

COVID 19: Poverty and Malnutrition: Reforming the International Financial and Fiscal System

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UN DESA Expert Group Meeting

Inclusive and resilient recovery from COVID-19 for sustainable livelihoods, well-being and dignity for all: eradicating poverty and hunger in all its forms and dimensions to achieve the 2030 Agenda

New York and Virtual

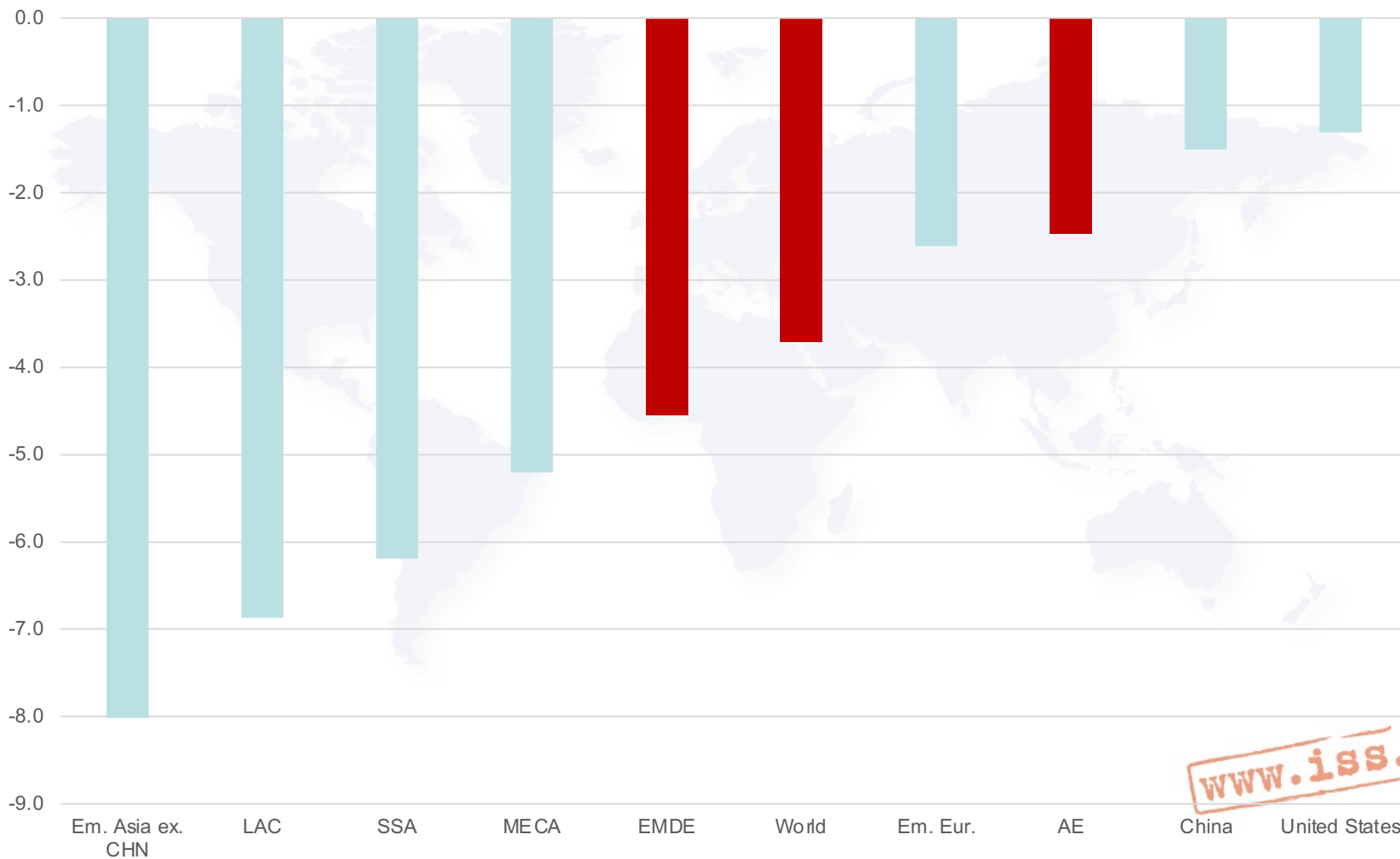
30 July 2021

Based on: Rolph van der Hoeven and Rob Vos (forthcoming), 'Reforming the International Financial and Fiscal System for better COVID-19 and Post-Pandemic Crisis Responsiveness', Chapter 2 in Papyrakis, E. (ed.), *COVID19 and International Development*, Springer (to be published in August 2021)

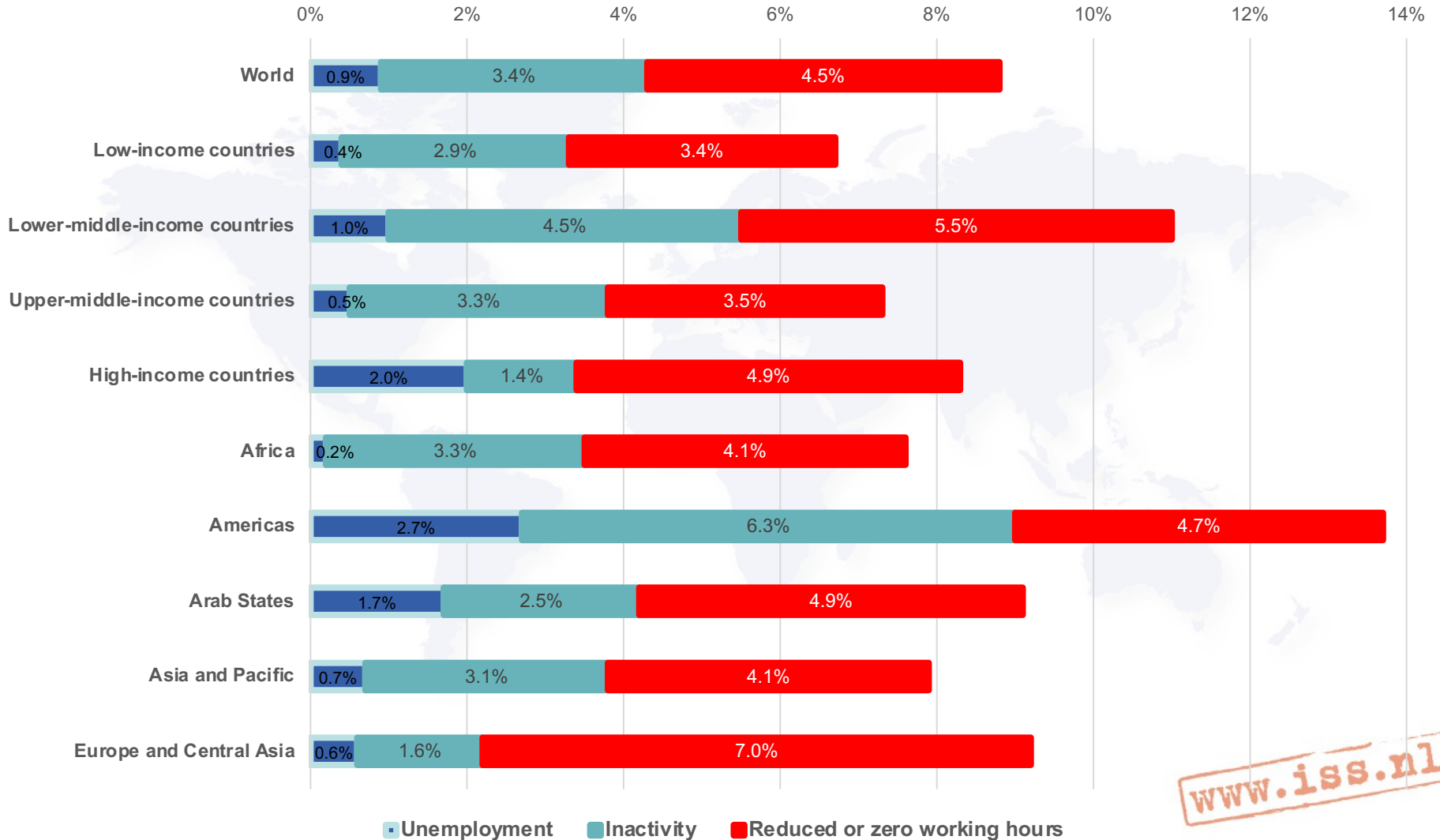
The global economic crisis provoked by the COVID-19 pandemic disproportionately hurt developing countries, increasing poverty, food insecurity, and income inequality. Richer nations cushioned their economies from the worst impacts with unprecedented massive fiscal and financial support programmes.

Developing countries lacked such capacity and received feeble multilateral contingency financing, symptomizing the fundamental flaws in the international financial and fiscal system (IFFS).

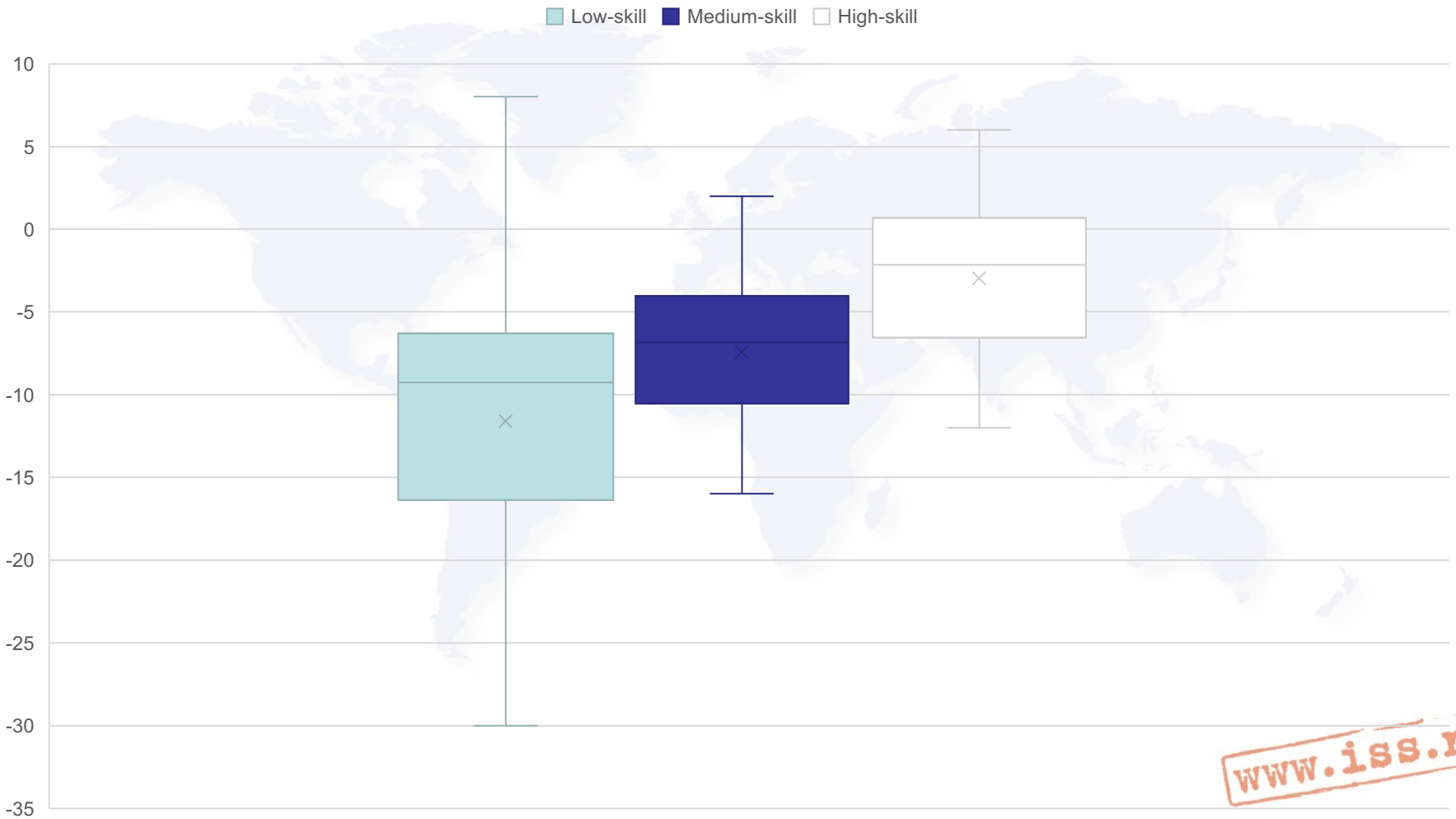
GDP losses (projected levels for January 2022) relative to pre-COVID output levels (percentage change)



Decomposition of working-hour losses into changes in unemployment, inactivity and reduced working hours (averages for the world and by income group and region in 2020, percentage change)



Year-on-year country-level changes in employment, by skill level, second quarter of 2020 (percentage change)



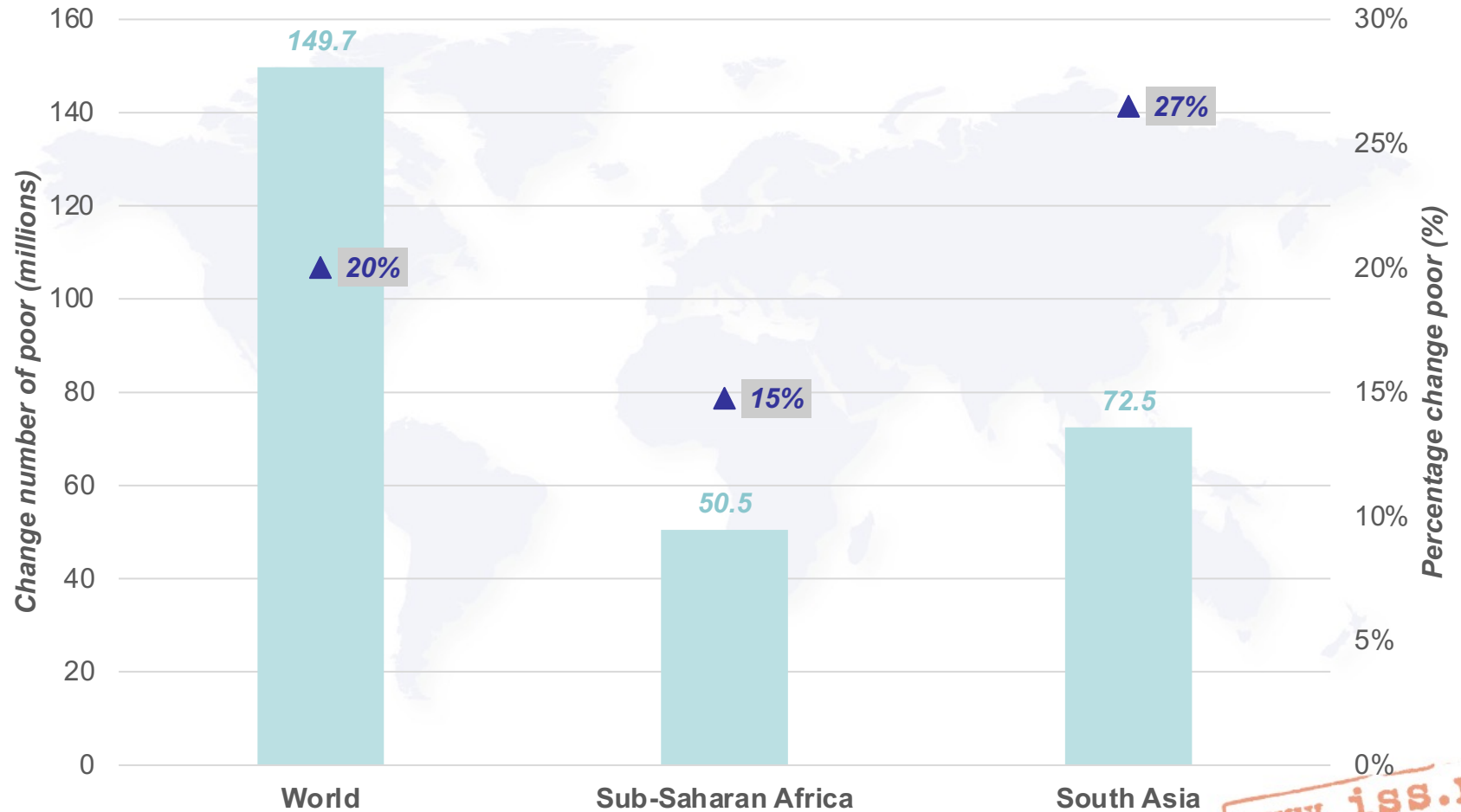
Several analyses have used simplistic approaches calculating the projected impact of the global recession on average per capita incomes to estimate poverty impacts, (see, for example, the studies by the World Bank in Mahler et al., 2020 and World Bank, 2020b; and that of UNU-WIDER by Sumner et al., 2020).

A major drawback of this approach is that it assumes that the *crisis has had no impact on within-country income distribution and, consequently, that workers across sectors and type of activity were all affected to the same degree.*

Global and regional poverty impacts of the MIRAGRODEP COVID-19 scenario (September 2020; absolute and percentage change from baseline values)



Laborde, D., Martin, W. and Vos, R. (2021) Impacts of COVID-19 on Global Poverty, Food Security and Diets, *Agricultural Economics* 52(3), In Press.



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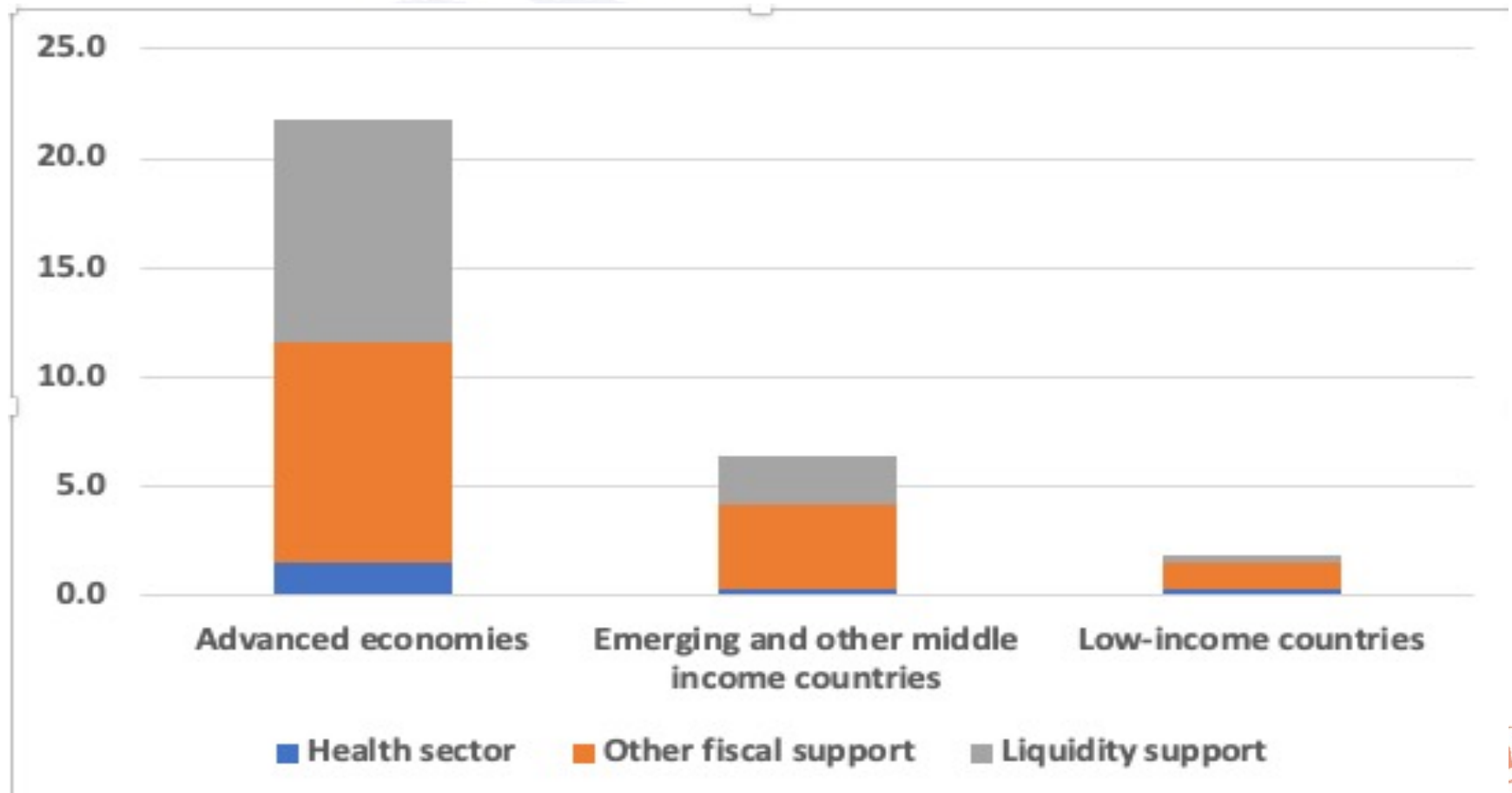
COVID 19 : Patterns of Food Consumption

The income and price changes associated with the recession and supply disruptions caused by pandemic are furthermore likely to have resulted in substantial changes in patterns of food consumption, with adverse nutritional consequences.

These will induce shifts in demand away from nutrient-dense foods, such as fruits and vegetables, dairy products and meats, and towards calorie-rich basic staple foods, such as rice, maize and other basic grains, raising concerns about dietary quality and likely increase in micronutrient deficiencies.

The dietary shift is (on average) similar in both developed and developing regions.

Fiscal and monetary support in response to COVID-19 per January 2021 (% of GDP)





Lacking sufficient domestic resources to support their economies to pay for health costs and to stimulate their economies developing countries needed to look for outside resources.

This proved difficult for many developing countries for several reasons:

- After a period of falling external debt levels supported by the Highly Indebted Poor Country (HIPC) initiative during the 2000s, external debt burdens of many low-income developing countries surged again during the 2010s.
- Developing countries also faced an outflow of capital to developed countries and were hit by the appreciation of the dollar (and depreciation of their own currencies)
- The additional resources that were made available have come with conditions that in fact made these less effective as a response to the impacts of the pandemic.

Reforms making the IFFS fit for purpose in achieving the SDGs and combatting the outfall of the COVID19 Pandemic:

- An equitable international tax coordination mechanism;
- A multilaterally backed sovereign debt workout mechanism;
- Overhauling policy conditionality associated with development finance;
- Increasing Special Drawing Rights *to be leveraged for development finance.*