Webinar: Economic and Social Impacts of COVID-19

THURSDAY, 9 APRIL 2020, 10-11:30 A.M. EDT
- The webinar will start soon.

- You can also connect via Facebook Live: https://www.facebook.com/joinundesa/

- Please, make sure to connect your audio and to keep you microphone muted and camera turned off.

- Questions/Comments? – Please, use the chat boxes.
Participant’s Guidance

Webinar will be recorded and link to presentation posted at UN DESA’s website. We will be live-tweeting from @SustDev using #UNDESAWebinar.

For those on WebEx:

• Remember to connect your audio.
• Please, maintain your microphone muted and camera off at all times.
• Use chat boxes for questions and comments.

For those on Facebook Live:

• Please, add your questions directly in the comments.
### Agenda

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<td>10:00 – 10:10</td>
<td><strong>Welcome remarks by Mr. Elliott Harris, UN Chief Economist and Assistant Secretary-General for Economic Development and agenda review (Moderator)</strong></td>
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<td>10:10 – 10:50</td>
<td>UN DESA briefing presentations:</td>
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<td>2) Addressing the social crisis through fiscal stimulus plans: Ms. Wenyan Yang, Chief, Global Dialogue for Social Development Branch, Division for Inclusive Social Development (DISD)</td>
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<td>10:50 – 11:20</td>
<td>Q &amp; A</td>
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<td>11:20 – 11:30</td>
<td>Closing Remarks</td>
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• Appointed Assistant Secretary-General for Economic Development and Chief Economist effective 2 April 2018.
• Mr. Harris served as Assistant Secretary-General and Head of the New York Office of the United Nations Environment Programme (UNEP) from 2015. He joined UNEP’s Senior Management Team in 2013 as Director of the New York Office and Secretary to the Environment Management Group.
• Prior to joining UNEP, Mr. Harris began his career in the International Monetary Fund (IMF) in 1988, where he worked in the African Department and the Fiscal Affairs Department.
Hamid Rashid is the Chief, Global Economic Monitoring at the Department of Economic and Social Affairs (UN-DESA) and the lead author of the UN flagship publication World Economic Situation and Prospects.

He holds a PhD in economics from Columbia University in New York. Prior to DESA, Dr. Rashid worked for the Government of Bangladesh, the World Bank and UNDP in Dhaka, Washington D.C. and New York.
The World Economic Situation and Prospects: COVID-19: Disrupting lives, economies and societies

Available at: bit.ly/UNDESACovid
Ms. Yang is UN DESA/DISD focal point coordinating support to the UN Commission for Social Development & the preparation of the World Social Report. She also serves as DESA’s Principle Focal Point for Gender.

An economist by training, she started her UN career as a macroeconomic policy analyst.

Wenyan Yang
Chief, Global Dialogue for Social Development Branch, Division for Inclusive Social Development (DISD)
Addressing the social impacts of the health crisis

Available at: bit.ly/UNDESACovid
Social impacts of the health crisis

Employment losses
(vicious cycle: >consumption, >employment, >consumption;
ILO prelim. Estimate: 25 million jobs lost; higher?)

Direct burden of disease
(health costs; inability to work)

Increased poverty

Higher inequalities

Impacts on trust in institutions? Social cohesion?
Policy responses

What:

• **Health emergency first** (increasing health budget often requires declaring national emergency)
• **Protecting people and jobs** - *Strengthening support for unemployment or protecting jobs?*
• **Promoting the recovery**

How:

• **Increased social spending**
• **(Including through) Fiscal stimulus plans** - *Limited space for monetary policy measures*
Fiscal stimulus packages – social measures

127 countries have so far announced or put in place fiscal stimulus. Over 1% of GDP to stimulus in about 80 countries. Over 2% in 60. Over 10% in 9.

New or adapted social protection measures in announced plans:

- Measures to support businesses (focus on SMEs): Securing workers’ jobs or expanding support to laid-off workers; training.
- Measures to protect individuals and households: expanding income support to sick workers; expanding access to unemployment benefits; supporting workers who cannot work from home; targeted benefits or one-off income transfer.
- Measures to strengthen public health systems: Increasing health spending
Lessons from 2008 financial and economic crisis

• 25% of funds to discretionary social protection and other income-support measures. Share probably higher this time.

• Countries with larger (and earlier) stimulus enjoyed a stronger recovery.

• Many Governments phased out fiscal stimulus and moved to fiscal austerity while unemployment was still growing.

• How stimulus is implemented matters: *Protecting jobs better than protecting (laid-off) workers. *Expanding existing programmes more effective than creating new (ad-hoc) ones. *Considering groups that are usually not protected.
Key issues

• In order to help reduce poverty and inequality, stimulus plans must be in place quickly and be phased out slowly.

• Ad-hoc measures address short-term needs. But most of them leave beneficiaries just as vulnerable to future shocks once they are removed.

• Comprehensive social protection systems, when in place, play a much durable role as they act as automatic stabilizers.
Ms. Spiegel leads the Financing for Sustainable Development Report (FSDR) of the Inter-agency Task Force on FfD.

She has extensive private sector experience -- including Principal at NHC, and a Director at Lazard Asset Management. In 1992 she was CEO of Budapest Alapkezelő, which launched the first investment funds in Hungary.

She also served as Executive Director of IPD, a think-tank at Columbia University and as a consultant to the World Bank.
Corona crisis causes turmoil in financial markets

Available at: bit.ly/UNDESACovid
COVID-19 is causing investors to flee to safety leading to equity volatility, widening bond spreads, depreciating currencies; setting stage for debt and financial crises.
Unprecedented capital outflows

Accumulated non-resident portfolio flows to EM since indicated date, in $ bn

-90.38
-25.75
-23.30
-14.73

9/8/2008, GFC
5/17/2013, TT
7/26/2015, China scare
1/21/2020, COVID-19
Risk in markets prior to outbreak -- low interest rates led to high borrowing

- Leveraged loans doubled since the 2008 crisis, to reach $1.2 trl
- EM corporate debt/GDP rose by 31 percentage points since 2011
- Stronger commercial banking system
- But... 30% of global financial assets managed by non-bank financial institutions with lower regulation, far surpassing pre-2008-crisis levels

Changes to the financial regulatory system after a crisis tend to focus on preventing a recurrence of past problems, while future shocks may have different causes and transmission channels
COVID-19 has enormous fiscal impacts...and
Exacerbates risks of a debt crisis!

- 44% of LDCs and other LICs were already at high risk of or in debt distress
- 25% of public revenue was used for debt payments in frontier economies

Global debt will rise further..

- In Africa alone, 6 additional oil-exporters, as well as tourist dependent countries, are at high risk of shocks and debt distress
- Public debt will rise further in response to COVID-19
- Highly-leveraged corporations are vulnerable to shocks – COVID-19 could turn into a protracted crisis
➢ A **globally coordinated stimulus package**, including reversing the decline in aid and increased concessional finance.

➢ **Prevent a debt crisis:**
  • Immediately suspend debt payments from poor countries;
  • Beyond the crisis, reassess debt sustainability/existing mechanisms

➢ **Stabilize financial markets:**
  • Provide emergency funding; Special Drawing Rights (SDRs); Central bank bilateral swap lines
  • Capital account management
  • In the medium-term, explore regulatory frameworks to limit over-borrowing for non-productive investments, e.g. repaying shareholders.

➢ **Partnering with the private sector:**
  • In the short term, roll over debt to SMEs and individuals
  • In the medium-term, promote sustainable investment
Public and private investment in sustainable development including in resilient infrastructure;
Eliminate trade barriers and restrictions that affect supply chains
Strengthened social protection systems;
Crisis prevention, risk reduction and planning;
2020 Financing for Sustainable Development Report (FSDR)

by the Inter-agency Task Force on Financing for Development

More than 60 United Nations Agencies and international organizations.

Led by UN-DESA, with the IMF, WBG, UNDP, UNCTAD and WTO in leading roles

http://developmentfinance.un.org
Questions and answers

- If on WebEx: Please, use the Q&A or chat boxes.
- If on Facebook Live: Add your question in the comments.
- Let us know who you are: name, organization and country.
More information

• Check out our COVID-19 response portal: bit.ly/UNDESACovid
• Follow us on social media
  • Twitter: @UNDESA, @SustDev
  • Facebook: www.facebook.com/joinundesa
    www.facebook.com/sustdev

April monthly briefing on the world economy: “COVID-19: disrupting lives, economies and societies”
Policy Brief 58: “Addressing the social crisis through fiscal stimulus plans”
Policy Brief 59: “Corona crisis causes turmoil in financial markets”
Thank you