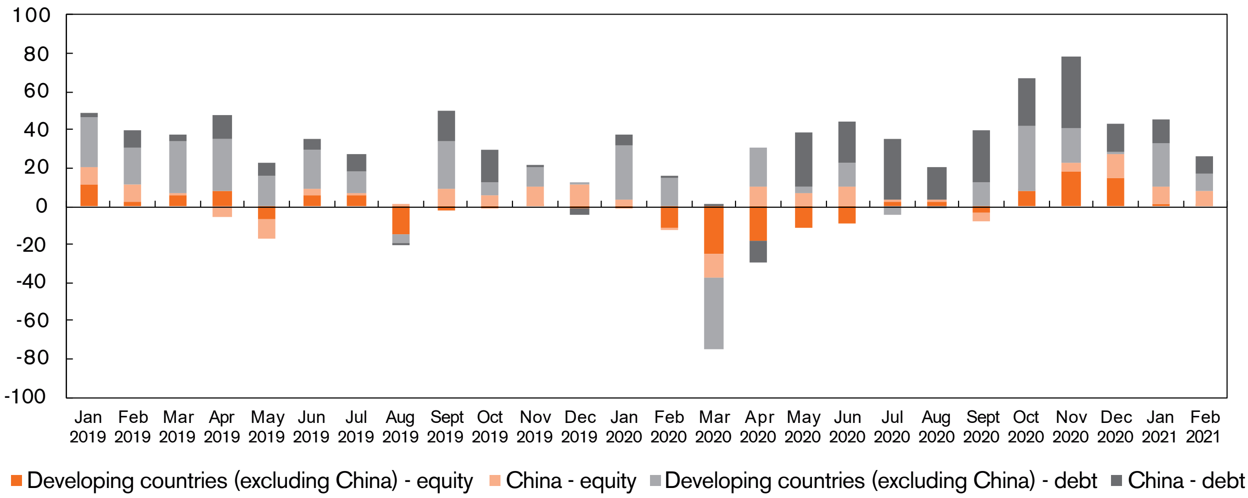
Figure A: Monthly commodity price indices, selected commodity groups, January 2018-January 2021



Note: Index numbers, 2015 = 100
Source: UNCTADstat

The pandemic has served as another reminder of the vulnerability of developing countries, at all income levels, to external shocks. The financial panic in advanced economies triggered by investor anxiety at the first signs the pandemic was spreading, was rapidly transmitted to the Global South through capital flight, at a pace even faster than the 2008 global financial crisis, and compounded by the effects of lockdown on export earnings, currency valuation and government revenues (ibid.). While the surge in net non-residential outflows proved shorter than many feared, a growth collapse, in the absence of meaningful international support, was inevitable. Moreover, the subsequent reflux of funds has been dominated by a few larger markets such as Brazil, China and India (figure B).

Figure B: Net non-resident purchases of emerging market stocks, equity and debt, January 2019-February 2021 (Billions of US $)



Source: UNCTAD secretariat calculations based on IFF Monthly Emerging Market Portfolio database.

Elsewhere flows have been volatile, particularly in the case of portfolio flows with a number of countries – including Chile, Mexico, South Africa, Thailand and Turkey – experiencing recurrent episodes of negative net flows. Scarcity of foreign exchange in many developing countries, necessary to make debt and import payments, including for medical supplies, has continued with the rupture of supply chains and the variation in export earnings even as international trade has recovered.

RECOVERING SEPARATELY

Hope for a "building back better" world hinges, at a minimum, on three assumptions: (i) improved vaccination and disease containment on a global scale; (ii) a speedy and sustained transition from containment relief measures to economic recovery policies, particularly in the leading economies; and (iii) a return to favourable financial conditions for all countries. Public pronouncements, such as at the G20 and G7 meetings, suggest a determination among policymakers to ensure all three conditions. Hence, it may be useful to look more closely at whether these assumptions actually fit reality.

IMPROVED VACCINATION AND DISEASE CONTAINMENT

After rapid progress in research and clinical trials, thanks to strong public funding support, vaccine production and roll out has been uneven across advanced economies despite their widespread use of advanced purchase agreements and developed health care systems. Still, progress on this front is tangible. Access to vaccines in developing countries has by contrast been a catastrophe, with the COVAX public private partnership scheme visibly failing to deliver on its promises. The scheme faces a severe funding shortage of 22.9 billion US $ (WHO 2021), an opaque financing mechanism, and ongoing distributional tensions between major economies which prevent doses from reaching their intended beneficiaries. Meanwhile, even those countries willing and able to pay for vaccines on the global market have, invariably, faced higher prices. Despite concerns over scaling up production capacity, calls by developing countries at the WTO to waive intellectual property rights on COVID-19 vaccines, to help speed up production in some emerging economies, have been resisted by advanced economies. This has continued despite a belated agreement to negotiate a waiver at the TRIPS Council. The experience has revealed serious shortcomings in the international health architecture and more generally a reticence to treat the pandemic as a truly global public health and economic challenge. As of today, 85 % of shots have been administered in high- and upper-middle-income countries. Only 0.3 % of doses have been administered in low-income countries.[1]

The delay in economic recovery and the further damage to overstretched health systems in the developing world from what some observers have called "vaccine apartheid" will be devastating at the local level but prolonging the pandemic anywhere will have adverse consequences everywhere, including advanced economies (Çakmaklı et al. 2021).

The failure of the international community to provide the 50 billion US $ estimated by the International Monetary Fund (IMF) (Agarwal/Gopinath 2021) to fully vaccinate developing countries is a tragic testament to the short-sighted values of a world dominated by narrow corporate interests.

FROM ECONOMIC RELIEF TO RECOVERY-POLICIES IN THE LARGEST ECONOMIES OF THE WORLD

In advanced countries, relief packages based on cash transfers, suspension of rental payments, automatic stabilizers such as unemployment insurance and cheap loans to businesses are giving way to spending packages in support of recovery. There remain doubts about just how effective some of these packages will be on investment spending, particularly where there is a threat of rising corporate bankruptcies, which are expected to increase as monetary policy begins to tighten. Moreover, sustained recovery will need to address pending structural issues, including sluggish productivity growth and increasing inequality, many of which have been left unaddressed since the global financial crisis in 2007/08, along with new structural challenges raised by the need for a green transformation and the emerging digital economy. To do so more active policies and regulatory reforms will be needed to raise the share of labor income in total income, curtail the influence of footloose capital, repair public services and launch a strong public investment drive accompanied by a green industrial strategy to guide a just transition to a decarbonized world.

Going beyond the very limited relief extended to some of the most vulnerable developing countries and the selective currency swaps offered by the Federal Reserve to select emerging economies, there is a need to have in place a plan for recovery and resilience in the Global South. Any such initiative will depend on effective multilateral cooperation and action as discussed further below. Cooperation should be designed around three basic principles: scaling-up resources; enhancing policy space; and building resilience. These principles can also be used to strengthen cooperation among developing countries, but should be complemented by (i) enhanced south-south financial cooperation encompassing initiatives covering mechanisms for both short- and long-term finance, (ii) joint action by developing countries for reviving trade and industry, and (iii) south-south cooperation for strengthening healthcare value chains and mitigating health and food crises. National and regional development banks should be recapitalized and balance sheets expanded to mobilise greater investment in healthcare and infrastructure. Southern countries should also work together to gain temporary allowances from the World Trade Organization (WTO) to use industrial subsidies and to ensure that special and differential status for all developing countries operates as a means to better align their trade with their developmental priorities (Davies et al. 2021).

FINANCIAL CONDITIONS

The swift response of Central Banks to the financial panic at the start of the pandemic and the subsequent willingness of the United States Federal Reserve to extend swap lines, including to select developing countries, have helped ease liquidity constraints and investor anxieties since the outbreak of the crisis. However, dramatic increases in private financial leverage in some countries, especially in the United States over the past 12 months (where price/earnings ratios have soared and the Buffet Indicator[2] is at an all-time high), suggest an inflating "COVID bubble" and the risk of growing financial fragilities turning into crisis conditions if growth prospects do not sufficiently improve, if inflation accelerates or if investor confidence is pricked in other ways (for example by vaccine-resistant virus variants).

Still, the pressures on highly indebted developing countries are of more immediate concern. Even if the virus is contained, the fear of higher interest rates (whether or not the Federal Reserve tightens) and a stronger dollar is again stalking development prospects, with the threat of another lost decade a possibility.

In response, UNCTAD (United Nations Conference on Trade and Development) has called for a coordinated global recovery plan based on a change of policy direction in the advanced economies which would sustain recovery and build resilience and reforms to the international architecture that could better coordinate those efforts and support developing countries adopt their own recovery programmes. So far, the international community has failed to deliver.

The reluctance of the IMF to issue Special Drawing Rights (SDRs) earlier in the crisis is a case in point. The new Administration in the United States belatedly endorsed a 650 billion US $ issuance at the April 2021 G20 meeting, which while welcome is still well short of what was needed, particularly for developing countries. Much the same goes for the Debt Service Suspension Initiative which, to date, has released around 11 billion US $ to eligible developing countries compared to an increase in their annual debt servicing in the decade following the global financial crisis of 60 billion US $ (to 80 billion US $ in 2019). The limited coverage of the initiative, including failure to mandate private creditor participation, its short-term nature, as well as the conditionalities attached to participation, have made countries hesitant to apply, for fear of feeding negative effects on market ratings in exchange for a limited financial advantage.

DEBT VULNERABILITY IN DEVELOPING COUNTRIES

Debt is one of the most, if not the most important challenge that needs to be addressed if the global economy is to build back better together. Debt increases financial fragility through two main channels, first the size of the debt stock, and second the changing structure of debt.

INCREASED FRAGILITY DUE TO DEBT BURDEN

On the eve of the COVID-19 outbreak, the total external debt stocks of developing countries and economies in transition (henceforth developing countries) reached 10 trillion US $, a new record high, more than double the figure of 4.5 trillion US $ in 2009 (UNCTAD 2020a). Given a global economic environment that continued to be dominated by short term policy-induced boosts to speculative investor expectations and growing income inequalities rather than a sustained and inclusive recovery of aggregate demand, this rise in external indebtedness was not compensated for by sufficiently strong GDP (Gross Domestic Product) growth in the developing world. Consequently, the average ratio of total external debt-to-GDP for all developing countries rose from 25 % in 2009 to 29 % in 2019. This figure is on average 38 % in 2019 if China's very large developing economy is excluded, owing to the latter's modest ratio of external debt to GDP (UNCTAD 2020).

Rising external debt burdens continued to absorb a growing share of developing countries' resources. Thus, the ratio of total external debt-to-exports rose to 111 % for all developing countries, up from 105 % in 2018 and back to levels last experienced in 2003. Similarly, debt service burdens continued their upward trend: In 2019, developing countries spent 14.6 % of their export revenues to meet external debt obligations, up from 7.8 % in 2011, the lowest point in the period of observation. As to government revenues, the average trend has been more modest but persistently upward, rising from its lowest point of 2.7 % of government revenues spent on the costs of servicing long-term public and publicly guaranteed external (PPG) debt in 2012 to 4.7 % in 2019. This situation is, however, much more severe in many developing countries where more than a quarter of government revenues are absorbed to service PPG debt, including oil exporters hit by the recent collapse in oil prices as well as middle-income developing countries (MICs) with high debt burdens (ibid.).

Additionally, developing countries' external debt positions became more exposed to shorter maturities and greater roll-over risks. The share of short-term in total external debt rose to 29 % in 2019, up from well below 20 % in the early 2000s and 26 % in 2009. Simultaneously, the ability of developing countries to self-insure against exogenous shocks and increased market risk through international reserve cushions continued to weaken, with the ratio of short-term external debt-to-reserves almost halving from its peak in 2009 at 544 % to 279 % in 2019. This continues to be of concern in the wake of the COVID-19 crisis, as well as post-COVID-19 period since it signals strong limitations on the ability of developing countries to bridge liquidity crises. Moreover, effective responses to the COVID-19 shock are complicated by the blurring of the conventional distinction between external and domestic debt in a context of rapid financial integration and open capital accounts. Domestic debt can be held by foreign investors, both domestic and external debt can be denominated either local or foreign currency denominated, and bond debt – whether sovereign or corporate – is traded in secondary and tertiary markets and frequently changes hands (ibid.).

Moreover, the single most prominent feature of the recent evolution of overall debt accumulation in developing countries has been an extraordinary increase in private indebtedness, in particular since the 2008 global financial crisis and its aftermath (UNCTAD 2019). From the point of view of external debt vulnerabilities, this upsurge in private-sector indebtedness carries three main risks: first, private debt contracted in foreign-currency ultimately represents a claim on a country's international reserves, especially where private entities could not hedge their foreign-currency liabilities against foreign-currency assets. Second, even where private debt is denominated in local currency but held by external creditors, sudden reversals in external credit flows can undermine debt sustainability. Third, high domestic private debt (issued in domestic currency and held by residents) represents a contingent liability on public sector finances, if exogenous shocks lead to wide-spread bankruptcies or the creditworthiness of borrowers deteriorates systematically. By some estimates, external creditors hold around one third of nonfinancial sector corporate debt, amounting to 1.8 trillion US $, in 26 emerging market economies excluding China, primarily in foreign currency. Of concern is that the proliferation of corporate indebtedness does not appear to have boosted productive investment (ibid.).

Rising debt levels, both public and private, may be manageable in countries that issue reserve currencies, but not in developing ones. Hence, in developing countries, rising external debt levels have resulted in increased incidences of sovereign defaults and high debt distress. Of the 69 low-income countries eligible for financing through the IMF's Poverty Reduction and Growth Trust (PRGT)[3], just over half (36) were in debt distress or at high risk of debt distress as of 28 February 2021, compared to only 16 countries in 2013, the lowest point of IMF reporting on this data. For a larger group of 99 lower-income developing countries, the number of countries assessed to be in debt distress or at high risk of debt distress rose from 23 in 2013 to 54 in 2020 (United Nations 2021: 165). This does not include sovereign defaults in 2020 in other developing countries, such as Argentina, Ecuador, Lebanon and Suriname. So far, the G20's Debt Service Suspension Initiative (DSSI) has negotiated a standstill worth an estimated 12 billion US $ between May 2020 and June 2021. This compares to DSSI-eligible countries' burden of serving external debt obligations to the tune of around 80 billion US $ in 2019 alone.

INCREASED FRAGILITY DUE TO THE CHANGING STRUCTURE OF DEBT

A common driving force behind rising financial vulnerabilities has been the changing structure of debt motivated by the unrestrained search by global financial investors for high short-term returns in the absence of effective oversight and regulations. This has intensified in an environment marked by extensive monetary accommodation and near-zero interest rates in advanced economies, following the 2008 Global Financial Crisis. In addition to targeting emerging market foreign-currency denominated securities in high- and middle-income developing economies, issued primarily by their corporations, international financial investors increased their participation in expanding local-currency denominated sovereign bond markets, with foreign holdings, in some cases, reaching up to one third of domestic debt (UNCTAD 2020b).

At the same time, many frontier economies increasingly relied on the issuance of foreign-currency denominated bonds in international financial markets. In sub-Saharan Africa alone, 21 countries had outstanding obligations on sovereign Eurobonds to the equivalent of 115 billion US $ at the beginning of 2020, following a steep increase in their issuance since 2017. Overall, the ownership composition of developing country PPG debt and therefore also its risk profile, has changed substantively since the Global Financial Crisis, with the share of this debt held by private rather than official creditors rising to 62 % of the total at end-2018, compared to 46 % at end-2009, and the share of this debt owed to bondholders rather than commercial banks rising from 60 % to 76 % in the same period (ibid.).

This trend towards heightened financial vulnerabilities has been reinforced by the growth of passively managed, benchmark-driven financial investment strategies. These track flagship benchmark indices, such as the JP Morgan EMBI indices for sovereign bonds, the Morgan Stanley MSCI indices for equities and the J.P. Morgan Next Generation Markets Index (NEXGEM), to inform financial investment decisions. The inclusion of many frontier developing economies in these indices has meant that such passive, benchmark-driven private investment strategies have increasingly dominated their access to international financial markets. Benchmark-driven financial investment strategies are prone to promoting herd behaviour: The bulk of global investors' financial wealth is managed by a small number of asset funds that focus on developments affecting emerging and frontier economies as a group rather than on country-specific features. They also rely on highly correlated benchmark indices based on similar methodologies. Consequently, benchmark-driven investment strategies are highly sensitive to shifts in global financial conditions and tend to amplify these by triggering synchronized movements of portfolio flows across developing countries. Their influence is not limited to passive fund management, since active funds aim to outperform passive investment strategies. By some estimates, as much as 70 % of country allocations of investment funds are influenced by benchmark indices (ibid.).

Efforts to address the problem of unsustainable debt burdens in developing countries through market-based changes to bond and loan contracts and through increased data transparency have so far failed to alleviate the stress on developing countries. More ambitious reforms are urgently required to avoid the current mountain of debt crushing any hopes of these countries fulfilling the SDGs (UNCTAD forthcoming).

RECOVERY: "V" FOR VULNERABLE

The global recovery that began in the third quarter of 2020 is continuing, albeit with a good deal of unpredictability linked to epidemiological pressures. The implications for employment, income inequality, and public welfare over the medium term will, however, depend on the evolution of the macroeconomic conditions and policy choices governments make. A big boost to confidence has come from the various policy packages adopted by advanced countries, particularly in the United States, and the ongoing recovery in China. However, political uncertainties continue to surround the next phase of recovery in the United States, when large-scale infrastructure spending is intended to kick in, and by ongoing tensions between the world`s two leading economies which continue to stymie efforts at a more globally coordinated recovery.

Even if the current policy packages are maintained, it will take time for output and employment to return to their pre-COVID-19 levels in many countries, leaving the world economy next year below where it would have been if pre-COVID-19 trends had continued. Moreover, there are features in the emerging post-COVID-19 growth patterns which raise concerns, particularly where boosting competitiveness with the aim of increasing exports, rather than adopting measures to raise domestic demand, is the adopted route out of the crisis. This is already discernable in the successful exporting economies of East Asia and Western Europe but, given the danger of a fallacy of composition, risks perpetuating a situation of insufficient demand at the global level. Across many countries in Latin America and Africa, commodity dependence, heavy reliance on capital inflows, and low rates of capital formation continue to make for a fragile growth trajectory. Diversification is essential for building resilience but this in turn requires strong investment in the public and private sectors. In both regions, as suggested earlier, large debt overhangs acquired during the recovery from the global financial crisis have grown even larger over the past 18 months posing a potentially very serious constraint on sustained recovery, in the absence of appropriate multilateral support.

In these circumstances, the disconnect between financial markets and the real economy remains an abiding threat to future stability and resilience. The V-shaped recovery in many financial markets, which saw sharp losses followed by unprecedented gains by the end of 2020 contrasts with the weaker recovery in terms of output, employment, investment, wages. It has also contributed to a K-shaped recovery in many countries as the owners of assets (and certain types of knowledge capital) have successfully managed the crisis, while many other workers have endured job losses and precarity.

There is also a danger that if the policy efforts currently in place succeed more quickly in returning the world economy to where it would have been if the trends in 2019 had not been disrupted by the pandemic, then a slackening of policy ambition will occur before any of the underlying conditions that contributed to a decade of weak and fragile recovery after the global financial crisis are properly addressed. This would have particularly damaging consequences for the recovery in developing and emerging economies.

Pressures to weaken or abandon the "extraordinary measures" adopted in response to the crisis have already surfaced and are likely to intensify over the medium term. Austerity, inflation targeting, trade and investment facilitation, and labour market flexibility, amongst a litany of hackneyed economic ideas, retain a loyal following in policy circles and provide a default narrative for charting a well-trodden path for the global economy. This would, however, be the same path that led to a world of growing economic inequalities, arrested development, financial fragility, and unsustainable use of natural resources before the pandemic hit.

REVIVING MULTILATERALISM

Even barring any unforeseen setbacks to economic growth and public health, it will take several years to recover the employment, wages and output lost to the COVID-19 shock. There is, moreover, growing evidence that COVID-19 can have lasting effects on human health requiring dedicated medical and mental health resources, as well as increased income support. Epidemiologists and public health experts are also warning that COVID-19 is only a trial run for far more serious pandemics ahead. In this context, a likely continuation of the weak investment performance since the global financial crisis will make it almost impossible to hit climate and development goals by 2030. Any attempt to build back better hinges on a course correction at the national and international levels.

Given the interdependencies of today's global economy, effective international support and cooperation is essential to help countries, and particularly developing countries, mobilise the resources they need to create decent jobs, restructure their economies in support of a zero-carbon future and build resilience against future shocks. But so far the multilateral system has failed to deliver that support.

The need to increase international liquidity through an increased use of SDRs, and by a larger amount than has currently been promised, has already been noted. The lending capacity of multilateral development banks will also need to be increased. This new lending could come from existing shareholders redirecting environmentally damaging subsidies, for example for fossil fuels and industrial agriculture, to the capital base of these institutions, or from more innovative sources, such as a financial transaction tax, and augmented by borrowing on international capital markets, with a measured relaxing of their fidelity to financial sobriety. In return, these institutions should reassess their policy conditionalities in line with a more sustainable and inclusive development agenda.

A Marshall Plan for global health recovery could provide a more dedicated framework for building future resilience. But it should take its namesake seriously. In the first place that means being generous. If the donor community met the 0.7 % Official Development Assistance (ODA) target for the next two years that would generate something in the order of 380 billion US $ above current commitments. An additional 220 billion US $ mobilised by the network of multilateral and regional financing institutions could complete a 600 billion US $ support package over the next 18 to 20 months. The money should be dispersed largely as grants but with some room for zero interest loans, the precise mixture determined as the emergency response evolves. Finally, given the multifaceted nature of the recovery effort, a dedicated agency should be established, drawing, like the Marshall Plan, on the personnel of existing agencies as well as from the private sector, with local expertise and coordination involved from the outset. Much like the original, a central financing and oversight agency linked to national public agencies through a regional coordination mechanism remains a model to follow.

Finally, a global sovereign debt authority, independent of either (institutional or private) creditor or debtor interests, should be established to address the manifold flaws in the current handling of sovereign debt restructurings. The COVID-19 crisis, and the stumbling efforts by the international community to agree emergency debt suspension and relief measures, have, yet again, put a glaring spotlight on existing procedures which continue to deliver too little relief, too late. At a minimum, such an authority should provide coherent frameworks and guidelines to facilitate automatic and comprehensive temporary standstills in recognised disaster situations, ensure that long-term developmental needs are taken into account in debt sustainability assessments, and provide an independent forum for expert advice to governments requesting this. In the longer run, it should provide a blueprint for a comprehensive reform of current sovereign debt workout mechanisms to balance creditor and debtor interests fairly, close loopholes for hold-out creditors, and prioritize the long-term collective interests of the many over the short-term financial rewards of the few.

CONCLUSION

For all its destruction of human and economic life, the novel coronavirus has created an opportunity for lasting change, in part because it has laid bare the shortcomings of the world that existed well before this pathogen made its way around the world. The Global Financial Crisis of more than a decade ago did the same, but the world did not rise to the challenge, and we were still living with the vestiges of that failure when the virus leapt from animal to human in late 2019.

The way forward lies, in part, in reviving and renewing the policies and reforms that helped establish an inclusive recovery from the Great Depression in the United States and laid the basis for a more resilient future by returning finance to its ancillary role in the economy, reversing wage repression, boosting investment in high productivity sectors and expanding the middle class.

But today's interdependent world, inhibited by sluggish investment and slowing productivity growth, suffering from not only an enduring health pandemic but many symptoms of economic ill-health and threatened by a fast-deteriorating climate crisis, is only as resilient as its weakest participants. For many developing countries, with large informal economies, carrying huge debt burdens and lacking the requisite policy and fiscal space to accelerate structural transformation, vulnerability is hardwired into their economic prospects. Increasing everyone's resilience in the face of health, environmental and economic shocks requires a global response. A Global Green New Deal can help immunize the global economy against future downturns and establish the framework for building a future of prosperity and security for all (UNCTAD 2017, 2019; Kozul-Wright/Gallagher 2019).

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1 See NY Times Vaccine Tracker: https://www.nytimes.com/interactive/2020/science/coronavirus-vaccine-tracker.html (September 27, 2021).

2 The stock market capitalization-to-GDP ratio, also known as the Buffett Indicator – after investor Warren Buffett, who popularized its use.

3 The PRGT is the IMF mechanism to provide concessional financial support to Low Income Countries.