

UNCTAD calls for greater public investment to combat COVID-19 crisis

The United Nations Conference on Trade and Development (UNCTAD) had released its Trade and Development Report 2020 'From Global Pandemic to Prosperity for All: Avoiding Another Lost Decade' in September 2020. UNCTAD is an intergovernmental body, part of the United Nations Secretariat, dealing with trade, investment and development issues.

Warning about the adverse impact of the COVID-19 crisis, the report said, the overall employment impact this year from the combination of lockdown, temporary relief and return to work is difficult to gauge. Still, the ILO estimates that more than 500 million jobs worldwide have been put in jeopardy by the crisis mainly in the developing world, and while many jobs will return with the end of workplace closures, some will be permanently lost; at least 100 million jobs will have gone entirely by year end. Furthermore, between 90 million and 120 million people will be pushed into extreme poverty in the developing world, with hunger and malnutrition certain to follow, while income gaps will widen everywhere.

Highlighting the severity of the crisis, the report said, if governments opt for premature fiscal tightening in an attempt to bring down public debt and businesses adopt an aggressive cost-cutting strategy in an attempt to boost exports, the recovery will likely fizzle out, with a double-dip recession a real possibility in many countries in 2022. The threat is of particular concern for developing countries where a combination of precarious work conditions, high levels of debt distress and insufficient fiscal and policy space limit their options to respond to shocks of any kind, let alone one as serious as Covid-19. The urgent need for increased health spending along with declining tax revenues, combined with a collapse in export earnings and pending debt payments has exposed a \$2-3 trillion financing gap in the developing world which the international community has, so far, failed to address.

The report suggests that, an inclusive recovery will require a willingness on the part of government not only to keep spending for as long as it takes the private sector to regain its confidence to spend, but also to tackle the underlying stresses and fractures that were already exposed by the global financial crisis, papered over, and left to fester for a decade. It means addressing a series of pre-existing conditions that were threatening the health of the global economy before the pandemic hit, including high and entrenched inequality, sluggish growth, weak investment, endemic wage repression in the developed world and precarious working conditions in the developing world.

The report said, the first thing to get right is avoiding the mistakes of the last crisis. That means maintaining an expansionary macroeconomic policy stance, appropriately balanced between its monetary and fiscal components, for as long as it takes the private sector to regain its confidence to spend, including, in particular, a strong investment drive. Avoiding a lost decade will require governments, particularly in the advanced countries, to stick to deficits for several years ahead.

A commitment to full employment in advanced economies and a targeted reduction in informal employment in developing countries should act as measures of policy ambition and success. A big public

investment push will be needed with a variety of supportive policies used to complement expansionary measures including job guarantees and public works programmes.

Notifications

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Cabinet approves assistance for sugarcane farmers

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