



Renewing our Democratic Alliance

COVID Scarring Amid a Polycrisis: The Acid Test of Democratic Solidarity?

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NOTE: This paper is focused on low-income and fragile countries. These countries are the most vulnerable, the most aid-dependent and, in many ways, the least able to have their voices heard during this time of intense geopolitical crisis.

ABSTRACT

The pandemic has created ripple effects that have seriously affected health and education systems, as well as the economy in general, when the world was already late in its efforts to attain the SDGs.

These effects, that could have lasting consequences and that we call scarring, are now compounded by other crises, exacerbated by the war in Ukraine: food, fuel, fertilizer crises, as well as generalized inflation, high interest rates and disrupted supply chains. The international community, in the 30 months that have followed the onset of COVID-19, has shown creativity and commitment to address the crises (front-end loading World Bank financing, setting up COVAX, making more special drawing rights available) but this has not been sufficient to bring back health systems to pre-pandemic levels or to offset learning gaps. With significant donor funding going to supporting Ukraine and higher interest rates crippling highly indebted low-income countries (LICs), the combined effect of other crises can send many LICs down a spiral of dysfunctionality and social tensions that could lead to catastrophic unrest and disruptions.

Donor and implementing nations must make addressing COVID scarring a priority over the next two or three years, to stop slippage and address the gaps created by the pandemic. First, donor countries must commit to making aid to Ukraine additive so that it does not displace aid to low-income countries. Second, they must also adopt a surge package to address the scarring over 2/3 years. At roughly 30 dollars per person/year if spread evenly across donor nations, this package would be affordable and leave room for addressing the other crises: Ukraine-related, climate-related and the more generalized lack of momentum to reach the Sustainable Development Goals (SDGs).

I) The Orphan Crisis

A) A Serious Challenge

When COVID-19 wreaked havoc on the planet, many low-income countries were already in difficult straits. In addition to suffering the effects of climate change, they were seeing hunger rising while refugees and internally displaced people increased to record numbers. Already in 2018, Homi Khoras estimated that 31 low-income countries were severely off-track to meet the SDGs¹. Official Development Assistance (ODA) for secondary education, a critical component for building gender equality and spurring economic growth had plateaued at \$2 billion per year, and aid for Reproductive, Maternal, Neonatal and Child Health (RMNCH) as a whole fell by 6% between 2017 and 2018 and only increased by 2% in 2019; over the same 2-year period, aid for the reproductive health of non-pregnant women fell by 25%.²

While direct morbidity from COVID-19 seems to have struck low-income countries (LICs) less than middle income and high-income countries (health systems are weak in LICs, so the data is imprecise and not necessarily conclusive), the other - indirect - consequences of the pandemic have hit LICs harder than other countries:

- **Economic:** Before the onset of the Ukraine crisis, emerging market and developing economies were expected to still be 6% below pre-pandemic trend in 2023. Not only had they suffered a deeper reduction in GDP but they were taking more time to recover from it.³ The drop in GDP has resulted in unparalleled upsurges in extreme poverty headcount as well as seriously weakened domestic business ecosystems and increased indebtedness.
- **Social:** Impacts in health and education have been far reaching. As of the end of 2021, 200 days of schooling/child had been lost due to the pandemic. Tens of millions of children are at risk of never returning to school. In a report earlier this year, the IMF estimates that within countries, the impact was more severe among students from more vulnerable households.⁴ In the summer of 2022, the World Health Organization released its vaccine coverage statistics which showed that in 2021, six million more children had received no vaccinations at all, compared to 2019.⁵ Access to reproductive and maternal health services was reduced by 50% in South Asia and maternal deaths are estimated to have increased by 16%.⁶
- **Increases in inequality:** In addition to having more devastating nutritional and educational effects on the poorest households, the pandemic has taken a toll on the agency of women: as a simple illustration, the number of pregnancies among minors rose by nearly half a million in South Asia alone during the pandemic, limiting life options for most of these teen mothers.⁷

¹ <https://www.brookings.edu/research/leave-no-country-behind/>

² <https://gh.bmj.com/content/bmjgh/6/6/e006089.full.pdf>

³ <https://blogs.worldbank.org/voices/global-economic-outlook-five-charts-1>

⁴ <file:///C:/Users/Princess%20Ga/Downloads/g20-minimizing-scarring-from-the-pandemic.pdf>

⁵ <https://www.who.int/news/item/15-07-2022-covid-19-pandemic-fuels-largest-continued-backslide-in-vaccinations-in-three-decades>

⁶ <https://www.unicef.org/rosa/media/13066/file/Main%20Report.pdf>

⁷ <https://www.unicef.org/rosa/media/13061/file/4-page%20Summary%20Report.pdf>

For a more complete list of impacts, please refer to Annex A, prepared in April 2022.

The combined effect of the above impacts is a reduction in ability to adapt to shocks in many LICs. With many governments hitting a fiscal wall⁸ and because of the minimal footprint of the State, the greatest fiscal burden is borne at the firm and household level. With savings drawn down to get through lock-downs and depressed economic activity, households could lose all capital goods and fall prey to money lenders, while firms could go bankrupt.

We call these impacts (economic, social, increased inequality, and the resulting vulnerability and loss of resilience) the scarring of COVID-19.

This scarring must be addressed:

- because it is causing unnecessary child and maternal morbidity and mortality, and a reduction in child literacy and as well as setting back attainment of the SDGs
- just as importantly, scarring is undermining the credibility of the solidarity our countries require to address urgent joint crises, indeed undermining our very ability to effect change at the global level

B) A crisis being displaced and buried by other crises

While the COVID-19 crisis is far from over and is just one variant away from creating additional havoc, the Russian aggression in Ukraine and other crises have become top of mind.

- i) *Record increases in inflation and, in particular, the generalized food, fertilizer and fuel price crises:*** Because so much food-related and energy products were dependent on Russian and Ukrainian exports, global prices for food, fertilizer and fuel, which had already been increasing since 2021, have surged since the Russian aggression⁹. Increased fertilizer costs lead to reduced use in LICs, further reducing food production. Unlike COVID scarring, which has now been largely addressed in MICs and HICs, fuel and food crises remain relatable issues for all countries, rich and poor alike. While governments of poor countries may not get defeated and replaced because routine immunization campaigns are cancelled, riots may take place if food is unavailable or unaffordable, which means governments of LICs will give priority to these crises. Even if a LIC was not dependent on food or fuel imports (in reality, very few are self-sufficient in

⁸ According to a 2022 [IMF analysis](#), “on average, government revenues remained well below prepandemic projections as the decline in revenue mobilization—1½ percentage points of GDP lower revenue-to-GDP ratio—was compounded by a severe output loss”.

⁹ Russia and Belarus account for one-fifth of global fertilizer exports, especially potassic fertilizers (one-third of global trade) and nitrogenous fertilizers. As the production of potash fertilizers depends on mining, and the production of nitrogen-based fertilizers relies natural gas, increasing production in other countries is not straightforward. Fertilizers’ prices had already increased by about 80 percent over the past year. Adapted from [ch1 Fiscal Monitor April 2022- Fiscal Policy from Pandemic to War.pdf](#)

these sectors), it would still be affected by the price increases because other imports are likely to be dependent on the food or fuel sectors for their inputs. Indeed, while the FAO food price index has started to go down slightly in the Summer of 2022 (but still remained 10% higher than the 12 months earlier), the food crisis seems to have spread into a more generalized cost of living crisis.

All of the above explains why the food, fuel and cost of living crises are so much in the spotlight. Agendas for the G7 and the G20 and priorities of IDA 20 are being amended to give priority to these crises, positioning them to receive a growing share of both domestic and foreign aid funding.

- ii) Major increases in financing costs due to interest rate hikes and appreciation of the US dollar.** With inflation at a 40-year high and additional cost pressures from Russia's invasion of Ukraine, central banks have been implementing massive hikes in short-term interest rates, and reversing quantitative easing (leading to increased medium term interest costs). At the same time, the US dollar (in which much LIC debt, particularly commercial debt, is denominated) has appreciated. Local currency interest rates are also rising due to inflation and global interest rate hikes. As a result, borrowing costs for nations, firms and families are increasing sharply at the worst possible time. Already the IMF, in 2022, has observed over 40 issuances of loans at more than 10% (30 with a spread of more than 10%).¹⁰

This means that governments which, due to the pandemic, had seen a prior reduction in their tax bases as well as pressures for additional spending now face a double constraint: program costs are increasing and borrowing has become unaffordable. The proportion of countries in debt distress or at high risk of debt distress has increased to 56% from 49% in 2019 prior to the pandemic and increased interest rates are likely to push this trend further into the decade.¹¹

Obviously, increased interest rates also affect the private sector and are likely to have a recessionary impact, which, among other things, will further depress the treasuries of LICs.

- iii) The Ukrainian crisis is displacing significant volumes of ODA in many ways.** First, aid is being diverted to support the Ukrainian or Moldavian governments (both countries are on the OECD list of eligible countries for development assistance; one billion dollars in IDA lending for low-income countries has already been allocated to more affluent Ukraine and Moldova by the World Bank). The exact new grant amounts are difficult to assess, but Devex assesses that in the first five months following the Russian invasion, Ukraine received \$8.5 billion in grants, mainly of a humanitarian nature, and that additional pledges of \$30 billion, which include an unspecified proportion of loans, were made by donor countries.¹²

Second, to finance the World Bank's 15-month strategy (April 2022 to June 2023) for dealing with the Ukrainian crisis, "IDA will support surge financing of up to \$36.2 billion, delivering over a third of the IDA20 envelope in FY23. Countries will be encouraged to frontload some of their

¹⁰ <https://www.imf.org/en/Blogs/Articles/2022/07/26/blog-weo-update-july-2022>

¹¹ <https://www.imf.org/en/About/FAQ/questions-and-answers-on-debt-restructuring-in-lics>

¹² <https://www.devex.com/news/funding-tracker-who-s-sending-aid-to-ukraine-102887>

country allocations (in general up to 30 percent of allocations from FY24).”¹³ While the World Bank strategy does mention addressing COVID scarring, it is likely the food and fertilizer crisis will receive the lion’s share of resources and attention. Just as importantly, in fiscal years 2023-24 and 2024-25, will only have 28% of their allocation left instead of 33% to deal with IDA priorities and COVID-19 scarring, in addition to any unforeseen consequences of the Ukraine crisis.

Third, any country who assists with the settlement of refugees can include its refugee resettlement costs for the first twelve months as part of its ODA. In countries where ODA levels are legislated like the UK, Sweden and Norway, this results in an automatic reduction in “traditional” ODA (i.e. assistance to non-European countries).

Donor countries are also subjected to various pressures like increased military spending, social transfers to reduce energy costs to their own citizens, tax incentives to support the fight against climate change, which reduce their flexibility to address emerging international development priorities.

In addition to the displacement of official aid to Ukraine, there is the risk that private foundations—that stepped up with accelerated disbursements during COVID – may be stretched too, and, witnessing major reductions in the value of their investments, may be inclined to freeze/reduce spending at this critical time.

C) The intensity of the Ukraine and food crises makes it difficult for leaders to address the simultaneous challenge of COVID-19 scarring and the other crises in a holistic and timely way.

The world has had to deal with parallel crises in the past. However, the massive, inter-related and overwhelming nature of the crises today, leads us to use the term “polycrisis”.¹⁴ Not only are the media making no room to highlight the unaddressed disruptions caused by COVID-19, but, because of the immediacy of the food crisis, politicians and technocrats have difficulty finding the time or attention span to develop and debate potential solutions, leaving a void in policy leadership. As a result, COVID scarring is very far from the top of the G7 and G20 agendas. While the World Bank did release a massive strategy (\$170 billion over 15 months) to address both COVID scarring and the crises related to the Ukraine war (see above), whether it is a function of limited demand from implementing countries or limited marketing by Bank management, it is clear that COVID scarring has not been the priority (for instance, in the first 5 months of the strategy, only two significant education projects were approved in IDA countries).¹⁵

¹³<https://documents1.worldbank.org/curated/en/099640108012229672/pdf/IDU09002cbf10966704fa00958a0596092f2542c.pdf>

¹⁴ Jean-Paul Juncker used “[polycrisis](#)” in 2016 to describe a mixture of several crises, which intercommunicate and generate new crises. Here in Canada, the Cascade Institute refers used the term polycrisis to refer to “a single, macro-crisis of interconnected, runaway failures”.

¹⁵<https://documents1.worldbank.org/curated/en/099640108012229672/pdf/IDU09002cbf10966704fa00958a0596092f2542c.pdf>

Fortunately, at the technical level, the solutions can be designed in parallel, as the health, fuel, financial, and food crises all mobilize different experts.

I) The Necessity of Solidarity

A) A Looming Catastrophe Despite Honest Efforts

i) A very diversified panorama: Before even exploring the likelihood of catastrophic developments on the world scene, it is important to emphasize that among the Low Income Countries, the situation is quite variable.¹⁶ While some of the actual scarring is comparable (for instance, the level of literacy of children after the pandemic¹⁷), government responses to COVID differed significantly: several countries increased social transfers during the COVID crisis and have very little fiscal space; others were more frugal and did not increase their indebtedness. Some produce energy, and are less affected by the fuel crisis.

Many countries are severely affected by the wheat price crisis, but those in Asia with a rice-based nutrition have not had such problems (food can be at least partly substituted, however, so future increases in the price of rice are not unlikely, as illustrated the possible increase of 15% in the Philippines).¹⁸

Fiscal health varies from one low-income country to the next. First, the IMF itself recognizes that the analysis of the fiscal sustainability can be complex and fraught with errors.¹⁹ And even if one sticks with simpler classifications like the debt sustainability analysis table published by the IMF and combines that information with population data, 54% of the population of LICs live in countries with a low or moderate risk of debt distress.²⁰ The proportion of low-income developing countries at high risk or already in debt distress has however doubled since 2015 and the overall trends are very preoccupying: “Over the medium term, low-income developing countries will face increasing debt vulnerabilities amid rising borrowing costs... the average debt is projected ...to remain above the prepandemic level in almost two-thirds of countries. The median debt service to tax ratio is expected to remain above the prepandemic level and exceed 40 percent in several highly indebted countries (Ghana, Myanmar, Nigeria).²¹ So while there is variability, vulnerability is spreading to low-income countries.

ii) In reaction to the challenge of COVID scarring and then of the polycrisis, the international community has responded in important ways over the last several months: While equity in vaccine distribution has been lacking, countries such as Canada have shown sustained commitment to broader international mechanisms such as COVAX and to the global COVID response. The World Bank and its donors increased IDA payments by 50%, and now that other

¹⁶ <https://saiia.org.za/research/recovering-from-covid-building-resilience-in-select-african-economies/>

¹⁷ <https://thedocs.worldbank.org/en/doc/e52f55322528903b27f1b7e61238e416-0200022022/original/Learning-poverty-report-2022-06-21-final-V7-0-conferenceEdition.pdf>

¹⁸ <https://business.inquirer.net/349878/p6-kg-increase-in-rice-prices-feared>

¹⁹ <https://www.imf.org/en/Publications/fandd/issues/2022/03/Deciding-when-debt-becomes-unsafe-Blanchard>

²⁰ <https://www.imf.org/external/pubs/ft/dsa/dsalist.pdf>

²¹ [ch1 Fiscal Monitor April 2022- Fiscal Policy from Pandemic to War.pdf](#)

crises have emerged in the wake of the Ukrainian conflict, they have front-end loaded IDA20 as part of a 15-month surge strategy.

The IMF organized a new issuance of \$650 billion in Special Drawing Rights (SDRs) in August of 2021 to respond to the fiscal and balance-of-payment pressures caused by the COVID-19 pandemic. In light of the additional crises that appeared at the beginning of 2022, it accelerated the set up of a Resilience and Sustainability Trust destined to facilitate the recycling of SDRs from advanced economies to lower and middle-income countries.

Moreover, in recent months, thanks to the Black Sea Grain Initiative, 3 million metric tons of Ukrainian grain were able to be sent to markets around the world, which has eased price of grain.

iii) *Some important scarring has been left unaddressed:* Despite the efforts deployed by national and donor governments, some critical areas of COVID-19 scarring have not been addressed and are even experiencing a deterioration.

As mentioned in the opening section of this document, six million more children did not receive any vaccine at all in 2021, compared to 2019. What is troubling is that the situation worsened between 2020 and 2021; in other words, instead of stabilizing after the first year of the pandemic, the health system showed increasing signs of vulnerability. A quick review of maternal mortality trends also shows a similar progressive deterioration.²²

As for education, the most recent data shows distressing learning poverty results: the proportion of ten-year-old children unable to read and understand a simple text nearly increased by half during the pandemic in Latin America and South Asia, and now surpasses 70%. Unless drastic action is taken, this literacy gap will stay with an entire school-age cohort.

Finally, the most recent survey of informal workers also shows that by mid-2021, the typical (informal) worker was still only earning 64% of her/his pre-COVID-19 earnings.²³

iv) *Failing to successfully meet the solidarity challenge could have catastrophic, irreversible consequences over the short-to-medium term:* A diversion of aid away from low-income countries and away from services for the very poor, combined with domestic fiscal powerlessness could lead to sustained scarring. As illustrated by Dr. Zulfiqar Bhutta, reductions in “community healthcare worker visits, disrupted community screening and management of acute malnutrition, and diversion of available health workers to COVID19-related activities, have led to lower coverage of nutrition counselling, including for breastfeeding promotion and infant and young child feeding support. Drops in the provision and uptake of vitamin-A supplementation and immunization programmes, and services for the prevention and treatment of infections and severe acute malnutrition, could precipitate dramatic increases in child mortality”.²⁴ Continued service deprivations over time may not only halt progress on child health, at a time when global infant mortality was slowly coalescing toward the levels of

²² <https://www.gatesfoundation.org/goalkeepers/report/2022-report/progress-indicators/maternal-mortality/>

²³ <https://www.wiego.org/publications/covid-19-and-informal-work-11-cities-recovery-pathways-amidst-continued-crisis>

²⁴ [Food systems, diets and nutrition in the wake of COVID-19 | Nature Food](#)

advanced economies, but could set a new, lower baseline, a new normal²⁵. Health workers are leaving the profession, and this will be difficult to deal with if left unaddressed for much longer.

In similar fashion, “untreated” scarring can progressively lead to:

- Missing key milestones such as: progress toward malaria-free regions²⁶, gender parity in literacy and numeracy, neglected tropical disease control etc.
- Producing downward quantum leaps as the business fabric disintegrates. Highly leveraged and elevated balance sheet vulnerabilities tend to result in lower investment²⁷ as businesses are unable to access affordable capital; holes then appear in supply chains and the effects start compounding and stop being linear. Entire sectors of the economy can be affected, generating layoffs, lower aggregate demand and a reduction in the tax base. As for the self-employed, their average number of days worked per week was only four in mid-2021, still considerably lower than the 5.5-day average in the pre-pandemic period, pointing to the very tenuous ability of households to sustain themselves.

Rising US interest rates are going to make the situation difficult for countries, firms and households, and the more indebted countries will have to freeze their programs, if not make cuts to them. While for most countries, this will be a “slow burn” with no imminent risk of collapse, until such time as interest rates are projected to go down, investor confidence will be low and this in turn, can lead to a quick deterioration of the economy.

Compounding the problem is the fact that current trends show that diversion of funding to Ukraine has started and is likely to increase as the humanitarian/reconstruction needs of a sustained conflict rise (not to mention the additional potential fiscal pressure of having to convert loans to Ukraine to non-repayable assistance due to Ukraine’s possible inability to reimburse). Additionally, the increased defence spending in donor countries due to the implications of the Ukraine/Russia conflict and the rising tensions with China/Taiwan could constrain overall ODA.

Over the longer term, children exposed to higher poverty begin to have less favourable socio-economic outcomes and the human capital of tomorrow becomes in jeopardy as children (and their parents) get discouraged by the absence of remedial measures to address two years and more without regular schooling, and drop out²⁸; and the situation worsens when teachers cease to be paid by insolvent governments and subsequent cohorts leave school without foundational literacy and numeracy skills. Schooling scars are predicted to be twice as high in emerging markets and developing economies as in advanced

²⁵ For instance, it is [forecast](#) that domestic health budgets will be reduced by 19%, only returning to their earlier levels at the end of the decade.

²⁶ See for instance [Malaria \(gatesfoundation.org\)](#)

²⁷ [g20-minimizing-scarring-from-the-pandemic \(4\).pdf](#)

²⁸ [Optimising Health Series](#)

economies. Their cost could amount to \$17 trillion, roughly \$17,000 per student (or roughly 17 years of earnings for a child in the lower global quintile!).²⁹

While determining the ability of states to take remedial policy actions requires a sophisticated analysis, as mentioned earlier, with losses of productivity and reductions in their tax base, states can soon become unable to perform anything other than the most basic of governance functions.³⁰

It is worth underscoring that one particular category of countries is particularly vulnerable in this respect: islands and small economies. Many of these countries were dependent on very few sources of income (often including tourism), and with the COVID-19 pandemic, in many cases their economies took a significant blow. And as they can be prone to adverse climactic events in addition to serious logistical problems and diseconomies of scale, the potential for collapse, away from media attention, is never very far away.

The governments' inability to fully exercise their roles also feeds a rampant and growing distrust of institutions. Between 1995 and 2021, the top one percent captured 38% of the global increment in wealth, while the bottom 50% captured a paltry two percent.³¹

Economic inequality chips away at the kind of social contract necessary to generate inclusive and sustainable outcomes. With the imposition of sometimes arbitrary measures during the pandemic and the ability of a privileged minority to maintain its lifestyle thanks to digital technologies, many citizens got the impression that the system was rigged and only worked for those at the top. In a context where States function increasingly poorly, this perception might be amplified.

Overall, between the combined fiscal incapacity of states to operate and a lack of social cohesion where households in extreme poverty are systematically left behind, serious risks of instability to the global order emerge. These include the possible demise of emerging democracies while simplistic authoritarian solutions appear more promising, failed states, possibly on a regional basis (Sahel perhaps) with massive consequences, tensions between emerging economies and Western democracies, increased migration of refugees toward the Global North. Also emerges a lack of trust that could undermine big global efforts such as fighting against climate change. It is well documented that increases in food and fuel prices are triggers for social unrest.³² For example, "protests over (planned) fuel price increases have occurred often, including in the recent past (for example, Ecuador, France, Haiti, Iran, and Kazakhstan). Such protests have the potential to spark widespread discontent with government policies. Some conditions, such as high poverty, inequality, and the electoral cycle, may increase the risk of social unrest."³³

²⁹ <https://www.imf.org/en/Blogs/Articles/2022/02/03/pandemic-scars-may-be-twice-as-deep-for-students-in-developing-countries>

³⁰ <https://www.imf.org/en/Publications/WP/Issues/2022/06/17/Policy-Space-Index-Short-Term-Response-to-a-Catastrophic-Event-519814>

³¹ https://wir2022.wid.world/www-site/uploads/2021/12/WorldInequalityReport2022_Full_Report.pdf

³² <https://www.imf.org/en/Blogs/Articles/2022/05/20/social-unrest-is-rising-adding-to-risks-for-global-economy>

³³ [INSEA2022001.pdf](#)

Ultimately, with successive negative feedback loops and episodes of unrest, various countries will be at risk of collapse or of systemic failure (using the medical analogy scarring could turn into generalized sepsis). If critical funding gaps lead to collapse, corrective funding cannot easily reverse the situation in the future, because there will be very limited governance structures, scarce bureaucratic know how, run-down physical capital, in short, little absorptive capacity. Fiscal collapse can set back a country for a decade, and political collapse can have lasting effects for a generation. Prevention and pre-emption are much less expensive and more effective than trying to pick-up the pieces.

B) Time to choose

The issue of addressing COVID-19 scarring could benefit from being placed in a broader framework. It could be said that, in 2022, the world order is being submitted to three struggles or stress tests:

- The Ukraine invasion is a challenge to the very foundations of the world order and a struggle to determine the consequences for violating them
- Within the existing world order, there is a struggle between autocratic states and Democracies to see which norms will prevail the world order
- Within democratic states, many doubt the relevance of these norms as populist, authoritarian political actors test domestic institutions and threaten to cut ODA abroad

The three stress tests are simultaneous, and intertwined and it is difficult, for instance, to imagine passing stress test 1 or 2 without being seen as addressing stress test 3.

In 2021, the world failed the COVID global vaccine distribution solidarity test. While COVAX was created in record time, its lack of timely funding eroded both its credibility with pharmaceutical companies and with low-income countries. The inability of the world to coalesce around a TRIPS waiver at a time of unparalleled crisis appeared as a symbol and confirmation of the divide. The present inability to substantially fund the Financial Intermediary Fund for Pandemic Preparedness and Response and the inability to find any resources for it other than through existing official development assistance speaks loudly about the denial of our interdependence. As an international community, it would appear that we hesitate to invest in each other even when self-interest would compel us to do so.

The present polycrisis, and the food, fertilizer and seed crisis within it, present a new test which we are in danger of failing. It is unfortunately hard to conceive that the current solidarity drive of the G7, the UN and the International Financial Institutions to address these crises will be very fruitful considering that food-related commodities are in limited supply and that democracies of the global North and global South have competing interests. The same could be said about the energy crisis. In this context, Russia, as a supplier, and China, as a potential financier, may start to appear as valuable allies to resource-poor countries.³⁴ Already, the September 2022 cost-of-living demonstrations in Niger appear to be a case in point.

Seen through this lens, COVID scarring then offers a redeeming opportunity for democracies of the global North to reinvigorate international solidarity and demonstrate both its cogency and its relevance.

³⁴ For the majority of African countries, [Ukraine and Russia represent more than one third of wheat imports](#)

By deciding not to seize this opportunity, the credibility of democracies of the Global North would probably suffer irreparable damage.

The opportunity, however, is time-limited: it has to be addressed, with resources flowing, in a matter of months, not years, especially in a polycrisis context involving food and fertilizer shortages and predictable political turmoil. The trickle of emergency funding requests for the IMF's Poverty Reduction and Growth Trust could indicate that there is still time to design the intervention plan adequately (but this may also simply be a reflection of the rigidities associated with IMF programs).

Transparency will have to be a keystone of any intervention plan. Many elements are pointing for instance to a danger of obfuscation and overestimation of the resources truly available for supporting socio-economic development of LICs: commitments to Ukraine are diverting funds from existing budgets in an opaque way and one-time COVID-related expenditures may artificially give a healthy appearance to development assistance. Supporting civil society in LICs will enhance transparency and provide a better picture of the reality on the ground.

III) Imagining and Committing to a way forward

A) A commitment which goes beyond rhetoric

In a way, COVID-19 scarring could not happen at a worse time: domestic budgets in the Global South are tapped out, and in the Global North, deficits created by generous internally focused COVID responses and now by increased military spending, leave little fiscal space for international solidarity.

Seen from a different perspective, however, COVID-19 scarring needs to be addressed in circumstances that are similar to past challenges: the Marshall Plan at the beginning of the Cold War and the Colombo Plan at the beginning of the Korean War, were implemented at a time when solidarity needed to be demonstrated concretely despite the fact that donor finances were recovering from, or preparing for, an important war effort.

Already leading thinkers are calling for concrete actions: Homi Kharas from the Brookings Institute is calling for a Marshall Plan to fund a Global Sustainability Program³⁵ and Dr. Bhutta is calling for a new Summit for Children.³⁶

Likewise, leading international agencies and philanthropies are highlighting the need to address sharply decreased literacy among children and to vaccinate an increasing number of “no-dose” toddlers. Appeals and pledges are proposed.³⁷ What is missing is action and funded commitments to get us through the next 2-3 years and buttress the most vulnerable countries against falling back and falling down.

The very first step must be a commitment to “do no harm” with the support for Ukraine, we must ensure that no funding is taken from support of low-income countries, and that the already-displaced

³⁵ <https://www.brookings.edu/wp-content/uploads/2022/05/Global-Sustainability-Program.pdf>

³⁶ [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(21\)02789-6/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(21)02789-6/fulltext)

³⁷ <https://www.worldbank.org/en/topic/education/brief/commitment-to-action-on-foundational-learning>

funds are returned to these countries. While this is essential, it is obviously not sufficient. More focused effort is required.

B) Addressing COVID-19 Scarring requires the definition of a maxi-min approach by democracies of the Global North and South

The idea is for donor and implementing nations to be guided by a maxi-min approach, an approach that maximizes the chances of obtaining the minimal, incompressible outcomes required in healing COVID scarring.

“Maximizing the chances” refers to the inherent challenge of addressing COVID scarring at this crowded time: the risk of having little political visibility during a time of polycrisis, the risk of being unsuccessful at generating the funding required from implementing countries and from donors, and the risk of stumbling blocks in the implementation process (infrastructure, human resources etc.). This suggests that the package should be sufficiently small and focused as to be affordable and manageable, yet sufficiently compelling to generate buy-in and commitment.

“Minimal outcomes required” means reducing socio-economic scarring, including the risk of firm and household-level failures, and significantly reducing the probability of fiscal or socio-political collapse over the critical next few years so as to put countries back onto a path for attaining key SDGs, even if it is a few years after 2030.

The elements within “minimal outcomes required” are still a matter for discussion (and may vary considerably by country), but to guide one’s analysis on this matter, it may be useful to consider an admittedly oversimplified, bare-bones welfare model based on the following foundations:

- Key basic social services are available to all citizens
- Failures at family, firm and national level are minimized such that citizens have access to enough income to feed and house their families
- The latter objective can only be addressed in a dynamic model where the income can serve to fund part of the key basic social services, and citizens with healthy families can participate productively in the economy and generate some income.

The following minimum basic social services could be included, in a minimalist package similar to G7 commitments made at the Muskoka Summit in 2010, as they represent pandemic-created gaps that have not been addressed and that the international community has expressed support for³⁸:

- Primary health care for children including routine immunization
- Access to safe contraception and deliveries, including antenatal and post-natal care
- Foundational literacy and numeracy for all, and secondary school enrolments back to pre-pandemic levels
- Let’s remember this is not charity: investment in Africa is investment in one third of the world’s new human resources)

³⁸ Nutrition is not included here, as it is receiving high level attention and funding, for instance by the World Bank.

The identification of measures to minimize failure and allow sufficient generation of minimal income is more challenging, as some of the problems, such as the affordability of capital for businesses to continue to operate and provide employment, do not have easy solutions. One key intervention (or some equivalent measures) should however be given consideration in our minimal package:

- Providing liquidity to ensure key business sectors do not collapse, especially working capital to micro-enterprises, who are the source of income to more than 80% of households in Sub-Saharan Africa and South Asia (aid for micro-enterprises could also, as an added advantage, be an incentive to make them part of the formal economy).

It is worth mentioning that support for primary health care and reproductive services as well as countering learning losses and private sector liquidity issues are a minimalist version of what the World Bank proposes to do over the next year to protect people and jobs (but is precisely at risk of being displaced by the urgency of the food and fertilizer crisis).³⁹ Our 2–3 year proposed time horizon would allow to more completely address the pandemic scarring.

Depending on the contexts, subsidies may be required, for food, fuel or electricity costs. It will be very important to make sure the subsidies benefit disproportionately the poorest. As an illustration, a report⁴⁰ supported by Germany's GIZ and Canada's IISD, reminds us how regressive some large-scale subsidies can be.

The important thing is not so much to get the programme right (one cannot go wrong funding health and education in Low Income Countries, after all) as to get it going. In the words of Dr. Michael Ryan:⁴¹ "Perfection is the enemy of the good when it comes to emergency management. Speed trumps perfection (...). The greatest error is not to move. The greatest error is to be paralysed by the fear of error".

As the anti-scarring package gets developed, it will be important not to contribute to the fragmentation of global health, education, or economic efforts. The idea is just to be returning to the path that existed prior to the pandemic (with the hope that proper acceleration will then take place), and empowering country-led systems.

C) **The amounts at stake are time-limited and manageable**

i) *A Time-Limited Endeavour that complements and supports the international community's agenda:* Four critical initiatives are under way at the global level, each of vital importance:

- A long-term drive to reach the SDGs: this effort is going mostly in the right direction, but mostly off-track, because slope of the curve of progress must be increased

³⁹<https://documents1.worldbank.org/curated/en/099640108012229672/pdf/IDU09002cbf10966704fa00958a0596092f2542c.pdf>

⁴⁰ <https://www.iisd.org/publications/report/improving-and-refocusing-electricity-subsidies-options-optimization-mexico>

⁴¹ Executive Director for the Health Emergencies Programme, WHO

- A long-term investment in climate mitigation and adaptation: very important financially, this post-Glasgow effort still needs to be fully costed; it is a marathon with a time horizon beyond 2030
- A pandemic preparedness and response planning effort, to avoid the disruptions that the next pandemic could cause. This is already starting with CEPI being replenished and a Financial Intermediary Fund housed at the World Bank being operationalized.
- Addressing the fallout of Ukraine Crisis: dealing with fuel, food insecurity, inflation, and potential reduced demand from Advanced Economies - This multi-stakeholder effort involves the IFIs, the EU, and the G7 and should be resolved in part by market adjustments and adaption.

The proposed short-term intervention to address COVID Scarring represents a fifth endeavour that, in addition to avoiding the risks of societal collapse, would give a boost to a few key SDGs.

All five initiatives are interconnected, all are necessary and there can be no real trade-offs between them. But it is important to note that the longer terms ones are directly dependent on the two immediate ones: in countries where there is no access to food, schools, or health, and no one will care about the more general SDGs, no one will focus on climate change, or prepare for the next pandemic.

The approach suggested here is to implement a short-term intervention, modest but meaningful, so LICs can reverse the losses due to COVID-19 and put their societies back on a sustainable development track. Like a post-“viral war” Marshall Plan of sorts, it would accelerate the rebuilding of pre-existing human and economic capacity — and thus reduce risks of collapse—rather than expanding “traditional”, ongoing international assistance. As such, it would be time-limited, with disbursements over two to three years, starting immediately. This time frame corresponds to the expected period for a rebalancing of global food stocks, a reduction of inflation and interest rates and, one hopes, a resolution of the Ukraine crisis. It would also conclude in time to ramp up a much-needed post-Glasgow major push on climate finance, the parameters of which are still under analysis.

We also need to increase the speed of the health and education development efforts (once the setbacks due to COVID are addressed) so the SDGs can be addressed by 2030; Indeed the initial 2/3 years are an investment in not falling back and ensuring we are not falling down, after which the question needs to be answered as to how fast we want to drive progress toward the SDGs. This required acceleration is not factored in, in this document’s financial calculations.

- ii) *An Affordable Endeavour:*** Considering that the Ukrainian crisis is already reducing the amounts available for LICs, and that what is left must address additional food, fuel and inflation challenges, the international community must come to terms with the fact that tinkering with a business as usual approach will not be sufficient to implement even the most minimalist of anti-scarring packages. On the other hand, however, a summary analysis shows that it would be a mistake to believe that an anti-scarring package would be unaffordable for Global North donors.

A very preliminary assessment (found in the Appendix that concludes this document) suggests its cost might be in the order of \$30 B per year, barely more than 30 dollars per citizen in the Global North. This cost is time-limited (two to three years), much more economical than taking

the risk of collapses we cannot afford, and would contribute to putting countries of the Global South on a path toward self-reliance.

This is a modest but meaningful package, based on rough assumptions that will not apply to every country (indeed the measures will have to be tailored to the circumstances of each country). A more detailed analysis of COVID-scarred countries would probably point to three categories of countries:

- Category 1: Resource producing countries who need minimal assistance to be back on track and pursue their paths toward the SDGs
- Category 2: Countries with strong fundamentals, who have a positive medium-term outlook, but who need support in the short term to return to full functionality
- Category 3: Countries at high risk of debt distress or in debt distress. These are likely to be more than half of the total number of LICs who will need sustained support

Countries of the first category and the most credit-worthy of the second category could receive low-interest or no-interest loans because their needs are short term and the maturity could be long enough to appeal to them. This would reduce the fiscal pressure on donors so they can focus on major setbacks and potential risks of failure.

It is worth, for the sake of transparency, to note that there will be Category 3 countries that may be unable to continue fully funding some of their programming, say maternal and child health programs, because of ever diminishing fiscal space due to interest on their debt. These countries will likely need some multi-year debt restructuring.

It is important to remind the reader, that overall, donors are at less than half the recommended 0.7% of GNI target for aid. Even if their anti-scarring contribution was entirely in the form of additional grants, it would represent only a small portion of the shortfall.

- iii) High Returns on Investment:** It is impossible to conclude this section on financial parameters without underscoring what benefits this investment would yield. First, it would minimize the risk of system collapse in numerous low-income countries, and avoid prohibitive costs for restarting social services later. In addition, according to UNICEF “investments in children are consistently shown to be the highest returning public investments. Returns range from \$5 per \$1 invested in girls’ education, to up to \$60 per \$1 invested in routine immunization programmes.”⁴² And mathematically, the return on investment increases due to scarring (“because ... of the ongoing negative impact of COVID-19 on the fight against HIV, tuberculosis, and malaria, the returns on our investments have an even larger impact”⁴³). The Global Fund also reminds us that the returns are also measured in terms of economic productivity: “When restricting estimates to the direct effects of economic productivity gains, the cost-benefit ratio for the Investment Case is 1:2.5”.

⁴² <https://www.unicef.org/media/103276/file/UNICEF-Financing-An-Inclusive-Recovery-For-Children-Call-To-Action.pdf>

⁴³ The Global Fund [Case for Investment](#)

iv) **We must, in addition, start looking now at new sources of funding to support reinvigorated solidarity.**

a) ***We should first and foremost support domestic resource mobilization in LICs*** by way of technical assistance. Before the pandemic, most States had barely enough revenue to provide basic services and the constellation of new challenges now requires that governments find responsible ways to spend more.⁴⁴

b) ***We should look at involving new donors*** (especially oil producers, middle-income countries, etc.) as this could provide additional outside funding the fastest. China should be invited to play a key role, particularly where debt-restructuring is involved (category 3 countries). The private-sector will eventually have to be a partner/agree to payment freezes/and possibly take a haircut (also particularly in category 3 countries).

c) ***We should, in parallel, look specifically at new sources of financing, to increase the offer of affordable loans for credit-worthy countries.*** Various sources of affordable lending could be explored: Special Drawing Rights, Guaranteed Lending, MDB Capital Increases, Liquidity Mechanisms and Balance Sheet Optimization. As indicated by Prime Minister Trudeau in May 2022, more Special Drawing Rights can be recycled, perhaps up to 30% of the August 2021 allocation to follow President Macron's September 2022 UNGA proposal; a strong case could be made to use this recycling to support food-related investments, as this represents a crisis unforeseen at the time of the initial 20% recycling. International financial facilities with donor guarantees as proposed by Gordon Brown for education and health are also worth exploring. One-time multilateral development bank (MDB) capital increases equal to say, 50% of one year's ODA, could increase lending by hundreds of billions of dollars. Another initiative, by UNECA, would reduce African Governments borrowing costs through a Liquidity and Sustainability Facility.⁴⁵ Finally, as a longer term objective, balance sheet optimization (leveraging donor capital beyond current practices) could yield hundreds of billions of dollars in additional affordable lending by multilateral development banks and should therefore not be overlooked.⁴⁶

d) ***At the same time, even if the all the above initiatives are successful, it should be clear that a meaningful 2-3 year increase in ODA grants by traditional OECD donors will be required.***

Indeed, putting in place new tax systems, cultivating new donors, balance sheet optimizations are initiatives which are unlikely to yield additional funding in the next few months. They need to be pursued so they can generate funding in one year or two in order to supplement the contributions of traditional OECD donors.

v) **It is time to reimagine democratic solidarity**

Why should we make it a priority to address COVID-19 scarring?

⁴⁴ <https://blogs.worldbank.org/voices/raise-more-tax-revenue-first-build-taxpayers-trust>

⁴⁵ <https://findevlab.org/for-an-african-liquidity-and-stability-mechanism/>

⁴⁶ <https://www.one.org/international/policy/unlocking-the-potential-of-mdbs/>

Of course, because it is immoral to live in a world where the right to basic education and basic health is denied to hundreds of millions of people, who just happen to be born in the wrong place. Because also of the unworkability of a world where the necessities of life are not fulfilled, where generations are hopeless, where entire nations cannot participate in the global economic fabric, and where frustrations inevitably lead to major instability. But just as importantly, because a scarred world does not represent the kind of world we want for our children.

This last answer might also help address another, more fundamental question, raised in the wake of COVID-19 scarring: can markets and market-based democracies secure access to the basics of life for everyone: food, energy, education, access to basic health care etc.? The COVID crisis, with an abject failure to provide vaccines in a timely fashion to LICs, seems to have provided a negative initial answer to this question. A timely solution to COVID scarring amid the polycrisis can provide an emphatic positive response.

We have perhaps arrived at the point where democracies are ready to consider some of these basics as global public investments⁴⁷ where everyone gains because they represent the minimum we find acceptable for our children: this minimum could include, among others, biodiversity preservation, greenhouse gas reductions, pandemic prevention and preparedness, ending legacy pandemics (HIV-AIDS, TB and Malaria) and controlling legacy vaccine-preventable diseases. It could even include ensuring universal literacy and numeracy, as a global public good. This global public investment approach would already address various facets of COVID-19 scarring and would free up considerable official development assistance, as well as domestic resources, to allow addressing a good portion of the remaining aspects of scarring.

Already, the Board of Directors of the World Bank has endorsed such an approach for the new Financial Intermediary Fund on Pandemic Preparedness and Response, encouraging donors to consider making the initial \$10 billion endowment by way of non-ODA funds. This has not been followed by concrete commitments so far, but offers an interesting point of reference.

Twice since World War II, liberal democracies were called to show imagination and boldness in addressing critical socio-economic risks during a time of increased military tension. They stepped up because they cared but also out of a sense of strategic self-interest. In 1947, at the beginning of the Cold War, Secretary of State Marshall laid out the need for a rebuilding program that would be equivalent to 2% of American GDP for several years. In 1951, in the midst of a massive military build-up due to the Korean War, Canada and other nations set out to support the Colombo Plan, in order to help reduce the risk of collapse in the newly independent countries of India, Pakistan and Sri Lanka. Lester B. Pearson argued that, if “ordinary men and women in the free countries of Asia are to feel attached to the new political institutions which they have established, they must be given hope of receiving some tangible benefits for themselves in the form of food, more clothing, better housing and better protection from disease.” These arguments hold for low-income countries in Asia and Africa today—and speak to our challenge to preserve human progress in the midst of a new military confrontation.

⁴⁷ Global Public Investments are investments paid by all (outside of Official Development Assistance), overseen by all and undertaken for the benefit of all (www.globalpublicinvestments.org)

Appendix A

Preliminary Assessment of the Costs of Addressing COVID-19 Scarring

Quickly determining an actionable order of magnitude for the costs of an anti-scarring package is a precondition for engaging decision-makers. This Appendix goes through a “ballpark” estimation of the possible elements of such a package. The determination of the components of the package and its costing still require much refinement. What is proposed below is preliminary and will not conform to every country’s circumstances, even though anti-scarring interventions will have to be tailored and country-driven.

First, it is important to note that the donor community efforts announced by the International Financial Institutions and the G7 to address food insecurity will hopefully have addressed a limited portion of the COVID scarring, related to nutrition (child wasting for instance).

To assess the costs of the potential non-nutrition elements of an anti-scarring package, let us begin by considering the outside cost for its health component. *The Lancet* estimated that prior to the Pandemic, the cost of closing the gap between rich and poor countries by 2030 in key health domains was \$70 billion per year.⁴⁸ Our package is much less ambitious. If we limit it to child health, the funding gap for comprehensive care would be \$33 billion per year (estimated in 2021).⁴⁹ Our package would still be much less ambitious, focusing instead on a few key areas and we can turn to the Global Fund (GF) to see more realistic catch-up costs. To address the scarring in its own area of operation and fund progress toward the SDGs, the GF estimated it required 30% more funding than it was disbursing three years ago.⁵⁰

- If we increase Gavi funding in the same proportions, we would require \$1 billion more per year for incremental routine immunization costs.
- For reproductive health, the amount would be \$2 billion per year, following the same 30% rule.

If we add \$2 B/year to cover the reductions in health contribution that are likely to follow the reductions in aid budgets in the UK, Nordic, and possibly other countries, we arrive at a rough total of \$5 billion per year for health.

For education, UNESCO assesses the extra costs brought by COVID-19 to be in the order of \$25 billion, including re-enrolment and remediation. We could assume the payment of these costs over 2 years (although they could be stretched over 5 years, which would be far from ideal).⁵¹

Supporting the business sector is critical to avoid collapse. Micro-enterprises are the economic backbones of LICs. Supporting working capital for microenterprises is even more difficult to assess, but

⁴⁸ [https://www.thelancet.com/journals/langlo/article/PIIS2214-109X\(17\)30415-1/fulltext](https://www.thelancet.com/journals/langlo/article/PIIS2214-109X(17)30415-1/fulltext)

⁴⁹ [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(21\)02789-6/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(21)02789-6/fulltext)

⁵⁰ <https://www.theglobalfund.org/en/fight-for-what-counts/>

⁵¹ <https://unesdoc.unesco.org/ark:/48223/pf0000374163/PDF/374163eng.pdf.multi>

as most of the funding could in the form of loans, a notional grant component of \$10 billion per year might be sufficient to cover delivery costs and loan losses. Larger businesses who are viable should be supported by loans (not included here), and provisions for such liquidity should be made by IFIs.

It is important to note the World Bank, in developing its strategy to navigate multiple crises, also addressed in its Pillar 2 “Protecting People and Preserving Jobs” the same three areas: health, education and enterprise funding.⁵²

The amounts are very tentative and require more development by experts, but it is worth pointing to the fact that the largest share (health and education) is grosso modo consistent with the human capital funding estimates in Bhattacharya A et al. (2022). Their estimates, in table 4.4, involve a ramping up of additional funding until 2025, at which point the additional amount reaches \$40 billion per year, which would bring total human funding beyond historical trends so the SDGs could be reached.⁵³ Assuming ramping up amounts of \$20 billion in 2023 and \$30 billion in 2024, our estimate of \$17.5 billion per year for our less ambitious health and education interventions appears to be defensible.

This very rudimentary estimation is summarized below.

<i>Anti-Scarring Intervention</i>	<i>Annual Costs in US dollars</i>
Routine Immunization	\$1 billion
Reproductive Health	\$2 billion
Compensating for Health Assistance Reduction	\$2 billion
Education, including Re-enrolment and Loss of Learning Remediation	\$12.5 billion
Supporting Loans for Working Capital of Micro and Small Enterprises	\$10 billion
<i>TOTAL</i>	<i>\$27.5 billion</i>

⁵²<https://documents1.worldbank.org/curated/en/099640108012229672/pdf/IDU09002cbf10966704fa00958a0596092f2542c.pdf>

⁵³<https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/05/Financing-the-big-investment-push-in-emerging-markets-and-developing-economies-for-sustainable-resilient-and-inclusive-recovery-and-growth-1.pdf>

Appendix B

Summary of Evidence COVID-19 Scarring For Discussion Purposes Only

Note: While case numbers and deaths from COVID-19 have generally been lower in low-income countries (LICs) than in other countries, LICs have suffered disproportionately from the pandemic's adverse socio-economic effects. This document provides a tentative a top-level summary of current evidence on pandemic scarring in low-income countries. The effect of this scarring will likely be compounded by the impacts of the Ukraine situation, keeping in mind that LICs are among the most vulnerable – if not the most vulnerable countries – to food and fertilizer shortages as well as hikes in interest rates and oil prices.

“When I say the word shock, I usually mean an unpredictable change in external factors that influences an economy. When I joined the Gates Foundation last year to lead its work in development policy and finance, after 33 years at the International Monetary Fund and the World Bank, I fully expected that the shock that would set the context for all our work would be the pandemic. Now another shock, the crisis in Ukraine, is resetting the context all over again.” (Dr. Kalpana Kochhar, Dir. Development Policy and Finance, Bill and Melinda Gates Foundation).

It is important to understand the pandemic scarring to properly assess the unfolding additional impacts of the Ukrainian crisis.

I. Macro-Economic Scarring

a) Output

According to the World Bank, in contrast to advanced economies, most Emerging Markets and Developing Economies (EMDEs) are expected to experience growth trajectories not strong enough to return investment or output to pre-pandemic trends over the forecast horizon of 2022-23. Before the onset of the Ukraine crisis, EMDES were expected to still be 6% below the pre-pandemic trend in 2023, while advanced economies would be above: In other words, poorer countries not only suffered a deeper reduction in GDP but will take more time to recover from it.⁵⁴ The IMF Chief Economist goes even further: “the divergence that opened up in 2021 between advanced and emerging market and developing economies is expected to persist, suggesting some permanent scarring from the pandemic”.⁵⁵

⁵⁴ <https://blogs.worldbank.org/voices/global-economic-outlook-five-charts-1>

⁵⁵ War Dims Global Economic Outlook as Inflation Accelerates, in IMF blog: <https://www.imf.org/en/Blogs/Articles/2022/04/19/blog-weo-war-dims-global-economic-outlook-as-inflation-accelerates>

b) Inflation

Before the Ukrainian crisis, inflation had reached its highest rate since 2011 in emerging economies, due to higher production costs. This will only go upward in the predictable future and become a major stumbling block for the economy. Already, a 1.5% further reduction in real income is expected.

c) Poverty

Globally, the number of people living in extreme poverty is estimated to have increased by around 100 million.⁵⁶ This leads the Brookings Institute to forecast that there will be 50 million more people in extreme poverty by 2030, mainly in Africa.

In the Least Developed Countries (LDCs), a grouping that largely overlaps low-income countries, one estimate suggests an additional 35 million people living in extreme poverty. As a result, as much as 35 per cent of the combined populations of LDCs are estimated to be living below the extreme poverty line as of 2021.⁵⁷

d) Fiscal Stresses and Indebtedness

Efforts to contain Covid-19 outbreaks have hurt economic activity, weighing on tax revenues, even as public expenditure pressures have risen with demands for additional healthcare spending and stimulus. General government debt/GDP rose between 2019 and 2021 in all Fitch-rated Sub-Saharan Africa sovereigns, with the exception of three resource-producing countries.

COVID-19 has left developing economies with total debt at a 50-year high: the equivalent of more than 200 percent of GDP. As pointed out in a 2022 World Bank blog, “Among the poorest countries—most of them in Africa—nearly 60 percent are at high risk of debt distress or already in it. There is little precedent for such levels of debt remaining harmless under the conditions we see today: When growth is slowing, inflation is up, and a major cycle of monetary-policy tightening is underway”.

It is important to keep in mind that the situation could also be worse than it appears because of the secrecy surrounding China’s loans, as missed payments and restructuring details are not disclosed and defaults, if any, remain hidden.

e) Social and Health Issues

i. Health Financing

According to the World Bank, while Government health spending is expected to grow over the medium term, “the expected growth in government health spending in 2026 will cover only 63.5 percent of the necessary annual investment to strengthen and maintain public-health preparedness and response capabilities in LICs,” pointing to persistent extreme vulnerabilities.

⁵⁶ <https://www.worldbank.org/en/topic/poverty/overview#1>

⁵⁷ Chapter 5: COVID-19 impacts and implications for development prospects in Commonwealth LDCs, thecommonwealth.org

ii. *Pre-pandemic pandemics*

Prior to the COVID-19 pandemic, the world was already on its way to eliminating the three pandemics of HIV-AIDS, Tuberculosis and Malaria. According to the Global Fund against TB and Malaria, HIV testing was down 40% in 2020 across Asia and Africa and anti-retroviral drug regimens were disrupted. This will inevitably lead to increased transmission and incidence.

Tuberculosis, an illness whose symptoms resemble COVID-19's, was associated with increased stigma during the pandemic. As a result, there has been a reduction in the number of TB cases diagnosed from 7.1 million (2019) to 5.8 million (2020). The number of the TB deaths has consequently increased from 1.2 million to 1.3 per year, ending a slow but steady decline in mortality.⁵⁸

As for malaria, the number of cases grew by 14 million during the pandemic with mortality increasing by 11%, while funding has plateaued and drug resistance is on the rise.

Ending these three pandemics by 2030 will now be very difficult and costly.

iii. *Neglected Tropical Diseases*

To date, 600 million people no longer require treatment for neglected tropical diseases. Forty-three countries have eliminated at least one neglected tropical disease as a public health concern. Cases of some of these diseases, such as leprosy, sleeping sickness and Guinea worm disease, are at an all-time low. Most recently the Gambia and Saudi Arabia eliminated trachoma, a bacterial infection which causes blindness. However, this progress is now at real risk of reversal as a result of COVID-19 pandemic.

iv. *Nutrition*

Acute food insecurity is the stage when a person's life or livelihood is in immediate danger because of a lack of food. According to Global Network Against Food Crises,⁵⁹ an estimated 388 million people experienced acute food insecurity in 2021 at a "crisis" or "stressed" (one step away from "crisis") level, a 5% increase over the prior year.

Before the Ukrainian crisis, food prices were near all-time highs due to elevated input prices which, combined with high transport costs, are raising import bills, and the Standing Together for Nutrition Consortium estimated that "by 2022, more than 1.5 billion people would not be able to afford even half of the cost of a healthy diet". This hits poor and developing countries hardest, as they depend on food imports the most. As of February 2022, the Agricultural Commodity Price Index was 35% higher than its January 2021 level. Fertilizer prices in Q3 2021 had never been as high since 2008 (a sharp rise in the price of fertilizer).⁶⁰

⁵⁸ <https://www.who.int/news/item/14-10-2021-tuberculosis-deaths-rise-for-the-first-time-in-more-than-a-decade-due-to-the-covid-19-pandemic>

⁵⁹ <http://www.fightfoodcrises.net>

⁶⁰ <https://blogs.worldbank.org/opendata/soaring-fertilizer-prices-add-inflationary-pressure-and-food-security-concerns>

All the above has deep consequences in terms of migrations, psychological scarring, life-long stunting, poor health outcomes, not to mention diversion of efforts away from long term development goals.

v. **Education**

As of the end of 2021, 200 days of schooling/child had been lost due to the pandemic. Tens of millions of children are at risk of never returning to school.

The economic losses give an idea of the magnitude of the scarring: \$17 trillion of losses for today's cohort (more than \$10,000/student, i.e., several years' salary in a low-income country).⁶¹

Learning poverty, defined as the percentage of 10-year-olds unable to read and understand a simple story, was already at 50% before the pandemic. Unless swift and bold action is taken, learning poverty can reach 70% in a matter of months.

In low-income countries, learning poverty stood at 90% prior to the pandemic. If it was going to take one additional year of schooling for a 10-year-old to read and understand a simple story, now it may be two or even three additional years, which may discourage many parents and learners.

If this was not terrible enough, the education crisis is compounding the nutrition crisis: 75% of Kenyan adolescents lost access to their main meal in 2020 with school closures, and it is 350 million children world wide that lost their main meal (It is time to return to learning (worldbank.org)).

ii) **A Set-back for Women's Empowerment**

The pandemic has had a disproportional impact on women and girls because of:

- disruptions in key health services, including reproductive, adolescent, and maternal health;
- greater exposure to mental health stress as women are overrepresented in the health sector and are more likely to be caregivers;
- jobs held by women have been lost at a faster rate than jobs held by men, and women-owned and -led micro, small and medium enterprises are also more severely affected (A survey of SME owners across 30 African countries reveals that most women-led SMEs are at risk of permanent business shutdown as a result of the pandemic).
- sharp increases in gender-based violence

The gender dimension of scarring is difficult to quantify, but a literature review published in Lancet concluded that "Between March, 2020, and September, 2021, women were more likely to report employment loss (26.0%) than men (20.4%), as well as forgoing work to care for others (ratio of women to men: 2.4 by September, 2021). Women and girls were 1.21 times more likely than men and boys to report dropping out of school for reasons other than school closures".

More limited evidence shows increased early marriages in DRC and NE Nigeria, reduced access to contraceptives in Bangladesh (-35%), a reduction in access to family planning (-50%) and in contraceptive use in DRC as well as multi-country reduction in ante-natal visits. Additional evidence

⁶¹ <https://blogs.worldbank.org/voices/we-are-losing-generation-devastating-impacts-covid-19>

shows that addressing this unmet need for family planning could reduce maternal mortality rates by 35 per cent in Africa.⁶²

iii) Increases in Global Inequalities

a) Inequalities in COVID Vaccine Production

Early in the pandemic, there was a consensus that the best protection against COVID-19 was producing and administering vaccines. While a bold plan was put in place to prepare the mass production of vaccines, developing countries were never able to invoke the TRIPS waiver to produce their own vaccines, even when the richer countries became fully vaccinated. A recent effort to lift impediments to production is being discussed more than two years after the initial outbreak, and, even if it were successfully implemented, it would not apply to therapeutics or diagnostics.

b) Support for vaccine acquisition

Solidarity mechanisms were implemented months after the beginning of the pandemic to support prospective vaccination efforts in lower-income countries. Unfortunately, they were not seriously supported by donor countries, especially the COVAX vaccine initiative. As a result, whereas globally, 65% of the population has received at least one vaccine, in Low Income Countries, the percentage falls to 16%. In High Income Countries and Upper Middle-Income Countries, the average number of COVID-19 vaccines administered is 2.0 per capita. In Low Income Countries, the average number is ten times lower at 0.2 per capita.

Low-Income Countries (LICs) are alone in this marginalized situation, as Lower Middle-Income Countries, at 1.2 vaccines per capita, are closer to richer nations. Lower Middle-Income Countries are also more likely to implement vaccine manufacturing schemes in the future, another feature that separates them from LICs.

c) Instability

While this is difficult to predict, socio-economic scarring is likely to lead to disrupted supply lines, uncertainty around investments and depressed labour markets. This will probably lead to instability, and in certain cases, riots, coups, population displacements and increased migration.

High income countries may not be able to provide additional assistance to help low income countries address this instability: whereas the OECD shows that donors were able to maintain and even increase their aid levels during the pandemic, the Ukrainian crisis may absorb any new increases and even claim a portion of existing aid budgets.

Over time, this instability could well affect high income countries themselves, through mechanisms that are too well known (influx of economic and political refugees, peacekeeping in failed states, insecurity, etc.), a reminder that COVID-19 scarring affects us all.

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⁶² <https://www.uneca.org/stories/regional-meeting-calls-for-gender-equality-to-be-at-the-center-of-africa%E2%80%99s-recovery>