



PHOTO: IMF

## Beyond the Crisis

*Now is the time to take advantage of this opportunity to build a better world*

**Kristalina Georgieva**

**LOOKING BACK** to the start of 2020, the world has changed almost beyond recognition. To protect public health, the global economy was put into stasis. Shops closed, factories were mothballed, and people's freedom of movement was severely curtailed.

No country has escaped the health, economic, and social impacts of the COVID-19 crisis. Tragically, more than 375,000 people have died and millions have been infected. The IMF is projecting global economic activity to decline on a scale not seen since the Great Depression. It is truly a crisis like no other.

Despite the bleak outlook, I am hopeful for the future. A crisis often brings the best out in people—I have seen it firsthand in countries hit by wars and natural disasters.

This is happening already in the fight against the pandemic as doctors and nurses around the world put saving lives of others ahead of their own lives. And governments are stepping up in an unprecedented

manner. To fight the pandemic they have combined dramatic public health interventions with fiscal measures amounting to about \$8.7 trillion. Central banks have undertaken massive liquidity injections, and richer countries have stepped up to support poorer nations.

### Record speed

The IMF has responded at record speed. We doubled our emergency rapid-disbursing capacity to meet expected demand of about \$100 billion—and by end-May the IMF had approved financing for 60 countries, a record. We also established a new short-term liquidity line, and we took steps to triple our concessional funding, targeting \$17 billion in new loan resources for our Poverty Reduction and Growth Trust, which helps poorer economies.

To help vulnerable members through rapid debt-service relief on their IMF obligations we reformed our Catastrophe Containment and Relief Trust. Working with the World Bank, we catalyzed suspension of official bilateral debt repayments for the poorest countries through the end of 2020.

While moving at speed, the IMF has consistently emphasized its collective commitment and steadfast support for its members in addressing governance vulnerabilities. Corruption drains resources away from priorities like public health, social protection, distance learning, and other essential services. Distorted spending priorities will undermine the recovery and long-term efforts to promote sustainable, inclusive growth, or raise productivity and living standards. Our message to governments is clear: do whatever you can, but make sure you keep the receipts. We don't want accountability and transparency to take a back seat. In practice, this means support for countries in adopting a range of public financial management, anti-corruption, and anti-money-laundering measures.

During the crisis peak, governments have rightly been focused on saving lives and preserving livelihoods. In places where new infections and deaths are in decline, governments are considering how best to reopen the economy in a responsible fashion. In developing economies with large numbers of hand-to-mouth households, prolonged containment measures may not be a viable option and consideration needs to be given as to how to reopen safely given more limited health care capacity.

In the early phase at least, the recovery will be unusual as uncertainty remains about the path

of the virus, potential vaccines, and therapeutics. This could hamper the rebound of investment and consumption, especially if infection rates climb back up as containment measures are eased.

Nonetheless, the recovery will share several features with previous episodes. Countries with stronger macroeconomic fundamentals, social cohesion, and safety nets are likely to experience faster and stronger recoveries. Existing vulnerabilities such as high sovereign debt; weak corporate, household, and bank balance sheets; and limited policy credibility will hinder the recovery. Governments will face the challenge of phasing out crisis-related policies. And more than ever, global cooperation will be vital, facilitated by international institutions, to coordinate actions, share data, protect supply chains, and support more vulnerable countries.

### A green recovery

From a position nearing economic stasis there is nonetheless an opportunity to use policies to reshape how we live and to build a world that is **greener, smarter, and fairer**.

**Greener:** The current health crisis reminds us how vulnerable each person is in the face of the incredible power of nature. Yet just as scientists warned against the risk of a pandemic—a “black swan” event—they have also warned us of the terrible consequences of catastrophic climate change. We cannot turn back the COVID-19 clock, but we can invest in reducing emissions and adapting to new environmental conditions.

As economies stabilize, we have the chance to reorient them to prioritize sustainability and resilience alongside efficiency and profitability. The right policies will help allocate resources to investments that support public goods like clean air, flood defenses, resilient infrastructure, and renewable energy. Meanwhile, lower commodity prices can create the fiscal space to phase out regressive fuel subsidies that increase carbon emissions. The payoff would be considerable: in just the energy sector, a low-carbon transition could require \$2.3 trillion in investment every year for a decade, bringing growth and jobs during the recovery phase.

**Smarter:** Through necessity many of us have been working remotely and using technology to remain productive. We have traveled less, consumed fewer resources, and introduced more agile business processes. While schools, businesses, and institutions will likely formalize some of the

smarter ways of working that have proved successful, the crisis has thrown light on the importance of investing in robust digital infrastructure and policy frameworks.

In 2018, the IMF and the World Bank Group launched the Bali Fintech Agenda to help countries harness the benefits of rapid advances in financial technology while managing its risks. We are accelerating our work with members to broaden the digital transformation so that its benefits are shared even more widely. Well-managed fintech, for example, can help end financial exclusion for the 1.7 billion people in developing economies who have no access to banking.

**Fairer:** IMF research has also shown that lower income inequality is associated with stronger and more sustainable growth, yet many social disparities have become more pronounced during the Great Lockdown. For example, informal workers in unregulated sectors or outside the tax system are twice as likely to belong to poor households. These same workers typically have no access to sick leave or unemployment benefits, and their access to health benefits is often precarious.

As governments ramp up spending to support individuals, businesses, and communities, there is an opportunity to build fairer societies and economies by investing in people. That means spending more and spending better on schools, training, and reskilling. It means expanding social programs that are well targeted to reach the most vulnerable. And it means empowering women by reducing labor market discrimination. Such investment will need to be funded by more equitable taxation, especially given enhanced public debt levels stemming from the crisis.

### A new spirit of solidarity

At a large and small scale we are helping each other. The staff of the IMF has made it possible for billions of dollars to support the world’s most vulnerable people. They also have cooked meals for the vulnerable in our own community and have looked after neighbors who are sick.

It is this solidarity that makes me hopeful for the future. The IMF has already shown its mettle as an economic first responder during this crisis. As we enter the next phase, I am determined that we will support our members however we can—through policy advice, financing, and capacity development. Together, we will take the chance to build a better world. **FD**

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**KRISTALINA GEORGIEVA** is managing director of the IMF.