

Some say there is a trade-off: save lives or save jobs – this is a false dilemma

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Kristalina Georgieva and Dr Tedros Adhanom Ghebreyesus, IMF, April 3, 2020

An Op-ed first published on [The Telegraphs](#)

As the world responds to COVID-19, country after country is faced with the need to contain the spread of the virus at the cost of bringing its society and economy to a standstill.

At face value there is a trade-off to make: either save lives or save livelihoods. This is a false dilemma – getting the virus under control is, if anything, a prerequisite to saving livelihoods.

This is what brings the World Health Organization (WHO) and the International Monetary Fund (IMF) so closely together – the WHO is there to protect the health of people and well-placed to advise on health priorities; the IMF exists to protect the health of the world economy – it advises on economic priorities, and also helps provide financing.

Our joint appeal to policymakers, especially in emerging market and developing economies, is to recognise that protecting public health and putting people back to work go hand-in-hand.

The WHO is on the front line of this crisis by the virtue of its mandate, but so is the IMF. In the short time since COVID-19 started spreading across the world, the demand for IMF financing has skyrocketed.

Never in the 75 years history of the institution have so many countries – 85 so far – found themselves in need of IMF emergency financing. And this financing is being made available in record short time, with the first projects already being approved and money disbursed to provide much needed assistance to shield countries against dramatic increase in financial needs at a time of sudden drop in economic activities and in revenues.

As financing to support severely constrained public budgets reaches the countries in need, our joint plea is to place health expenditures at the top of the priority list.

Paying salaries to doctors and nurses, supporting hospitals and emergency rooms, establishing make-shift field clinics, buying protective gear and essential medical equipment, carrying out public awareness campaigns about simple measures like hand washing – these are critical investments to protect people against the pandemic.

In far too many places health systems are unprepared for an onslaught of COVID-19 patients and it is paramount to give them a boost.

And this can and must go together with support for economy-wide priorities required to reduce unemployment, minimise bankruptcies and, over time, ensure recovery.

They come in addition to – not as a substitute for – health spending, and aim to provide targeted support to most-affected households and firms, including cash transfers, wage subsidies, and short-time work, strengthening unemployment benefits and social safety nets, and limiting the rise in borrowing costs.

We recognise how difficult it is to strike the right balance. Economic activity is plummeting as infections and measures to combat the pandemic affect workers, firms, and supply chains, job losses and uncertainty drag down spending, financial conditions sharply tighten, and the oil price collapse hits commodity exporters – all with cross-border spillovers.

In countries with large informal economies families depend on daily wages to survive. Highly congested urban slums make social distancing impossible.

We are convinced, however, that emergency financing can only help if countries strike this balance. The WHO can help in vital areas for coordination such as ensuring the production and delivery of medical supplies to those in need, in an effective, efficient, and equitable manner – by facilitating advance purchase agreements, for example.

The WHO is also working with suppliers of personal protective equipment for health workers to ensure that supply chains are functioning. And this is an area where collaboration with other international organisations can be so effective – for example, the World Bank's capacity to aggregate demand to purchase medical supplies in bulk.

The IMF for its part aims to help by doubling its emergency response capacity from \$50 billion up to \$100 billion – making it possible for countries to get twice as much money from the Fund as had been made available during emergencies. Its total lending capacity of \$1 trillion is now secured thanks to decisive actions of its membership.

The Fund is also increasing its capacity to ease debt service obligations of its poorest members through the Catastrophe Containment Relief Trust for which generous donors are providing grant resources. And together with the World Bank it is advocating for a standstill of debt service from the poorest countries to official bilateral creditors for as long as the world economy is paralysed by the pandemic.

The course of the global health crisis and the fate of the global economy are inseparably intertwined. Fighting the pandemic is a necessity for the economy to rebound. That is why the WHO and IMF are cooperating closely with one another, and with other international organisations, to help address countries' priority needs.

As we all work together, with little time and finite resources, it is essential that we focus on the right priorities to save lives and livelihoods. Our joint appeal is that in one of humanity's darkest hours, leaders must step up right now for people living in emerging markets.

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