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## **Non-health dimensions of the COVID-19 emergency**

By Dr David Nabarro and Joe Colombano

### **THIS TIME IT REALLY IS DIFFERENT**

It is now abundantly clear that the COVID-19 emergency is not simply a threat to our health. The ways in which our economies work, and our societies function have been disrupted, possibly to an unprecedented extent. What started as a crisis of our public health systems has now grown into an economic crisis with global consequences, and a major test for societies as a whole. Without decisive political leadership, trust in state institutions is also at risk of being eroded.

It is also true that this pandemic can be suppressed. A solution is possible. It will require time, resources, a major concerted effort and possibly repeated attempts. But it will come. Meanwhile, sacrifice will continue. The front line remains our public health systems, as they struggle to contain the pandemic. Supporting them, especially their health care workers, needs to be a priority of the first order. Get the health system right, and the rest of the picture becomes more manageable. Get it wrong, and everything goes wrong.

But the non-health aspects of the COVID-19 emergency are with us now and look set to grow. They represent important threats. They need to be clear in our mind so that we can understand them, tackle them and overcome them.

### **EFFECTS ON THE ECONOMY**

The spreading of the COVID-19 pandemic is inflicting a large external shock to the global economy. This is not your usual shock to supply and demand. Entire sections of the world economy have effectively stalled, and supply chains have been disrupted across sectors. In turn, aggregate demand is shrinking as street markets are suspended, consumers' confidence drops, and stores go deserted.

Our financial systems are stretched. They have faced crises before, but typically these were man-made, localized and occurring over a discrete period of time. This time the crisis is multidimensional, fully global, and with no apparent end in sight. As a result, financial markets have seen the largest losses since the 2008 crisis, a reflection of investors' sentiment in the face of this fast-moving crisis, and their reaction to the first round of government interventions.

Impact on businesses of all sizes has been severe. Supply chain disruptions mean that manufacturers cannot source raw materials and semi-finished products, thus undermining their ability to bring their products to market. Distribution networks are also affected, as are production lines. This triggers a cascading effect, as employees' incomes are impacted, and so is their ability to repay mortgages, therefore weakening banks in their critical function to provide credit to the economy.

Small and medium enterprises and the self-employed are hit the hardest, as consumers are advised or often required to stay at home under "shelter in place" measures. Sectors such as tourism, hospitality, and transport are experiencing large losses due to cancellations and refunds. Without

fast and targeted interventions, a large number of bankruptcies of small and medium enterprises is to be expected.

The situation in the emerging markets and the less developed countries is of great concern. There especially, the required hygiene and sanitation standards and physical distancing measures are hard to implement. Moreover, we see the gathering of a major storm, as the fast approaching COVID-19 crisis is likely to wreak havoc in economies already weakened by the effects of low oil prices and a strong dollar. As a result, foreign investors withdraw their capital and local currencies weaken, which in turn constrains the government's capacity to use fiscal policy to stem the economy and tackle the crisis. Most importantly, this volatility, combined in some countries with market tampering and stockpiling, is starting to impact the prices of food, with possible deleterious effects on the levels of nutrition of the most vulnerable, including the poor, pregnant women, children and the elderly.

## **POVERTY AND SOCIAL CONSEQUENCES**

Tragically, the COVID-19 crisis risks reversing decades of progress on the fight against poverty. Unless measures are promptly put in place, there is no doubt that the disruptions imposed by the virus and the measures adopted to control it will lead to an increase in the number of people living under national poverty lines. Deprived of markets, suppliers and customers, a large number of businesses, especially in the small and medium category, may go out of business, with severe consequences on employment levels. Effects are expected to be large in economies with a large informal sector, where social protection networks do not exist or are limited or exposed to market volatility.

Larger businesses have taken measures to protect their workers, for example by making remote working practices whenever possible, or by guaranteeing salaries to workers staying at home, including to hourly workers. Over time the sustainability of these arrangements will be tested, and we are beginning to see an increasing number of government measures, such as cash transfers and wage support and bail-out packages made available to those worst affected by the crisis.

The crisis has highlighted the fragility of some social groups. For some children, for example, being out of school means skipping a meal during the day, perhaps their only meal. The homeless, another example, because they are unable to safely shelter in place, are most exposed to the danger of the virus and a possible vector of further spreading. Innovative approaches are needed to compensate for such effects of the crisis. Remarkable initiatives by the private sector and many local communities are already taking place all over the countries affected by the crisis, in the name of solidarity and hope.

In the education sector, the COVID-19 crisis has led to some 800 million children currently being out of school. While this is expected to be a temporary measure, there is a risk of medium-term consequences, including on the future quality of labor markets. This is especially true for countries that are unable to put in place alternative measures such as remote schooling arrangements.

The COVID-19 crisis is also threatening social cohesion, as its impact reaches deep into our society, in the behavior of individuals, and affects our well-being and mental health. Crucially, there is a risk for stigmatization of some groups wrongly considered "responsible" for the diffusion of the virus, and episodes of violence have been reported. Depending on the perceived effectiveness of the authorities' response to the crisis, trust in the institution of government and the political leadership may also be eroded. The risk of social disorders and riots at the moment is still considered to be low.

However, in countries without a social protection system and a functioning public health sector, these are not to be ruled out, especially where social relationships are already strained by persisting income inequalities, and firearms readily available.

Finally, the COVID-19 crisis is affecting the implementation of hard-fought multilateral successes such as the Paris Agreement and the 2030 Agenda for Sustainable Development. While the drastic reduction in economic activity brought about by the crisis has reduced CO2 emissions and pollution in many areas, there is currently a risk that political and financial capital be diverted away from the implementation of the nationally determined voluntary commitments and the Sustainable Development Goals.

## A USEFUL APPROACH

How do you Tackle a problem like that? What started as a highly infectious but localized contagion has now become a deadly global pandemic. It is busting up public health systems, and triggering economic, financial and societal crises of the likes we have probably not seen before, with profound implications to the ways in which we have conceived of our daily life thus far. A useful approach for policy makers entails the following elements:

- **Adopt a living system mindset:** ‘The way in which the pandemic and resulting health care crisis is linked to financial, economic and social crises forms a system of circular, interconnected, fast shifting and highly complex elements. Looking for a solution requires a collective embrace of complexity and uncertainty. It challenges individuals and organizations to join together to take collective action through large networks and coalitions, in order to create impact and systemic change at scale. This requires a departure from traditional top-down, hierarchical and linear approaches to implementing change. Instead it requires new innovative and adaptive approaches that engage broad networks of diverse stakeholders, harnessing their complementary capacities to advance progress toward a shared goal, formed out of an understanding and vision for change of the entire system.’<sup>1</sup>
- Respond to the need for urgent international coordination: this is a global crisis requiring a global coordinated response. Leaders at the highest levels of government and industry need to work together to provide guidance, agree strategy, devise protocols and protect the people.
- Take multiple actions simultaneously: strengthening and supporting public health systems continues to be a necessary but not sufficient condition to address the crisis. At the same time, it is important to put in place short-term measures to address the shock to the economy, and long-term ones to rebuild and restart. These will be at local, national and global levels.
- Be ready for resolute actions: inaction is not a strategy. Waiting for a vaccine is not a strategy. The scope and speed of the crisis is such that only timely and robust interventions have a chance to succeed. It is vital to get ahead. Linear responses will not keep pace with an exponentially growing pandemic. We will need to be able to rapidly amplify messages and actions that ‘bend the curve’. Speed trumps perfection.

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<sup>1</sup> [https://www.4sd.info/wp-content/uploads/2019\\_Dreier\\_Nabarro\\_Nelson-Systems\\_Leadership.pdf](https://www.4sd.info/wp-content/uploads/2019_Dreier_Nabarro_Nelson-Systems_Leadership.pdf)

- Steer the global system towards the emergence of a new paradigm : as we tackle the multiple and interconnected dimensions of the COVID-19 crisis, it is important to consider the potential to steer the new system towards a new and improved paradigm, such as that provided by the 2030 Agenda and the Paris Agreement. In order to do that, it will be important to define a clear narrative to underline the interlinkages between the spread of the virus, its causes and consequences, to the larger picture of sustainability and climate.

We must remain stubborn optimists that this can be achieved and pragmatic realists about the scale of the challenge we face. The gravitational pull will take us back to how we were if we cannot hold people's anxiety long enough that something better might emerge. That will require us to be better connected and more honestly informed than ever before.

Seeing ourselves differently is the key to seeing a better world.