Economy: Policy reset can deliver a stronger, more resilient, equitable and sustainable post-pandemic recovery

14/04/2021 – The COVID-19 pandemic has brought social and economic disruption worldwide, but is also providing governments with the opportunity to put economies on a more sustainable and inclusive growth path while addressing the underlying challenges, according to the OECD's **Going for Growth** policy report.

Going for Growth 2021: Shaping a Vibrant Recovery analyses pre-existing weaknesses as well as those brought on by the pandemic, and offers policy makers country-specific advice to seize the opportunity for a fundamental reset.

OECD Secretary-General Angel Gurría and **Italian Minister of Economy and Finance Daniele Franco** launched the report shortly after the second meeting of G20 finance ministers and central bank governors under the Italian Presidency on 7 April. Its recommendations provide a basis for G20 discussions on strategies to push forward a vibrant economic recovery and promote higher-quality growth.

"The pandemic is a painful reminder that the nature of our past growth was often unsustainable and left many people behind," Mr Gurría said. "The recovery is an opportunity to set our policies right, to achieve growth that is stronger, equitable, sustainable and more resilient. And for this to happen, governments have to act now."

Going for Growth 2021: Shaping a Vibrant Recovery provides a framework for policy reform covering three key dimensions:

- *Building resilience and sustainability*: Structural policies can improve the first line of defence to shocks (health care and social safety nets, critical infrastructure), improve public governance, and strengthen firms' incentives to better take longer-term sustainability considerations into account.
- *Facilitating reallocation and boosting productivity growth*. Steering growth in a more durable, resilient and inclusive direction requires structural policy action to increase job dynamism and support firms becoming more dynamic, more innovative and greener.
- *Supporting people through transitions*. Policies should ensure that people are not left behind in transitions, so that reallocation is socially productive and builds resilience. This requires investments in skills, training and a big push for accessing quality jobs – particularly amongst vulnerable groups – as well as broad-based social safety nets, and better learning and support to access jobs.

Going for Growth policy advice includes short country notes for OECD members and a number of Partner countries (Argentina, Brazil, China, India, Indonesia and South Africa).

The report also highlights the crucial importance of countries acting together – in particular in the case of challenges that span borders. *Going for Growth* identifies a number of areas where international co-operation is needed to enhance the effectiveness of domestic policies and underpin the shift to more sustainable, resilient and equitable globalisation: healthcare, climate change, international trade and the taxation of multinational enterprises.

Key recommendations and individual country notes on OECD and key non-member countries are accessible at: https://www.oecd.org/economy/going-for-growth/. You are invited to include this link in media coverage of the report.

For further information on Going for Growth 2021 or to arrange interviews, journalists should contact [Lawrence Speer]() (+33 1 4524 7970) or the [OECD Media Office]() (+33 1 4524 9700).

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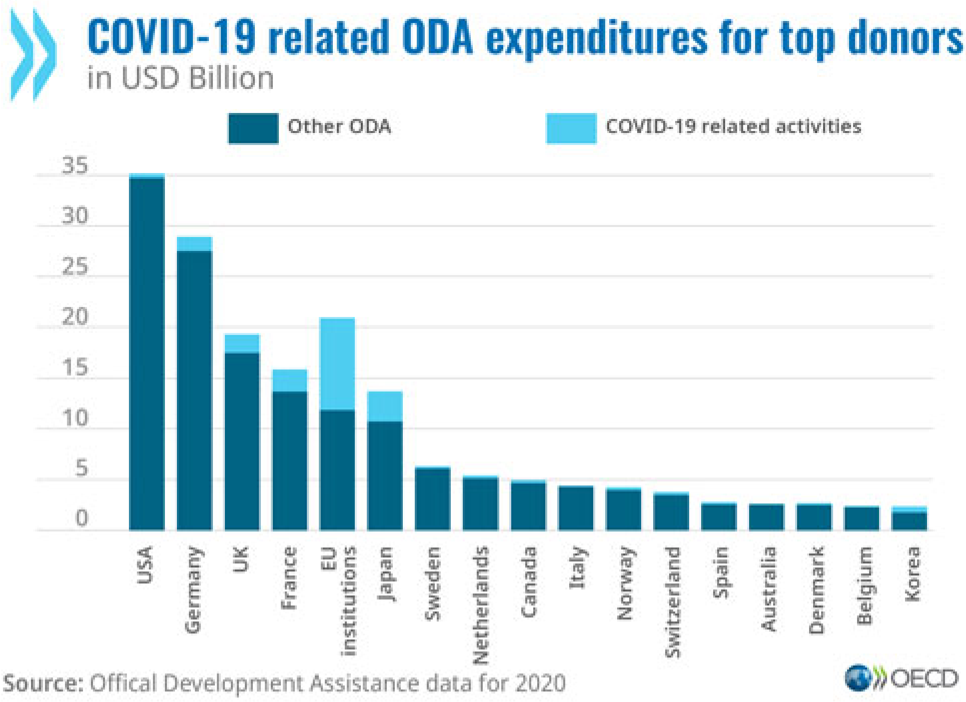
[Development: COVID-19 spending lifts foreign aid to new high in 2020 but more effort needed]()

13/04/2021 – Foreign aid from official donors rose to an all-time high of USD 161.2 billion in 2020, up 3.5% in real terms from 2019, boosted by additional spending mobilised to help developing countries grappling with the COVID-19 crisis, according to preliminary data collected by the OECD.

Within total Official Development Assistance (ODA) provided by members of the OECD's Development Assistance Committee in 2020, initial estimates indicate that DAC countries spent USD 12 billion on COVID-19 related activities. Some of this was new spending and some was redirected from existing development programmes, according to an OECD survey carried out in April and May 2020. Most providers said they would not discontinue programmes already in place.

Total ODA equated to around 1% of the amount countries have mobilised over the past year in economic stimulus measures to help their own societies recover from the COVID crisis. Meanwhile the global vaccine distribution facility COVAX remains severely underfunded, **OECD Secretary-General Angel Gurría said during a virtual presentation of the aid data**.

"Governments globally have provided 16 trillion dollars' worth of COVID stimulus measures yet we have only mobilised 1% of this amount to help developing countries cope with a crisis that is unprecedented in our lifetimes," **Mr Gurría said. "This crisis is a major test for multilateralism and for the very concept of foreign aid. We need to make a much greater effort to help developing countries with vaccine distribution, with hospital services and to support the world's most vulnerable people's incomes and livelihoods** tobuild a truly global recovery."



Foreign aid rose in a year that saw all other major flows of income for developing countries – trade, foreign direct investment and remittances – decline due to the pandemic, and domestic resources under increased pressure. Total external private finance to developing countries fell 13% in 2020 and trade volumes declined by 8.5%. ([See the OECD's Global Outlook on Financing for Sustainable Development 2021](#).)

The rise in 2020 ODA was also affected, however, by an increase in loans by some donors. Of gross bilateral ODA, 22% was in the form of loans and equity investments, up from around 17% in previous years, with the rest provided as grants.

The 2020 ODA total is equivalent to 0.32% of DAC donors' combined gross national income, up from 0.30% in 2019 but below a target of 0.7% ODA to GNI. Part of the rise in the ratio was due to the fact that GNI fell in most DAC countries. Six DAC members – Denmark, Germany, Luxembourg, Norway, Sweden and the United Kingdom – met or exceeded the 0.7% target. Among non-DAC donors, whose assistance to developing countries is not included in the ODA total, Turkey provided aid equivalent to 1.12% of its GNI.

ODA rose in 16 DAC countries, with some substantially increasing their aid budgets to help developing countries respond to the pandemic. The largest increases were in Canada, Finland, France, Germany, Hungary, Iceland, Norway, the Slovak Republic, Sweden and Switzerland. ODA fell in 13 countries, most notably in Australia, Greece, Italy, Korea, Luxembourg, Portugal and the United Kingdom. G7 donors provided 76% of total ODA and DAC-EU countries 45%. ODA provided by EU Institutions jumped by 25.4% in real terms as they mobilised funds for COVID-19 related activities and increased sovereign lending by 136% over 2019.

Short-term support to help with the COVID-19 crisis focused on health systems, humanitarian aid and food security, according to the OECD survey. Aid providers indicated they would focus in the medium-term on making diagnostics and vaccines available to countries in need, as well as offering support to address the economic and social repercussions of the pandemic.

“At the outset of the pandemic, DAC donors said that they would strive to protect ODA volumes. I am grateful and proud to say that they have done that and more. Donor countries have stepped up to support developing countries struggling with the health and economic fallout of COVID-19, even as their own economies and societies have been battered,” said **DAC Chair Susanna Moorehead**. “The next few years will be tough and the finance we provide must work harder than ever. If we really are going to build forward better and greener, we must focus on the most vulnerable countries and the most vulnerable people in them, especially women and girls.”

Bilateral ODA to Africa and least-developed countries rose by 4.1% and 1.8% respectively. Humanitarian aid rose by 6%. Excluding aid spent on hosting refugees within donor countries – which was down 9.5% from 2019 to USD 9.0 billion and mainly concerned Canada, Iceland and the Netherlands – ODA rose by 4.4% in real terms in 2020.

ODA makes up over two thirds of external finance for least-developed countries. The OECD also monitors flows from some non-DAC providers and private foundations. Preliminary data released by the OECD each April is followed by final statistics published at the end of each year with a detailed geographic and sectoral breakdown. (See the 2019 ODA breakdown.)

Net ODA has risen for the most part steadily in volume terms from just below USD 40 billion (in 2019 prices) in 1960. It has more than doubled in real terms (up 110%) since 2000, when the Millennium Development Goals were agreed, despite the impact of the 2008 crisis on provider economies.

Links to aid data and background information:

For further information, journalists should contact Catherine Bremer in the OECD Media Office (+33 1 4524 80 97.)

The DAC is an OECD committee that serves as a forum for 30 donors and *observer bodies.*

ODA is defined as official financing flows to promote the economic development and welfare of low and middle-income countries. Net ODA is total ODA spent minus repayment of loan principals by recipient countries.

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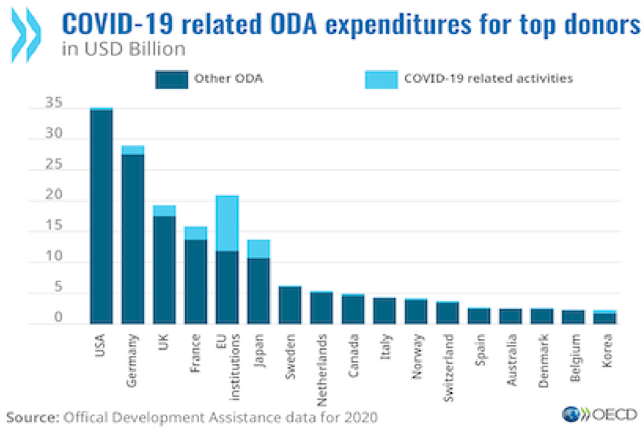
[Health: Governments should step up their efforts against harmful alcohol consumption]



13 April 2021

Foreign aid for development from official donors rose to an all-time high of USD 161.2 billion in 2020, up 3.5% in real terms from 2019, boosted by efforts to help developing countries address COVID-19. Still, this total came to only 1% of the amount countries have mobilised in stimulus measures for their own economies, preliminary data show.

[Read more]

[COVID-19: OECD report to G7 points to

[need to strengthen economic resilience against crises]

23/03/2021 – Creating an emergency Rapid Response Forum to ensure global supplies of essential goods continue to flow during major international crises is one of a broad range of recommendations contained in a new OECD report to the G7 on building economic resilience.

Fostering Economic Resilience in a World of Open and Integrated Markets says the devastating impacts of the Global Financial Crisis and now the COVID-19 pandemic will continue to leave lasting scars on our economies and societies. With the risk of other systemic threats on the horizon – starting with climate change but also spanning security threats, including cyber attackss – it is critical to learn the lessons of these and previous crises in order to tackle the vulnerabilities of our economic system, absorb shocks and engineer a swift rebound.

Ensuring the resilience of global supply chains of essential goods is crucial, the report says. An emergency Rapid Response Forum would provide G7 and other governments with a means of upstream policy co-ordination and, particularly, consultation ahead of the imposition of any trade restrictions. Such an initiative could also prepare timely co-operation on logistics, transportation, procurement, planning and communication.

Commissioned by the UK government, which is currently holding the G7 presidency, the OECD report underlines the need for governments to co-operate both with the private sector through, for instance, supply chain stress tests and emergency planning, and with other countries to boost transparency, discipline export restrictions and adhere to international regulation and standards.

The report says the COVID-19 crisis has caused a huge surge in demand for certain goods, notably in the health and information technology sectors but argues that global supply chains have been part of the solution. After shortages of masks and personal protective equipment, in particular at the beginning of the pandemic, both global production and trade of facemasks later increased tenfold to meet demand.

Strategies based around a reliance on domestic production are unlikely to ensure supply of essential goods and can remove important risk management options such as the diversification of sourcing, the report says. Although temporary scale-up of domestic production for essential goods could be explored as a risk management strategy, reliance on domestic production is not cost-effective nor feasible for strained health budgets, especially for lower income countries, which are almost entirely dependent on global markets to source medical products related to COVID-19. Global supply can allow products to be sourced from the most efficient and cost-effective supplier and enable access to more and different varieties of medical products, ensuring that future surges in global demand are fully met.

Presenting the report alongside Lord Sedwill, chair of the G7 Panel on Economic Resilience, OECD Secretary-General Angel Gurría said: “As we have seen in the past decade alone, in today’s interconnected world, shock events can quickly cascade across borders and economic sectors, and have devastating effects on people’s lives, jobs and opportunities, and on their trust in governments, institutions and markets.”

“Building economic resilience in the face of future shocks is a global challenge for the post-COVID world. For global markets and supply chains to serve as a source of resilience, governments and the public need to have the confidence that markets are and will remain open and fair, including during times of stress.”

Lord Sedwill said: “The unprecedented impact of the covid pandemic on the global economy has highlighted issues of resilience, arising from the growth of monopolies, geopolitical trade tensions, global economic governance falling behind innovation and technology, and the supply of the critical elements essential to the future economy. In response, we should renew our common purpose and commitment to open, well-regulated global markets which promote the green transition, inclusive growth and economic resilience as we build back better.”

The report looks at how to build resilience in global markets, including by reducing distortions and promoting a level playing field for competition, trade and investment. Ensuring global markets are reliable and predictable includes ensuring access to critical raw materials. This calls for enhanced co-operation to develop international agreements for stronger monitoring, notification and disciplines on export restrictions on critical raw materials, promoting responsible sourcing and increasing circularity in this sector. Tackling harmful practices that undermine trust such as foreign bribery is also key.

The OECD proposes governments revise their risk management policies and frameworks to ensure a systemic all-hazards-and-threats approach to resilience with international co-operation playing a central role. This could be supported by a comprehensive evaluation of the lessons learnt from the COVID-19 crisis, including benchmarking and comparison of national preparedness responses.

The OECD says emerging technologies, particularly digitalisation, can contribute to boosting resilience through prevention, absorption and recovery capabilities but can also pose threats. Among its recommendations, the report says governments could strengthen the responsiveness of innovation systems to global policy challenges, reconsidering the way they are organised, structured and financed. It also proposes linking support for innovation more closely to broader public policy objectives and improving international collaboration on emerging technology governance, including by moving towards smarter and more agile regulation.

For further information, journalists are invited to contact the OECD Media Office (tel. +33 1 4524 9700)

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Economy: Faster vaccine rollout critical for stronger recovery

09/03/2021 –

Watch the live webcast of the press conference

A global economic recovery is in sight but a faster and more effective vaccination rollout across the world is critical, while respecting necessary health and social distancing measures, according to the OECD's latest Interim Economic Outlook.

Activity in many sectors has picked up and adapted to pandemic restrictions over recent months. Vaccine deployment, although uneven, is finally gaining momentum and government fiscal stimulus – particularly in the US – is likely to provide a major boost to economic activity.

But the pandemic is widening gaps in economic performance between countries and between sectors, increasing social inequalities, particularly affecting vulnerable groups, and risking long-term damage to job prospects and living standards for many people.

The Interim Economic Outlook calls for ramping up vaccination, for swifter, more targeted fiscal stimulus to foster output and confidence, and to maintain income support for people and businesses hard hit by the pandemic while preparing the ground for a sustainable recovery.

"Speed is of the essence," said OECD Secretary-General Angel Gurría. "There is no room for complacency. Vaccines must be deployed faster and globally. This will require better international co-operation and co-ordination than we have seen up to now. It is only by doing so that we can focus our attention on building forward better and laying the foundations for a prosperous and lasting recovery for all."

The OECD sees global GDP growth at 5.6% this year, an upward revision of more than 1 percentage point since its projection in December 2020, and 4% in 2022. World output is expected to reach pre-pandemic levels by mid-2021 but the pace and duration of the recovery will depend on the race between vaccines and emerging variants of the virus.

The outlook for global growth would be better than currently projected – and approach pre-pandemic projections for activity – if the production and distribution of vaccines accelerates, is better co-ordinated around the world and gets ahead of virus mutations. This would allow containment measures to be relaxed more rapidly. But if vaccination programmes are not fast enough to cut infection rates or if new variants become more widespread and require changes to current vaccines, consumer spending and business confidence would be hit.

In the OECD's central scenario, US growth is projected to be 6.5% in 2021, an upward revision of more than 3 percentage points since December, partly reflecting the large-scale fiscal stimulus now planned with a sustained pace of vaccination. This also helps to lift output around the world. In the euro area, where the level of fiscal stimulus is lower and vaccine rollout slower, the Interim Economic Outlook sees GDP rising 3.9%, a 0.3 percentage point upward revision.

Prospects are brighter in the Asian-Pacific region where several countries have effectively contained the virus and where industrial activity has regained dynamism. In China, GDP growth is projected to be 7.8% this year; in Japan 2.7%; in Korea 3.3%; and in Australia 4.5%.

The recovery is likely to be more moderate in the emerging market economies of Latin America and Africa amid a resurgence of the virus, slow vaccine deployment and limited scope for additional policy support.

Presenting the Interim Economic Outlook today, OECD Chief Economist Laurence Boone said vaccination programmes and stimulus measures should work hand in hand.

"Widespread vaccination of the adult population is the best economic policy available today to get our economies and employment growing again," she said. "If we are at war with the virus then we need to put vaccine production on a war footing, provide the necessary resources and speed up deployment across the world."

"If we don't get enough people vaccinated quickly enough to allow restrictions to be lifted, the recovery will be slower and we will undermine the benefits of fiscal stimulus," she added.

The improved prospects of a global recovery have led to financial market expectations of higher inflation although the Interim Economic Outlook says underlying price pressures generally remain mild in advanced economies. In emerging market economies, inflation could rise further. Public debt levels have risen sharply almost everywhere, but debt-servicing costs in most OECD economies continue to benefit from very low interest rates protecting fiscal sustainability.

The report says the vital support provided by governments to preserve jobs and businesses should remain in place while economies are still fragile and hampered by containment measures. Particular attention needs to be paid to supporting young people and the less skilled to avoid a repeat of the long-term damage caused to the job prospects of these vulnerable groups after the financial crisis of 2008.

For the full report and more information, visit the Interim Economic Outlook online. See OECD spotlight on the race to vaccinate. Other OECD policy responses to the pandemic are available on the COVID-19 hub.

Media queries should be directed to the OECD Media Office (tel: +33 1 4524 9700).

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