THE PANDEMIC AND ECONOMIC FALLOUT IN GLOBAL

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ABSTRACT

The impact of the COVID-19 crisis on financing for sustainable development in low- and middle-income countries eligible for official development assistance is discussed in this note (ODA). Prior to the COVID-19 crisis, levels and trends in domestic and external financing were already falling short of SDG expenditure requirements. The current global environment, on the other hand, may result in a major drop in the amount of money accessible to poor countries. In total, external private finance inflows to developing economies are expected to fall by USD 700 billion in 2020, outpacing the immediate impact of the 2008 Global Financial Crisis by 60%. This raises the danger of severe development setbacks, making us more vulnerable to future pandemics, climate change, and other global public health threats. While official development finance can act as a short-term countercyclical force, and tax revenues remain the sole long-term feasible source of funding for many public services, no single source of development finance can meet the issue alone. Actors in development finance and beyond must work together to "build back better" in order to create a world that is more equal, sustainable, and therefore resilient.

Keywords: COVID-19, Financing, Economies, Global Environment.

INTRODUCTION

Levels and trends in domestic income and foreign flows to developing economies were already considered insufficient to support the Sustainable Development Goals prior to the COVID-19 crisis (SDG) (Hallegatte et al., 2019). Low-and middle-income countries may struggle to fund their public health, social, and economic responses to COVID-19 because to high levels of public debt and additional demands imposed by the pandemic on all major sources of development finance (Sumner & Hoy, 2020). Early indications point to large debt and equity outflows from developing economies, as well as rippling effects on domestic finance, which have already been prompted by the mounting public health and economic problems (Mahler et al., 2020). How can we avoid a development financing collapse in this difficult environment, which would throw millions back into poverty and jeopardise our ability?

Financing for sustainable development was already in jeopardy when the COVID-19 problem broke out (OECD, 2020). The SDG finance gap in developing nations was projected by UNCTAD to be USD 2.5 trillion in 2014. To close the gap in SDG spending, Gaspar et al. (2019) calculated that low-income countries would need to spend an additional 15.4 percentage points of GDP on average, and rising economies would need to spend an additional 4 percentage points of GDP (IIF, 2020). While the deficit might be explained in part by inefficient expenditure, it is well known that domestic and external resources were insufficient to accomplish the SDGs prior to COVID-19. Furthermore, the ability to bridge the deficit was hampered by high debt levels.

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CONCLUSION

Building better will also entail addressing development money leakages. Illicit financial flows from developing economies (including international tax evasion, corruption, and money laundering) are a major impediment to generating sufficient funding for the SDGs. While data vary, the High Level Panel on Illicit Money Flows from Africa estimates that illicit financial flows from Africa could be worth up to USD 50 billion each year. The general opinion is that illegal capital flows rob developing economies of huge amounts of capital, far outpacing ODA. Transparency and international cooperation are the most effective weapons for combating illicit money flows, and while progress has been made since the 2008 Global Financial Crisis, many developing economies remain excluded from or underserved by them.

To shape the building back better agenda, all actors in development finance and beyond must work closely together. This agenda must be centered on long-term sustainability in all of its forms. Only then will we be able to use the SDGs as a roadmap for creating a world that is more egalitarian, sustainable, and hence resilient.

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