



COVID-19:

Towards an **inclusive**,
resilient and **green recovery**
— building back better through
regional cooperation

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RESPONSE**



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The COVID-19 crisis has caused untold disruption to lives and economies. As the current patterns of globalization are being questioned, the regional level will become vital in dealing with cross-border problems. It is at this level that reconnecting economies, reversing the disruption of trade and transport links, and addressing transboundary risks offer more immediate benefits. The critical task of strengthening trust in concerted action may yield clearer results in the context of regional collaboration frameworks, which should be reinforced as a fundamental building block of multilateralism. Effective regional actions require reaching out to multiple partners. The potential of regional collaboration should be fully leveraged to build back better and meet the promise of the 2030 Agenda for Sustainable Development. Regional economic commissions can be catalysts for such actions, as they engage various actors across common goals.

The coronavirus disease (COVID-19) pandemic is the defining crisis of our time. Building back better while exiting the crisis will be the litmus test of the international community's determination to drive forward the 2030 Agenda for Sustainable Development and the Decade of Action, so as to achieve the Sustainable Development Goals (SDGs).

Multilateral action is needed to transform challenges into opportunities for **inclusive, resilient and green sustainable development**. Regional cooperation and coordination are spearheading global efforts towards this much-needed transition of economies and societies. Regional action during and after the crisis can lay the basis for longer-term cooperation on issues that will likely grow more acute after the pandemic has receded, as the world seeks new pathways towards achieving the 2030 Agenda.

Message 1: The COVID-19 pandemic requires Governments to increase investment in public health and social protection systems



The economic fallout from COVID-19 is accentuating inequalities, which were already on the rise before to the COVID-19 pandemic in some regions. Large segments of the population, including women, older persons, persons with disabilities, migrants and refugees, have been disproportionately impacted.



In Asia-Pacific, 40 per cent of the population has no access to health care and 60 per cent has no access to social protection. In Latin America and the Caribbean, 45% of employed persons have no medical coverage, and 54 per cent have no pension coverage. In the Arab region, access to universal health coverage stands at 61 per cent but service quality remains a concern in several countries.

A total of \$475 billion a year, on average, is needed to provide universal health coverage and social protection in Asia-Pacific. In Africa, the health financing gap amounts to \$66 billion per year.

Around 500 million people in Africa and 430 million people in Asia-Pacific have no proof of legal identity.

In the Arab region, 55 million people require humanitarian assistance owing to protracted conflict. Around 26 million of those are forcibly displaced (refugees and IDPs).

The majority of women in developing countries are in informal work, compounding responsibilities of unpaid care work. Living conditions of the poor are often crowded, with limited access to basic public services such as electricity, water and sanitation, making it difficult for people to protect themselves against the new virus. Persisting inequalities in access to water and sanitation in some regions, with negative public health implications, should be rapidly addressed. COVID-19 has exposed vulnerabilities caused by low investment in social protection in most regions. It is crucial to strengthen universal social protection systems, including universal health care, through a rights-based and vulnerability-sensitive approach, and to develop or upscale strategies for social and economic inclusion in the recovery period. In many regions, it is necessary to considerably increase investment in public health systems, and reduce reliance on out-of-pocket expenditures.

Without stronger social protection measures, the pandemic will continue to widen equality gaps. Investments must flow to the most vulnerable, including through the innovative use of technologies to effectively implement social protection policies. Mechanisms and tools, such as expanding digital identification, should be developed to ensure better availability of data and statistics, so as to make visible hundreds of millions of people who lack proof of legal identity in some regions.

Alleviating the plight of refugees, internally displaced persons (IDPs) and migrants is critical to ensuring the safety of entire populations, and to successfully fighting the pandemic. Ongoing conflict, poor infrastructure, weak health-care systems, and a lack of access to quality water and sanitation services place millions of displaced persons at increased risk of contracting COVID-19.

Stepping up public investment in health and social protection systems, despite declines in government revenue, is critical to any comprehensive and sustainable recovery. Solid and broad social protection is essential to sustaining consumption and demand for economic output. Such investments also strengthen community resilience and enhance preparedness for future crises, including those related to conflict, climate change and natural disasters.

As Governments across the regions plan their exit strategies, they have an opportunity to revisit their economic governance institutions to ensure greater transparency, accountability, the effectiveness of fiscal spending, and the inclusivity and fair distribution of such spending.

The Economic Commission for Africa (ECA), in close collaboration with the African Export-Import Bank, has established the Africa Pandemic Response Exchange Platform (APREX) to pool supply and demand of COVID-19-related pharmaceuticals and medical products, such as face masks, personal protective equipment, test kits and ventilation apparatus.

Regional collaboration and partnerships, coordinated policies and peer learning can accelerate, upscale, harmonize and mobilize actions and investments to address gaps in health and social protection systems

effectively and efficiently. Regional cooperation can play a crucial role in strengthening research and analysis, sharing knowledge and best practices, coordinating interventions, and supporting the development of critical treatment strategies. Existing platforms and agreements in regional commissions, for example on disability-inclusive development, can help ensure that responses are targeted towards the most vulnerable groups.

Message 2: Addressing the impact of the crisis and mitigating its implications require focused support for micro, small and medium enterprises and the informal economy



The economic fallout of COVID-19 entails considerable disruption and contraction in economic activity, sharp declines in government and business revenues, and loss of jobs and livelihoods for formal and informal daily wage earners.

Micro, small and medium-sized enterprises (MSMEs) have been disproportionately affected by the crisis, given their inability to absorb ongoing shocks. Liquidity pressures can quickly threaten their survival, with deleterious effects on employment and long-lasting impacts on the structure of the economy. Many jobs lost due to the pandemic, particularly in vulnerable informal MSMEs, are not likely to return without deliberate policies targeting employment as a critical recovery measure. Initiatives to support MSMEs must be developed quickly for maximum effect and without imposing burdensome requirements for accessing finance. Support for these businesses should be framed in a medium-term view that, beyond immediate survival pressures, incorporates a role for MSMEs in the recovery.

ESCAP's Catalysing Women's Entrepreneurship initiative is working in collaboration with partners to diminish the impacts of the pandemic on women owned and run MSMEs that have been disproportionately affected by the crisis, including through an emergency loan facility to tackle immediate needs and credit guarantee scheme which will support mid-term recovery.

As developing countries devise their crisis exit strategies and recovery plans, they should focus on the informal sector, which is a major source of income for vulnerable people. Providing finance and access to credit, especially for entrepreneurs and start-ups, ensuring links to formal production systems and firms, and employing information and communications technologies (ICT) and innovation in business operations may guarantee the resilience of the informal sector in different regions in the post-COVID-19 era. It is also critical to enhance capabilities and skills, especially in digital technology to use and develop technological solutions that support work during the crisis. Existing plans to formalize the informal sector should be put on hold during the recovery period

The informal sector contributes 25–60 per cent of the gross domestic product (GDP) of African countries. In Central Asia, it accounts for an estimated 30–40 per cent of GDP. It constitutes 68 per cent of total employment in both Asia-Pacific and the Arab region, 60 per cent in Africa and 49 per cent of non-agricultural employment in Latin America and the Caribbean.



unless alternative employment and revenues are created for those who will be impacted by such plans—usually the poorest and most vulnerable.

Balancing health and economic trade-offs is a major challenge. The regional commissions are utilizing their analytical research, convening power, and capacity development expertise to: (i) provide policy advice on whole-of-economy and sector-specific recovery policies and measures based on modelling and evidence-based understanding of the impacts of the pandemic; (ii) help countries formulate localized approaches and measures based on the level of infection and strength of local health systems to test, trace, isolate, quarantine and ensure proper treatment for citizens; (iii) provide technical assistance and capacity-building to strengthen local analytical capacity and institutional responses; and (iv) generate and share knowledge on implementing crisis exit strategies.

The regional level can support resilience-building in supply chains through regional cooperation on sustainable trade and investment and accelerated trade digitization, all of which benefit MSMEs, and by providing policy support to help ensure that investments flow to the most vulnerable, including to mechanisms for supporting MSMEs.



MESSAGE 3: Digital connectivity has emerged as a lifeline and requires greater investment

In some countries of Latin America and the Caribbean, more than 90 per cent of rural households do not have an Internet connection, and in the region's wealthier countries, only 50 per cent of rural households are connected. In Asia-Pacific, over half of the region's population remains 'unconnected'. Two thirds of the African population have no access to 4G Internet, owing to a lack of infrastructure and affordability constraints. In parts of Central Asia, less than 1 per cent of the population has a fixed broadband Internet subscription. In the Arab region 48 per cent of people are still not using the Internet.

The unprecedented scale of disruptions to value chains and increased reliance on the Internet have provided an impetus to strengthen virtual connectivity. Digital connectivity during COVID-19 lockdowns has emerged as a lifeline; however, only for those connected to reliable, affordable and highspeed Internet.

The current pandemic is another wake-up call on the need to invest in ICT infrastructure. Countries that made such investments before the pandemic were able to use ICTs effectively for widespread testing, contact tracing and contagion containment, as well as for population screening, surveillance, resource prioritization and allocation, and the design of targeted responses. Those with the least access to digital technology and innovation have become the most vulnerable. Fast and reliable ICT and digital connectivity are crucial to telecommuting, and for expanding services such as health care to underserved populations. Good connectivity also facilitates e-commerce, e-education, e-government services and food delivery, and contributes to building intelligent data systems to manage supply chains and bulk procurement. Enhance the digital ecosystem is therefore essential to bridge the digital divide and optimize opportunities to use technologies in supporting remote monitoring and management of basic services, including energy, water and sanitation, so as to strengthen resilience. Given the limited fiscal space and high public debt levels in some developing countries, partnering with the private sector to develop

digital infrastructure may expedite the process. However, great caution should be taken in that respect to ensure privacy of citizens and data protection.

In Asia-Pacific, \$182 billion a year is needed to bridge the digital divide and provide access to transport infrastructure. The Asia-Pacific Information Superhighway initiative of the Economic and Social Commission for Asia and the Pacific (ESCAP) aims to increase the availability and affordability of broadband across the region by strengthening infrastructure.

Through South-South and regional cooperation and in collaboration with large mobile operators and financial technology (fintech) companies, solutions are being deployed in the regions to minimize social contact and exposure to the virus and deepen financial inclusion. Such measures include the provision of mobile cash transfers, contactless loans and other forms of online banking and e-payments that benefit the most vulnerable, the informal sector and MSMEs.

The creation of regional digital markets, promoted by regional commissions, would facilitate technology development, strengthen regional e-commerce and guarantee MSMEs access to a regional market. In addition, the adoption of new technologies and innovative business models is broadening access to financial services and lowering the cost of remittances for migrants in the regions.

The regional commissions are working with Governments and other stakeholders to redefine the regional digital agendas developed within the framework of the World Summit on the Information Society, so as to improve internet connectivity, identify possible digital solutions to manage the COVID-19 emergency such as contagion prevention, contact tracing, risk mitigation and minimization, and enhancing security, privacy and data protection.

Fighting the pandemic requires an approach that transcends national boundaries. Regional connectivity is crucial to overcome the severe disruptions caused by COVID-19. The regional coordination of transport and trade regulations allows countries to ensure the timely delivery of vital medical equipment and the movement of essential personnel. Regional platforms can enable pooling of supply and demand of medical equipment and other important products for combating COVID-19. Regional digital markets can facilitate technology development, regional supply chains and access to markets and financial services for MSMEs. Innovative technology can be leveraged to respond to the pandemic through South-South and regional cooperation in collaboration with mobile operators, fintech companies and technology entrepreneurs.



Message 4: The wheels of production, integration and trade must keep turning

Restoring and building resilience and robustness in supply chains requires regional and subregional coordination and the facilitation of trade, transport and digital connectivity, including through existing mechanisms and agreements, many of which are already managed or supported by the regional commissions.

Implementing standards to digitize information flow along supply chains, dematerialize trade, and employing regional systems and tools that enable the flow of electronic information without physical contact can boost trade and reduce health risks. Digitization should be harmonized across countries and industries, based on United Nations international standards.

The Economic Commissions for Europe (ECE) launched an Observatory on Border Crossing Status due to COVID-19 and called on all countries to facilitate the flow of goods to the maximum extent possible. The expansion of the use of systems like eTIR can not only minimize the physical contact between customs officers and truck drivers, but also allow the establishment of green lanes to speed up the transport of vital goods, such as food and pharmaceuticals.

Momentum towards strengthened regional integration should be preserved building on lessons learned from the pandemic's impacts and responses, including gaps uncovered in regional responses. This will also serve to seize opportunities offered to accelerate regional integration as part of the push for greater resilience and a green recovery.

In some regions, protracted conflict significantly increases the vulnerability of societies to the pandemic and reduces their capacity to recover in both the short and long terms, including by impeding regional cooperation and integration. Ending hostilities and creating new pathways to peace is vital for millions of people across the regions.

Regional and subregional coordination can help build and restore resilience in supply chains. Existing mechanisms and agreements managed or supported by the regional commissions can support the facilitation of trade, transport and digital connectivity, which are essential to supply chain resilience. The impact of the pandemic on trade also presents an opportunity to revisit the effectiveness and efficiency of supply chains and regional trade agreements and address deficiencies that could impede recovery or recreate old vulnerabilities. Lessons learned from impacts and responses to the crisis should be built on to further strengthen regional integration efforts and build resilience in the future.

Message 5: Debt sustainability and debt standstill are necessary for all developing countries



As a result of COVID-19, many countries will fall into recession, economies will shrink and fiscal space will contract, with reduced government revenues. Large policy packages are therefore needed to stimulate economies. Furthermore, economic recovery, facilitated through expansionary fiscal and monetary measures, must be sustained over time, in line with the 2030 Agenda and other international agreements. However, such fiscal stimulus will lead to increases in fiscal deficits and public debt. Consequently, concerted efforts are needed to ensure debt sustainability, especially for those already at high or increasing risk of external debt distress. Similarly, regional monetary coordination is necessary to ensure financial stability across regions.

Regional coordination, initiated and supported by ECA, has led to an African call for the urgent and immediate release of \$100 billion to respond to the pandemic, of which \$44 billion should be directed towards debt relief for all African countries, in addition to \$50 billion to fund a stay on interest payments in the event of a prolonged crisis.

Domestic efforts to avoid the negative economic effects of the crisis should be complemented by robust international support, including through multilateral and regional banks. The economic damage unleashed by the crisis will be significant for all countries regardless of their development status. To date, the multilateral response has been insufficient. The suspension of official bilateral debt repayments for the poorest countries through the end of 2020 agreed to by the Group of Twenty (G20) bilateral creditors and the International Monetary Fund (IMF) does not go far enough to deal with the debt issue, particularly for middle-income countries, which are not included. The current situation requires a debt standstill, especially for highly indebted and poorer middle-income countries, since they do not have the resources to cope with the current situation. Regional banks and funds should heed the call of the United Nations Secretary-General to “do all we can to prevent what could be a devastating debt crisis with disorderly defaults” by offering, in coordination with international creditors, debt management options including standstills, swaps, moratoriums, restructuring and cancellation, and most importantly, contributing to new financing arrangements to exit the COVID-19 pandemic in the short run and implement the SDGs in the long run. Across the world, the crisis is changing policy paradigms, so developing countries should be afforded the same flexibility as developed countries to implement ‘outside the box’ policies.

Some Arab countries allocate more than 30 per cent of their annual budgets to debt servicing. Around \$420 billion in market capital was lost by businesses in the Arab region between January and mid-March 2020, amounting to approximately 8 per cent of the region’s wealth. In 2020, the region is required to pay \$35 billion worth of maturing foreign lending. Latin America and the Caribbean spends 2.6 per cent of GDP on interest payments for public debt. In many small countries in the region, interest payments far exceed public expenditure in the health sector.



With the debt level in the Caribbean small island developing States (SIDS) among the highest in the world, largely owing to extreme climate events rather than policy missteps, accelerating the implementation of the debt swap initiative of the Economic Commission for Latin America and the Caribbean (ECLAC) to set up a green resilience fund has now become a matter of urgency as part of the policy response to the COVID-19 pandemic.

Even for countries that retain some market access and have no pressing debt sustainability concerns, maintaining a flow of cross-border credit remains a critical issue. It is therefore important to seek the continued engagement of private sector banks and other investors in emerging markets.

Regional collaboration can help to mitigate the economic damage of the pandemic, by addressing constraints that require collective action, such as debt sustainability. Regional monetary and financial coordination should be strengthened to support investments, the provision of regional public goods, stable and countercyclical finance, and the pooling of international reserves.



Message 6: The opportunity to invest in a green recovery cannot be lost

The COVID-19 pandemic has encouraged reflection on our relationship with the environment. Climate change, deforestation and ocean pollution have contributed to deteriorating ecosystems, losses in biodiversity and faster disease transmission. Owing to the pandemic, global carbon dioxide emissions are expected to decline by 8 per cent in 2020, compared with 2019, equivalent to levels recorded 10 years ago. The temporary reductions in both carbon emissions and energy demand during the outbreak have given the environment breathing space. However, the rebound in emissions may be larger than the decline, unless the economic incentives and investment to restart the economy are geared towards cleaner and more resilient energy infrastructure. Low oil and gas prices, although increasing the risk of regression in the short run, should be turned into an opportunity to implement reforms that fight climate change and policies that decarbonize our economies, phase out fossil fuel subsidies, integrate renewable energy and upscale energy efficiency across economic sectors to ensure climate change mitigation and adaptation.

Protecting and restoring ecosystems is a means of strengthening resilience to future pandemics and building back better, including through regional cooperation and policy coordination that prioritizes green investments to reduce the risks presented by climate change and biodiversity loss, and to promote energy-efficient and renewable energy systems that support sustainable energy transitions.

In regions with commodity-based economic models, the solutions to the challenges of COVID-19 should be based on strategies for fostering sustainable development in its growth, equality and environmental dimensions.

ECLAC is promoting a Big Push for Sustainability initiative in Latin America and the Caribbean, consisting of a coordinated set of investments that promote technical and structural change to decouple growth from emissions, while creating higher-productivity jobs and more equal societies.

The opportunity must be seized to address structural challenges. The COVID-19 crisis has highlighted the importance of adequate preparedness for disaster response and appropriate risk management. This opportunity should be used to rethink the way our economies function, using approaches that enhance both resilience and efficiency, such as the circular economy and sustainable transport connectivity, which can be deployed in a regional context.

The Economic and Social Commission for Western Asia (ESCWA) is promoting a regional cooperative framework for sustainable waste management in the Arab region to prevent a waste management crisis that risks impacting public health, ground water and coastal areas.

There is continued need to strengthen regional normative frameworks that facilitate cross-border cooperation to tackle transboundary risks, such as those related to transport and the environment. Infrastructure and operation assessments should incorporate upfront health-related precautionary provisions and build on existing normative instruments to consider transboundary impacts.

The Convention on Environmental Impact Assessment in a Transboundary Context ("Espoo Convention") in the ECE region aims to prevent environmental damage before it occurs. It sets out the obligations of the parties to assess the environmental impact of certain activities at an early planning stage. It also sets out the obligations of States to notify and consult each other on all major projects under consideration that are likely to have an adverse cross-boundary environmental impact.

Regional cooperation and policy coordination on air pollution, climate change, biodiversity conservation, water resources management and land degradation can help to protect and restore ecosystems as a means of strengthening resilience to future pandemics and building back better. The COVID-19 crisis also presents an opportunity to strengthen regional normative frameworks to tackle transboundary risks and strengthen environmental resilience.

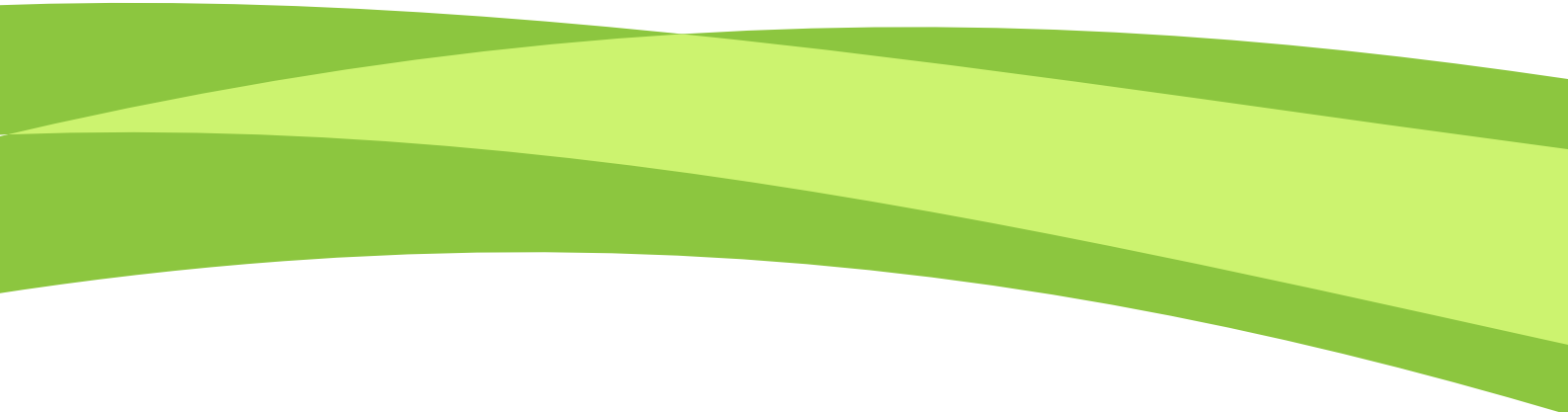


Message 7: Regional action requires boosting regional financing, including for emergency funds

The COVID-19 crisis represents a common regional shock, but its consequences have varied. Regional solidarity is necessary to address these differentiated shocks, and to avoid the emergence of additional tensions. Existing institutional cooperation arrangements should be reformed and strengthened, rendered more effective and flexible and, if necessary, reoriented to provide effective and quick responses. Solidarity should find concrete expression in joint or pooled funding initiatives, including for the development of joint capacities in the distribution of health services, food and medicine. A regional emergency financing mechanism could enhance regional solidarity in the event of a common shock with a differentiated impact. In the short term, it could channel investments to the health sector, and provide immediate support to MSMEs and those who have lost their jobs. Subsequently, regional initiatives should go beyond addressing the immediate consequences of the crisis to include plans for the relaunching of regional economies.

In the Arab region, ESCWA is advocating the establishment of an Arab Social Solidarity Fund to support vulnerable countries, including the Arab least developed countries. It is also urging the Union of Arab Banks to freeze interest repayments from MSMEs and households facing short-term cash crises, and to extend existing credit and loan facilities without penalties.

Regional solidarity in the form of strengthened regional frameworks and financing mechanisms is required to address the immediate shocks caused by the COVID-19 pandemic and pave the way for long-term economic recovery. Regional and subregional financial institutions and capacities should be harnessed to complement other financial sources.



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