

COVID-19:

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

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**COVID-19
RESPONSE**



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The COVID-19 crisis has caused untold disruption of lives and economies. As the current patterns of globalization are being questioned, the regional level will become more necessary 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 frameworks of collaboration, which should be reinforced as a critical building block for multilateralism. Effective regional actions require reaching out to multiple partners. The potential of regional collaboration to build back better and meet the promise of the 2030 Agenda for Sustainable Development should be fully leveraged. Regional economic commissions can be catalysts for such actions, as they engage different actors across common goals.

The coronavirus disease (COVID-19) pandemic is the defining crisis of our time. Building back better while we exit 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 to deliver on the Sustainable Development Goals (SDGs).

Multilateral action is needed if we are to turn the challenges into an opportunity towards an **inclusive, resilient and green sustainable development pathway**. To bring this opportunity to fruition, regional cooperation and coordination will be essential and can spearhead global efforts towards a much-needed transition of economies and societies. Regional actions 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 demands that governments increase investments in public health and social protection systems.



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



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

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

In the Arab region, 55 million people, including refugees, IDPs and other vulnerable groups, will continue to need humanitarian assistance due to persistent conflict. Around 26 million of those are forcibly displaced (refugees and IDPs).

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

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 the regions, with negative public health implications, should be addressed.

COVID-19 impacts have exposed the vulnerabilities caused by the very low investment made in social protection in most regions. It is crucial to strengthen universal social protection systems, including universal health care, based on 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, investment in public health systems need to be stepped up considerably and reliance on out-of-pocket expenditures reduced.

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 for the effective implementation of social protection policies. Mechanisms and tools, for example expanding digital identification (ID), should be developed to ensure better availability of data and statistics to make visible hundreds of millions of people who lack proof of legal identity in some regions. Alleviating the dire plight of refugees, internally displaced persons (IDPs) and migrants has become critical to ensure the safety of the entire population and to successfully fight the pandemic.

Stepping up public investments in health and social protection systems, as challenging as this may be given the decline in government revenue, clearly remains a critical factor in any comprehensive and sustainable recovery. Solid and broad social protection is essential to sustain 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 their fiscal spending and the inclusivity and fair distribution of the benefits of such spending.

In Africa, the Economic Commission for Africa (ECA), in close collaboration with the African Export-Import Bank (AfrEximbank), has established the Africa Pandemic Response Exchange Platform (APREX). It enables the pooling of supply and demand of COVID-19-related pharmaceuticals and medical supplies, 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 by strengthening research and analysis, sharing knowledge and best practices, helping to coordinate interventions and supporting the development of critical treatment strategies. Existing platforms and agreements in regional commissions, for example on disability-inclusive development, can help to 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 MSMEs and the informal economy.



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

In particular, 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 of the 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. It is important that initiatives to support MSMEs be developed quickly for maximum effect and without imposing burdensome requirements for accessing to 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.

As developing countries devise their crisis exit strategies and recovery plans, they should give thorough consideration to the informal sector, which is a major source of income for vulnerable people. Finance and access to credit, especially for entrepreneurs and start-ups, linkages to formal production systems and firms and the use of information and communications technologies (ICT) and innovation in business operations are possible incentives that may define 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 unless alternative employment and revenues are created for those who will be impacted by such plans—usually the poorest and most vulnerable.

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



Balancing the health and economic trade-offs is a major challenge. The regional commissions are utilizing their analytical research, convening power and provision of capacity development functions 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 to 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 in order to strengthen local analytical capacity and institutional responses; and (iv) generate and help share a body of knowledge and practice on implementation of the 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 investments flow to the most vulnerable, including mechanisms for supporting MSMEs.



Message 3: Digital connectivity has emerged as a lifeline and needs scaled up investment.

In some countries of Latin America and the Caribbean, more than 90% of rural households do not have an Internet connection, and in the region's better-off countries, only 50% 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 lack of infrastructure and affordability constraints. In parts of Central Asia, less than 1% of the population has a fixed broadband Internet subscription and in the Arab region 48% of people are still not using the Internet.

The unprecedented scale of disruptions to value chains and the reliance on the Internet has also provided an impetus to strengthen virtual connectivity. In this regard, digital connectivity during COVID-19 lockdowns has emerged as a lifeline. However, this is true only for those connected to reliable, affordable and highspeed Internet.

The current pandemic is another wake-up call regarding 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 became the most vulnerable. Fast and reliable ICT and digital connectivity are crucial to telework as well as to expanding services like health care to underserved populations, along with e-commerce, e-education, e-government services and food delivery, as well as building intelligent data systems to manage supply chains and bulk procurement. It is imperative to enhance the digital ecosystem, reduce these inequalities and optimize the opportunities to use digital technologies to support remote monitoring and management of basic services, including energy, water and sanitation, as a means to enhance resilience. Given the limited fiscal space and high public debt levels in some developing countries, partnering with the private sector to develop the digital infrastructure would be helpful. Extra caution should be taken in that respect to ensure privacy of citizens and data protection.

In Asia-Pacific, US\$ 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 the underlying 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. This includes the provision of mobile cash transfers, contactless loans and other forms of online banking and e-payment to the benefit of the most vulnerable, the informal sector and SMEs.

The creation of regional digital markets, promoted by regional commissions, would facilitate technology development, promote regional e-commerce and guarantee MSMEs access to a regional market. In addition, the adoption of new technologies and innovative business models are 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 in their regions to redefine the regional digital agendas developed within the framework of the World Summit on the Information Society (WSIS), improving connectivity to the internet, identifying possible digital solutions to manage the COVID-19 emergency on issues such as contagion prevention, contact tracing, risk mitigation and minimization, and enhancement of security, privacy and data protection.

The pandemic has demonstrated that an approach that transcends national boundaries is essential. Regional connectivity is crucial to overcome the severe disruptions caused by COVID-19. The regional coordination of transport and trade regulations enables 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 SMEs. Innovative technology can be leveraged to respond to the pandemic through South-South and regional cooperation and in collaboration with mobile operators and fintech companies as well as 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.

The implementation of standards to help the digitization of information flow along supply chains and the use of regional systems and tools that enable the flow of electronic information without physical contact and the dematerialization of trade can both boost trade and reduce health risks. Digitization needs to be harmonized across countries and industries, based on United Nations international standards.

In Central Asia, the costs of cross-border trade were already high. Work on trade and transport facilitation, as envisaged by the Ashgabat Initiative and the SPECA Trade Facilitation Strategy, can reconcile health concerns with the need to provide further impetus to commercial exchanges among the countries of the United Nations Special Programme for the Economies of Central Asia (SPECA), which is supported by ESCAP and the Economic Commission for Europe (ECE).

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

In some regions, long-standing conflict significantly increases the vulnerability of society to the negative impact of the pandemic and reduces its capacities to recover in both the short and long terms, including by denying the possibility of tapping into regional cooperation and integration. Cessation of hostilities and creating new pathways to peace has become an imperative 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 for all developing countries.



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

Regional coordination, initiated and supported by ECA, led to a concerted African call for an urgent and immediate release of US\$ 100 billion to respond to the pandemic, of which US\$ 44 billion should be directed towards debt relief for all African countries, in addition to US\$ 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 need to 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: least developed, middle-income and developed alike. The immediate 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 (MICs), which are not included. The current situation requires a debt standstill, especially for highly indebted and poorer middle-income countries, as they do not have the resources to cope with the current situation. Regional banks and funds will need to 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, moratoria, restructuring and cancellation, and most importantly, contributing to new financing arrangements that will certainly be required 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 and developing countries must be afforded the same flexibility to implement “outside the box” policies as developed ones.

Some Arab States allocate more than 30% of their annual budgets to debt servicing. US\$ 420 billion in market capital was lost by businesses in the Arab region between January and mid-March 2020, amounting to approximately 8% of the region’s wealth. In 2020, the region is required to pay US\$ 35 billion worth of maturing foreign lending. Latin America and the Caribbean spends 2.6% of GDP on interest payments on 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 and not 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 will remain 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 exposed and accelerated by 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.

COVID-19 also calls upon us to reflect on our relationship with the environment. Climate change, deforestation and the pollution of the oceans have contributed to deteriorating ecosystems, losses in biodiversity and faster transmission of diseases. Due to the pandemic, global carbon dioxide emissions are expected to decline by 8% in 2020, compared to 2019—to the levels of 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 to cleaner and more resilient energy infrastructure. Low oil and gas prices, although increasing the risk of regression in the short run, should deliberately be turned into an opportunity to implement reforms that fight climate change and policies to decarbonize our economies, phase out fossil fuel subsidies, integrate more renewable energy and upscale energy efficiency across economic sectors for mitigation and adaptation to the climate emergency.

We can protect and restore ecosystems as a means of building 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 and environmental dimensions.

In regions with commodity-based economic models, the answer 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 in Latin America and the Caribbean. This consists of a coordinated set of investments that promote technical and structural change in the direction of decoupling 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 powerfully shown the importance of adequate preparedness for disaster response and appropriate risk management. This opportunity should be used to rethink the way our economies work, 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 a 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 region of the Economic Commission for Europe (ECE) 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 stage of planning. It also lays down the general obligations of States to notify and consult each other on all major projects under consideration that are likely to have a significant adverse environmental impact across boundaries.

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 building resilience to future pandemics and building back better. The COVID-19 crisis also represents an opportunity to strengthen regional normative frameworks to deal with transboundary risks and strengthen environmental resilience.

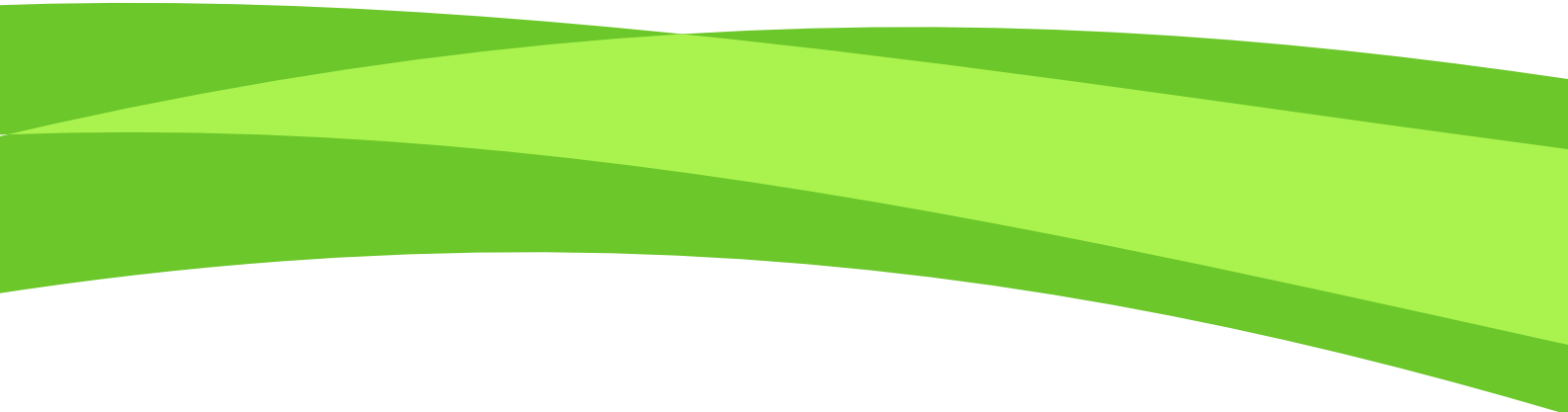


Message 7: Regional action requires boosting regional financing, including for emergency funds.

The COVID-19 crisis represents a common regional shock, but its consequences show a significant degree of variation. Regional solidarity is necessary to address these differentiated shocks as well as to avoid the emergence of additional tensions. Existing institutional arrangements for cooperation need to 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 provide a concrete expression for 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 to SMEs and those who have lost their jobs to provide immediate support. 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 hold off interest repayments from SMEs 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 are 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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