

Foreword

Following last year's collapse, the global economy is experiencing an exceptionally strong but uneven recovery. While advanced economies are rebounding, many of the world's poorest countries are being left behind, and much remains to be done to reverse the pandemic's staggering human and economic costs. Moreover, the recovery is not assured: the possibility remains that additional COVID-19 waves, further vaccination delays, mounting debt levels, or rising inflationary pressures deliver setbacks.

The near-term resumption of growth cannot make up for the misery that the pandemic has inflicted on the poorest and its disproportionate impact on vulnerable groups, including women, school-age children, and informal and unskilled workers, which has widened inequality. As this edition of the *Global Economic Prospects* highlights, the uneven recovery underscores the need for a forceful policy effort to address multiple near- and long-term challenges. This policy response requires speedy action from governments, the private sector, and the international community.

First and foremost, expanding vaccine distribution and deployment, especially to developing countries, is a precondition to economic recovery. This requires overcoming obstacles in procuring and distributing vaccines including by redirecting excess vaccine supplies from some advanced economies to developing countries that have delivery programs in place. This also entails expanding vaccines production, lifting trade restrictions on vaccine inputs, and improving the transparency of vaccine orders, options and delivery schedules.

Attention to debt is another critical task. The last decade saw the largest, fastest, and most broad-based increase in debt levels around the world. The pandemic, which spurred an unprecedented buildup in government debt in many economies, amplified this trend. These developments highlight the importance of careful use of debt-financed spending. In particular, capital needs to

be allowed to flow for productive uses, especially in countries that have implemented large-scale fiscal support. Effective domestic revenue mobilization and robust medium-term fiscal frameworks are essential to widen fiscal space, foster policy credibility, and bolster debt sustainability. Improved debt management and debt transparency are critical components of sound governance.

These challenges are particularly important for low-income countries, half of whom faced debt distress or were at high risk of it even before the pandemic struck. The resources required to service debt—due to high interest rates and elevated debt levels divert funds from investment in health, nutrition, education, and other critical development needs. It will take continued global cooperation—including greater participation by the private sector—to provide debt relief to the poorest countries and fund the investments needed to foster and sustain longer-term growth.

The pandemic not only reversed gains in global poverty reduction for the first time in a generation but also deepened the challenges of food insecurity and rising food prices for many millions of people. This is particularly prevalent among the poorest countries and populations, where higher prices of food can devastate discretionary incomes. As the report highlights, attempts to lower food price inflation through distortionary, opaque price subsidies or protectionist policies could prove to be self-defeating and ultimately lead to higher costs. Instead, measures to scale up social safety net programs would be more helpful. International support to improve logistics and climate resilience of local food supply could also help with longer-term food security.

The post-pandemic recovery presents policy makers with a unique opportunity to steer countries onto a path of green, resilient, and inclusive development. To achieve this, climate and development policies need to be integrated, and incentives aligned to achieve both climate and development goals. Smart climate action includes

investing in low carbon and renewable energy sources, improving diagnostics to identify priority areas for greenhouse gas emissions reduction and climate resilience, and prioritizing climate spending to achieve maximum impact. Private investment will be needed to meet green investment needs. An effective and transparent regulatory environment, including an adequate carbon tax policy, are of paramount importance.

For these and other policy objectives, fostering data transparency is essential to guarantee a more efficient allocation of resources. In the context of trade, this is exemplified by the need to enhance information flows among participants of global value chains. Another important avenue to bolster trade is to reduce the costs of cross-border trading. These costs currently double the price of traded goods over domestic goods and far exceed the costs of tariffs alone, and they are particularly

high in many developing economies. Measures to lower trade costs include simplifying burdensome border procedures, improving transport infrastructure and governance, enabling greater competition in shipping, logistics, and wholesale and retail trade, lowering trade barriers, and ensuring greater transparency and predictability of trade policy. As the report explores in detail, such actions could help trade—long a key driver of development—become a solid engine of growth again.

How national governments, the private sector, and international institutions respond to the challenges of poverty, inequality, and climate change as we emerge from a crisis that has affected us all will be defining choices of our age. We need to act forcefully to address these challenges and be able to pursue green, resilient, and inclusive development.

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