

## Position Note

Prepared by UNDP Regional  
Bureau for Asia and the Pacific

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# THE SOCIAL AND ECONOMIC IMPACT OF COVID-19 IN THE ASIA-PACIFIC REGION

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**The UNDP Asia Pacific Economist Network supports UNDP country offices in the region, the Bangkok Regional Hub and the Regional Bureau for Asia and the Pacific (RBAP) in delivering policy advice to counterpart governments and implementing programmes through evidence, analysis and insights. Our aim with this position note is to highlight the social and economic impact of COVID-19 in Asia and the Pacific, the economic policy responses to the pandemic-induced crisis, as well as gaps and possible directions in these responses, from the perspective of sustainable and people-centred development. Since the Asia and the Pacific region was the first to enter the battle against the pandemic and has some successful emerging experiences, it is hoped that this position note will be useful not only for this region, but also for the rest of the world.**

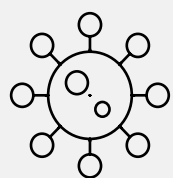


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# Key messages



**The COVID-19 pandemic and the associated economic crisis are posing huge challenges, raising many unknowns and imposing wrenching trade-offs. Both crises are global, but their impacts are deeply local. The policy response to both crises needs to be rapid, even if it is rough around the edges. But countries cannot pull this off on their own—the global crises require global solidarity and coordination.**

## **FIRST THINGS FIRST: SAVE LIVES, PROTECT LIVELIHOODS**

- We need to respond to this health emergency with decisions based on evidence, provide people with the best accurate information, and provide free or affordable COVID-19 testing and treatment.
- We need to preserve jobs and incomes for the millions of people losing their livelihoods. To assist them, we should expand social safety nets using universal income support schemes, and work with banks, fintech and the private sector to deliver social transfers.
- The pandemic is hitting women harder and we must acknowledge as well as alleviate the burden of work that involves caring for their families and the sick that is being unequally imposed upon them.
- Countries must coordinate policies and cooperate across borders to address the plight of refugees and migrants, as these are some of the most vulnerable populations and we cannot leave them behind.



## REVISE BUDGETS, CHANGE POLICIES AND RULES: DON'T TAKE THEM AS A GIVEN

- Create fiscal space—raise revenues and avoid wasteful spending—to channel more resources to public health, economic stimulus and the social safety net. That means governments need to revise their priorities reflected in budget revenue, spending and financing. By doing so, they can contain increases in fiscal deficits and surges in public debt.
- Governments should use stimulus funds and incentives for populations that need them the most. This would mean channelling sizeable parts of such stimulus packages to small and informal businesses, the vulnerable and poor, and avoid the use of stimulus funds and incentives that enrich the well-off.
- By coordinating globally, countries can address so-called ‘fiscal termites’—long-standing problems that undermine national budgets such as tax competition, tax evasion via tax havens and transfer pricing, and fossil fuel subsidies. They should tax the digital economy. Global coordination is also needed to facilitate debt relief to heavily indebted countries, Small Island Developing States (SIDS) and Least Developed Countries (LDCs).
- We need to restart trade by reducing trade tariffs and open borders for goods, even while they are closed for people. And it is essential to safeguard and restore the supply chains of essential goods and services.
- Governments should make it easier to conduct business by improving public services and making them accessible through digital technology. They should support small, medium-sized and informal enterprises.



## BUILD BACK BETTER: CHART A SUSTAINABLE, RESILIENT DEVELOPMENT PATH

- We now have an opportunity to build a new, just and fair social contract between governments and people. This includes universal social safety nets and health insurance.
- To bridge the digital divide and foster digital economies, governments should create legal and regulatory foundations, and invest in a new public good—digital connectivity for all.
- The opportunity is presented to promote sustainable, low-carbon development to preserve and sustain our environment. We should invest in building local, more sustainable and resilient supply chains, and foster the circular and sharing economies.
- Conflict undermines prosperity. We need to guide warring parties to peace and use the resources saved for public health and education, improving livelihoods and helping the vulnerable.

**UNDP is supporting countries in Asia and the Pacific to *prepare, respond to and recover* from the COVID-19 pandemic and the associated economic crisis using its integrator and convening role, its global networks and its mobilization capacity.**

# Executive summary

**Two concurrent global crises—a health crisis and an economic crisis—are engulfing the world. The necessary public health response to the COVID-19 pandemic is setting in motion a globally synchronized economic recession—leaving no obvious robust engine of global growth. The humanitarian dimension of these two linked events is taking the majority of mankind into uncharted waters. The compound crisis threatens to overwhelm health care systems and government policies. The policy response will determine the human toll of the virus; the length and severity of the downturn; and economic, social and environmental progress towards (or regression away from) attaining the Sustainable Development Goals (SDGs), placing a large responsibility on policymakers.**

**The global recession induced by COVID-19 is escalating along a feedback-reinforced spiral.** Massive production disruptions that started in China have led to a lower supply of goods and services that reduces overall hours worked, leading to lower incomes. The impact of this is compounding the immediate global drop in demand stemming from social distancing measures being enacted around the world, which are disrupting highly integrated trade links and value chains. This in turn is again putting downward pressure on supply as producers cut back their output if less of it is bought. Furthermore, as the pandemic becomes global, lower demand from major consuming countries and worsening expectations about the economic outlook are accelerating a vicious downward spiral. As activity contracts and unemployment rises, the rapidly deteriorating economic fundamentals caused by the shock to the real economy spreads to the financial sector, risking a liquidity crisis as availability of credit diminishes and asset prices fall.

**A rapid response is needed.** Even if rough around the edges, a fast response is better than one that is perfect but slow. This position note calls for policies that meet immediate needs—containing the virus's spread and strengthening health systems to prepare for the next shock, including a possible recurrence of COVID-19, while simultaneously responding to the looming economic downturn. Different approaches in some countries and territories in East and South-East Asia have proved fairly successful in “flattening the curve” of caseloads, allowing them to start reviving their economies.

**Given the expected size and incidence of the economic downturn, a large part of stimulus packages should be directed towards the poor and most vulnerable.** Governments should use stimulus packages to safeguard public goods such as health, employment and human security, while avoiding leakages that would enrich the well-off. Small and Medium Enterprises (SMEs) and informal enterprises are the most affected businesses, with informal workers—estimated at 1.3 billion people or two-thirds of the workforce in Asia and the Pacific—expected to be the hardest hit by the economic shock. The ILO expects a devastating 6.7 percent loss in working hours globally in the second quarter of 2020, equivalent to 195 million full-time workers—125 million of which are in Asia and the Pacific.<sup>1</sup> Migrants, displaced people and informal

workers are facing a stark trade-off between safeguarding their lives and livelihoods. Already 100 million migrant workers in India are on the move in search of safety and basic sustenance, defying a nationwide lockdown.

**Governments should attach simple, sustainable development-oriented conditions to their stimulus measures.** These can help focus support to people in need and preclude major leakages; or set the stage for improving the social safety net and extending the coverage of formal employment.

**Countries should globally coordinate and optimize the COVID-19 response,** while seizing the opportunity to decisively make development more sustainable. The global spread of the virus in our interconnected world offers little chance of success if each country devises a health and economic response on its own. To make the response more effective and reduce the cost of the crises, strong coordination and cooperation among governments is needed, coupled with clear and transparent communication. These will help enhance governance and build public trust inside and across borders.

**Fiscal space needs to be created to respond to the crisis by revisiting existing policies, rather than applying patches to them.**

The optimal approach includes redeploying existing resources to their best use, so as to avoid very large deficits that would lead to surging national debt—at a time when a sudden stop in capital inflows is a real risk in developing countries. To this end, governments need to re-examine budget revenues, expenditures and financing, as well as contingent liabilities. Although painful, such revisions are justified on the grounds of the national emergency they are facing and the need to avoid unsustainable increases in national debt. Along similar lines and given the global nature of the emergency, globally coordinated action is needed to address long-standing instances of ‘fiscal termites’ that undermine national budgets, such as transfer pricing, tax havens, tax avoidance by multinational enterprises, the untaxed digital economy and fossil fuel subsidization. Once some of the resources needed for the fiscal stimulus packages are covered from such sources, the remaining fiscal costs will become more feasible to finance.

<sup>1</sup> ILO (2020). ILO: COVID-19 causes devastating losses in working hours and employment. Press release. 7 April 2020. Available at [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_740893/lang-en/index.htm%E2%80%8B](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_740893/lang-en/index.htm%E2%80%8B)



**In countries riven by conflict, a focused effort is needed to unite all warring parties against the common enemy: the novel coronavirus.** Halting conflicts in these countries could release sufficient resources for highly ambitious fiscal stimulus packages that would markedly strengthen health system capacity, address COVID-19–induced disruptions in supply and trade, and help sustain and regenerate domestic demand weakened by large-scale social distancing measures. These, in turn, would begin building much-needed trust to set the stage for progress toward a lasting peace.

**Measures are needed to alleviate the crisis of care that has disproportionately fallen on women’s shoulders and to make policy responses gender-sensitive.** The pandemic has clearly led to gender-differentiated impacts in the Asia-Pacific region. It thus requires gender-differentiated responses. Given the emerging care crisis, and experience from past outbreaks, it is important to incorporate a gender analysis into preparedness and response efforts to improve the effectiveness of health interventions, promote gender and health equity, and enhance future access to opportunities for all.

**Post-pandemic, a new social contract will be needed, featuring greatly reduced inequalities, strengthened resilience to shocks and protection of human rights.** The pandemic has exposed the vulnerabilities and inadequacies inherent in current systems. These risk reaching thresholds that could spur waves of social unrest, conflicts, mass migration, and human rights violations. A new social contract needs to emerge from this crisis that rebalances deep inequalities prevalent in societies. For the Asia-Pacific region, systemic changes to policy frameworks are needed to reduce the current high levels of inequality, raise the woefully low levels of coverage and spending on social security, and address regressive taxes and inequitable access to opportunities, while protecting human rights and the rule of law. In the post-pandemic world, decent connectivity for all will be an essential part of reducing inequalities.

**The response will need to set the stage for additional elements of a strategy to “build back better”.** COVID-19 comes against the backdrop of an escalating climate crisis and an unsustainable model of development based on ever-growing exploitation of natural resources that pushes against the limits of natural systems. Rapid urbanization, increased density of human settlements, unsustainable changes in land use, and growth in animal-sourced products, coupled with the destruction of animal habitats on land and under water have all contributed to zoonosis—jumping the species barrier to humans, which gave us COVID-19. This note calls for rebuilding systems better by attending to social and environmental aspects that are critical on a decade-long horizon to attain the SDGs.

This would require shifting away from the previous environmentally unsustainable development path to low-carbon development that minimizes environmental degradation, shifts consumption and production patterns, uses resources efficiently, and fosters the circular and sharing economies.

**Relevant and timely information is critical to shape the response.**

Governments, policymakers and all stakeholders need to know where we are, where we aim to be, and how much progress we are making. This underscores the importance of the provision of data to the public and promptly sharing proven and successful practices. In this rapidly changing, complex crisis, extrapolating from the past does not tell much about the future, yet we need to see the way forward. This note offers two ways for doing so. First, it examines possible future scenarios of the COVID-19 pandemic crisis. Second, it shares the experience of China and Asia and the Pacific, which had to confront COVID-19 before other regions. The note also highlights key points from the plethora of relevant analytical reports and briefs by international financial institutions (IFIs), governments, development banks, think tanks and consulting companies, without aiming to reproduce those in full depth.

**GOVERNMENTS SHOULD USE STIMULUS PACKAGES TO SAFEGUARD PUBLIC GOODS SUCH AS HEALTH, EMPLOYMENT AND HUMAN SECURITY, WHILE AVOIDING LEAKAGES THAT WOULD ENRICH THE WELL-OFF.**

**UNDP is leveraging its integrator role, global networks, flexibility and rapid mobilization capacity to support developing countries.**

A key direction for UNDP, reflecting the SDGs, is to “leave no one behind”, helping protect the swelling ranks of the most vulnerable people to avoid escalating economic, social and environmental stresses that threaten overall global sustainability. The crisis brings to the fore the need for integrated policies and responses that coordinate between crisis response, health, inclusive growth, poverty reduction, climate change, access to justice and services, and urbanization, where UNDP is well-placed to leverage its integrator role. In the Asia-Pacific region, UNDP is working hand-in-hand to support governments and the wider society to find and scale up innovative ways of mobilizing the response to the compound economic and health crisis.





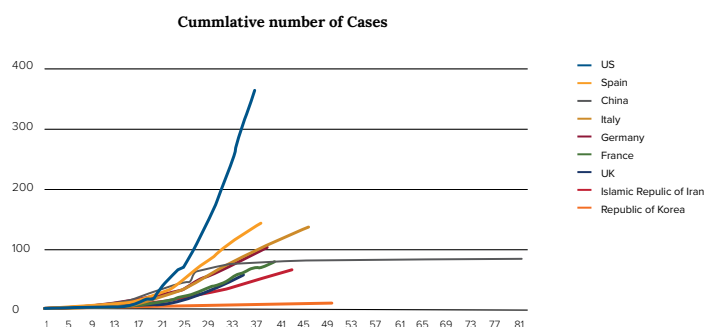


# Background

## ON 11 MARCH 2020, THE WORLD HEALTH ORGANIZATION (WHO) DECLARED THE COVID-19 PANDEMIC.

At the time, there were 118,000 reported cases spanning 114 countries with over 4,000 fatalities. It took 67 days from the first reported case to reach 100,000 cases, 11 days for the second 100,000, and just four days for the third. As of 9 April, there are over 1.4 million people infected globally, with infections rising close to exponentially in many countries. Over 85,000 people have died.<sup>2</sup> The epicentre of the pandemic has shifted from China to Iran, Europe and the United States. Health systems of even the richest countries are overwhelmed. Governments are forced to make stark trade-offs between lives and livelihoods, and doctors between those who die and those who survive. Much of the world is watching with fear and bracing for the worst. The COVID-19 pandemic has pushed the world into a great unknown and countries, in the absence of a vaccine, don't have a clear exit strategy. But some things are already known.

### FIGURE 1. EARLY MEASURES MAKE A DIFFERENCE



**Source:** WHO, COVID-19 situation dashboard. Available at [https://www.who.int/redirect-pages/page/novel-coronavirus-\(covid-19\)-situation-dashboard](https://www.who.int/redirect-pages/page/novel-coronavirus-(covid-19)-situation-dashboard). Last accessed 9 April 2020.

Public health systems have the chance to respond without getting overwhelmed if countries successfully “flatten the curve” of caseloads. Measures that help flatten the curve help avoid an exponential rise in cases and keep the peak caseload below the limits of health system capacity. As more evidence comes in, it is becoming known that countries beginning with similar trajectories can diverge significantly depending on the actions taken (see Figure 1). The experience of China—where the outbreak started and now is being brought under control—shows glimpses of the future for other countries in the midst of the pandemic (See Box 1: The case of China and the Companion Paper ‘China’s COVID-19 Experience – A Rapid Overview’). Emerging experiences show that new cases and the rate of local transmission can be kept low or brought down drastically through rapid and effective measures. Other countries



and territories in East and South-East Asia have taken rapid action to suppress the spread of COVID-19—Mongolia, Singapore, the Republic of Korea, Taiwan Province of China and Viet Nam, among others—using similar, but different approaches commensurate with their capacities, resources and governance systems.

Early, effective containment measures are key, especially for developing countries with weaker health systems. Their health systems can reach the limits of their capacities much earlier than those in developed countries. Furthermore, some developing countries lack health infrastructure and struggle to provide even basic health care services for many. Lockdowns are now happening all over Asia and the Pacific. The “return wave” of infections from Europe and the United States, combined with infections from within the region, has forced more countries in Asia to close borders and restrict internal movements in the second half of March.

The pandemic-induced economic shock is being felt globally, leading to massive job and income losses. China’s February 2020 economic figures are a testament to the severity of the immediate economic impact.<sup>3</sup> Over the entire region, feedback from supply to employment, to incomes, expectations and aggregate demand, and back to supply are intensifying, with serious economic repercussions from the spreading lockdowns spilling over even to countries with very few or no reported cases. In fact, as of 2 April, over 50 percent of the global population was in lockdown, with severe implications for global economic activity. The economic impact is now expected to be at least as severe as that of the Global Financial Crisis of 2009 (GFC).<sup>4</sup>

<sup>2</sup> World Health Organization (WHO). Coronavirus disease (COVID-19) situation reports. Available at <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/situation-reports>

<sup>3</sup> Industrial output fell 13.5 percent in January and February, compared with 2019. Year-on-year, fixed asset investment fell 24.5 percent, while private sector investment fell 26.4 percent. Retail sales shrank 20.5 percent and the jobless rate rose to 6.2 percent in February, compared with 5.2 percent in December.

<sup>4</sup> International Monetary Fund (IMF) (2020). IMF Managing Director Georgieva’s Statement Following a G20 Ministerial Call on the Coronavirus Emergency. Press release No. 20/98. 23 March 2020. Available at <https://www.imf.org/en/News/Articles/2020/03/23/pr2098-imf-managing-director-statement-following-a-g20-ministerial-call-on-the-coronavirus-emergency>. See also Klein, Ezra (2020). “This feels much worse than 2008”: Obama’s chief economist on coronavirus’s economic threat. Vox. 13 March 2020. Available at <https://www.vox.com/2020/3/13/21177850/coronavirus-covid-19-recession-stock-market-economy-jobs-stimulus>

Key observers are all now expecting a severe economic downturn. On 27 March, the IMF stated that “the world is now in recession” and that the “length and depth of this recession depends on two things: containing the virus, and having an effective, coordinated response to the crisis.”<sup>5</sup> The Economist Intelligence Unit (EIU) projects the global economy to contract by 2.2 percent in 2020—with all but three G20 countries registering a recession this year.<sup>6</sup> The OECD reported that the Composite Leading Indicator (CLI) of the world’s major economies has fallen sharply in March, representing the largest drop on record.<sup>7</sup> Moreover, the pandemic hit a world economy saddled with record levels of debt, especially corporate debt, with any room for further monetary policy action largely used up, following years of a highly accommodative monetary stance.<sup>8</sup> Fiscal space is similarly heavily constrained in many countries.

Services and manufacturing have taken an immediate hit, resulting in massive lay-offs. The travel industry has been an early casualty with several airlines and hotel chains at the brink of bankruptcy as countries close borders and block movement of people to contain the spread of COVID-19. The tourism, hospitality, other transport and logistics sectors followed suit. China-centred manufacturing value chains have been heavily affected, followed by those elsewhere in the Asia-Pacific region, then in other regions of the world. At the same time, the pandemic increased demand for medical and health care services, and for web-based services, such as e-commerce, online education and food delivery, opening opportunities for other industries. While the shock affects all businesses, SMEs are especially vulnerable, given their limited resources and access to credit to shore up working capital. In Asia and the Pacific, SMEs account for more than 96 percent of all businesses, and for two-thirds of private-sector jobs.<sup>9</sup> Effective policies to reduce displacements in the labour market and to facilitate labour adaptation to these job opportunities could help limit some of the job losses.

The poorest will be hit the hardest by the compound health and economic crisis. The World Bank projects at least 11 million people across East Asia and the Pacific falling into poverty, even under its ‘optimistic’ scenario.<sup>10</sup> Already, an estimated 100 million migrant workers in India are on the move to their hometowns and villages in search of safety and basic sustenance.<sup>11</sup> Informal workers are among the most vulnerable since they are not covered by government benefits or reached by rescue packages. This is a serious concern for countries that have large informal sectors—as is the case for most countries in Asia and the Pacific. Millions of poor people—informal sector workers, migrants and daily labourers—will not

5 Franck, Thomas (2020). IMF chief Georgieva says the world is in a recession, containment will dictate strength of recovery. 27 March 2020. CNBC. Available at <https://www.cnbc.com/2020/03/27/imf-chief-georgieva-says-the-world-is-in-a-recession-containment-will-dictate-strength-of-recovery.html>

6 The Economist (2020). COVID-19 to send almost all G20 countries into a recession. 26 Mar 2020. Available at <https://www.eiu.com/n/covid-19-to-send-almost-all-g20-countries-into-a-recession/>

7 OECD (2020). OECD Composite Leading Indicators: News Release, 8 April 2020.

8 Although in any case monetary policy would have a limited direct usefulness during a virus-induced global lockdown.

9 ADB (2018). The Role of SMEs in Asia and Their Difficulties in Accessing Finance. Working paper No. 911, December 2018.

10 World Bank (2020). East Asia and Pacific Economic Update: East Asia and Pacific in the time of COVID-19. April 2020. Washington DC, USA.

11 Biswas, S. (2020). Coronavirus: India’s pandemic lockdown turns into a human tragedy. BBC News. 30 March 2020. Available at <https://www.bbc.com/news/world-asia-india-52086274>

12 Trivium China (2020). Why Q2 is critical. China Tip Sheet, March 26, 2020. Available at <https://triviumchina.com/2020/03/26/why-q2-is-critical-china-tip-sheet-march-26-2020/>

## BOX 1

# THE CASE OF CHINA

Over just three months, China has succeeded in containing the spread of the virus, thanks to bold set of measures on public health. These have been successful in flattening the caseload curve, saved many lives and set the stage for gradually restarting the economy. The manufacturing sector was back to around 80 percent capacity by the end of March<sup>12</sup> although the services sector, which was the most severely hit, is lagging somewhat behind.

China’s experience has highlighted some structural economic vulnerabilities, with possibly significant impact on long-term sustainable development and effects on several SDGs that mutually reinforce each other. These included:

- The importance of SMEs and informal economic actors for employment and development, along with the challenges of effectively reaching them with supportive policies
- COVID-19’s impact on value chains, incomes and sustainable development
- The uneven path to recovery in the absence of clear-cut clinical treatment protocols and a vaccine, with advances and reversals as movement restrictions are gradually and iteratively lifted
- The short-term trade-off between health and growth-related objectives, and between short-and long-term objectives.

China’s recovery path and the eventual impact on SDGs will be critically shaped by current policies, including the consistency with which these are applied around the world and the extent to which value chains—the key drivers of high productivity and hence rising real incomes—and other international linkages, such as through tourism and finance, can be rebuilt or reconfigured.

China’s experience is also showing gaps and challenges that many others may face, relating to the timeliness and consistency of the measures applied, and the availability and flow of data. Not enough time has passed to fully evaluate the impact of China’s approach, and consider difficult trade-offs, as well as secondary and tertiary consequences, such as the impact on livelihoods and some unintended consequences of the measures taken.

China’s present may have several features that resemble other countries’ futures. Thus, its experience may offer useful and important lessons for other countries facing similar challenges now. China’s approach and measures are discussed in the companion paper ‘China’s COVID-19 Experience – A Rapid Overview’.

have an option to stay in lockdown or work online. Moreover, those without access to the internet and mobile phones will lack access to essential public health information to protect themselves. Thus, they face more risks as well as being on the wrong side of the growing digital divide. Countries with weak social and labour protection will likely experience a greater increase in inequality in income and access to opportunities, as well as more protracted and deeper social and economic impact with more people pushed into poverty.

Prior to the advent of the COVID-19 pandemic, the region and the world were already on an unsustainable development trajectory. Growth was highly dependent on fossil fuels, and production and consumption patterns were pushing against planetary boundaries. Rising inequality within most countries were driving social tensions, while several countries were living through protracted conflicts. The quest for economic growth and material prosperity left little attention or resources for strengthening critical systems such as health care. Highly efficient just-in-time production systems have formed with no in-built redundancy, which then proved to be vulnerable to disruptions in cross-border trade. The multilateral trade system was giving way to fragmented, unilateral and rivalry-based approaches that hampered global trade. The US–China trade war significantly raised transaction costs and uncertainty about policy directions in major economies. Moreover, rapid demographic growth, migration, high population density, increased movement of people, displacement of animals and changes in land use were creating ripe conditions for the rise of zoonotic diseases and their transmission to humans.<sup>13</sup>

**COUNTRIES WITH WEAK SOCIAL AND LABOUR PROTECTION WILL LIKELY EXPERIENCE A GREATER INCREASE IN INEQUALITY IN INCOME AND ACCESS TO OPPORTUNITIES, AS WELL AS MORE PROTRACTED AND DEEPER SOCIAL AND ECONOMIC IMPACT WITH MORE PEOPLE PUSHED INTO POVERTY.**

Predicting the future development path is difficult. There are many unknowns, including policy responses in individual countries, and the likely cumulative impact from second- and third-order effects. Three scenarios of possible futures are envisaged (see Box 2). Scenario #1, with a rapid, V-shaped recovery, is increasingly unlikely. Nevertheless, the sound policy approach described as part of it (including “building back better”) remains feasible even under the other two possible scenarios. At the time of writing, Scenario #2, featuring a protracted recovery with permanent scars, seems the most likely baseline. The likelihood of Scenario #3 of a global meltdown—complete with fragmentation, deglobalization, large output losses, social unrest and the possible exodus of migrants to safer countries—rises if timely, coordinated measures are not taken to contain the pandemic and the ensuing economic fallout.



13 Ahmed, S., Dávila, J.D., Allen, A., Haklay, M. (MUKI), Tacoli, C., & Fèvre, E.M. (2019). Does urbanization make emergence of zoonosis more likely? Evidence, myths and gaps. *Environment and Urbanization*, 31(2), pp. 443–460. Available at <https://doi.org/10.1177/0956247819866124>

BOX 2.

## THE POST-PANDEMIC WORLD: THREE SCENARIOS

### SCENARIO #1: A FAST, V-SHAPED RECOVERY

In this scenario, China and industrialized East Asian countries have fully controlled the COVID-19 outbreak, while other countries take effective actions to overcome the peak of the pandemic by early May. Despite infections reaching the rest of the world, the pandemic is effectively controlled early on through social distancing, widespread testing and effective communication on public health, assisted by low virulence in high humidity-high temperature climates and the mutation of the virus towards weaker strains. Relatively low-cost treatments and vaccines are tested and widely rolled out by mid-2021.

Countries reopen borders, initially for the movement of goods as demand for goods and services recovers, and in the second half of 2020, for people. Most countries experience strong growth in 2021 from this year's low base, which restores output and growth rates toward pre-pandemic trends from 2022. Countries roll out effective policies to cushion the impact of the COVID-19 crisis on the poor and vulnerable groups—the elderly, youth and homeless or urban slum-dwellers as well as displaced and migrant populations—and pursue programmes to reduce the burden of work and care on women. International assistance is activated at scale for less developed countries with weak public health systems and poor sanitation, and debt rescheduling is implemented for heavily indebted countries. The trauma of the pandemic prompts people and leaders around the world to strengthen solidarity and act collectively in a coordinated manner to make development more sustainable and resilient to shocks. Examples include reversing increases in tariffs and other trade barriers; containing inequality through progressive social policies and creating decent jobs across the spectrum with appropriate entitlements and working conditions; moving toward a low-carbon development path with more resilient and greener supply chains, low emission transport, less wasteful production and consumption systems and fostering the circular and sharing economies; making access to health services universal; collaboratively investing in research and development (R&D) on essential medicines and vaccines; creating secure and resilient digital systems and standards; and effectively managing migration while respecting human rights, allowing both sending and receiving countries to make the most from it.

### SCENARIO #2: PROTRACTED RECOVERY WITH PERMANENT SCARS

In this scenario, China and industrialized East Asian countries have brought the pandemic under control by early May, but large regions including Europe and the United States struggle to flatten the caseload curve. Despite lower virulence in tropical climates, globally uncoordinated national responses and a lack of testing prevent accurately identifying and dealing with the problem in many countries. This results in a landscape with significant clusters of countries struggling to contain the outbreak by August 2020. The pandemic retreats in the Northern hemisphere but intensifies in the Southern hemisphere as the weather cools there, returning to the North in the winter. The relative lull in all areas is used to strengthen health systems and to develop vaccine and treatment options by mid-2021. The economic, social and environmental costs remain high, and global cooperation frameworks fragmented.

While developed countries, China and some higher-income countries in Asia are able to provide economic stimuli to soften the social and economic impact of the pandemic, many developing countries lack resources or institutions to roll out far-reaching stimulus programmes involving measures for safeguarding national value chains and enhancing social protection in 2020. Unemployment soars and millions of people are pushed into poverty. Value chains are restored by late 2020, although COVID-19-compatible transportation and logistics processes push up the cost of production. Weak demand for goods and services from developed and higher-income countries dampens production. Economic growth rates recover toward pre-pandemic trends, but GDP levels do not, reflecting a considerable loss in output and incomes.

### SCENARIO #3: A GLOBAL MELTDOWN WITH FRAGMENTATION, DEGLOBALIZATION AND LARGE OUTPUT LOSSES

In this scenario, countries are unable to contain the pandemic and their health systems are overwhelmed. The escalating economic impact fragments the globalized economy, and sets in motion deglobalization processes leading to large, permanent output and development losses globally. The virus mutates, gaining speed and strength, raising morbidity and mortality levels and noticeably lowering life expectancy globally. The push to return to high growth rates in several large countries leads to premature relaxation and a second wave of the pandemic. COVID-19 vaccines and treatment options fail or remain too costly for most of the world's population.



As barriers and high transaction costs fragment the global economy, global supply chains erode, the global flow of goods, services and people shrivels, and the gains from globalization that had boosted growth since the 1990s are reversed. Cross-border trade takes place within limited geographical areas. COVID-19 testing and treatment is limited to the elites, with the pandemic sharply raising inequality, including in new dimensions (widening the digital divide, inequality between parts of the population with and without access to COVID-19 treatment and vaccines, and potentially between those with and without acquired immunity). Job losses prompt mass migration back to the sending—predominantly poor—countries, with returnee migrants putting a strain on already stretched health and public services and possibly raising infection rates. As the twin crises deepen, a mass exodus of migrants to safer countries and regions starts, leading to extreme reactions, stigma and tensions. Despite trillions of dollars

pumped into stimulus packages, the bulk of these resources fails to reach small businesses and the poor, especially in countries where informal employment dominates—further exacerbating income inequality. A deep global recession brings large losses in productivity, employment and human capital, with adverse expectations undermining investment across the board. Global output shifts to a lower path for 5 to 10 years with escalating adverse social impacts (such as rising poverty, conflict, crime, and domestic violence) as well as environmental ones (notably reduced biodiversity and increased climate change), precluding the attainment of the SDGs. Shortages of staple foods and essential consumer goods appear in most countries. The incipient breakdown of trust and the overall social compact between the state and the public, as well as between countries is manifested in political instability, riots and protests around the world, and growing conflicts, further magnifying the scale of the pandemic.





## **The social and economic impact of COVID-19**

**About two-third of global trade takes place within value chains<sup>14</sup> and China has become a major centre of world manufacturing. About 20 percent of global trade in manufactured intermediate goods originates in China today, a share that has quintupled from 4 percent in 2002.<sup>15</sup>**

<sup>14</sup> Dollar, D. (2019). *Invisible links: Value chains transform manufacturing – and distort the globalization debate*. Finance and Development, June 2019. IMF.  
<sup>15</sup> UNCTAD (2020). *Technical note. Global trade impact of the Coronavirus (COVID-19) Epidemic*. Division of International Trade and Commodities, UNCTAD.

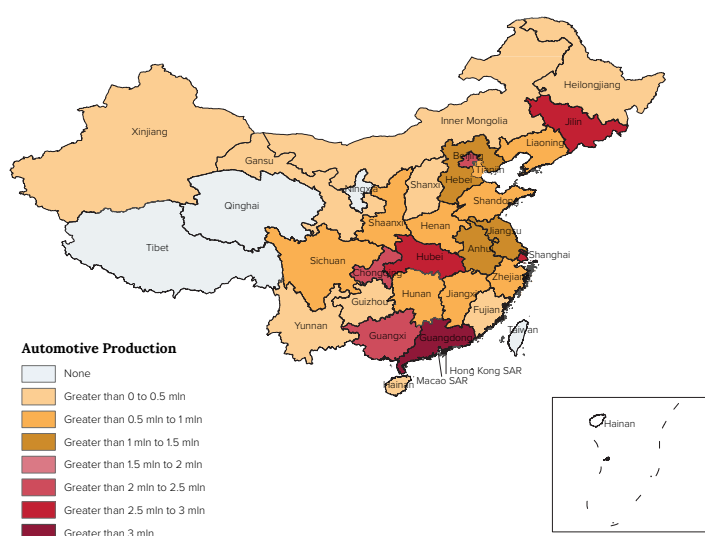
# Global value chains and the supply and demand shock

Asia's value chains have closely integrated the economies of China, Japan, the Republic of Korea, Hong Kong SAR, Singapore, Malaysia, Thailand, Viet Nam and Cambodia. Such dense and highly coordinated value chains allow exploiting large economies of scale present in manufacturing. Less complex value chains, such as in apparel, wood and food products have also formed between China, Cambodia, Bangladesh, Myanmar and Indonesia.

The outbreak of COVID-19 has severely disrupted value chains focused on advanced manufactured goods in China. The outbreak, initially concentrated in Hubei province, itself a major manufacturing centre of motor vehicles (Figure 2), quickly spread to Anhui, Jiangxi, Henan, Hunan, Guangdong and Chongqing, where manufacturers of cars, television sets, mobile phones, refrigerators, washing machines and air conditioners are concentrated.<sup>16</sup> As strict quarantines were introduced across many cities and provinces, production dwindled. China's manufacturing Purchasing Managers Index (PMI) declined sharply in February,<sup>17</sup> to levels comparable to those during the 2009 global financial crisis<sup>18</sup> and despite the March rebound, there is plenty of evidence pointing to a sharp contraction in growth in the first quarter of 2020.

Value chains are as strong as their weakest link. Restrictions on cross-border and domestic movement have hit highly integrated value chains hard. Materials and components cross multiple borders before they are assembled into final goods. Trade shocks, when they pass through complex value chains, are amplified.<sup>19</sup> Restrictions on cross-border movements—and associated delays and cost increases—will have a compounded impact on value chains, affecting China and much of East and South-East Asia. For instance, due to their sector-specific exposure, Japan is recording a relatively stronger impact in the machinery and automotive industries, the Republic of Korea in machinery and communication equipment, Taiwan Province of China in communication equipment and office machinery, and Viet Nam in communication equipment.<sup>20</sup> The pandemic will affect not only value chains of advanced manufactured goods but also of clothing and footwear, paper and wood-based products, as well as food—all value chains where China plays an important role as a producer or consumer. The resulting shock on production of advanced manufactured goods will reduce demand for minerals and petroleum—with possibly dire implications for countries exporting mineral resources to China, such as Indonesia, Iran, the Lao People's Democratic Republic, Malaysia, Mongolia and Papua New Guinea, as well as for countries in other regions.

**FIGURE 2. PRODUCTION OF MOTOR VEHICLES IN CHINA, ANNUAL AVERAGE 2016–2018**



**Source:** Based on data from the China National Bureau of Statistics.

Transportation costs will likely escalate, dampening trade, global output and demand. A reduction in demand will see a lower volume of goods traded. However, a reduction in the volume of transportation disproportionately increases the unit cost. For instance, the unit transportation cost is 2.5 greater for a container that is 5 times smaller.<sup>21</sup> Over the past three decades, the shipping industry has made investments in infrastructure geared for large volumes of trade such as larger containers, larger vessels and deep-sea ports. With less goods transported, such capacity will be underutilized, further pushing up costs. Vessels will wait until they are filled, causing further delays. This is an important factor: An added day of delay in cross-border transportation of goods is estimated to reduce trade in these goods by 4 percent.<sup>22</sup> Delays and rising costs in transporting goods effectively increase the economic distance between countries—a composite measure of physical distance and trade barriers. It has been shown that doubling the economic distance reduces per capita incomes in producing countries by 25 percent.<sup>23</sup>

<sup>16</sup> Based on China National Bureau of Statistics data available at [www.stats.gov.cn](http://www.stats.gov.cn). Accessed 23 March 2020.

<sup>17</sup> China National Bureau of Statistics.

<sup>18</sup> According to an alternative, but similar indicator – Caixin manufacturing PMI. Caixin (2020). *Caixin China General Manufacturing PMI™*. Release 2 March 2020.

<sup>19</sup> IMF (2019). *Trade Tensions, Global Value Chains, and Spillovers: Insights for Europe*. IMF, European Department

<sup>20</sup> UNCTAD (2020). Global trade impact of the coronavirus (COVID-19) epidemic. Trade and development report update, 4 March 2020.

<sup>21</sup> World Bank (2009). *World Development Report 2009: Reshaping economic geography*.

<sup>22</sup> UNCTAD (2015). *Tracing the value added in global value chains: product-level case studies in China*.

<sup>23</sup> Ibid.



Governments are now facing the task of avoiding a vicious downward cycle due to twin supply- and demand-side shocks. On the one hand, higher unemployment and loss of income will scale back demand for goods and services. On the other hand, the pandemic has severely disrupted global value chains, choking production and therefore the supply of goods and services. This affects economies highly integrated in value chains, such as China, but strong spillover effects will make the impact severely felt also in East and South-East Asia and in other regions.

## The social crisis

The pandemic's effects on employment in Asia and the Pacific are cascading: first, through reduction in production and increased trade barriers, then via reduced global demand, and now due to restrictions on movement. Even before the pandemic spread to Europe and the United States, job losses in Viet Nam were estimated to range from 350,000 to 820,000 people. In Cambodia, Bangladesh and Myanmar, smaller garment factories are closing down due to the pandemic and, as a consequence, shedding jobs that were mostly held by women. In Bangladesh, where 45 percent of the population is vulnerable to falling into poverty, garment factories are crucial for providing incomes, especially to the near-poor.

As the pandemic spreads, massive numbers of people will lose jobs and livelihoods. The "return wave" of infections from Europe and the United States combined with the spread from within the region has forced even more countries into closing borders and restricting internal movement. Fear of the pandemic has also led to millions of people to self-isolate, even in the absence of government-imposed restrictions. The pandemic is causing massive job and income losses in the Asia and the Pacific region, disproportionately affecting people in informal employment. The impact is sudden for millions of people who are losing incomes and jobs overnight—e.g. daily and hourly laborers, domestic and cross-border migrants. Their sheer number illustrates the potential scale of devastation to livelihoods in the absence of supportive measures. Of the total workforce of Asia and the Pacific, estimated at 1.9 billion in 2019, around two thirds, 1.3 billion people are informally employed.<sup>24</sup>

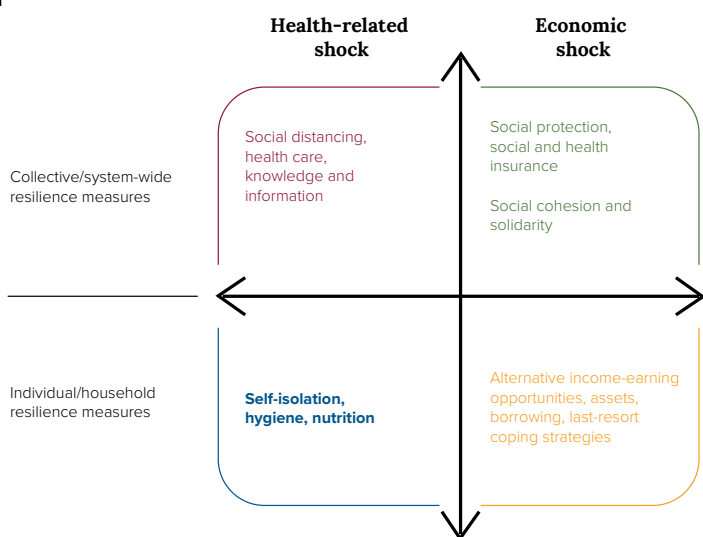
Migrants and displaced persons are severely affected by the pandemic. Measures taken by governments to suppress COVID-19 and corresponding disruptions to economic activity in migrant destination countries are causing massive numbers of migrants to return to their home countries, often having lost their livelihoods overnight. For example, in the last week of March, tens of thousands of migrant workers from Cambodia, Myanmar and the Lao People's Democratic Republic sought to return home from Thailand when it announced the closure of its borders. Many are stranded due to the border closures and testing requirements, without jobs or income. They also present a health risk to their home countries whose public health systems and capacities to screen and monitor entrants are woefully inadequate. Undocumented migrants also

24 ILO (2020). *World employment and social outlook: Trends 2020*.

present a health risk in their host countries, since they might fear deportation if they turn up for testing or treatment. At the same time, most migrants and daily laborers lack health insurance, so they can't afford tests or treatment. Displaced people such as Afghans in Iran and the Rohingya in Bangladesh are especially vulnerable, with their situation further aggravated by stigmatization in local communities. A massive humanitarian crisis is unfolding in India, with 100 million internal migrant workers returning in large waves to their homes amidst a nationwide lockdown, having lost their livelihoods.

Poverty increases vulnerability to shocks. Vulnerability depends not only on people's exposure to shocks, but also on their individual and collective resilience.<sup>25</sup> Resilience, or coping ability, can reduce the impact of shocks. Poor households are less resilient to shocks because of their low level of income, fewer assets and limited opportunities to borrow. Thus, they tend to resort to destructive coping strategies, such as choosing to forego health care, selling their assets or withdrawing children from school. While poverty has substantially declined in Asia and the Pacific, its rate of reduction has slowed down since 2010, and the COVID-19 pandemic is likely reversing a considerable part of these gains. The World Bank expects over 11 million people in the East Asia region to fall into poverty in 2020,<sup>26</sup> with many more likely to do so across South Asia. Moreover, the pandemic has hit tourism, textile manufacturing and low-skill services—sectors that employ large numbers of people just above the poverty line.

**FIGURE 3. COLLECTIVE AND INDIVIDUAL MEASURES TO ENHANCE RESILIENCE TO SHOCKS**



**Source:** Based on UNDP (2011). *Towards Human Resilience: Sustaining MDG progress in an Age of Economic Uncertainty*.

Poor and near-poor people face a double shock from the spread of the virus and the ensuing economic depression, and a stark trade-off between safeguarding life and livelihoods. The highly contagious nature of the virus and strict social distancing measures preclude many coping strategies at individual and community levels. Alternative livelihoods options remain limited due to lockdowns, the ensuing economic crisis, and the lack of skills necessary for alternative jobs such as those that require digital and computer literacy, as well as internet access. Social distancing can also erode social cohesion and mutual support. When options are limited for individual coping strategies, collective, system-wide mechanisms—such as social protection and social insurance—need to be used to step in and avoid catastrophic consequences that would raise the risk of further undermining sustainability (see Figure 3).

## Gender impacts<sup>27</sup>

A third type of crisis is also emerging: the crisis of care, with a severe impact on gender inequality. Gender inequality in the Asia-Pacific region is already relatively high to begin with, and as health and support systems are overburdened and preoccupied by handling pandemic cases, it has worsened. Firstly, women constitute 70 percent of the workers in the health and social sector globally, with that percentage rising to 90 percent in Hubei province in China, underscoring the gendered nature of the health workforce and the risks that predominantly female health workers incur.<sup>28</sup> Secondly, the share of unpaid care and domestic work, already disproportionately burdening women in normal times, has skyrocketed due to school closures affecting over 850 million learners in the Asia-Pacific region,<sup>29</sup> as well as due to the increased need for care of elderly relatives more at risk of experiencing COVID-19 related complications.

The pandemic-induced crisis also has gender-differentiated economic impacts, reducing women's economic opportunities. Crises have a disproportionately negative economic impact on women, who make up the majority of part-time and informal workers, generally with lower pay. Examples are women migrant workers—often nurses or domestic workers, who face greater risk of wage loss and unemployment and limited access to health care and social protection. Movement restrictions may worsen the precariousness of their position in receiving countries, while lower remittances may have a secondary negative impact on the economy of their countries of origin. Recent evidence points to a marked rise in domestic violence,<sup>30</sup> and in discrimination at the workplace as employers may see women overloaded with care obligations as less competitive and committed than male colleagues. Simultaneously, women's engagement in economic, social and political activities is decreasing, reducing their voice in decision-making.

25 UNU-WIDER (2009). *Vulnerability in developing countries*.

26 World Bank (2020). *East Asia and Pacific in the time of COVID-19*.

27 The following resources offer comprehensive information and data on gender impact of COVID-19: UNDP (2020). *Briefing note: The economic impacts of COVID-19 and gender inequality. Recommendations for policy makers*. April 2020, forthcoming; UN Women GiHA WG (2020). *The COVID-19 Outbreak and Gender: Key Advocacy Points from Asia and the Pacific*. Available from <https://asiapacific.unwomen.org/en/digital-library/publications/2020/03/the-covid-19-outbreak-and-gender>; and Data 2X (2020). *Gender and Data Resources Related to COVID-19*. Available from <https://data2x.org/resource-center/gender-and-data-resources-related-to-covid-19/>. Accessed 14 April 2020.

28 World Economic Forum (2020). *The coronavirus fallout may be worse for women than men. Here's why*. Available at <https://www.weforum.org/agenda/2020/03/the-coronavirus-fallout-may-be-worse-for-women-than-men-heres-why/>.

29 UNESCO (2020). *COVID-19 Educational Disruption and Response*. Available at <https://en.unesco.org/covid19/educationresponse>. Accessed 14 April 2020.

30 For example, in villages highly disrupted by Ebola, girls were on average two thirds more likely to become pregnant than before: Center for Global Development (2020). *How Will COVID-19 Affect Women and Girls in Low- and Middle-Income Countries?* Available at <https://www.cgdev.org/blog/how-will-covid-19-affect-women-and-girls-low-and-middle-income-countries>.

It seems that COVID-19 mortality is gender-biased. Early evidence suggests that more men than women are dying, potentially due to sex-based immunological or gendered differences, such as patterns and prevalence of smoking. A study of some 44,600 people with COVID-19 from the Chinese Center for Disease Control showed the death rate among men was 2.8 percent, compared with 1.7 percent for women.<sup>31</sup>

## Financial stability on the brink

The economic impact of COVID-19 is adversely affecting the financial sustainability of different economic players, with critical consequences on their ability to withstand and respond to shocks. The combination of the severe economic downturn, ushering in lower revenues and higher public expenditures along with tightening financial conditions, is putting pressure on the financial sustainability of governments, corporations and individuals. As the World Bank points out, while macro and financial fundamentals are better than at the beginning of previous financial crises,

different economies are vulnerable in different ways. China, Malaysia, Thailand and Viet Nam, for instance, record elevated domestic debt, mostly in the corporate sector. Lower corporate earnings and greater debt servicing burdens on companies may lead to increasing defaults, causing job losses, plunging investor confidence, and potentially triggering a widespread credit crunch and financial crisis. Surveys in China showed that many SMEs had enough cash for up to five months of operation, but a third of them only up to one month.<sup>32</sup> This is even more problematic given China's high level of non-financial corporate debt (153 percent of GDP in 2018, though much of it held by state-owned enterprises (SOEs)).<sup>33</sup>

Fiscal space is limited by several factors. One half of Asia-Pacific economies are now recording fiscal deficits, which are fairly large in the case of Viet Nam, Cambodia and the Lao People's Democratic Republic. Cambodia and Laos, as well as Mongolia, Malaysia, and Papua New Guinea also face high external debt, making them vulnerable during a time of financial stress.<sup>34</sup> High debt service levels constrain government spending, already squeezed by the pandemic response. As of 27 March, the G20 reported fiscal measures totalling some 5 trillion dollars (6 percent of the global GDP).<sup>35</sup> However, lower-income countries generally lack fiscal resources to fund large-scale stimulus measures, and are therefore seeking much needed grants, concessional loans or possible future debt service relief through the IMF, World Bank and others.

31 Wenham, C., Smith, J. and Morgan, R. (2020). COVID-19: the gendered impacts of the outbreak. *The Lancet*. Volume 395, Issue 10227, pp. 846–848, available at [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(20\)30526-2/fulltext?dgcid=raven\\_jbs\\_etoc\\_email](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(20)30526-2/fulltext?dgcid=raven_jbs_etoc_email); and World Economic Forum (2020). The coronavirus fallout may be worse for women than men. Here's why.

32 UNDP China (2020). Assessment Report on Impact of COVID-19 Pandemic on Chinese Enterprises. 7 April 2020

33 IMF (n.d.). IMF DataMapper. Government Finance Statistics database. Available at [https://www.imf.org/external/datamapper/NFC\\_LS@GDD/CHN](https://www.imf.org/external/datamapper/NFC_LS@GDD/CHN)

34 World Bank. *World Bank East Asia Pacific Economic Update*, April 2020.

35 IMF (2020). Opening Remarks at a Press Briefing by Kristalina Georgieva following a Conference Call of the International Monetary and Financial Committee (IMFC). Available at <https://www.imf.org/en/News/Articles/2020/03/27/sp032720-opening-remarks-at-press-briefing-following-imfc-conference-call>





## Response to the crisis

The enormous diversity of countries in Asia and the Pacific means that responses to the pandemic and the ensuing economic crisis will necessarily differ. Every country in the region has been affected by the pandemic-induced crisis to a significant degree. While some countries have first been hit by the spread of infections, in other countries the economic crisis impact precedes the transmission of the disease as a result of precautionary border closures, the collapse in supply chains and demand, and domestic lockdowns.

Figure 4 provides a generalized typology of economies by patterns of vulnerability to the current pandemic, building on a framework of an earlier UNDP analysis of vulnerability and resilience to crises.<sup>36</sup> The rest of this section highlights the responses of countries to the pandemic so far. Recommendations need to be viewed in light of this diversity.

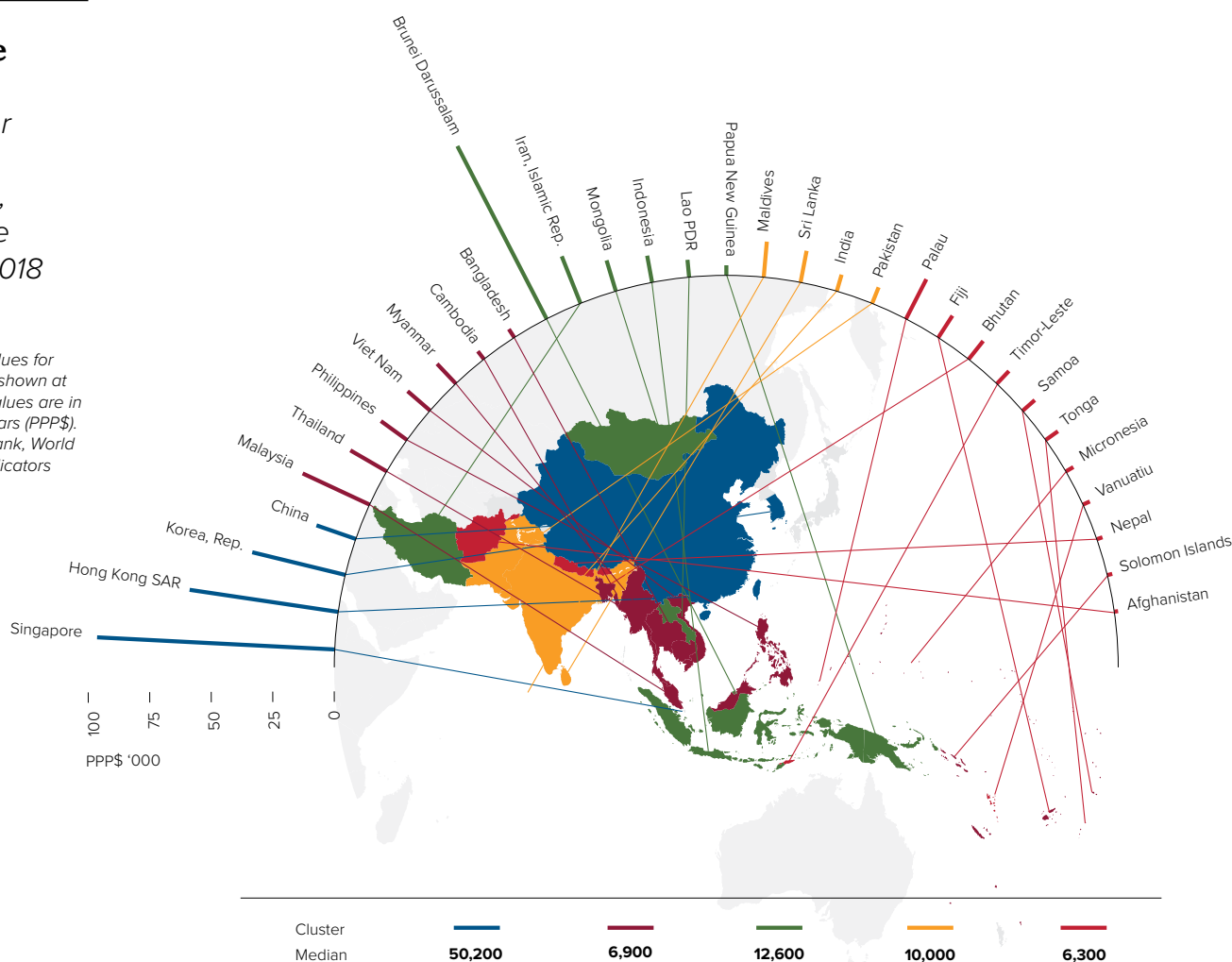
**FIGURE 4. EVERY ECONOMY IS AFFECTED IN ITS OWN WAY – SHARING EXPERIENCES AND DIFFERENTIATED STRATEGIES ARE NEEDED**

	CLUSTER 1	CLUSTER 2	CLUSTER 3	CLUSTER 4	CLUSTER 5
	<b>Very high to high human development, advanced manufacturing value chains</b>	<b>Mostly high or medium human development, integration into value chains</b>	<b>Wide range of income and development levels, reliance on natural resource exports</b>	<b>Medium to high human development, relatively less trade integration</b>	<b>Wide range of human development levels, LDCs and SIDS</b>
<b>Spread of the pandemic and responses</b>	Pandemic's early onset, focus on rapid containment, extensive stimulus packages, signs of early recovery	The "second wave" of the pandemic, stimulus packages and containment measures	Different degrees of the spread of the pandemic and wide variety of responses	Late wave of the pandemic, extensive containment measures, massive public health risks	Relatively isolated and potentially less affected by the pandemic, but public health risks due to low capacities
<b>Level of human development</b>	Very high or high human development	Ranges from very high to medium human development	Wide range from very high to low human development	High and medium human development	Wide range of human development levels, but mostly medium level
<b>Degree of global value chains integration and trade</b>	Highly integrated in advanced manufacturing value chains	Integrated in various manufacturing value chains	Forward linkages through supply of natural resources	Lower degree of trade openness	Small open economies, high degree of imports

**Income levels**

GDP per capita in PPP\$, average 2016–2018

**Note:** Median values for each cluster are shown at the bottom. All values are in international dollars (PPP\$). **Source:** World Bank, World Development Indicators

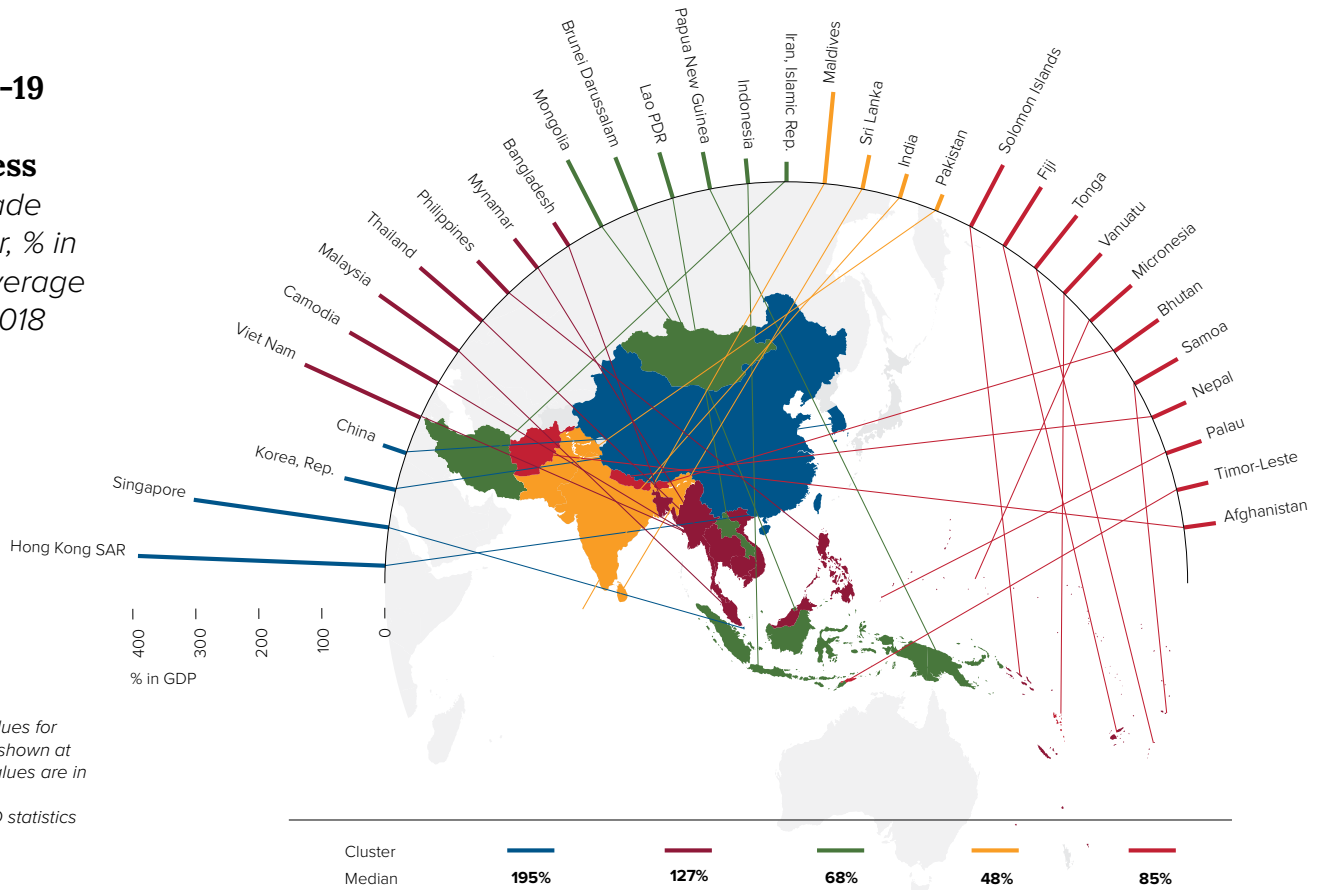


36 UNDP (2011). *Towards human resilience: Sustaining MDG progress in an age of economic uncertainty*.



### Pre-COVID-19 trade openness

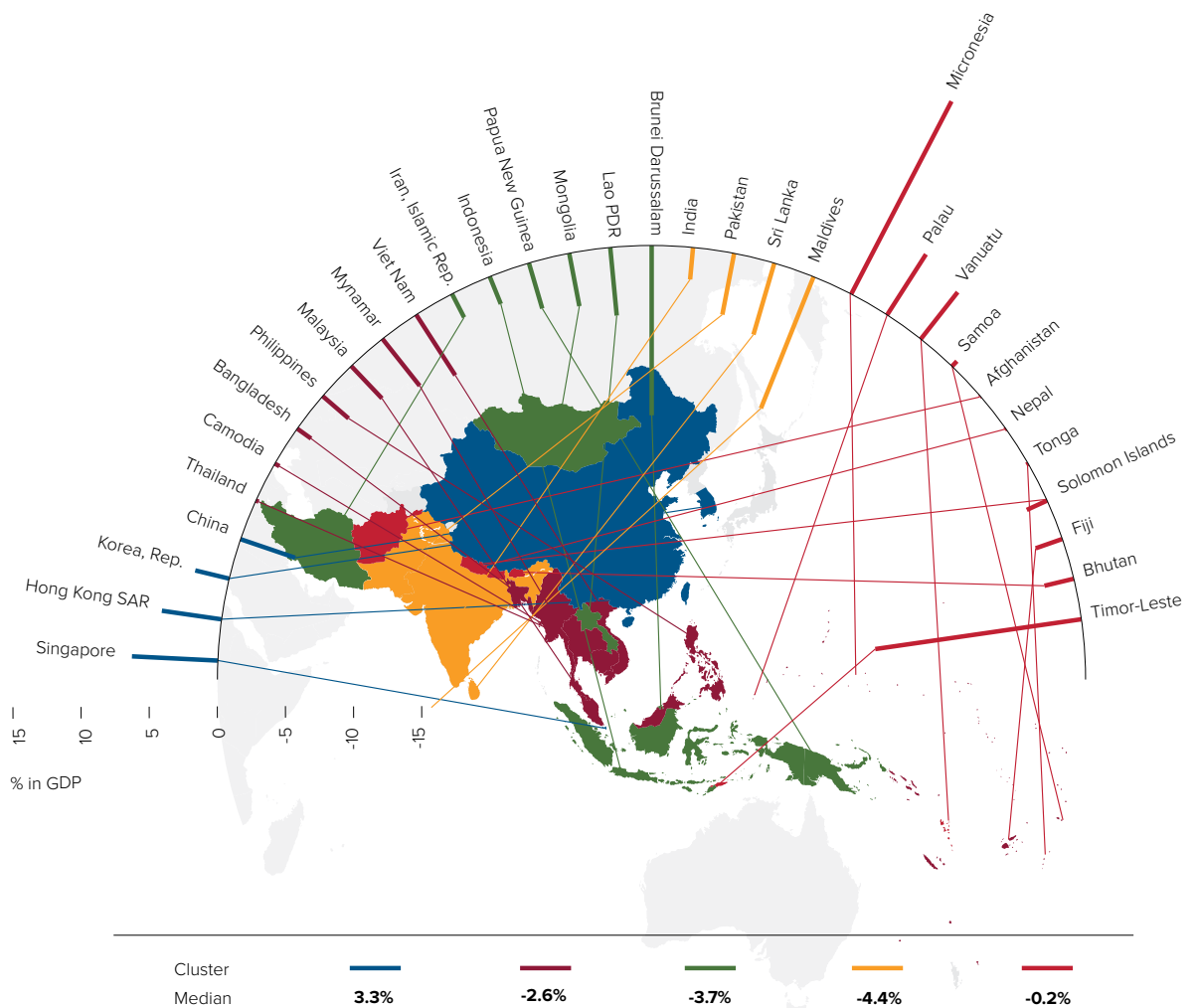
Total trade turnover, % in GDP, average 2016–2018



**Note:** Median values for each cluster are shown at the bottom. All values are in percent of GDP.  
**Source:** UNCTAD statistics

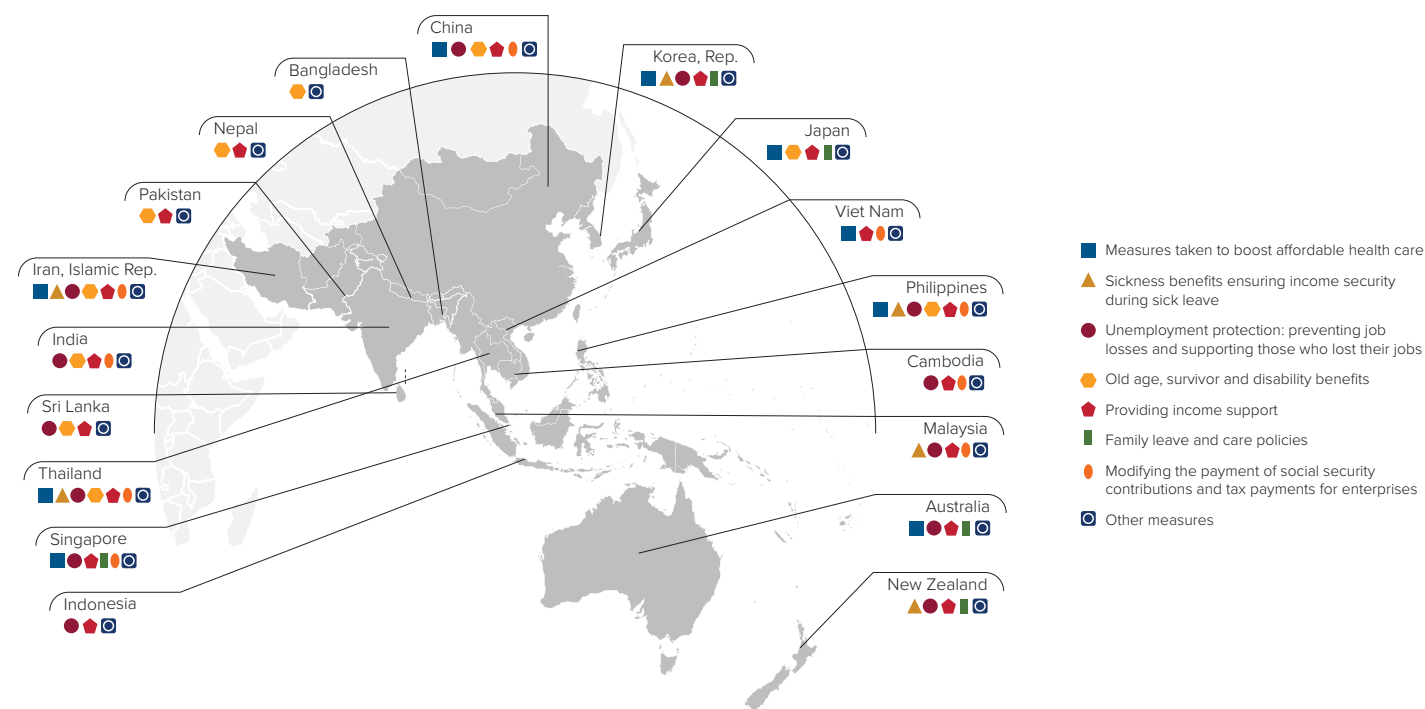
### Pre-COVID-19 fiscal space

Fiscal balance, % in GDP, average for latest three years available\*



**Notes:** Median values for each cluster are shown at the bottom. All values are in percent of GDP.  
 \* Years are as follows: Brunei Darussalam, Cambodia, China, Fiji, Hong Kong SAR, Indonesia, Republic of Korea, Lao PDR, Malaysia, Micronesia, Mongolia, Palau, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, Sri Lanka, Thailand, Timor-Leste - 2016-2018; Afghanistan, Bhutan, India, Myanmar, Nepal, Tonga, Vanuatu - 2015-2017; Islamic Republic of Iran - 2016-2017; Pakistan - 2016; Bangladesh - 2014-2016; Vietnam - 2015-2016.  
**Source:** World Bank, World Development Indicators; IMF Article IV Consultation Reports.

**FIGURE 5. SOCIAL PROTECTION MEASURES TAKEN BY GOVERNMENTS IN RESPONSE TO COVID-19**



**Note:** Countries listed may have instituted policies that may not have been covered by this table.

**Source:** World Bank and ILO (2020). *Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures (version: 27 March 2020)*. Complemented by additional research from UNDP Bangkok Regional Hub, last updated 9 April 2020.

Many countries in the region were quick to announce stimulus packages to cushion the economic and social impact. While details differ from country to country, support measures fall within three broad categories: (i) allocating funds to strengthen public health and provision of free or affordable COVID-19 testing and treatment; (ii) shoring up business viability and confidence through tax relief, credit and corporate support; and (iii) boosting income support to citizens (see Figure 5 for an overview of social protection measures).

Lowering transmission rates requires creating the right incentives for those experiencing symptoms to turn to the health system for help. This includes curbing both financial disincentives (the cost of testing and treatment), as well as social ones (stigmatization of persons infected by COVID-19). This means that testing and treatment must be free or affordable. China, the Islamic Republic of Iran, Japan, the Republic of Korea, the Philippines, Singapore, Thailand and Viet Nam have channelled additional fiscal resources into their health systems to enhance access to affordable health care and/ or close gaps in social health protection. In Singapore, citizens and permanent residents will pay a flat subsidized rate of SGD 10 (US\$6.85) for consultation and treatment and the elderly will pay half of that. China adopted a new policy on comprehensive health care reform, to establish a multi-level medical security system that integrates prevention, testing and treatment measures within health protection packages.<sup>37</sup> Free or affordable COVID-19 testing and treatment for migrants is important, not only to protect them but also to enhance host countries' public health, since migrants—especially undocumented ones—can present a public health risk. Some, mostly higher-income countries in the region are starting to

**LOWERING TRANSMISSION RATES REQUIRES CREATING THE RIGHT INCENTIVES FOR THOSE EXPERIENCING SYMPTOMS TO TURN TO THE HEALTH SYSTEM FOR HELP. THIS INCLUDES CURBING BOTH FINANCIAL AND SOCIAL DISINCENTIVES. TESTING AND TREATMENT MUST BE FREE OR AFFORDABLE.**

cover COVID-19 testing and treatment costs, expanding coverage beyond their own citizens. Thailand granted access to its Universal Coverage for Emergency Patients to COVID-19 patients, including foreign residents. The Islamic Republic of Iran recently announced measures to cover the health costs of about 4 million refugees in the country. These immediate measures can help ease the burden for other lower-income countries. Nevertheless, low-income and least developed countries in the region with weaker health infrastructure will face serious challenges. Innovations such as drive-through and/ or walk-through free testing that the Republic of Korea pioneered could also be considered for replication at scale.

Building public trust through transparency and effective communication is critical in fighting the pandemic. Communication to the public must be honest, transparent and timely. It should focus on keeping the public informed regarding the public health

37 ILO (2020). *Impact of the COVID-19 on the Health Sector. Spotlight Brief*. Geneva: International Labour Office.

impact and ongoing mitigating measures, and providing science-based public health advisories (such as how people can effectively protect themselves from the infection and what symptoms would require turning to the health system). Communication needs to dispel misinformation, blaming and stigma. Accurate reporting of information (data on tests completed, total tests positive, and treatment provided) is essential. Transparency around testing will help avoid suspicion that access to testing and treatment is inequitable regardless of exposure to infection. Gaining public trust this way will greatly enhance the effectiveness of public health interventions.

Rapid and efficient coordination between government agencies at the national and subnational levels is also needed for effective implementation. This involves coordination and close cooperation horizontally across ministries and departments leading to clear setting of priorities, appropriate sequencing and policy coherence. Reaching the most vulnerable populations requires governments engaging with local community leaders to identify needs and take

commensurate action, while confronting misinformation and ill-informed stigma.

Countries in the region have also taken steps to minimize job losses and to support the unemployed. The main instruments include: (1) expansion of unemployment benefits, including compensation for crisis-induced reductions in working hours; (2) wage subsidies; (3) offering companies incentives such as tax breaks to retain their workforce during the crisis; and (4) employment services to complement income support to unemployed workers. Malaysia, for example has introduced a monetary assistance scheme amounting to MYR 600/month (US\$135) for up to six months for employees pushed into unpaid leave. Thailand, the Philippines and Indonesia are increasing unemployment benefits and their duration for layoffs due to COVID-19. Iran allocated loans to SMEs affected by COVID-19 on the condition of not laying off workers. Other countries are also designing measures and policies to support the unemployed, or to recalibrate it as the economic fallout due to the pandemic deepens.

### BOX 3

## UNIVERSAL BASIC INCOME (UBI)<sup>38</sup> AND OTHER VARIATIONS OF UNIVERSAL SOCIAL PROTECTION SCHEMES

UBI is a programme providing a universal unconditional cash grant to all citizens. UBI can reduce the incidence of social problems caused by poverty, such as crime and child malnutrition. Local long-term, small-scale UBI-like pilots have been carried out for decades by some villages and districts in China. Now, during the pandemic, UBI-like interventions are being considered as part of a one-off stimulus package to help ameliorate adverse economic effects. Canada, India, Japan, the United Kingdom, the United States, Hong Kong SAR and Singapore are implementing one-off or regular UBI-like direct cash transfers.

A temporary UBI payment can boost aggregate demand and help vulnerable people maintain their livelihoods and consumption levels as various industries shed jobs due to declining demand or payment difficulties. Importantly, owing to its universality, the UBI payment reaches the most vulnerable in society that traditional social programmes often cannot. While UBI has low administrative costs as it doesn't require targeting, its overall costs are high because of their very broad coverage. In contrast, targeted social protection schemes, despite lower overall costs, have higher administrative costs and may not be immune from considerable leakages (non-poor receiving support, while poor being excluded from support). Moreover, in the context of the current crisis, creating new targeted social protection schemes is unrealistic.

Apart from UBI, there are variations of universal social protection schemes. Truly universal social protection schemes are rare. It is more common to have categorical schemes that are universal for specific population categories. For example, many countries have old-age social pensions for all people over a certain age. Similar income support for children also exists in many countries. Other schemes may be universal but aim to filter beneficiaries based on self-selection. For example, public works schemes are likely to be demanded by those who have no alternative livelihood opportunities, providing an effective self-selection mechanism.

A successful example of a public works scheme is India's rural employment guarantee programme.<sup>39</sup> By 2019, it had reached nearly 130 million beneficiaries,<sup>40</sup> guaranteeing at least 100 days of paid employment to participants, where employment can be on own farms or small-scale public works. It is a universal scheme with self-selection owing to its relatively low wages: only the truly needy apply. The programme also leverages modern technology to enhance transparency and accountability. It embodies a shift from traditional welfare provision to a rights-based approach to social protection.

38 UNDP China (2020). Universal Basic Income – Findings from China & Implications for Responses in COVID-19. Issue Brief, 10 April 2020.

39 UNDP (2010). *Rights-based programmes as development policy for meeting the MDGs*.

40 Curry, F.A. (2019). Policies and Potentials for Women Empowerment in Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA). Blog post. Available at <https://socialprotection.org/discover/blog/policies-and-potentials-women-empowerment-mahatma-gandhi-national-rural-employment>. Accessed 12 April 2020.

Social protection measures to respond to the pandemic are crucial to support livelihoods, and to prevent social unrest and breakdown of the trust in governments. As of 27 March, 13 countries and territories in the region have announced cash benefits, social transfers and other forms of income support.<sup>41</sup> This includes providing additional assistance to people already receiving social benefits, relaxing eligibility criteria to increase coverage, and introducing stand-alone COVID-19–related specific measures. Singapore and Hong Kong SAR have introduced one-off universal basic income schemes in response to the pandemic. Malaysia and Cambodia also announced cash benefits for the general population, while Indonesia temporarily increased social benefits to low-income people. Iran budgeted for allocation of cash-in-card transfers to about 4 million people most affected by COVID-19, including people with disabilities, the elderly, women-headed households and the unemployed. However, the World Bank and ILO listed no instances of low-income countries with COVID-19–related programmes,<sup>42</sup> even though these countries face the greatest risk that the spread of the pandemic and the erosion of already meagre livelihoods spill over into social unrest, rapid erosion of political institutions, mass migration or intensified conflict.

More developed countries in the region have also taken measures to alleviate care work, vastly increased due to school lockdowns and infections. The increased care work especially affects parents with young children and people with infected family members—as mentioned, with most of the burden falling on women. Some countries in the region have expanded the statutory length of sick pay during which a person remains entitled to sickness or other social insurance benefits, as well as provided income support to enable people to self-isolate, care for sick family members, or care for children in lockdown. This extends in some cases to people outside of formal systems. For example, Japan is providing subsidies to companies to finance paid leave for workers, as well as direct income support to freelance workers who are affected by school closures. The Republic of Korea is providing direct income support to working parents as well as low-income parents to take care of children. Such measures have a gender-sensitive aspect, given women's higher burden of the care work. However, less developed countries in the region have not so far acted to address the gender-differentiated impacts of the crisis—a lost opportunity to advance progress toward gender equality. Preparedness and response efforts to crises requires a gender-sensitive lens to improve the effectiveness of health interventions and promote gender and health equity goals. Unfortunately, limited progress is visible on this front so far.

More should be done to make public expenditures on economic stimulus measures more development-oriented. Rules need to preclude major leakages, such as the use of stimulus funds to raise executive salaries or for company share buybacks—both are redistribution to the rich. Stimulus packages can attach simple, development-oriented conditions to the support provided, such as requiring companies to preserve their employment levels and pay wages; or where feasible to use funds received to produce goods and services directly needed to strengthen the health system and its ability to contain, treat, and eventually, beat the virus.

## **WIDESPREAD INFORMALITY IN ASIA AND THE PACIFIC REQUIRES GOING BEYOND THE FORMAL ECONOMY TO ENSURE THAT SUPPORT REACHES THOSE WHO NEED IT THE MOST.**

Widespread informality in Asia and the Pacific requires going beyond schemes covering the formal economy to ensure that support reaches those who need it the most. Widespread informality, especially in lower-income countries, means that support schemes based on formal employment will have very limited reach, excluding the most vulnerable such as informal workers, migrants and slum-dwellers. In addition to massive numbers of people in low-skill, low-wage informal employment, there is also an increasing phenomenon of outsourcing and gig economy workers also falling outside of the formal sector covered by social insurance. To reach them, sizeable funding needs to be allocated towards broad employment and income support within economic stimulus packages—e.g. via universal basic income support or other forms of universal schemes. If fiscal constraints are binding, *temporary UBI* schemes, *categorical* schemes, or universal social protection schemes designed for *self-selection* by the poorest—such as *public works* schemes—can be adopted (see Box 3).

Innovative measures can also help expand the coverage of the social safety net. Some vulnerable populations are geographically identifiable, notably those living in slums and squatter settlements in cities. But reaching persons who are on the move during lockdowns is vastly more challenging. Location data can be used to track movements of people. In addition, income support measures could include public works schemes where those mobilized spread public service advisory information to help protect people from infection, fight misinformation, stigma and discrimination, or monitor the enforcement of lockdowns. They could also assist in first-line responses to people who fall ill. Importantly, mechanisms to register informal groups and consolidating their data to bring them under formal mechanisms will be necessary. Thailand, for instance, has asked both formal and informal companies affected by the lockdown to register with the government by a certain date to bring in informal workers and others outside the formal coverage of current social protection systems. The resulting registry can help expand the formal sector over time and create a mechanism for better reaching those in need, even after the crisis.

Countries will face major challenges in finding fiscal resources to finance income support and economic stimulus measures and will need to revamp their budgets. Most developing countries in Asia and the Pacific lack the fiscal space to do so, and even advanced economies can face binding constraints depending on the duration of the crisis. Governments in the region cannot count on the availability of significant, affordable resources through official development assistance, and only some have access to market borrowing. Therefore, they need to contain the increase in fiscal deficits and consequent surges in national debt to manageable levels. For this, it is key to review existing budgetary priorities—notably tax exemptions and glaring instances of tax evasion and avoidance on

41 World Bank and ILO (2020). *Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures*, (version 27 March 2020).

42 Ibid.



the revenue side, and fossil fuel subsidies, discretionary payments, and ‘white elephant’ projects on the expenditure side. Debt service relief and better managing the budget’s contingent liabilities (budget guarantees) can also help relieve budgetary expenditure and financing pressures. Countries entering elections in 2020–21 will find this particularly hard, as typically elections tend to inflate these expenditures. Countries in conflicts will only be able to apply noticeable fiscal stimulus measures if they find ways to reach ceasefire agreements and redirect conflict-related spending to addressing the pandemic-induced crisis. Building on this, they may be able to accelerate peace processes, which would help eliminate long-term drain on their budgets. Although painful, such revisions are justified on the grounds of facing a national emergency and intergenerational equity (by avoiding unsustainable debts in the future). Once part of the resources needed for the fiscal stimulus packages is covered from these sources, the remaining fiscal response costs will become more feasible to finance from external sources.

Access to the Internet should be treated as a new public good—similar to access to water, sanitation and electricity. In a crisis where life-saving information and advice is provided through the Internet, access to it should be available to everyone. After the crisis, when many jobs and tasks will have shifted online, affordable access to the Internet will be essential for making opportunities more equitable for children and adults. It will enable children in poor families to develop skills essential for the rest of their lives. Decent connectivity for all is the very starting point for closing the digital divide. While not a panacea, it will become more important than ever in addressing inequality. Governments can adopt progressive and flexible policies to expand connectivity and enable the highest return on public investment—for example, by promoting innovative technologies rather than setting fixed standards, or enabling tiered approach to speed of connectivity depending on concentration of population.

Post-pandemic, the world needs a new social contract focused on reduced inequality and strengthened mechanisms to enhance resilience to shocks. The pandemic has exposed vulnerabilities and inadequacies inherent in current systems, and the enormous costs of high levels of inequality. It showed the critical role social security plays in enhancing societies’ resilience to shocks. Yet many countries in Asia and the Pacific have woefully low levels of coverage and spending on social protection and social insurance. If a large part of an entire generation loses its livelihoods and their human rights are not consistently protected, waves of social unrest, conflict and mass migration can result. A new, rights-based social contract needs to emerge from this crisis that eases the deep inequalities now prevalent in society, underpinned by a new policy framework. In the new framework, the question should no longer be *whether* resources for social security can be found—but rather, *how* they can be found.

Inequalities “hurt societies, weaken social cohesion and people’s trust in government, institutions and each other”.<sup>43</sup> This is the central message of UNDP’s 2019 Human Development Report. Deep inequalities can erode the very foundations of societies and their

## **GOVERNMENTS NEED TO CONTAIN THE INCREASE IN FISCAL DEFICITS AND CONSEQUENT SURGES IN NATIONAL DEBT TO MANAGEABLE LEVELS BY REVISING BUDGET PRIORITIES.**

ability to respond to crises. The amount that would be needed to provide adequate social security pales in comparison with the costs of the COVID-19–induced health and economic crises. Measures taken during the crisis need to lay the foundation for long-term improvements in the social safety net and essential public services—including more robust labour laws, enhanced coverage of the vulnerable, universal health insurance, and improved health infrastructure. While such redistributive measures can significantly reduce inequality and strengthen social resilience, policymakers need to think in terms of the overall tax-benefit system, and how to reduce informality in employment and pursue progressive taxation while expanding the tax base and strengthening tax collection. Other necessary policy measures include investment in public health, and in the nutrition and education of children to reduce disparities in capabilities; reducing disparities in access to capital; and regulations and policies determining the shares of labour and capital in GDP. Finally, new types of inequalities, such as the widening digital divide also require attention.

Whole-of-society actions, social cohesion and solidarity are crucial for resilience against the compound shocks and “building back better”. During the current pandemic, where governments are overwhelmed and are unable to adjust systems quickly, such community-based support is playing a critical role. Donations and volunteering to support health workers and affected people, mobilization of the private sector for social causes (See Box 4) and many forms of online mutual support in the age of social distancing are taking place. Fast mobilization and effective coordination of non-government and community-based organizations to organize support and to fight disinformation are critical for building whole-of-society resilience. Active engagement of the private sector is crucial for more effective mobilization of resources for sustainable development across the Asia-Pacific region and beyond—be it SDG financing, providing access to innovative technology through investment, or providing know-how and strengthening human resource and institutional capacity.

Coordinated international action is critically needed to respond to this globally synchronized, compound crisis. Coordination is needed for 1) safeguarding an adequate level of production, transportation and delivery of essential goods and services, including medical supplies; 2) managing stranded travellers and cross-border migrants to limit the risk of infection, and avoid putting the poorest countries at risk; 3) exchanging critical information and research and ensuring adequate funding for development of COVID-19 treatment and vaccines; and 4) international tax and development finance cooperation. This requires stepping beyond zero-sum narratives, joining forces and opening effective channels of communication between countries, coordinated at the regional and global levels.

43 UNDP (2019). *Human Development Report 2019. Beyond income, beyond averages, beyond today: Inequalities in human development in the 21st century.*

## BOX 4.

## LEVERAGING SUPPORT FROM THE CORPORATE SECTOR IN CHINA AND THE ASIA-PACIFIC REGION

**The Chinese corporate sector has contributed greatly to combating the virus.** It has effectively used its comparative advantage and flexible market-based tools, including innovative and new business models to facilitate daily life during quarantine time, and has donated funds and products. Strong policy incentives to leverage private sector engagement were crucial for this outcome. China has used a series of favourable tax policy measures to encourage enterprises to expand production and facilitate the transportation of critical medical supplies. It also announced a tax exemption for donations made by enterprises.<sup>44</sup> As of 27 March 2020, 38,828 enterprises have made donations worth RMB 32.5 billion (US\$4.77 billion) to support the fight against COVID-19.<sup>45</sup>

**Enterprises assisted efforts on public health and vulnerable groups in innovative ways.** For example, the Jack Ma Foundation and Alibaba Foundation jointly established the Global MediXchange for Combating COVID-19 programme to help the fight against the pandemic and published the Guidebook of COVID-19 Outbreak – Hospital Response Strategy.<sup>46</sup> China's e-commerce platforms used special campaigns to help smallholder farmers to sell agricultural products during the lockdown time through their existing logistics networks. A Chinese online grocery company launched a scheme of staff-sharing, offering jobs as delivery workers to temporarily unemployed restaurant employees. This not only addressed its own labour shortage problem, but also helped other hard-hit businesses survive by taking over some of their labour costs.

**The surge of corporate support for public goods provision in health is part of a bigger trend in the Asia-Pacific region and around the world.** It goes beyond corporate social responsibility, and in effect builds support for social goals into mainstream corporate activities, aligning it with the profit motive, building on supportive government policies. Several corporations and global companies in Asia and the Pacific and elsewhere have taken similar measures in support of public health goals. In India, the biggest corporations are supporting the response to COVID-19. Infosys Foundation is partnering with Narayana Health City in Bengaluru to launch a 100-room quarantine facility for COVID-19 patients. It is also working to ensure better access to food and nutrition for those who are hardest hit.<sup>47</sup> Wipro Ltd. and Azim Premji Foundation have together committed almost US\$150 million towards immediate COVID-19-related humanitarian aid and augmenting health care capacity and treatment. The Tata Group pledged US\$200 million for affected communities, free education software and a patient tracker to fight the virus.<sup>48</sup> <sup>49</sup> In Malaysia, companies have contributed to the COVID-19 Fund launched by the government to help people affected by the outbreak. As of 7 April 2020, the funds amounted to US\$ 5.5 million.<sup>50</sup> In Nepal, Ncell, a telecommunications company, announced a contribution of US\$1.3 million to the government fund on 'Coronavirus Infection Prevention, Control and Treatment'.<sup>51</sup> The Lao Brewery Co. Ltd. pledged to contribute US\$223,000 to support the efforts of the government and frontline health care workers to fight the epidemic in the Lao People's Democratic Republic.<sup>52</sup> Viet Nam's largest listed conglomerate, Vingroup, announced that it is now producing ventilators and body thermometers, leveraging capacity from its automobile and electronics plants.<sup>53</sup>

44 Government of China (2020). Press release. See [http://www.gov.cn/xinwen/2020-02/11/content\\_5477140.htm](http://www.gov.cn/xinwen/2020-02/11/content_5477140.htm)

45 YISHAN China Philanthropy Data Center

46 Alibaba Cloud (2020). Guidebook of COVID-19 Outbreak Hospital Response Strategy. Available at <https://covid-19.alibabacloud.com/>

47 WEF (2020). How are companies responding to the coronavirus crisis? Available at <https://www.weforum.org/agenda/2020/03/how-are-companies-responding-to-the-coronavirus-crisis-d15bed6137/>

48 Ibid.

49 Ibid. See examples in India.

50 Government of Malaysia (2020). PM receives RM4 mln for COVID-19 Fund, bringing total to RM22.6 mln. Available at <https://www.pmo.gov.my/2020/04/pm-receives-rm4-mln-for-covid-19-fund-bringing-total-to-rm22-6-mln/>

51 See Ncell (2020). Ncell contributes Rs 100 million (10 Crore) to the Government for Coronavirus Infection Prevention, Control and Treatment. 25 March 2020. Available at <https://www.ncell.axiata.com/NewsDetails?M/NQd5UORQSB63gYDTVIN2YbFcfSgQQDM1q233iwSco=>

52 See Lao Brewery (2020). 2 Billion Support Lao Government in Fighting Covid-19. 26 March 2020. Available at <https://beerlao.la/newsroom/2-billion-support-lao-government-in-fighting-covid-19/>

53 Vu, Khanh (2020). UPDATE 2-Vietnam's Vingroup says to produce ventilators in COVID-19 fight. *Reuters*. 3 April 2020. Available at <https://www.reuters.com/article/health-coronavirus-vietnam-vingroup/update-1-vietnams-vingroup-says-to-produce-ventilators-in-covid-19-fight-idUSL4N2BR2ON>

International coordination is needed in the recovery from the crisis in mobilizing resources to cushion the impacts of COVID-19 and reviving trade. The global emergency calls on countries to coordinate globally to address long-standing issues of ‘fiscal termites’ such as transfer pricing, tax avoidance by multinational enterprises (MNEs), fossil fuel subsidization, the untaxed digital economy and tax havens. Reversing the rounds of tariff hikes implemented during recent years is essential (and technically, albeit not politically, simple) to lower the rise in transactions costs in trade and soften the global recession. There is no valid argument for maintaining tariffs and non-tariff barriers on essential medical supplies in current circumstances—immediately eliminating them should be a first, critical step for facilitating the fight against the pandemic. Non-tariff measures are harder to eliminate—many of them are necessary to protect global public goods such as public health, biodiversity and the environment—but they need to be harmonized and simplified. Harmonization of standards can help with procuring and transporting essential medical supplies; and facilitate trade (e.g. regarding the effective sanitation of vehicles and vessels). An effective way to provide a lifeline to employment in developing countries dependent on exports would be for the European Union, North America and East Asia to extend European Generalised Scheme of Preferences (GSP)-like trade preferences to low-income and vulnerable countries, even if temporarily. This would help avoid major job losses and even greater increases in poverty.

Policy choices made in the coming months by each country and by the global community will profoundly shape the future of communities and societies. They can shift development toward more sustainable, equitable and resilient pathways—or result in backtracking. A return to unsustainable pre-crisis development paths should be avoided.

Long-term SDG-driven strategic thinking needs to drive a global “building back better” vision, to develop differently. To build back better in the COVID-19 response and recovery phases, governments

can shape their fiscal measures to stimulate inclusive and sustainable development, recognizing and adequately responding to planetary boundaries, and strengthening their public health care and social security systems. The emergence of COVID-19 has underscored the relationship between people and nature, educating us that *unsustainable paths cannot be sustained*. It is in the interest of humanity to shift away from unsustainable practices that are set to trigger further crises. For example, all countries cannot pursue the traditional high-carbon growth strategy simultaneously. Zoonosis (jumping the species barrier to humans, which gave us COVID-19) will likely occur again, since it is a consequence of rapid urban growth, increased density of human occupation, unsustainable changes in land use, growth in animal-sourced products, destruction of animal habitats, rural-to-urban migration, intra-city inequalities and land-use changes. This epidemic has also exposed the fragility of critical systems we rely on, from health care to just-in-time production cycles of essential goods. Businesses are also recognizing that a short-term vision is not in their interest. Companies with an environmental and social mission as part of their business model are faring better, and Environmental, Social and Governance (ESG) funds are outperforming others as the pandemic unfolds.<sup>54</sup> But doing so requires political will, global coordination and solidarity.

Shifting to a low-carbon development path and reducing environmental degradation is a prerequisite for sustainability. The case for shifting to renewables to underpin economic growth is well established. The pandemic may foster greater social acceptance and behavioural changes to create more resilient and environmentally sustainable economic systems. The circular economy and sharing economies can be developed by shifting production and consumption patterns to reduce the materials and energy footprint. Cost savings on materials can also reduce overall costs, offsetting the increase in costs of trade and transportation due to the pandemic.

54 *Financial Times* (2020). ESG funds continue to outperform wider market. 3 April 2020. Available from <https://www.ft.com/content/46bb05a9-23b2-4958-888a-c3e614d75199>







## UNDP's role

**As one of the largest global multilateral development agencies with 17,000 personnel in 170 countries and territories with an operating budget of US\$ 5.5 billion, UNDP is at the forefront of supporting countries to prepare, respond and recover from the pandemic. In effect, UNDP will engage through all these phases of the crisis. UNDP is shifting to digital and virtual operations to ensure full business continuity worldwide.**



At the **country level**, UNDP is working together with **UN Resident Coordinators** and Country Teams on an integrated UN response, including with **UN Missions** in crisis contexts. UNDP is the designated **technical lead agency for the socio-economic response** in this effort. UNDP's integrated approach comprises **three immediate priorities** to help countries: **prepare, respond and recover**.

### Health systems support

UNDP is supporting countries to strengthen their health systems and infrastructure, including to procure medical supplies, manage health waste and ensure the payment of salaries to health workers. Several initiatives<sup>55</sup> have been taken in Asia and the Pacific:

- In Bangladesh, UNDP created a pool of over 8,000 doctors e-trained on COVID-19 treatment to deliver telemedicine through a repurposed existing '333' emergency hotline.
- In Bhutan, UNDP engaged with the Ministry of Health and local technology innovators to design and create apps for tracking COVID-19 cases and enhance the communication flow between health authorities and citizens.
- Enhancing communication to help reach remote groups and minorities has been at the heart of UNDP China office's videos in minority ethnic languages on virus prevention under the slogan of "Spread the Word, Not the Virus". An immediate crisis response

programme with a budget of US\$1,000,000 covered coordination, rapid needs assessment and supply of immediate medical equipment for response and preparedness.

- In Sri Lanka, UNDP has contributed to a campaign to increase public knowledge about COVID-19.

### Inclusive and integrated crisis management response

UNDP is helping countries in integrated crisis management by supporting governments to maintain core functions, and to plan, coordinate, communicate and finance their responses. Examples of concrete initiatives implemented so far include:

- In Bangladesh, UNDP is working in partnership with 20 City Corporations and Municipalities to help over 2 million people to stay safe from the virus.<sup>56</sup>
- In India, UNDP and WHO are developing a biomedical waste management and infection control checklist for government-designated COVID-19 areas.
- In Malaysia, UNDP is designing a new digital cash transfer modality leveraging the country's relatively high smart-phone penetration to reach the most vulnerable, among whom the poor, homeless, indigenous groups and informal sector are often left out of the cash assistance system.

<sup>55</sup> A list of around 40 digital solutions covering most of the examples presented here is available at <https://airtable.com/shr2xNxlqBXX5oWDb/tblwPhDJfisTMNg6?blocks=hide>. A list of UNDP initiatives in Asia and the Pacific will also be available in the forthcoming country notes summaries.

<sup>56</sup> UNDP Bangladesh (2020). Govt, UNDP and DFID joint initiative to protect 2.16m urban poor from COVID-19. 2 April 2020. Available from <https://www.bd.undp.org/content/bangladesh/en/home/presscenter/pressreleases/2020/04/02/govt-undp-and-dfid-joint-initiative-to-protect-2-16m-urban-poor.html>



## Social and economic needs assessment and response

UNDP is helping countries assess and understand the social, economic and political impacts of COVID-19 and find ways to mitigate them and help countries recover better. Many country offices of Asia and the Pacific are now involved in impact assessment in collaboration with national partners. Specifically:

- In China, UNDP published a report on the socio-economic impact of the pandemic on SMEs and private corporations.<sup>57</sup>
- In Indonesia, COVID-19 data and information have been included in existing national disaster loss and damage databases to record and monitor disaggregated impacts of the pandemic on populations and key sectors.
- In Thailand, Youth Co:Lab, a youth economic empowerment programme co-led by UNDP and the Citi Foundation, conducted and published a rapid survey of 410 young entrepreneurs across 18 countries in Asia and the Pacific and a range of sectors.

# UNDP's initial offer to countries

An estimated **US\$500 million** is being offered for **initial** preparedness, rapid response and socio-economic impact support to **100 countries** in the **coming 6 months**. This includes, among others, the following:

**A minimum of US\$100 million generated internally by repurposing and reprogramming UNDP funds in consultation with governments and donors.**

**US\$20 million Rapid Response Facility already established and providing initial support.**

**US\$120 million included in the Global Humanitarian COVID-19 Response Plan.**

Detailed needs assessments will be formulated on a country-by-country basis in consultation with host governments and in coordination with the UN Resident Coordinator and other partners. The aim is to provide an updated costed offer by July 2020.

<sup>57</sup> UNDP China (2020). *Assessment Report on Impact of COVID-19 Pandemic on Chinese Enterprises*. Available from [https://www.cn.undp.org/content/china/en/home/library/crisis\\_prevention\\_and\\_recovery/assessment-report-on-impact-of-covid-19-pandemic-on-chinese-ente.html?from=singlemessage&isappinstalled=0](https://www.cn.undp.org/content/china/en/home/library/crisis_prevention_and_recovery/assessment-report-on-impact-of-covid-19-pandemic-on-chinese-ente.html?from=singlemessage&isappinstalled=0)



