

BACKGROUND

Klaus Schwab, the Founder and Executive Chairman of the World Economic Forum (WEF), has invited the Prime Minister to join the launch on June 3 of the “Great Reset” initiative, bringing together HRH The Prince of Wales’s Sustainable Markets Initiative with the Forum’s multistakeholder network.

The aim of the programme is to have a discussion that would continue throughout the year, with the objective of developing a clear set of principles, strategies, and practical solutions for delivering a ‘Build Back Better’ agenda, in line with the 2030 Agenda of the Sustainable Development Goals and Paris Climate Agreement. Outcomes of the initiative may be presented at the WEF’s Annual Meeting in Davos in 2021.

Canadian Position

Overview of Canada’s international response to COVID-19

Throughout this crisis, Canada has demonstrated that it is a trusted, predictable and strategic partner. It has led in convening and coordinating on several critical pandemic related questions like maintaining supply chains and the movement of people, on vaccines and therapeutics, food security and nutrition, on peacebuilding and development finance.

Canada has forged new alliances, including the Ministerial Coordination Group on COVID-19 (Minister of Foreign Affairs), and has reinforced existing partnerships. Canada has been active in multilateral forums, including the UN, G7, G20, WTO, and through our memberships in the World Bank, IMF and Paris Club. Canada has a crucial role to play in the global recovery from COVID-19 and is poised to be an important partner in supporting the most vulnerable.

Canada’s diplomatic and international assistance in response to the pandemic has focused on those actions that can support partners on the front lines who are working to prevent, detect and respond to COVID-19. Canada is answering global and bilateral requests for urgent assistance, including for vaccine development, and global health-security capacity building. Canada’s investments also aim to ensure that its international partners can maintain their services for vulnerable populations where possible, including support for sexual and reproductive health and rights.

Canada recognizes that this is not likely a short-term crisis, but a unique medium-term global challenge that must be addressed comprehensively and decisively. It is also not occurring in a vacuum – the international development landscape was already under stress due to a variety of factors, including protracted political crises, significant humanitarian needs, rising inequality, and a competition of ideas over effective development models tied to wider great power competition. Canada has deployed significant financial resources to drive the multilateral effort on COVID-19 and to help other countries meet their most pressing needs.

To date, Canada has announced \$166.5M in international assistance as part of its response to the pandemic. In addition, Canada and other G20 and Paris Club countries recently announced the Debt Service Suspension Initiative, which will suspend bilateral

debt service payments for the poorest countries until the end of 2020. This is expected to provide an estimated US\$12 billion in relief for these nations. Private creditors and International Financial Institutions are also being called on to provide debt service relief on comparable terms.

High-Level Event on Financing for Development in the Era of COVID-19 and Beyond

The event on May 28th launched a collaborative effort between UN Member States and international organizations (e.g., IMF, World Bank Group) to develop recommendations for how the international community can better support developing countries in the wake of the economic crisis caused by COVID-19.

Six work streams were established as a result of this event, within which international organizations, Member States, the private sector and think tanks will be asked to develop concrete solutions for how best to provide immediate support to developing countries, and to building back better for more resilient economies over the long-term. The work streams are: Global Liquidity and Financial Stability; Debt Vulnerability; Private Sector Creditors Engagement; External Finance and Remittances for Inclusive Growth; Illicit Financial Flows; Recovering Better for Sustainability and Inclusion. Canada and Jamaica will be expected to help facilitate the forward momentum of the groups. Three sets of milestones have been set to sustain momentum – end July (possible financial ministerial meeting during the High-Level Political Forum), September (Head of State meeting on the margins of UNGA), and December (also potentially Head of State level where recommendations will be presented).

Overview of global economic impact of pandemic, impact on sustainability goals and opportunity to “build back better”

The global economic impacts of the COVID-19 pandemic are significant, driven by: widespread social distancing and shutdowns affecting global activity in most industries; supply chain disruptions; reduced labour demand; tighter financial conditions; and lower commodity prices.

Most advanced economies will enter a recession this year, and are unlikely to return to their trend GDP levels until 2022 at the earliest. Many emerging markets will experience sustained downturns in economic activity as they face additional challenges of unprecedented reversals in capital flows, currency pressures, and high debt levels. In its April 2020 World Economic Outlook, the IMF forecasted a 3.0 per cent contraction in global GDP this year before a rebound of 5.8 per cent in 2021.

The IMF has since stated it will revise down its April forecast. The average of other economic forecasts currently put the contraction in global GDP this year at about 4.5%.

Looking forward, there are some signs of stabilisation and recovery. Consumption in advanced economies has likely hit bottom as more governments relax lockdown measures. However, the recovery could be slow given significant job losses, caution by consumers, and the phased reopening of some sectors. Financial conditions have improved and risk sentiment in equity markets is stabilising, but investor confidence remains low.

A gradual recovery in oil demand coupled with supply cuts have supported a stabilization in oil markets, but prices are unlikely to recover in the near term.

The IMF estimates that the crisis has created new external financing needs of roughly US\$2 trillion globally between 2020 and 2022. Countries could address their specific needs through new credit from international financial institutions, deferrals or cancellation of scheduled debt payments, use of international reserve resources, new funds raised in financial markets, etc. However, if the financial and economic impacts of the pandemic are worse than currently expected, financing needs would increase.

According to the ILO, there are an estimated two billion people in the informal sector, mostly in emerging and developing economies. Of this population, 1.6 billion (80% of informal workers, representing nearly 50% of the global workforce) remain at risk of losing their livelihoods.

Women are disproportionately represented in the informal economy, particularly in Africa, and are therefore among the most vulnerable.

Countries that depend significantly on tourism and related sectors of the economy to generate revenues and foreign exchange, as is predominantly the case with SIDs but also in parts of Africa, will experience a shock that will very likely last well beyond the health component of the COVID-19 crisis.

Many developing countries rely heavily on commodity exports for government revenue and/or depend on remittances from abroad. The World Bank predicts the sharpest decline of remittances in recent history, representing a loss of a crucial financing lifeline for many vulnerable households.

The SDGs remain a vital roadmap for collective efforts. As we enter the Decade of Action we will need to apply a COVID lens and intensify our work towards 2030. If we do not, the pandemic will have a disproportionate impact on some countries. In fighting the pandemic and facilitating a global recovery, we will want our responses reflect the best scientific evidence available, protect and respect the rights and well-being of all people, and restore the global movement of people, goods and services.

Multilateral Organizations

Sustainable Markets Initiative

Launched by HRH The Prince of Wales at the Forum's 2020 Annual Meeting at Davos, the Sustainable Markets Initiative aims to develop principles to underpin markets that are inclusive, equitable, green and profitable, and that will generate long-term value for society, striking a balance among natural, social, human and financial capital. With COVID-19 having forced a reset of the global agenda, HRH The Prince of Wales and Prof. Schwab of the World Economic Forum have partnered on the "Great Reset" to take advantage of a narrow but critical window to think about building back better.

WEF COVID-19 Related Activities

Recent Canadian engagement in COVID-19-related Forum initiatives include the Deputy Prime Minister's participation in the May 6 "COVID Action Platform," a regular discussion hosted by Prof. Schwab and Forum President Børge Brende among leaders from government, business and civil society and Minister Champagne's participation on April 25 along with Canada's Chief Trade Commissioner in a virtual "Saturday Salon" hosted by the Forum's Young Global Leaders community.

The Prime Minister has also provided a recorded keynote message to the Forum for its Virtual Oceans Dialogue being held from June 1 to 5, held in lieu of the cancelled United Nations Oceans Conference. Minister Champagne has accepted an invitation to co-chair a Forum-led Global Action Group of foreign ministers and business leaders who will convene for a first discussion on June 8 to focus on building momentum for international collaboration in the post-pandemic world. Minister Ng has been invited to participate in a July 8 meeting of the Forum's trade and investment community.