



# COVID-19 and South Asia:

## National Strategies and Subregional Cooperation for Accelerating Inclusive, Sustainable and Resilient Recovery



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# Executive summary

Starting as a health emergency, COVID-19—the global pandemic has evolved into an economic and a ‘human crisis,’ of mammoth proportions. As governments locked down the populations in an effort to contain the pandemic to save lives, economic activities have been disrupted, leaving millions of people jobless, pushing them into poverty and hunger, and plunging the world economy into the worst recession since the Great Depression of the 1930s.

South Asia, a subregion with nearly a quarter of world’s population but over a third of world’s people living in extreme poverty and hunger, has been impacted severely given the vast proportion of population living at the margins, fragmented coverage of social protection, pervasive informality in economic activities and employment, and wide gaps in public health infrastructure. Millions of workers have been rendered jobless, inequalities have been accentuated and the crisis is likely to reverse years, if not decades, of gains in poverty reduction, undermining the progress made by the subregion towards achieving the Sustainable Development Goals (SDGs).

Prepared as a part of the **UNESCAP Framework on Socio-Economic Response to COVID-19**, this paper argues that effort of governments should not be to go back to the *status quo ante* but to *build back better* by turning the crisis into an opportunity to create more equal, sustainable and resilient societies in South Asia, helping the subregion to also close the SDG gaps expeditiously.

**South Asia entered the COVID-19 crisis with a low level of preparedness:** The COVID-19 outbreak hit South Asia at a time when the SDGs were gaining traction and countries had begun to make some progress. Gaps in public health infrastructure, basic sanitation facilities and access to broadband connectivity have been exposed in addressing the pandemic. With already elevated levels of fiscal deficits and public debt, governments of the South Asian countries found themselves having limited fiscal space to mount major relief and stimulus packages needed to mitigate socioeconomic impacts.

## Socio-Economic Impacts of COVID-19 on South Asia

Lockdowns and other stringent measures undertaken by governments in South Asian countries to contain the spread of the pandemic and save lives have cast a heavy shadow on their economies and societies.

**South Asian economies are likely to shrink for the first time in four decades:** The pandemic is testing the dynamism and resilience of South Asian economies. A comparison of growth estimates for South Asia for 2020 made before the outbreak of COVID-19 crisis (+6.1%) and after (-2.7%), indicate a substantial -8.8 percentage points loss. A loss of income of this magnitude will have severe social consequences for the livelihoods and wellbeing of people.

Collapse of international trade has adversely affected South Asian countries as export orders have been cancelled or suspended for key labour-intensive products such as garments, leather footwear, handicrafts, and shrimp from South Asian countries causing widespread revenue and job losses. Tourism, an important sector in all South Asian economies, particularly for Maldives, has been severely hit destroying the livelihoods of millions dependent on it and related activities. Foreign exchange remittances, which account for over 30% share of Gross domestic product (GDP) of Nepal and have significant shares in Bangladesh, Pakistan, and Sri Lanka could decline by 22% on an average.

Micro, Small and Medium Enterprises (MSMEs)—backbone of South Asian economies—with substantial contribution to GDP, employment and exports, and large informality of operations have been hit badly due to the pandemic. Liquidity crunch, supply chain disruptions, labour shortages, demand collapse together could result in MSMEs in South Asia lose more than half of their output, making it difficult for them to re-activate their businesses.

**Loss of jobs and livelihoods could push upto 132 million people into extreme poverty:** Disruption of economic activity, cancellation of export orders, closure of businesses, return of migrant workers from abroad, and adverse impact on MSMEs may put millions of people out of jobs threatening their livelihoods within adequate social protection. Simulations conducted within the framework of UNESCAP-SANEM South Asia Computable General Equilibrium (CGE) Model suggest that as many as 132 million people could be pushed into extreme (\$1.9/day) poverty in South Asia, bulk of them being in India followed by Bangladesh, Pakistan, Nepal and Sri Lanka. This means reversal of gains in poverty reduction of a whole decade.

**Inequalities will widen as women, vulnerable and marginal groups are affected more adversely:** The

impact of COVID-19 is magnified for women, slum dwellers, older persons and persons with disabilities, migrant workers, children and youth. Women are disproportionately affected by the pandemic in terms of income loss, increased burden of unpaid care work, higher exposure risks due to overrepresentation of women in health care, in garment industry and due to elevated levels of gender-based violence, among others. School closures due to the pandemic could aggravate inequalities in learning outcomes as the children belonging to disadvantaged sections are unable to use remote learning or distance learning tools, due to the digital divide. Lockdowns have impacted jobs and livelihoods of millions of internal migrant workers in South Asia leading to displacement and mass exodus to villages. Older persons and persons with disabilities are more vulnerable to COVID-19 infections. Social distancing is leading to their increased isolation and social exclusion, undermining their mental and physical health.

**Rising food insecurity could affect health conditions:** The disruptions in food supply chains due to unavailability of seasonal workers, transport restrictions have the potential to generate complex intersections with malnutrition and food insecurity with long-term impacts on health outcomes, especially of women and children. Closure of schools has also denied to children of poorer households, access to mid-day meals which could have adverse effects on nutrition, resulting in increased rates of stunting.

### **Building back better through a large, people-centred, inclusive and sustainable relief and stimulus**

*Extra-ordinary times* for South Asia also require *extra-ordinary measures* in the form of large, people-centred relief and stimulus packages which not only mitigate the challenges faced but also build more inclusive, sustainable and resilient societies. Simulations conducted within the framework of the UNESCAP-SANEM South Asia CGE Model indicate stimulus packages ranging between 7-14% of GDP covering public health infrastructure needs, social protection and economic revival: Bangladesh (11% of GDP), India (14% of GDP), Nepal (9%), Pakistan (7%), while Sri Lanka may do with a package of roughly equivalent to 2.5% of GDP. The key priorities for these packages could include the following.

**Saving Lives through strengthening public health infrastructure:** South Asian Governments have lined up resources to deal with the health emergency caused by the outbreak of the pandemic and to scale up the public health infrastructure that has been overwhelmed. Closing the gaps in public health infrastructure by increasing annual spending and targeting universal health cover would not only help in addressing the most immediate challenge but will also

build resilience for future besides accelerating achievement of SDG 3 (good health for all).

**Enhanced social protection for livelihood security:** Universal social protection systems play the role of automatic stabilizers in the event of any crisis, by providing basic income security helping to reduce the prevalence of multidimensional poverty. In the immediate term, the South Asian governments can rapidly scale up the existing social safety net programmes such as unconditional cash transfer programme and food and cash for work in Bangladesh, the direct benefit transfers and the National Rural Employment Guarantee Act (NREGA) in India, the Benazir Income Support Programme (BISP) and the *Ehsaas* emergency cash programmes in Pakistan, to cover more vulnerable rural and urban groups with a focus on gender. When the pandemic abates, the South Asian governments should build on these national programmes to move towards universal social protection systems.

**Green, inclusive and gender-sensitive programmes to address multiple and intersecting deprivations:** To augment aggregate demand, South Asian countries could also consider launching massive public work programmes (reforestation and environmental friendly public spaces, waste recycling, waste-to-energy, micro-hydel projects, home-solar systems, climate-smart and organic farming practices), in conjunction with the social safety nets that would help to decarbonize the economies while generating jobs and creating public goods of long-term value. Provision of clean cooking fuel in rural areas of South Asia would have important health and gender impacts in the context of COVID-19 and at large.

**Harnessing new opportunities through re-skilling of the workforce:** As economies are re-activated, governments need to move rapidly to re-skill their workforce with investments in digital literacy and skilling towards future growth sectors. Massive reskilling and skill development programme for South Asia's youthful workforce, including public-funded internships in companies would enhance their employability.

**Inclusive and sustainable urban spaces and mobility:** The challenge provided by the pandemic should be harnessed to promote decentralized urban governance structures and local supply chains to nurture sustainable cities and build greater resilience. Reconfiguration of urbanization strategy in South Asia on inclusive and sustainable lines must occur, addressing the needs of urban poor, migrant labour and their families with emphasis on novel, sustainable patterns of urban mobility including through exclusive bicycle lanes and walkways.

**Re-igniting South Asia's growth engines:** As South Asian economies gradually emerge from



lockdowns, reviving MSMEs through immediate infusion of funds and support through deferred payments of taxes, rents, interest payments is critical. Monetary measures to prevent liquidity mismatches and insolvencies are important. Fiscal support and stimuli could also assist in generating demand especially by focusing on large scale sustainable and resilient infrastructure and closing any gaps in the digital connectivity and broadband networks to ensure that all sections of the society including school children have access to online learning tools.

**Expanding and exploiting the fiscal space for financing the stimulus:** South Asian countries need to exploit all the fiscal space at their disposal for sustaining the large stimulus packages including through reorienting the public expenditure, public borrowing, imposing COVID-cess where possible, and by exploiting the opportunities provided by low crude prices. In the medium term, the fiscal space could also be enhanced by increasing tax-to-GDP ratios, including through enhancing tax compliance, expanding the tax base and through new and innovative taxes. Revival of the economic activity will eventually lead to higher revenues, helping in fiscal consolidation. Besides attracting voluntary donations for COVID-19 related funds, philanthropy and corporate social responsibility (CSR) funds can also be leveraged.

**International cooperation:** The international financial institutions including the International Monetary Fund (IMF), the World Bank, Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), New Development Bank have all provided support to the South Asian countries to address the challenge of the COVID-19. South Asian Least Developed Countries (LDCs) and Pakistan will also benefit from the suspension of debt service payments in 2020 as endorsed by the G20. Bilateral assistance has also been offered by some developed countries such as the United States (US) for South Asian countries. However, massive needs of developing countries would require some out-of-the-box solutions to make a significant difference to resource mobilization including through creation of new Special Drawing Rights (SDRs) of the order of US\$ 1 trillion by IMF to facilitate easing of liquidity challenges for developing countries.

### **South Asian Cooperation would be important for Building Back Better**

The COVID-19 pandemic has already brought the South Asian countries together through a virtual meeting of the leaders held in March 2020. Greater subregional cooperation among them is critical not only to manage the pandemic's impact but also to recover in a sustainable manner. The revival of the South Asian Association for Regional Cooperation

(SAARC) process in the wake of COVID-19, besides Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), BBIN (Bangladesh, Bhutan, India and Nepal), UNESCAP, and bilateral channels between South Asian countries, would hopefully, help to harness the potential of cooperation.

**Subregional cooperation for addressing the health emergency:** Following the meeting of the South Asian Leaders, a number of cooperative activities have already started including a US\$ 22 million COVID-19 Emergency Fund. Besides keeping their markets open for trade in medicines, health care equipment and other essential goods and services, South Asian countries could fruitfully collaborate by pooling of resources and sharing of good practices in digital technologies to improve public health infrastructure and efficiency, developing international helplines, health portals, online disease surveillance systems and telemedicine, and for development and manufacture of affordable test kits, vaccines and treatments for COVID-19.

**Harnessing the potential of intra-regional trade for accelerating recovery:** Against the backdrop of collapse of the world trade, South Asian countries may consider harnessing the unexploited potential of intra-regional trade to speed up their recovery from the pandemic. UNESCAP analysis shows that two-thirds of such trade potential worth US\$55 billion remains unexploited. Formation of regional production networks and value chains could create jobs and livelihoods in a mutually beneficial manner. Harnessing this potential would require action on an agenda to strengthen transport connectivity and facilitation at the borders to bring down costs of intraregional trade, and other barriers.

**Financial cooperation for addressing the post-COVID-19 challenges:** The Regional Currency Swap Arrangement of \$2 billion operated by the Reserve Bank of India (RBI) to address temporary liquidity problems affecting South Asian countries members has been drawn upon in the context of COVID-19 by Maldives and Sri Lanka. RBI could consider enhancing the corpus of the facility to \$5 billion in view of the growing requirements of South Asian countries. For their development finance needs in the post-COVID-19 scenario, South Asian countries could consider transforming the SAARC Development Fund into a South Asian Development Bank, enabling it to raise capital from the markets and catalyzing much larger infrastructure projects through co-financing arrangements with other financial institutions.

**Strengthening South Asian freight corridors in the aftermath of COVID-19:** South Asia entered the lockdown with poor transport and logistics systems. Lack of digital trade/transport documentation

processes and manual transshipment practices at the South Asian ports and border crossings reduce the effectiveness of emergency transport measures. Immediate priority should be to restore regular freight transport operations post-COVID-19 lockdown. South Asian countries need to upgrade infrastructure for modernized cargo tracking, inspection and clearance and move towards a subregional electronic cargo tracking system besides coordinated development of corridors through a connectivity masterplan linking together key segments of UNESCAP's Asian Highway (AH) and Trans-Asian Railway (TAR) networks passing through the subregion.

**Food security and climate-resilient agro-ecosystems:** Given their similar agrarian structures, agricultural practices, market orientation, food production and distribution architecture, cooperation for food security has been an important priority for South Asia and a number of initiatives have been taken. These include establishment of the SAARC Food Bank which has been drawn upon in the context of COVID-19. COVID-19 has highlighted the need for substantial reconfiguration of policy strategies for food security and regional cooperation around an agenda covering building resilience to climate change and future pandemics, regional trade liberalization in agriculture to ensure price and supply stability, sharing of good practices, collaboration on trans-boundary outbreak of livestock diseases, among others.

**Fast-tracking clean energy transition:** An important opportunity for South Asia is to harvest its large renewable energy potential and share it through an integrated regional power grid. A number of power

trading arrangements that have become operational form the building blocks for a regional power trading system. Regionally coordinated actions must include financing of cross-border power trading infrastructure, regulatory harmonization, promotion of private sector participation and cross-learning from best practices.

**Digital Technology, ICT connectivity and Data Systems:** South Asian governments have also turned to digital technologies in their response to the crisis through use of online portals, social media, work from home, on-line learning, direct benefit transfers, delivery of health services through "virtual doctors," use of drones for sanitation, deploying facial recognition and thermal scanners to identify potentially infected people. Sharing of good practices in e-governance between the South Asian countries could be fruitful. It has also exposed the criticality of closing the digital divide in South Asia to ensure inclusive access to broadband networks in all parts of the subregion including through UNESCAP-led Asia-Pacific Information Superhighway (AP-IS).

**Building disaster resilience through subregional cooperation:** South Asia especially the coastal parts have been identified as multi-hazard risk hotspots where poverty, inequalities and environmental degradation converge with disaster risks, now compounded by COVID-19. Regional co-operation in early warning systems including through World Meteorological Organization (WMO)/UNESCAP panel on tropical cyclones have helped to save lives by providing timely early warnings. UNESCAP seeks to contribute to resilience building and better recovery from the pandemic by narrowing down the resilience gaps through Asia-Pacific Disaster Resilience Network.

# 1. Introduction

The COVID-19 global pandemic which started as a health crisis, has become an economic and a 'human crisis,' as described by Mr Antonio Guterres, the United Nations Secretary General. As governments across the globe closed international borders, abandoned transport systems, and took steps to lockdown their population to contain the pandemic, economic activities have faltered, global and regional value chains have been disrupted, millions of people have lost their jobs, with many of them facing hunger and falling into extreme poverty, and the world economy has plunged into the most serious recession since the Great Depression of the 1930s.

South Asian countries<sup>1</sup> have also been seriously affected, with the cases rising fast and yet to peak, even though the per capita incidence and mortality may be lower, due to demographic characteristics. However, the socio-economic impact is much more severe given the vast proportion of population in these countries living at the margins, fragmented coverage of social protection, pervasive informality in economic activities and employment, and wide gaps in public health infrastructure. Millions of workers have been rendered jobless, inequalities have been accentuated and the crisis is likely to reverse years, if not decades, of gains in poverty reduction, undermining the progress made by the subregion towards achieving the Sustainable Development Goals (SDGs).

In line with the UNESCAP Framework on Socio-Economic Response to COVID-19<sup>2</sup> and building upon UNESCAP (2020) *The Impact and Policy Responses for COVID-19 in Asia and the Pacific*, this paper presents critical insights on the socio-economic impacts of the pandemic in South Asia and actions needed. Drawing upon an online multi-stakeholder rapid response survey undertaken by UNESCAP SSWA to assess the likely impacts of the COVID-19 crisis on South Asian countries and policy simulations conducted within the framework of UNESCAP-SANEM South Asia CGE Model, the paper shows that the

subregion entered the pandemic with a low level of preparedness in terms of public health infrastructure, social protection and other SDG achievements, Information and Communications Technology (ICT) connectivity and fiscal space. Hence, the socio-economic impacts have been far reaching and severe.

The recovery of economies and societies from the setbacks of this nature would take a lot of resources and time. The objective should, however, be not to go back to the *status quo ante* but to *build back better* by turning the crisis into an opportunity to create more equal, sustainable and resilient societies in South Asia, for the future, helping the subregion close the SDG gaps expeditiously. The paper goes on to identify some national strategies for a speedy, inclusive, sustainable and resilient recovery.

Subregional cooperation in South Asia, whether bilaterally as well as within the frameworks provided by SAARC, BIMSTEC, BBIN, and UNESCAP, could usefully supplement the national actions in addressing the challenges posed by the pandemic and related measures. Some areas of mutually beneficial subregional cooperation have also been outlined for building back better.

The paper is organised as follows: Section 2 summarizes the initial conditions and preparedness of South Asian countries for handling a pandemic like COVID-19, including their SDG progress. Section 3 summarizes the socio-economic impact of the COVID-19 crisis. Section 4 focuses on the national strategies needed for an accelerated, inclusive and sustainable recovery. Section 5 explores the potential role of subregional cooperation in handling the COVID-19 pandemic and identifies areas for stronger collaboration. The paper concludes with a few remarks on the key lessons learned from the COVID-19 crisis and the way forward for South Asia.

## 2. South Asia's SDG Progress and Preparedness for COVID-19

South Asian countries entered the COVID-19 crisis with many existing deprivations that hampered the achievements of SDGs, including high incidence of poverty and hunger, gaps in their public health infrastructure and access to basic services like clean drinking water and sanitation and inadequate social protection. The pandemic has exacerbated some of these persistent structural inequalities prevalent in the subregion. These deprivations provide the initial conditions that impinge on the socio-economic impact of the pandemic on the subregion. In what follows, progress of South Asian countries in terms of SDGs and other aspects of preparedness for the crisis posed by COVID-19 is briefly summarized.

**South Asia's slow progress in achieving SDGs has affected their preparedness to deal with the pandemic....**

SDGs, with their commitment to universal social protection, zero hunger and universal health cover, among other aspects of dignity of life, reflect important means and capacities countries and their people may possess to cope with and recover from the immediate and longer-term impact of shocks such as COVID-19. SDGs are particularly relevant for South Asia, a subregion which is home to nearly one-third of the world's food-deprived population and of those living in extreme poverty, with pervasive informality, lack of decent work opportunities and low rates of female labour force participation.<sup>3</sup> The COVID-19 outbreak hit South Asia at a time when the SDGs were gaining traction and countries had begun to make progress towards some of the Goals although not on track to achieve most of the Goals. The UNESCAP's SDG Progress Gateway indicates that while South Asia has made some good progress on SDGs, such as SDG 4 (education), and SDG 7 (energy), its progress in other Goals including access to drinking water and basic sanitation, zero hunger, income inequality and gender equality has been slow.

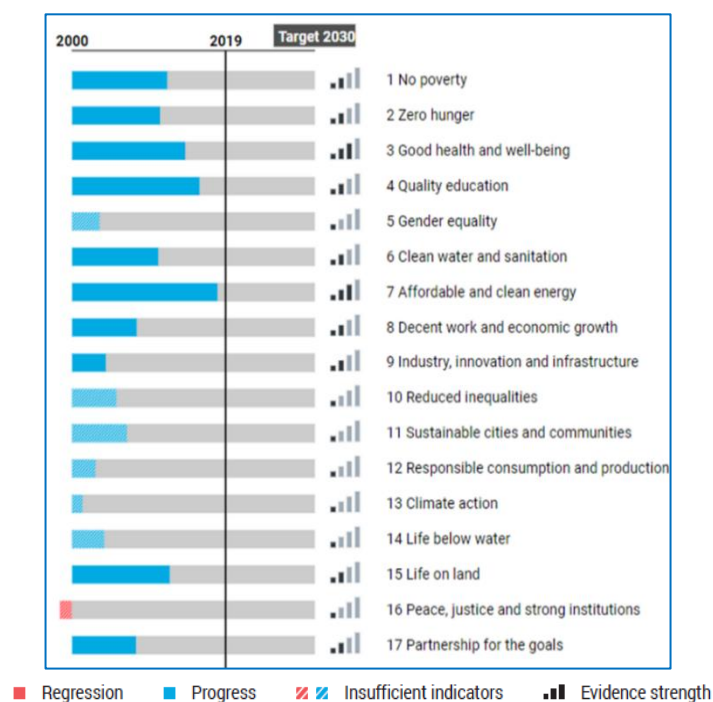
The subregion has regressed in the area of strengthening governance and building strong institutions (SDG 16) (Figure 1).<sup>4</sup> As countries

address the short-term and long-term impacts of the pandemic, the existing gaps in SDG progress draw attention to the areas where progress needs to be made to build better preparedness and resilience against future crises.

**.....hence, South Asia entered the COVID-19 crisis with a low level of preparedness**

The gaps in the social infrastructure and poor SDG progress have resulted into low level of preparedness for dealing with a crisis of an intensity and scale such as the COVID-19 pandemic for South Asia.

Figure 1: SDG progress in South Asia, 2019



Source: Asia Pacific SDG Gateway. Accessed at <https://data.unescap.org/data-analysis/sdg-progress#>

Figure 2 summarizes data for some indicators of preparedness in terms of human development, public health infrastructure, access to basic amenities such as drinking water and sanitation and ICT connectivity for South Asian countries.



Figure 2: Level of preparedness in South Asia to COVID-19

	Health System				Access to basic infrastructure			Connectivity	
	Government health expenditure (% of GDP)	Hospital beds (per 1,000 people)	Nurses and midwives (per 1,000 people)	Physicians (per 1,000 people)	Basic drinking water services (% of population)	Basic sanitation services (% of population)	Open defecation (% of population)	Fixed broadband subscriptions (per 100 people)	Mobile cellular subscriptions (per 100 people)
Afghanistan	0.49	0.47	0.17	0.27	57.59	38.75	15.49	0.02	53.41
Bangladesh	0.47	0.67	0.26	0.46	96.72	43.78	2.88	2.47	76.69
Bhutan	2.49	1.75	1.28	0.31	95.38	65.67	1.56	2.41	83.30
India	0.91	0.70	1.37	0.74	89.81	50.48	35.17	1.21	75.40
Maldives	5.21	4.30	5.65	2.57	98.42	96.20	1.13	5.76	155.59
Nepal	1	0.30	2.31	0.67	87.13	51.28	30.54	1.12	88.85
Pakistan	0.72	0.60	0.52	0.90	90.31	54.45	16.31	0.80	65.26
Sri Lanka	1.62	3.55	1.92	0.84	87.39	93.41	1.29	3.30	109.72
South Asia	0.89	0.67	1.14	0.74	89.81	50.65	29.28	1.28	74.57
OECD members	7.52	4.13	9.29	2.81	99.23	98.06	0.28	28.32	112.27
East Asia & Pacific	4.54	3.67	2.85	1.48	90.90	79.43	3.18	15.37	99.96
World	5.8	2.70	3.44	1.45	88.05	69.94	11.54	10.92	93.72

Source: UNESCAP based on World Development Indicators, accessed at <https://databank.worldbank.org/source/world-development-indicators>

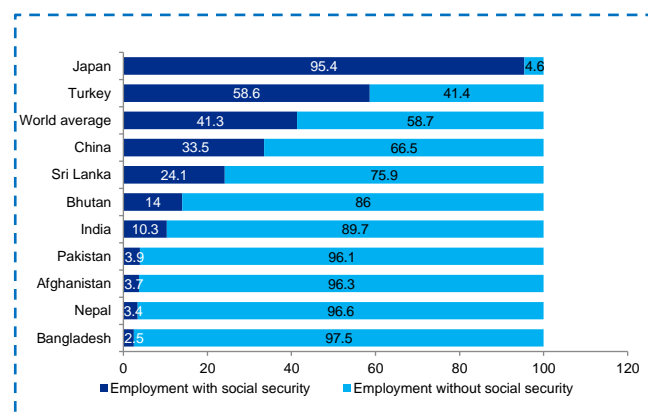
Note: All the indicators under health system, basic access to infrastructure and connectivity represent average number for 2010 to 2018, For Maldives, 2009 data on beds per thousand people used. For open defecation, green colour implies lowest and red highest

South Asia spends less than a percent of GDP on health compared to the global average of 5.8% and 4.5% for East Asian countries. Poor investments in the health sector seem to have resulted in poor public health infrastructure measured in terms of number of beds and health personnel as many countries in the subregion fall much below the world averages on these indicators. Gaps in public health infrastructure have been exposed in addressing the pandemic. Also, the subregion does not provide sufficient access to basic sanitation facilities, and broadband connectivity to facilitate alternative working arrangements during the containment phase. However, on an average Bhutan, Maldives, and Sri Lanka are better equipped in terms of these basic amenities than other countries in the subregion.

**Pervasive informality of employment and inadequate social protection increased vulnerabilities....**

The majority of the people in South Asian countries is employed in the informal sector of the economy that provides no social security coverage (Figure 3). Lack of social security and poor coverage of national social protection makes the workers vulnerable to any economic shocks that affect their livelihoods. Therefore, the pandemic which started as a health crisis has become a humanitarian and livelihood crisis exposing millions of workers especially migrant workers, casual labourers and daily wage earners to income, food and other forms of insecurity.

Figure 3: Social security coverage in South Asia and Selected other countries (share of total employment)



Source: UNESCAP SSWA (2018a) based on World Bank data. Notes: The world average is based on the available data for countries for about 2010. Employment with social security refers to the share of the labour force actively contributing to old-age pension schemes.

**.....and has caught the governments with poor fiscal space to take care of them**

COVID-19 has struck many countries in South Asia at a time when their fiscal space has diminished. Figure 4 shows the fiscal balances as a proportion of GDP, and the proportion of public debt to GDP of South Asian countries. Countries like Pakistan, Sri Lanka, India and Maldives have high fiscal deficits and alongside relatively high levels of public debt limiting the room for fiscal manoeuvre without compromising

Country	Fiscal Sustainability		Debt Sustainability				
	Tax Revenue (% of GDP) (2017)	Fiscal Balances % of GDP (2019)	Public Debt as % of GDP (2019)	External debt, % of GDP (2018)	Short term, % of external debt (2018)	Risk of debt distress	DSA year
Afghanistan	9.3	-1	7.6	13.1	14	High	2020
Bangladesh	8.8	-5.2	34.6	18.1	17.3	Low	2019
Bhutan	12.5	0.6	108.6	101.4	0.2	Moderate	2018
India	11.2	-7.4	69	19.2	20		2019
Maldives	21.2	-5.6	70.1	43.8	11.3	High	2020
Nepal	20.7	-4.6	32.6	18.9	4.6	Low	2020
Pakistan	12.4	-8.8	76.7	28.9	9.1		2020
Sri Lanka	12.4	-6.8	83	59.5	15.5		2020

Source: UNESCAP, based on various DSA reports, IMF Fiscal Monitor (April 2020), World Development Indicators and Fiscal Space Dataset (April 2020).

Note: Tax (% of GDP) data for Bangladesh for 2016

IMF/World Bank applies a different debt sustainability analysis for two groups of countries, first those which rely heavily on concessional financing, for whom high, moderate or low rating is given in terms of risk of debt distress, and second those which have significant market access, mostly advanced economies and emerging markets, for whom no such rating is given.

fiscal sustainability targets. The pandemic is expected to squeeze public revenues further due to a contraction in economic activity and depressed business sentiments. With very low levels of tax-GDP ratio (at an average of 11.3% in 2017) and low public revenues among South Asian countries even before the current crisis, fiscal buffers have been further diminished due to COVID-19 pandemic.

**To contain spread of COVID-19, the South Asian Governments took stringent measures including extended lockdowns....**

South Asian countries have undertaken a series of restrictive measures that included closing their international borders, suspending visas, imposing complete ban on international and domestic travel, closing schools, offices and workspaces, closing religious centres and public gatherings under emergencies or partial or complete lockdowns for extended periods to flatten the curve and to stop

community transmission (Figure 5). Nepal and Afghanistan are among the countries with the highest stringency measures with a score of 93 and 84 respectively, followed by Bangladesh (82), Pakistan (80), India (79) and Sri Lanka (77).<sup>5</sup>

**....stringent action has caused severe socio-economic impacts**

The economic and humanitarian fallout of the pandemic has been immense with mutually reinforcing effects. Lockdowns and other containment measures, whilst necessary for protecting human lives and spread of infection, have disrupted economic activities, causing widespread closures of businesses and enterprises, catastrophic loss of jobs and risk pushing millions into extreme poverty, reversing the development gains of years, as summarized in the following section.

Figure 5: Measures taken by the Governments in South Asia to contain spread of COVID-19

Country	Stringency level#	Lockdown measures (duration)	International Borders/travel restrictions	Air Travel	Land Transport	Maritime Transport
Afghanistan	84	Complete Lockdown 22 March till 24 <sup>h</sup> May	Closed, open only for immigrants	PR	PR*	ND
Bangladesh	82	Started on 26 March to 16 May and extended further to May 30. Hotspot lockdown imposed.	Closed	Domestic flights opened from 1 <sup>st</sup> June. International flights closed till 15 <sup>th</sup> June. Cargo flights only	Freight trains	EG only**
Bhutan	74	Restriction on entry of tourists from 6 March; 23 March – international borders sealed Lockdown from April 1t to 21	Closed	Not allowed	EG only**	NA
India	79	25 March to 31 May <sup>t</sup> Lockdown extended till 30 <sup>th</sup> June in containment zones. Many activities are allowed after 8 June 2020.	Closed	Domestic flights resumed but PR for international flight	PR	ND
Maldives	NA	Public Health Emergency was declared on 19 March. Lockdown from 1 April to 12 <sup>th</sup> June in greater Male.	Closed	Permission required	NA	A
Nepal	93	23 March to 2 June. Further extended to 14 <sup>th</sup> June.	Closed	Permission required	Conflicting information	NA
Pakistan	80	1 April to 9 May. Lockdown lifted	Closed	International flights allowed Cargo flights only	P	A
Sri Lanka	77	Public holiday declared from 15 March Lockdown from 20 March to 11 May.	Closed	Cargo flights	P	ND

Source: UNESCAP based on Oxford COVID-19 Government Response Tracker, IMF Policy Responses to COVID-19 and various national sources

Note: #: Updated as on 10 June 2020

P = Prohibited; ND = No Data; A = Allowed; N/A = Not Applicable; \*PR = Passive restriction enforced by neighbour countries at border; \*\*EG = Essential Goods

### 3. Socio-economic Impacts of COVID-19 on South Asia

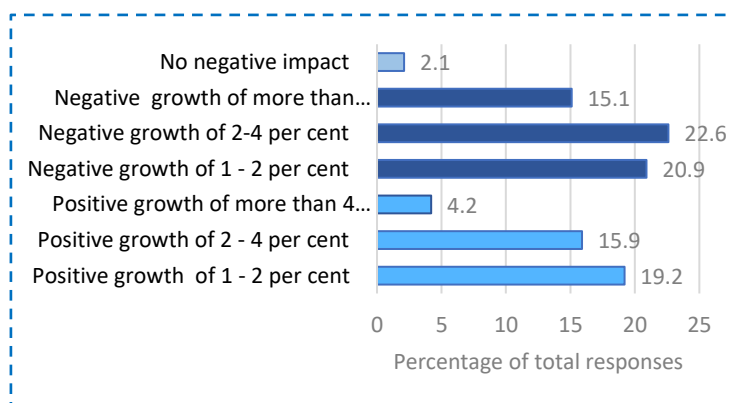
Lockdowns and other stringent measures undertaken by governments in South Asian countries to contain the spread of the pandemic and save lives have cast a heavy shadow on their economies. Through large scale disruptions in supply chains and collapsing demand, the subregion has been pushed into a recessionary spiral. Micro, Small and Medium Enterprises (MSMEs) that form the backbone of economic activity in South Asia have been pushed out of business, leaving millions out of jobs and no alternate means of livelihood. As observed in section 2, bulk of the workforce in South Asia lacks social protection and safety cushions given the informal nature of their work. Hence their livelihoods have been severely compromised, putting them at high risk of falling into extreme poverty. The crisis has accentuated existing inequalities while creating new forms of exclusion. International trade, tourism, and foreign exchange remittances that are important sources of foreign exchange for South Asian countries have also been affected significantly. This section summarizes key socio-economic impacts that the subregion faces besides the most immediate and urgent the health emergency caused by the pandemic.

**South Asian economies are likely to shrink for the first time in decades.....**

It is now widely recognized that COVID-19 has pushed the world economy into the worst recession witnessed since the Great Depression of the 1930s. IMF (2020) projects a 6 percentage points decline in the world output from a +3.0% economic growth expected earlier to shrinking by -3.0% in 2020.<sup>6</sup> United Nations Department of Economic and Social Affairs (UNDESA, 2020) expects the cumulative output loss during 2020 and 2021 to be nearly \$8.5 trillion wiping out nearly all output gains of the previous four years.<sup>7</sup> The latest projections released by the World Bank indicate that the global GDP will shrink by 5.2% in 2020, worst decline in more than 8 decades.<sup>8</sup> The pandemic is also testing the resilience of South Asian economies that had continued to grow at relatively robust rates even in the aftermath of the Global Financial Crisis. The subregion is likely to see its economy shrinking for the first time on four decades. As many as 56.6% respondents of the UNESCAP-SSWA Rapid Response Survey expected the South Asian economy to be shrinking in 2020 with 43.5% expecting the extent of contraction between 1-

4% (Figure 6). This is consistent with other projections. Figure 7 presents growth projections for

Figure 6: Potential impact of COVID-19 on economic growth in South Asia



Source: Based on UNESCAP-SSWA online Survey

South Asian countries for 2020 made by the IMF in October 2019 and April 2020, the UNESCAP's estimates based on emerging trends, and the latest World Bank estimates. A comparison of growth estimates before the outbreak of COVID-19 crisis and after, shows a huge difference from +6.1% to -2.7% for South Asia as a whole, representing a difference of whopping -8.8 percentage points. This is a very substantial loss of income for the South Asian countries and will have severe social consequences for the livelihoods and wellbeing of people as explained later. Maldives is expected to be the worst affected with a -13% squeeze in the GDP compared to +6.1% pre-COVID projection, followed by India with an estimated -3.2% GDP growth projection compared to +7% pre-COVID projection. Bangladesh, Bhutan and Nepal may still see their economies grow even though with marginal rates. These projections, however, assume that it will be possible to contain the pandemic and revive the economic activities shortly thereafter and may go down further with a staggered incidence.



Figure 7: Economic Growth Outlook of South Asia in the wake of COVID-19

Country	2017	2018	2019	2020#	2020*	2020@	2020**
Afghanistan	2.9	2.7	3.0	3.5	-3.0	-5.01	-5.5
Bangladesh	7.6	8.2	7.9	7.45	2.0	1.6	1.6
Bhutan	6.3	3.7	5.3	7.2	2.7	2.67	1.5
India	7.0	6.1	4.2	7.0	1.9	-1.2	-3.2
Maldives	6.8	6.9	5.7	6.1	-8.1	-10.05	-13.0
Nepal	8.2	6.7	7.1	6.3	2.5	1.89	1.8
Pakistan	5.2	5.5	3.3	2.4	-1.6	-2.5	-2.6
Sri Lanka	3.6	3.3	2.3	3.5	-0.5	-1.5	-3.2
<b>South Asia</b>	<b>6.8</b>	<b>6.1</b>	<b>4.3</b>	<b>6.1</b>	<b>1.5</b>	<b>-1.2</b>	<b>-2.7</b>

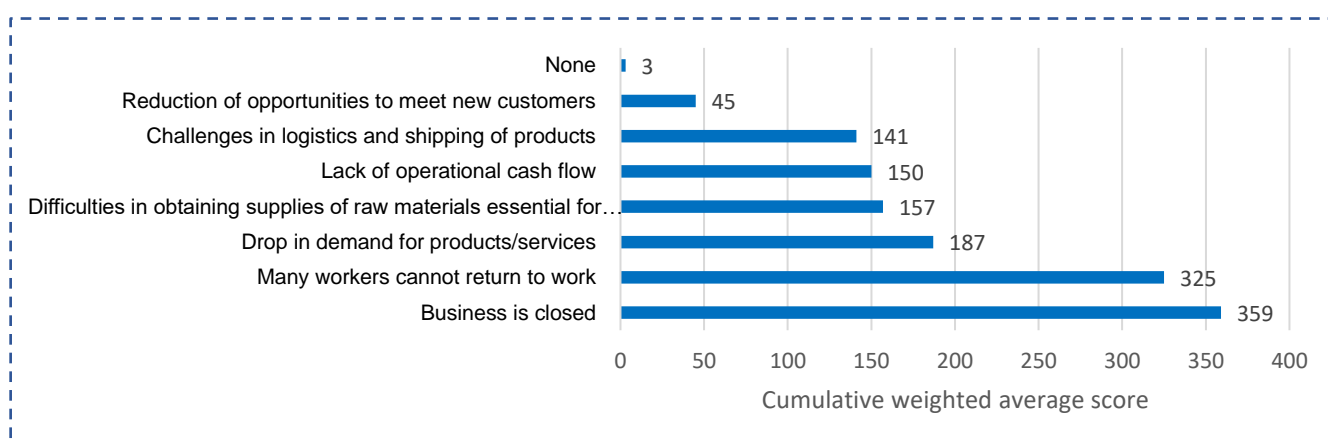
Source: UNESCAP based on IMF (2020 b) World Economic Outlook, World Bank (2020a) Global Economic Prospects, and other sources

Notes: #IMF estimates released in October 2019, \*IMF revised estimates released in April 2020. @UNESCAP estimates, May 2020. \*\*World Bank estimates, June 2020. South Asia aggregate growth rate calculated using 2015 GDP in 2010 United States dollars as weights. GDP data for Pakistan are based on factor cost. 2018 refers to fiscal year spanning 1 April 2018 to 31 March 2019 in India; 21 March 2018 to 20 March 2019 in Afghanistan; 1 July 2017 to 30 June 2018 in Bangladesh, Bhutan and Pakistan; 16 July 2017 to 15 July 2018 in Nepal.

Among the major reasons for slowdown and contraction of the economic activities in the subregion, most respondents in the UNESCAP-SSWA survey indicated closure of business as the major reason, followed by unavailability of workers, loss of demand, disruption of supply of raw materials, cashflow challenges and logistical issues (Figure 8).

the world to close international borders and place restrictions on movement of international flights, cargo and land transport, except for movement of essential goods, including medicines, medical equipment and food supplies.<sup>9</sup> A number of countries have imposed temporary export restrictions, especially on food, medical devices, equipment and

Figure 8: Reasons for Slowdown of Economic Activity due to COVID-19



Source: UNESCAP-SSWA online Survey

Note: Horizontal axis denotes the cumulative weighted average score with weight ranging between 1-5.

#### .....partly due to collapse of international trade

World trade was already slowing in 2019 before the COVID-19 outbreak, weighed down by the US-China trade war and growing protectionism in advanced countries. The pandemic has forced countries across

medicines mostly to mitigate critical shortages in their domestic markets. Depending on the scarcities, imports of certain items have also been liberalised. As a result of declining demand, closure of borders and cargo movements and other trade restrictions, WTO (2020) expects the volume of world merchandise trade to decline between 13% to 32% in 2020. WTO

also expects the extent of decline in trade in services to be in double digits.

**....as export orders got cancelled**

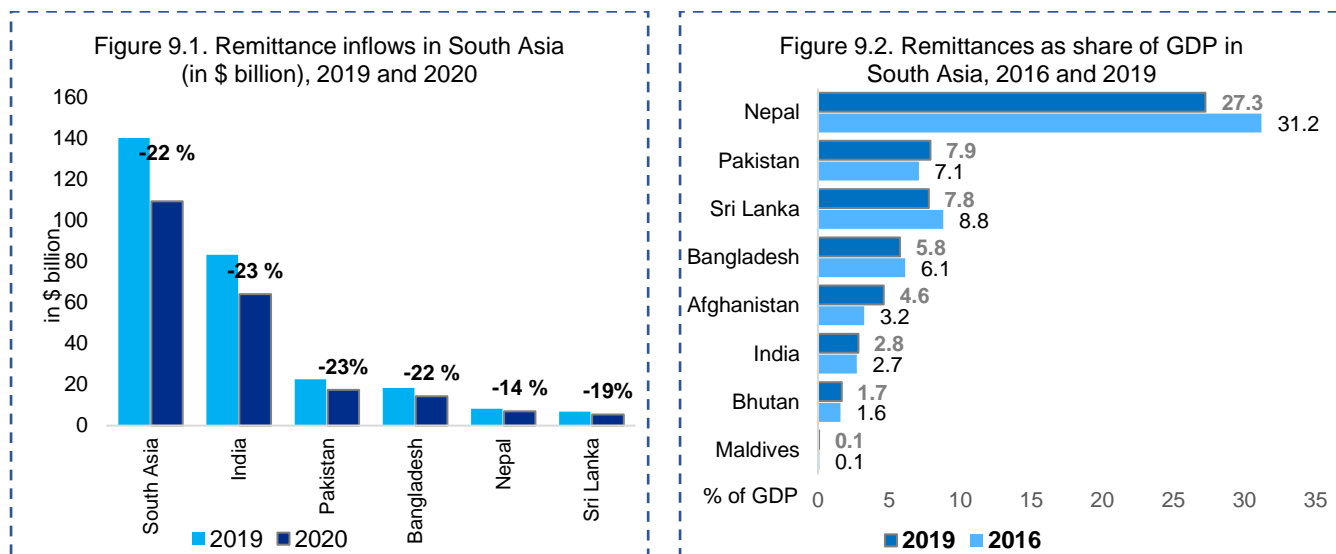
South Asian exporters are facing a growing challenge also due to cancellation of export orders. **Bangladesh** with high dependence on a few products such as readymade garments (that account for more than 84% of exports) and limited markets such as the US and the European Union (EU), with little possibility of finding alternative markets for those products in the domestic market has faced this challenge. EU and US buyers including Primark, the budget fashion chain, have cancelled about \$1 billion of garment orders from Bangladesh. It is estimated that export orders worth US\$ 3 billion were either cancelled or suspended by global garment retailers and brands due to COVID-19.<sup>10</sup> As many as 347 Bangladesh garment factories have seen orders getting scrapped.<sup>11</sup> The cancellation has led to lay off or suspension of the factory workers, often without pay and severance who face extreme economic vulnerability. Globally, labour groups and unions have sought government assistance to mitigate the impacts on 60 million workers in apparel supply chains.<sup>12</sup> Bangladesh's shrimp exports have also

**Nepal** too saw cancellation of export orders, especially in the handicrafts sector for which EU and USA are major markets, amounting to nearly US\$ 165 million, leading to exporters holding unsold inventory and bank loans. The handicraft sector provides direct and indirect employment to more than 1.1 million people.<sup>14</sup> **India** is also stated to have lost export orders worth US \$ 25 billion with cancellation of 50 to 60% of orders of all sectors. The sectors like apparel, leather (footwear), handicrafts and carpets have seen cancellation of 80 percent of orders during February-March 2020.<sup>15</sup> Almost 80% of the gems and jewellery from India are exported to the US, Hong Kong, and China, which has seen a drastic fall with the cancellation of almost 25-30% of its orders.<sup>16</sup> **Pakistan's** exports have seen a 54% reduction due to order deferrals and cancellations, mainly in the textile sector.<sup>17</sup> **Sri Lanka's** apparel industry which accounts for almost 52% of merchandise exports is expecting to lose US \$ 1.5 billion worth of orders during March to June 2020 due to COVID-19.<sup>18</sup>

**.....declining remittances from non-resident citizens create additional challenges**

Remittances constitute a major source of foreign exchange for South Asian countries and play an important role in boosting domestic consumption and

Figure 9: Remittance Inflows in South Asian countries



Source: UNESCAP Based on World Bank (2020b)

Note: Figures for 2019 are estimates and 2020 forecasts based on World Bank-KNOMAD projections.

been badly hit as a total of 290 export orders worth \$ 54 thousand have been cancelled in a span of a month. Following the massive cancellation of the orders, the fish exporting companies have stopped buying fish from the shrimp cultivators. This puts at risk livelihoods of more than half a million people cultivating fish in 90% of their agricultural lands.<sup>13</sup>

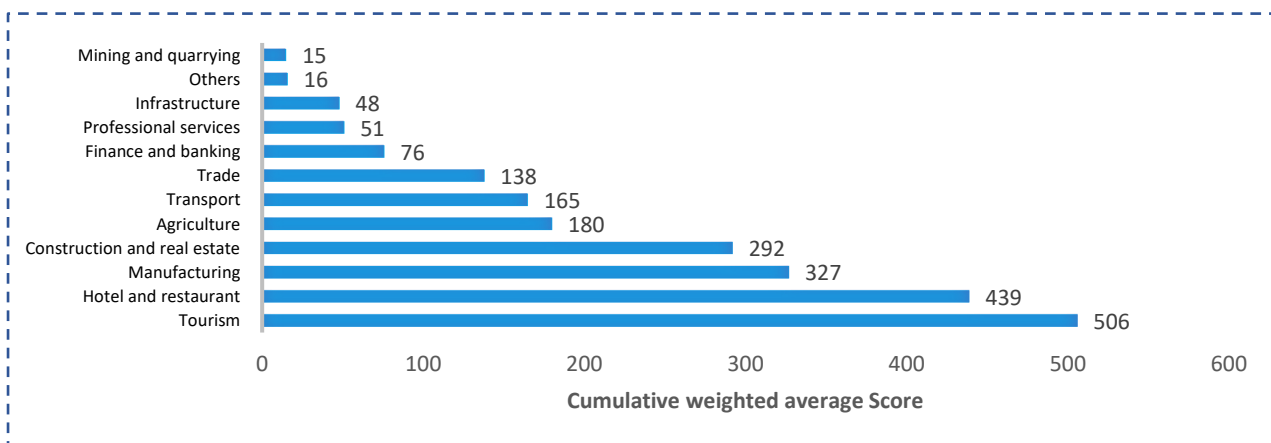
investment, and thereby, contribute significantly to economic growth and poverty alleviation. Steady inflows of remittances also support financing the implementation of the SDGs in developing countries in the region. South Asia is the largest recipient of remittances in the world accounting for 22% of the total. Remittances are particularly important for Nepal where they account for over 30% of GDP, but they

also account for a significant share of GDP in Pakistan, Sri Lanka and Bangladesh (Figure 9.2).

World Bank (2020b) has projected that remittances to South Asia would decline by 22% in 2020 due to loss of jobs and falling wages of migrant workers in the host countries induced by COVID-19 and the collapse of crude oil prices that affect economic activity in the Gulf countries. Severe recession in USA, UK, and EU countries has also rendered many migrant workers jobless. Remittances to every South Asian country will be affected with those to India and Pakistan likely

contribution, employment generation and export earnings (Figure 11). In Sri Lanka, MSMEs contribute 52% to the GDP, 35% of total employment and 20% of exports. In Bangladesh, as many as 99% of the non-farm enterprises were MSMEs which created 20 million jobs in 2013.<sup>22</sup> India has 63.38 million MSMEs employing 111 million workers (21% of the total employment) and contributed 48% of exports of the country in 2018-19. MSMEs in South Asia are highly scattered, labour-intensive and most of them are in the unorganised sector with bulk of the employment being informal in nature.

Figure 10: Most affected sectors due to COVID-19 in South Asia



Source: UNESCAP-SSWA online Survey  
 Note: Horizontal axis denotes the relative score.

to decline by 23%, and to Bangladesh by 22% (Figure 9.1).

**.....tourism has all but dried up causing hardships for those dependent on it**

Tourism followed by hospitality sector (hotels and restaurants) are the sectors most severely impacted by COVID-19 (figure 10). Tourism is one of the important sectors in all the South Asian economies and generates large direct and indirect employment. Tourism contributes nearly 9% of GDP in South Asia. In Maldives, travel and tourism with 66.13% share of GDP, is the key economic sector. Tourism is also an important contributor to GDP in Sri Lanka (12.51%), India (9.34%), Nepal (7.93%), and Pakistan (7.14%).<sup>19</sup> The UN World Tourism Organization expects international arrivals to decrease by 60% to 80% in 2020 vis-à-vis 2019, depending on when travel restrictions are lifted.<sup>20</sup> Available data shows that international tourist arrivals to Nepal, Sri Lanka and India declined by 70% in March 2020 itself.<sup>21</sup>

**MSMEs have been among the worst impacted**

MSMEs play a pivotal role in the economic performance in South Asia in terms of GDP

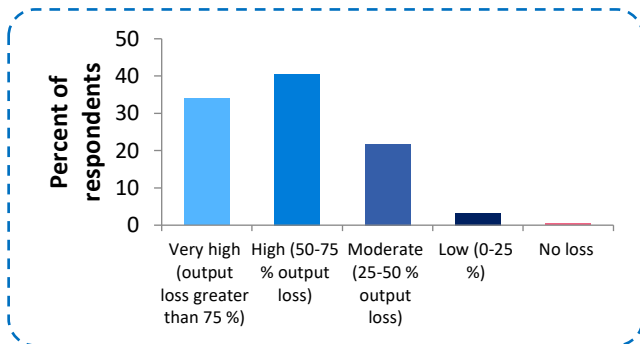
Figure 11: MSME's Contribution to GDP, Employment and Exports (in %)			
Country	GDP	Employment	Exports
Afghanistan <sup>a</sup>	50	33	NA
Bangladesh <sup>a</sup>	22.5	40	11.3
India <sup>b</sup>	28.9	21	48.1
Nepal <sup>a</sup>	22	23	NA
Pakistan <sup>b</sup>	30	70	25
Sri Lanka <sup>b</sup>	52	35	20

Source: UNESCAP based on different national sources  
 Note: a=2014; b=2018

MSMEs have been hit hardest due to the COVID-19 induced restrictions given their low working capital, low cash flows and high informality of operations. As many as 75% of the UNESCAP-SSWA Survey respondents indicated that MSMEs' output losses due to the COVID-19 crisis could be more than 50% (Figure 12). Liquidity crunch, supply chain disruptions and labour shortages could make it difficult for the MSMEs to withstand the COVID-19 imposed shocks and re-activate their businesses. The consumer goods segments (garments, footwear, utensils etc.) and automotive segments are expected to suffer from decreased demand as private consumption slows

down. Sectors that are dependent on high imports (of raw material or intermediates) such as electronics, consumer durables, pharmaceutical, textiles, carpets are facing bottlenecks and so are the export focused sectors due to a major drop in demand globally.<sup>23</sup>

Figure 12: Expected output losses in South Asian MSMEs due to COVID-19

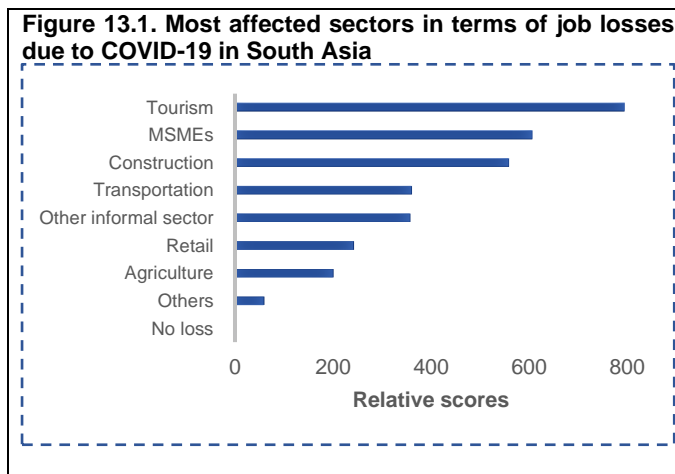


Source: Based on UNESCAP-SSWA online Survey

**....leading to loss of jobs and livelihoods**

The closure of MSMEs and other economic activities has rendered millions of people jobless in South Asia. With around 69% of people in South Asia working in

Figure 13: Most affected sectors and most affected population groups



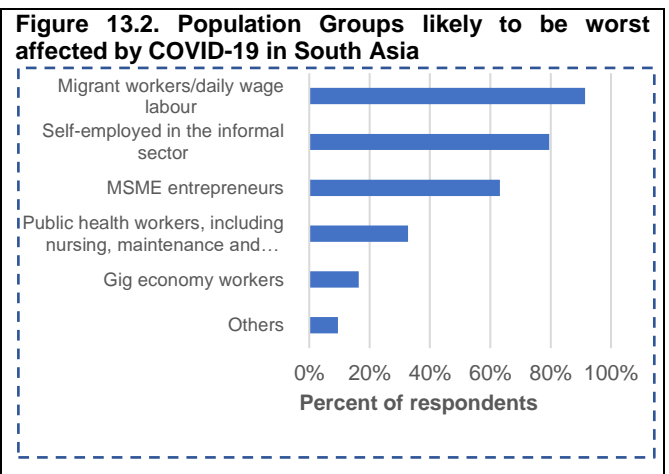
Source: Based on UNESCAP-SSWA online Survey

Note: Relative scores refers to the weighted average of the responses as per the relative ranks assigned

the worst affected due to the restrictive and containment measures to combat COVID-19, while the majority of respondents felt that targeted policy support would be needed for migrant and daily wage workers followed by self-employed informal sector workers and MSME entrepreneurs (Figures 13.1 and 13.2).

ILO estimates that in India with 90% of informal economy workers, about 400 million workers are at risk of being pushed into poverty during the COVID-19 crisis.<sup>25</sup> For instance, in the Indian automotive industry, contractual workers accounting for 50% of the workforce are particularly at risk in the near and medium term as the industry battles supply disruptions resulting in losses to the tune of US \$800 million over two quarters.<sup>26</sup> The announcement of the national lockdown in India led to a mass exodus of internal migrant workers from various urban centres in India to rural areas since for most of these daily wage and informal sector workers such as construction workers, transport workers and domestic workers etc., cessation of economic activity meant no means of livelihood in their places of work.

Simulations conducted within the framework of UNESCAP-SANEM South Asia CGE Model suggest

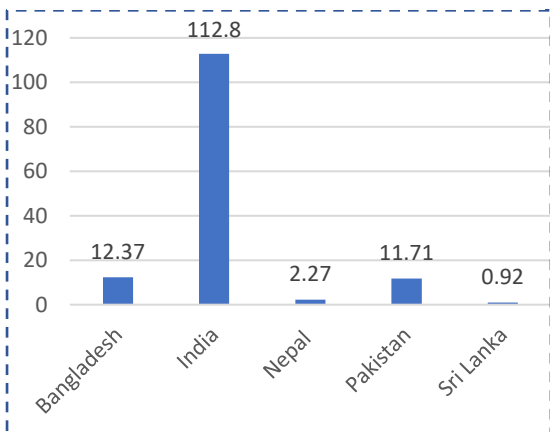


vulnerable employment with poor working conditions, relatively lower wages and hardly any social security, the lockdowns have impacted their livelihoods severely.<sup>24</sup> In the UNESCAP-SSWA survey, about 70% of the respondents felt that there will be a high impact in terms of loss of jobs due to direct and indirect effects of COVID-19. Based on the survey responses, the sectors and occupations at risk of COVID-19 related employment losses are mapped along with the population groups that are most vulnerable and would require targeted interventions to safeguard them from COVID-19 fall-out. Tourism, MSMEs and construction sectors are expected to be

that nearly 140 million people might lose jobs in five South Asian countries because of lockdowns and other restrictions on economic activity (Figure 14).<sup>27</sup> The bulk of these job losses (112.8 million) will be in India, followed by 12.37 million in Bangladesh and 11.71 million in Pakistan. Many of the job losses would be among the informal workers in tourism and hospitality sectors. With three out of four workers in the tourism sector being informal in Bangladesh, Nepal, Pakistan and Sri Lanka;<sup>28</sup> they face increased risks of livelihood loss and limited or no option of income replacement as lockdowns and travel restrictions continue.<sup>29</sup>



Figure 14: Potential Job Losses Resulting from Lockdowns in South Asian Countries (millions)



Source: UNESCAP-SANEM South Asia CGE Model Simulations, 26 May 2020

There has been a big drop in tourist arrivals in Bhutan and Nepal also due to COVID-19. Nepal received only 34,025 foreign tourists in March 2020, a sharp drop from 101,400 in February and 79,686 in January 2020.<sup>30</sup> Bhutan has suspended all tourism visas starting from 6th March onwards until further notice.<sup>31</sup> For Bhutan, as per preliminary reports the restrictions on tourism has resulted in livelihood concerns for around 50,000 Bhutanese workers in the sector, including hoteliers and tour guides.<sup>32</sup>

In the textiles, clothing, leather and footwear industries, the COVID-19 fallout has caused supply side disruptions, suppressed consumer demand and led to falling production and sales. In Bangladesh, cancellations in orders have led to revenue losses of around US \$3 billion, affecting some 2.17 million workers, 80 per cent of them women.<sup>33</sup> While the Bangladesh government came out with a credit facility worth US \$590 million in low-interest loans for factory owners, differences on the disbursement conditionalities have left majority of workers unpaid.<sup>34</sup> Without appropriate policy measures, workers especially in informal sectors and vulnerable employment face a high risk of permanently losing their livelihoods and falling into poverty.

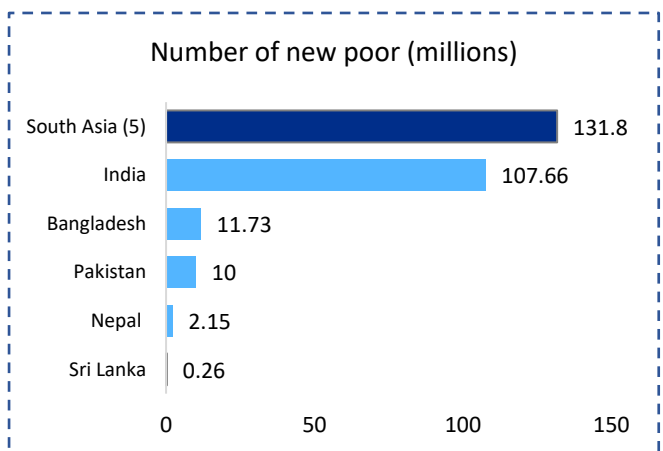
Across South Asia, a large proportion of youth are employed in non-standard forms of employment with temporary or part-time contracts or as gig economy workers involved in delivery of food and other essential services lacking employment protection or social security. In South Asia, almost 96% of young people are in informal employment lacking access to sickness benefits or paid leave or any other job security.<sup>35</sup> Younger workers with less experience and lower skills are at higher risk of being laid off or losing their jobs due to COVID-19 crisis in South Asia and young entrepreneurs could find it harder to access resources and networks to survive in difficult business

conditions. According to a rapid livelihood assessment conducted for Maldives, about 53% of those affected by COVID-19 related job or income losses were young people between the ages of 15-30 years.<sup>36</sup>

**....loss of jobs and livelihoods are pushing people into extreme poverty**

Loss of jobs and labour earnings especially for informal sector workers in the absence of social security tends to push them into extreme poverty. Fall out due to COVID-19 also makes people living just above the extreme poverty line susceptible to slipping back into extreme poverty. People living at the margin are susceptible to poverty traps through their accentuated risk of contracting infection as a result of existing poor health, limited access to water and sanitation facilities, poor access to medical care and testing and lack of universal health care. As a result of the direct and indirect effects of the pandemic in face of low overall preparedness, it is highly likely that the current rates of extreme poverty, in particular among vulnerable households and people living at the margins will increase even in the short term, representing a reversal of the notable progress in reducing poverty among South Asian countries.

Figure 15: Number of People that could be pushed into Extreme Poverty due to COVID-19 related measures



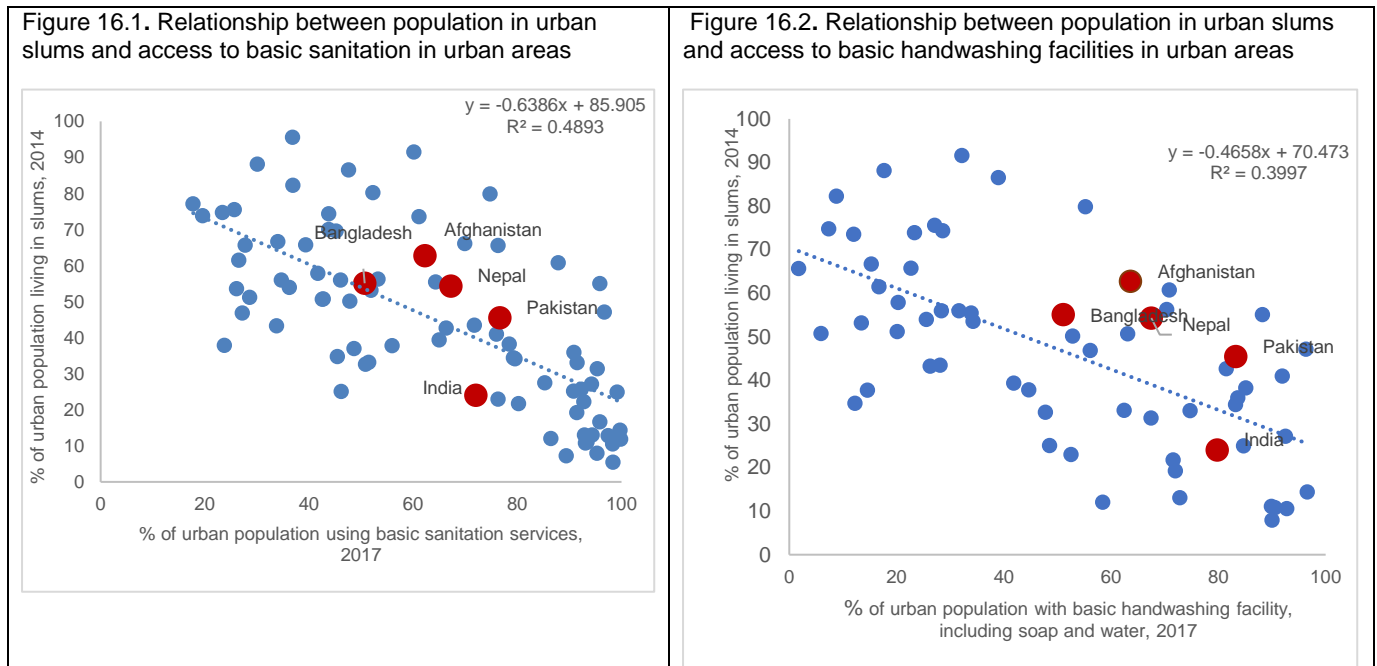
Source: UNESCAP-SANEM South Asia CGE Model simulations, 26 May 2020

Simulations carried out within the framework of the UNESCAP-SANEM CGE Model suggest that up to 132 million people may be pushed into extreme poverty (\$ 1.9/day poverty measure) due to the COVID-19 related measures in the 5 South Asian countries covered in the model (Figure 15). Again, India with 108 million, accounts for the bulk of the potential new poor in South Asia. Bangladesh, Pakistan and Nepal will account for the rest, with Sri Lanka having 260 thousand people potentially pushed into poverty. These estimates are broadly consistent with those of a recent UNU/WIDER study that has estimated that COVID-19 could push

between 40.5-209.2 million people in South Asia into extreme (\$1.9/ day) poverty.<sup>37</sup>

from basic deprivations regarding availability of soap and water for handwashing.<sup>39</sup>

Figure 16: Relationship between urban slums and basic sanitation facilities



Source: UNESCAP based on World Development Indicators, data accessed on 4 May 2020.

***Inequalities are likely to widen as vulnerable and marginal groups are affected more adversely....***

The impact of COVID-19 is likely to be magnified for certain sections of the population including slum dwellers, women, older persons and persons with disabilities.

***.....such as people living in urban slums***

People living in rural areas or in urban slums and informal settlements have limited access to basic services such as water, sanitation and healthcare.<sup>38</sup> Figures 16.1 and 16.2 show an inverse association between the proportion of urban population living in slum areas and access to basic sanitation and handwashing facilities. The high population density in these areas makes it very difficult, if not, impossible, to follow basic handwashing, hygiene and physical distancing practices advised during the COVID-19 outbreak, increasing transmission risks and leading to increased precariousness in living conditions.

In households lacking access to safe water, the burden of collecting, storing and managing water falls on women and girls, putting them at higher risk of contracting COVID-19. For instance, in Nepal and Afghanistan, women in around 80% of the households classified as poor reported traversing long distances to access health services. Close to 90% of people from the poorest groups in Nepal and Afghanistan and 70% in Pakistan and India suffered

People already living at the margins, for instance, migrant workers working as daily wage labourers in cities have a higher likelihood of losing their labour earnings with no other income buffers and could be pushed into relative poverty. At the same time, there would be compound effects on people living in urban poverty in South Asian cities facing income losses, stressed food systems, rising health expenses due to COVID-19 crisis, and without social protection as most social safety net programmes focus largely on rural areas.<sup>40</sup> Recent World Bank research indicates that the pandemic and the restrictive containment measures, may affect services sectors workers in South Asia in an uneven manner, with higher risks of unemployment for young people and workers with less experience and less education.

Female workers, workers in poorer households and in rural areas are at greater risk of being laid-off leading to more unequal outcomes of the crisis.<sup>41</sup> In Bangladesh, latest estimates on the rise in poverty rates due to COVID-19 induced income shocks reveals that highest concentration of newly poor would be in activities of informal nature such as crop production, animal husbandry and fisheries at 43%, 16% in manufacturing activities including the readymade garments (RMG) sector, 11% in retail trade, 10% in transport, and 7% in construction.<sup>42</sup>

### **....including through disproportionate impacts on women**

Given the persistent pre-existing gender inequalities across the region, women are disproportionately affected by the COVID-19 pandemic<sup>43</sup> in terms of greater risks of income loss, increased burden of unpaid care work, higher exposure risks due to overrepresentation of women in health and services sectors,<sup>44</sup> threats to food security (including for girl children) due to unequal food sharing, household asset depletion, and gender-based violence.<sup>45</sup> The pandemic exacerbates the persistent structural inequalities in South Asia and perpetuates strong-rooted discriminatory gender norms, thereby compounding the widespread inequalities in access to health care, education and social protection that already exist. In Pakistan, for instance, only 55% of women have access to adequate healthcare and restricted mobility affect their affects timely treatment for COVID-19 who carry the additional burden of domestic work and preventive care reportedly falling on women during disease outbreaks.<sup>46</sup>

In South Asia, the share of women's employment in informal sector including in agriculture is high, at almost 91 per cent.<sup>47</sup> Women's jobs are concentrated in sectors hardest hit by COVID-19, such as manufacturing, textiles and readymade garments, hospitality and tourism. Women often work in vulnerable conditions as domestic workers, daily wage workers and contributing family workers with no income security or social insurance. Among workers in the informal economy severely affected by the crisis, 42% of women are represented in the sectors that have been most severely impacted by the COVID-19 pandemic.<sup>48</sup> For instance, 90% of women workers in India and Nepal work in the informal sector, as domestic workers, construction workers, petty vendors, home-based producers, etc.<sup>49</sup>

With an estimated more than 50 million home-based workers in South Asia, majority of them women, most have reported being negatively affected by the crisis, either through loss of income or business closures.<sup>50</sup> A survey undertaken by the Self-Employed Women's Association (SEWA) among their members in 20 different trades reported income loss and subsistence related concerns among all of them.<sup>51</sup> With implications on access to credit, raw materials and markets in the face of the crisis, many women entrepreneurs, especially MSMEs in South Asia will be forced to close their businesses, all of which could have repercussions for economic empowerment of women in the subregion with low female labour force participation rates at 23.3% in 2018.

Measures undertaken by Governments in response to the pandemic such as quarantines and closures of schools are likely to lead to additional domestic responsibilities for women. For instance, a rapid

assessment survey in Maldives revealed that 22% of women reported an increase in additional unpaid domestic work due to COVID-19 effects as compared to 13% men.<sup>52</sup>

With gender gaps in most financial access indicators-for instance, 64% of women in South Asia had a bank account in 2017 compared to 73% of men<sup>53</sup> - and other asymmetries in accessing information and formal networks, women-led MSMEs in South Asia could be at a disadvantage in applying for targeted relief and support measures such as low interest loans, deferred payments and tax exemptions. Furthermore, women are less likely to have access to devices, technologies and online platforms compared to their male counterparts given the lower mobile phone ownership rate of women at 62% in South Asia and with 219 million women who remain unconnected by mobile phones.<sup>54</sup> Women were also 58 per cent less likely to use mobile internet than men.<sup>55</sup> In this context, women-led MSMEs in South Asia could benefit from training and capacity building for greater reliance on enabling modern ICT technologies such as e-commerce and digital marketing platforms to recoup, reactivate and revitalize businesses in the post-COVID-19 world.

More than 37% of women in South Asia having reported intimate partner violence, women and girls face increased risk of gender-based violence during the COVID-19 emergency as loss of livelihoods, economic pressures, food insecurity and forced proximity due to lockdown aggravates pre-existing intra-household inequalities.<sup>56</sup> For example, there were reports of doubling of domestic violence complaints in the first week of lockdown in India and 49% of women and girls surveyed in Bangladesh identified safety and security related risks during the lockdown.<sup>57</sup>

### **.....and through affecting the learning outcomes for children and employment prospects of youth**

School closures as a result of the pandemic could have disruptive effects on children belonging to disadvantaged sections unable to use remote learning or distance learning tools, due to the digital divide. Data suggest that the COVID-19 pandemic will have substantial impacts on student learning, where students in low income countries and belonging to low income regions and families within countries will be the most negatively affected due to limited access of digital options, including internet access and quality of digital delivery.

In South Asia, the share of youth who are not in employment, education or training (NEET) is estimated at 30.5% in 2019, totalling about 107 million young people who have none or limited opportunities to go to university or work.<sup>58</sup> The current COVID-19 crisis has caused disruptions in education and learning after the closure of schools and universities

across most South Asian countries with potential medium and long-term consequences on the quality of education and adverse impacts on the recruitment/hiring prospects of youth.

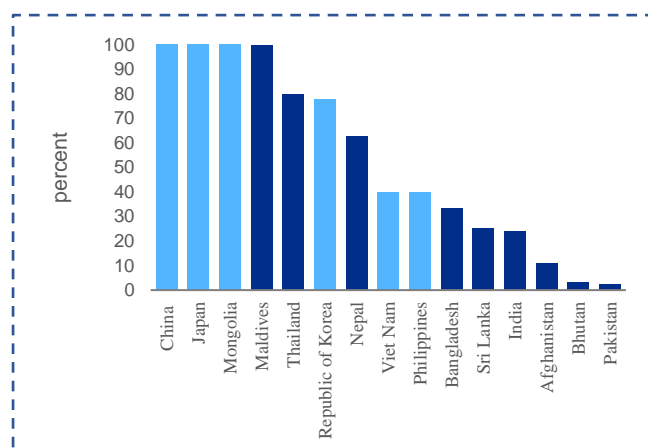
People belonging to different vulnerable groups such as girls, children of migrant workers, children in conflict prone regions and refugees and youth risk being more severely affected.<sup>59</sup> Despite tremendous increase in access and coverage of digital services in South Asia, significant gaps exist in access and ownership of mobile phones and internet between countries, among households, between rural and urban populations, men and women and between persons with and without disabilities. For instance, in South Asia, in 2018, 220 million people were not covered by mobile broadband networks. In addition, those living in rural areas were 45% less likely to use the mobile internet than those in urban areas.<sup>60</sup>

**.....increasing the vulnerability of older persons, persons with disabilities and migrant workers**

The COVID-19 crisis poses additional vulnerabilities for older persons, persons with disabilities, and migrant workers. Older persons are at increased risk of COVID-19 related complications and mortalities with pre-existing conditions related to ill-health and impoverishment. Older persons are also more susceptible to adverse socio-economic impacts of COVID-19 because of limited financial security and often, greater dependence on caregivers and family members for their needs, even to access information related to the pandemic. Social distancing is leading to increased isolation and social exclusion of older persons, undermining their mental and physical health. The older population in South Asian countries (except for Maldives and Nepal) have very low effective social protection coverage compared to other countries in Asia-Pacific<sup>61</sup> (Figure 17). While this is relevant for all countries, for countries with ageing population such as Sri Lanka in the subregion, it would have implications on palliative care needed and appropriate policy responses to the pandemic.

UNESCAP research indicates that persons with disabilities face higher poverty rates compared to the general population to the tune of 20.6%, and persons with disabilities are two to six times less probable to be employed than those without disabilities. Persons with disabilities face greater challenges in accessing health care, education and other essential services, usually due to mobility and affordability issues. This makes persons with disabilities more vulnerable to the negative impacts of the COVID-19 pandemic, with heightened health, poverty and livelihood risks; thereby requiring disability-inclusive policy response to the crisis.<sup>62</sup>

Figure 17: Proportion of older persons receiving pensions in select Asia-Pacific countries



Source: UNESCAP based on ILO, World Social Protection Database [June 2017]. Available from <http://www.social-protection.org/gimi/gess/RessourceDownload.action?ressource.ressourceId=54610>

Note: \*latest year varies for different countries; includes contributory and non-contributory old age pensions

Migrant workers, especially daily wage workers are among the hardest hit due to sudden halt in economic activities- leaving thousands of workers without (mostly informal) jobs, livelihoods and in conditions without access to basic facilities, putting them at greater contagion risk. India has around 139 million internal migrant workers employed in sectors like construction, hospitality and manufacturing. The apparel sector in Bangladesh has about four million workers, majority of them, migrants from different parts of Bangladesh. Early assessments have suggested that the lockdown impacted jobs and livelihoods of 40 million internal migrant workers in India with economic distress for their families and rural communities, pushing them to scale long distances on foot to reach their rural habitations in the face of suspension of transport.<sup>63</sup> Similar sufferings have been documented of thousands of migrant workers employed in apparel sector in Bangladesh and in Nepal.

**Rising food insecurity resulting from food chain disruptions could have long-term consequences on health outcomes...**

The COVID-19 pandemic has already caused some disruptions in activities related to agriculture and supply chains due to unavailability of seasonal workers, transport restrictions and so on. The short-term shocks generated by the pandemic have the potential to generate complex intersections with malnutrition and food insecurity with long-term impacts on health outcomes, especially of women and children.<sup>64</sup> As per latest World Food Programme (WFP) projections, the impact of COVID-19 could



push the number of people facing acute food insecurity by 130 million to rise to 265 million in 2020, compared to 135 million in 2019.<sup>65</sup> Afghanistan, being one of the ten most affected countries facing food crises with at least 35% of their populations in a state of acute food insecurity in 2019 would be severely hit by the current COVID-19 crisis with travel restrictions having implications for aid, border closures with Pakistan causing rise in food price volatilities and large number of Afghan returnees from Iran exacerbating the food crises of communities losing remittance inflows from the migrant workforce.<sup>66</sup>

Inadequate food availability and even temporary spikes in food prices as the pandemic rages across South Asia, can result in widespread food insecurity and starvation for large segments of the population living near the poverty line and relying on informal, casual work that has been hit by the crisis. Prices of wheat flour and cooking oil soared in Afghanistan rising by 23% due to supply shortages and similarly, in Pakistan as people resorted to panic buying over reports of an impending lockdown.<sup>67</sup> Food prices of staples, except cereals in India surged three times higher in the first week of April compared to March due to supply bottlenecks and transport restrictions.<sup>68</sup> In Bangladesh, the price of rice was at its highest in two years in April during the nationwide lockdown.<sup>69</sup> This sudden increase in food expenses can be catastrophic for millions of poor households in rural and urban areas, especially economically vulnerable groups, such as daily wage workers and informal workers already grappling with loss of incomes and livelihoods.

In South Asia, with limited capacities of health and food systems, communities and households are inadequately prepared to respond to nutritional challenges that COVID-19 could pose. The crisis could have wide-ranging negative impacts on the nutritional status of vulnerable groups, especially women and children both during and in the aftermath of the crisis. This could happen through multiple mechanisms such as income effects due to loss of income and unemployment arising out of government-mandated lockdowns and quarantines; school closures affecting school feeding programmes; breakdown of food markets due to demand and supply shocks and diversion of resources from nutrition boosting measures to COVID-19 mitigation measures. More than seven million children in Afghanistan face hunger in the midst of COVID-19 induced food shortages and price

volatilities while about one-third of its population might face acute food shortages over the next few months.<sup>70</sup> A recent survey in Bangladesh showed that 32% of rural households have cut-down their food intake due to the COVID-19 related economic shock.<sup>71</sup>

For many households in South Asia, loss of access to income means loss of access to food and in the face of income declines caused by the pandemic, vulnerable households could be forced to forgo nutrient-rich foods such as dairy, egg, and vegetables and look for cheaper less nutritious substitutes with adverse effects on dietary quality and malnutrition in children. Around 368 million children globally may miss school meals due to closures in response to COVID-19, out of which an estimated 3 million children in South Asia are no longer receiving school meals due to closures which could have adverse effects on nutrition, especially of girl children given skewed intra-family dynamics resulting in increased rates of stunting.<sup>72</sup>

COVID-19 mitigation measures and re-orientation of public health systems (for instance, expanding dedicated COVID-19 hospitals) and redeployment of auxiliary health workers (Accredited Social Health Activists or ASHA and Anganwadi workers in India) to deal with the ongoing crisis could have indirect effects on healthcare system, in terms of transient declines in nutrient supplementation programmes and antenatal, neonatal, and essential maternal, infant and child healthcare services, resulting in adverse consequences for maternal and child health.<sup>73</sup>

The implications of COVID-19 pandemic on food systems makes it critical for governments across South Asia to respond in adequate and effective measure through food distribution and safety net programmes to ensure price stability and food access for vulnerable groups severely affected by the crisis-displaced migrant workers, young children, pregnant and lactating women and older persons. Government relief measures during the pandemic must be linked to long-term policy response to food and nutrition security, including through expansion of food-based safety net programmes (*Khaddo Bandhob* in Bangladesh) and integrated nutrition programmes (Integrated Child Development Services (ICDS) in India) to ensure that goals related to ending hunger (SDG 2) do not take a backseat.<sup>74</sup>

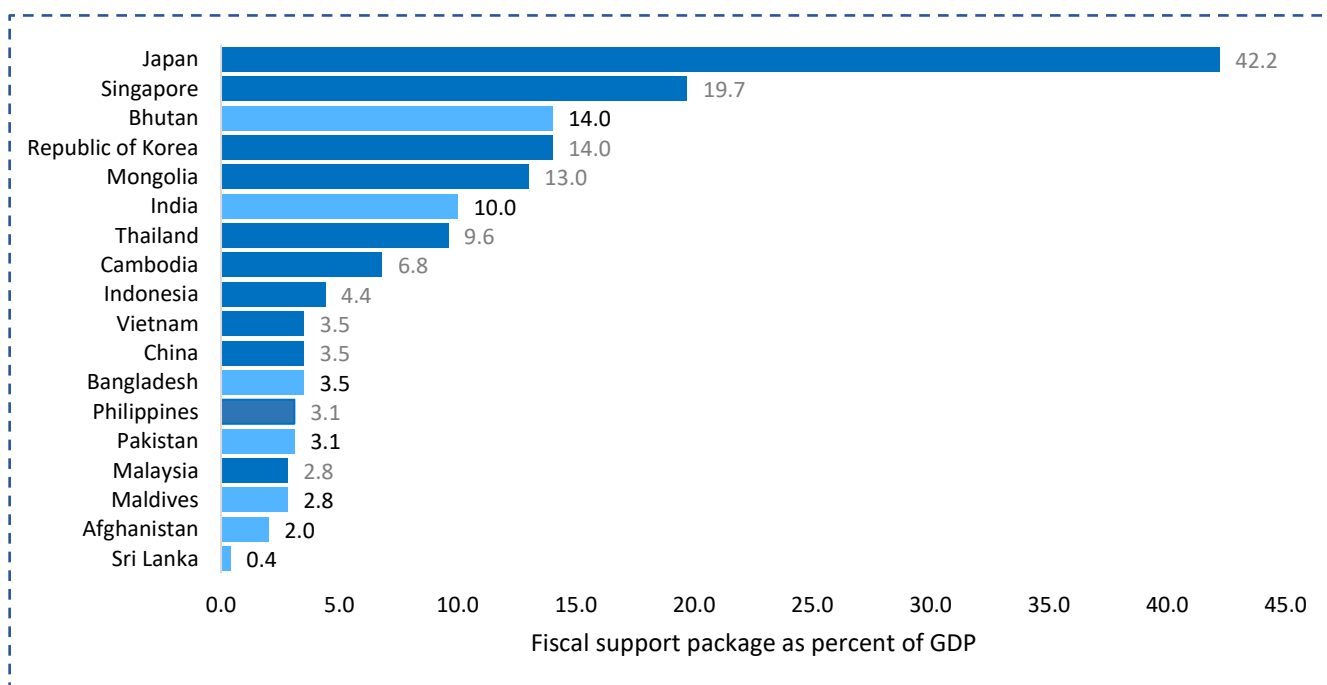
## 4. National Strategies to Mitigate the Socio-Economic Impacts and Build-back Better

By now it is clear that the socio-economic crisis resulting from COVID-19 is totally unprecedented and of mammoth proportions, unlike any other since the Great Depression. South Asian countries are witnessing more severe impacts in terms of job losses, poverty, hunger, and inequality, given prevalence of high degree of informality and low coverage of social safety nets. Such monumental impacts also call for equally gigantic responses to counter them.

South Asian countries have been quick to respond to the crisis with short-term macroeconomic policy responses and social assistance measures. Fiscal measures have been aimed at increasing resources for the health sector, relief and social assistance for affected people through income and cash transfers,

wage support and in-kind assistance and food vouchers, provided for deferred payments for taxes, rents, interest payments and public utilities along with monetary policy easing for liquidity infusion to safeguard production capacity and economic activity. Monetary authorities have taken measures to ensure adequate liquidity and stability of financial system through reductions in monetary policy interest rates and lowering of reserve requirements. Liquidity support measures have been announced for financial institutions and non-banking financial intermediaries along with intervention of the central banks of South Asian countries in the foreign exchange markets to prevent exchange rate volatilities. UNESCAP COVID-19 stimulus tracker summarizes some of the important economic relief and social protection and income support related policy measures undertaken

Figure 18: COVID-19 related fiscal measures as percent of GDP, selected countries



Source: Based on UNESCAP COVID-19 Stimulus Tracker (<https://www.unescap.org/covid19/policy-responses>); IMF Policy Tracker (<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>); ADB COVID-19 Policy Database (<https://covid19policy.adb.org/policy-measures>) and various national sources.

Note: Figures based on latest available information for countries as on 4 June 2020; results are indicative only and not for comparisons across countries as their compositions vary.

by countries in South Asia in response to the socio-economic aspects of the crisis.<sup>75</sup>

Along with these immediate emergency response measures to contain the crisis, countries in South Asia would need to have broad-based and inclusive medium-term interventions to initiate recovery and more sustainable and resilient long-term strategies for greater resilience and “build back better.” Questions have been raised as to the adequacy of government stimulus measures considering the magnitude of the economic collapse and social impacts facing the South Asian countries. The most ambitious is the US\$ 2.18 trillion package announced by Japan in two tranches adding up to over 40% of GDP. As apparent from Figure 18, the South Asian stimuli are in general comparatively quite small as a proportion to GDP, (barring Bhutan with one of the largest packages in Asia-Pacific region).

The adequacy of fiscal support measures has to be assessed against their overall magnitude of impact and with specific focus on sectors, workers and population groups most affected by the crisis; coupled with immediate and medium-term and intergenerational impacts on poverty, food security, nutrition and other development outcomes. For instance, in India’s case, along with the government package some additional areas of intervention have been identified to address food security and nutrition through universal coverage of the public distribution system, uninterrupted deliveries of rations and diversified protein-rich meals under school feeding and integrated nutrition programmes, higher cash transfers (at least US \$40 per month for next three months) and food rations for informal sector workers and migrant workers who have been hardest hit by the pandemic.<sup>76</sup> The Indian government has recently announced a comprehensive fiscal package of USD 266 billion (roughly 10% of GDP covering both fiscal and monetary measures) to address the needs of different sections such as migrant workers, small vendors and farmers and boost credit offtake especially in the MSME sector.

This would require scaling up of government relief packages in all South Asian countries for expanding the expenditures on social safety nets and social assistance to stabilize loss of incomes and livelihoods and avoid exclusion errors. Fiscal support measures have to be complemented by monetary policy measures to ensure liquidity and stability of the banking system and targeted support to MSMEs and other businesses to access cheaper credit. In what follows, the nature and scale of the measures needed is outlined.

### Building back better through a large, people-centred, inclusive and sustainable stimulus

For mitigating an unprecedented and gigantic crisis, the relief and stimulus packages will need to be also gigantic and unprecedented. The UNESCAP-SANEM Model simulation results on the scale of the stimulus needed to mitigate the socio-economic impacts that South Asian countries have suffered from, summarized in Figure 19, suggest that India, Bangladesh, Pakistan and Nepal would need substantial stimulus packages varying between 7-14% of GDP while Sri Lanka may do with a package of roughly 2.5% of GDP. The estimated scale varies depending upon the initial conditions and magnitude of impact. These may appear to be too high at 14% for India. However, to survive an unprecedented once-in-a-century kind of catastrophic event like the COVID-19 pandemic, no cost is too large. An obvious question is how to finance such a large scale of funding, which is discussed later.

The focus of these packages will need to cover health response, social response and economic recovery. Packages in line with the 2030 Agenda for sustainable development and the Paris Agreement targeting investments in broad based employment generating economic activities, supporting new livelihood transitions for affected workers and critical public good like social protection and expansion of health care services, while enhancing sustainability and climate resilience, would be important. The COVID-19 pandemic has led to some temporary but unexpectedly positive environmental impacts through reduction in carbon emissions, rejuvenation of water bodies and improvement in air quality. This provides opportunities for South Asian countries to promote more long-term sustainable growth paradigms through stimulus packages-- for instance, incentives for greening their supply chains, transport and logistics networks, clean energy transitions, energy

Figure 19: Estimated scale of the fiscal stimulus needed to mitigate socio-economic impacts in South Asia (% of GDP)

	Economic Revival	Social Protection	Public Health Infrastructure	Total
<b>Bangladesh</b>	5	3.5	2.5	11
<b>India</b>	7	4	3	14
<b>Nepal</b>	3.5	4	1.5	9
<b>Pakistan</b>	2	3	2	7
<b>Sri Lanka</b>	1	1	0.5	2.5

Source: UNESCAP-SANEM South Asia CGE Model Simulations conducted on 1 June 2020

efficiency measures and smart work-mobility practices-- to accelerate their transition to low-carbon pathways and fulfil their commitments on climate change under the Paris Agreement.<sup>77</sup> Key priorities for these measures are summarized below.

### **Saving Lives through strengthening public health infrastructure**

The pandemic has exposed the gaps in the public health infrastructure of South Asian countries (section 2). As a result, the health facilities were under-equipped and have been overwhelmed in dealing with the crisis. This is a direct consequence of underspending over the years on building public health infrastructure. The South Asian average at 0.89% of GDP is very small compared to the global average of 5.8% and the East Asian countries average of 4.5% (Figure 3). Because of the gaps in the public health infrastructure, a high proportion of the health expenditure is borne by the individuals who are sometimes pushed into poverty by heavy burden of medical treatment costs when struck by a serious health issue. India has launched *Ayushman Bharat* scheme-world's largest health insurance- to provide health cover eventually to 500 million people (it has covered more than 10 million people already). World Health Organisation (WHO) has recommended its rapid implementation in the context of COVID-19 with focus on primary healthcare and community engagement.

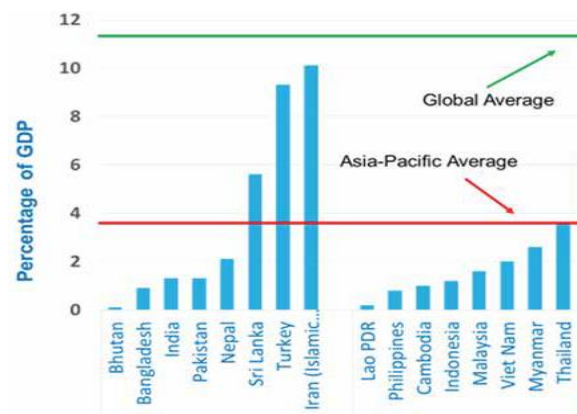
South Asian Governments have lined up resources to deal with the health emergency caused by the outbreak of the pandemic. Afghanistan has allocated about 0.1% of GDP for critical health needs such as testing centres, care centres and special wards and procurement of medical supplies and plans to spend an additional 0.67% of GDP for health spending for COVID-19. Bhutan has allocated 2 billion in local currency for health-related spending and has fast-tracked a USD 5 million COVID-19 project with World Bank for pandemic response and public health preparedness. In the initial phases of the pandemic, India allotted 0.1% of GDP towards health infrastructure, including testing facilities, personal protective equipment, isolation beds, ICU beds and ventilators supplemented by insurance coverage and incentives for health workers. Sri Lanka too allotted 0.1% of GDP towards emergency health response for quarantine and other containment measures.

A part of the package, therefore, should be devoted to closing the gaps in public health infrastructure and annual spending should increase over time to reach the East Asian levels and target universal health care. This would not only help in addressing the most immediate challenge of saving lives from COVID-19 but will also prepare the subregion to deal with future pandemics besides accelerating achievement of SDG 3 (good health for all). Increased public investment in healthcare with focus on universal health coverage is also critical to address widespread inequities in access to healthcare based on spatial and income differentials, and to treat people in a subregion overburdened with prevalence of non-communicable diseases and preventable deaths.

### **Enhanced social protection for livelihood security**

The pandemic crisis has also exposed gaps in scope and coverage of social protection in South Asia. As the Figure 20 shows, South Asian countries except for Sri Lanka spend much smaller proportion of their GDP on social protection, which is much lower than not only the global average but even the Asia Pacific average. Because of lack of universal social protection, hundreds of millions of migrant laborers, daily wage earners and informal sector workers faced income losses and starvation in South Asia, following the lockdowns and other containment measures.

Figure 20: Spending on Social Protection in South and Southeast Asian Countries



Source: UNESCAP (2020c) based on ILO (2017).

Universal social protection systems play the role of automatic stabilizers in the event of any crisis or threat to the livelihoods, by providing basic income security helping to reduce the prevalence of multidimensional poverty. Social protection systems need to be strengthened to support vulnerable populations and enhance people's capacity to manage and overcome shocks and mitigate negative impacts on welfare. Social sector spending has been through budget reallocations for the health sector, including setting up dedicated healthcare units for COVID-19 patients, production of critical medical equipment and medicines to mount emergency response for the pandemic, and social assistance for people badly affected by the crisis including the migrant workers by means of income transfers, wage support and in-kind assistance and food vouchers.

In the immediate term, the South Asian governments can rapidly scale up the existing social protection programmes to save livelihoods. India, for instance, could scale up the National Rural Employment Guarantee Act (NREGA) to cover more people, expand the maximum number of days covered beyond 100 days in a year, and extend it to the urban poor. For Bangladesh, expanding the unconditional cash transfer programme with monthly transfers of formal sector linked minimum wages (USD 95 per month) and cash and food for work programmes in



rural and urban areas would be helpful.<sup>78</sup> Pakistan could expand the coverage of the Benazir Income Support Programme (BISP) and the *Ehsaas* emergency cash programmes to cover more vulnerable urban and rural groups to curb hunger and poverty using digital technologies, community structures and alternative models to protect marginalized groups' during the pandemic.<sup>79</sup> When the pandemic abates, the South Asian governments need to build on these national programmes to move towards universal social protection systems.

### **Green, inclusive and gender-sensitive programmes to address multiple and intersecting deprivations**

To augment aggregate demand, South Asian countries could consider launching massive programmes of reforestation and environmental friendly public spaces, waste recycling, waste-to-energy, micro-hydel projects, home-solar systems, climate-smart and organic farming practices, among others that would help to decarbonize the economies while generating jobs and creating public goods of long-term value.

South Asian countries need to ensure that COVID-19 emergency and mitigation measures proactively target the vulnerable, marginalized and those left behind. South Asian countries need to expand existing pro-poor interventions across affected sectors, including for food security, social security, health systems and education. The focus needs to be on those furthest behind, facing multiple and often intersecting vulnerabilities and limited coping capacities or at risk of falling into poverty in the aftermath of the crisis. In the face of the pandemic, where human and social costs of exclusion are high, countries need to be more agile in responding to the effects of the pandemic and streamline their responses through decentralised, community-based delivery mechanisms and universal targeting of social benefits to protect vulnerable populations.<sup>80</sup>

Initial assessment of social protection initiatives adopted by 133 countries in response to COVID-19 as of 17 April 2020 revealed that only 11% were gender-sensitive in nature. Not taking into consideration gender-sensitivity in COVID-19 response policies and social protection schemes could reinforce gender inequalities.<sup>81</sup> Gender-sensitive programming through gender-disaggregated data, ensuring uninterrupted access to maternal and child health services, sexual and reproductive health services, expanding health insurance coverage for women, incentives for girls for re-enrolment in schooling to minimise drop-outs, targeting women in household transfers etc., need to be explored for devising more inclusive and equitable social policies with long-term approach.

About 1 billion people in South Asia lack access to clean cooking fuels.<sup>82</sup> While detailed scientific data on COVID-19 is still emerging, it appears that exposure to poor air quality is a major risk factor for mortality from the novel coronavirus. In this context, provision of clean cooking in rural areas of South Asia has important health impacts in the context of COVID-19 and other respiratory diseases, along with better energy security. As part of its national response, India is providing free LPG cylinders for three months from April to June for poor households under the existing *Pradhan Mantri Ujjwala Yojana*.

### **Harnessing new opportunities through re-skilling of the workforce**

While the pandemic is leading to massive job losses and has particularly affected certain sectors like tourism and hospitality much more adversely, it has also created new job opportunities in sectors such as e-commerce, robotics, health services and IT and IT enabled services (ITES). As South Asian countries emerge from lockdowns, governments need comprehensive and granular analysis of the skills and professions that are at risk of redundancy and move rapidly to re-skill their workforce with investments in digital literacy and skilling towards future growth sectors.<sup>83</sup> It has been shown that an estimated 54% of South Asian youth do not have the requisite skills needed for employment in modern workplaces requiring digital and soft skills.<sup>84</sup> With nearly 50% of South Asia's population being below the age of 24, South Asia will have the largest youth labour force in the world till 2040, led by India, Pakistan and Bangladesh. A massive programme of reskilling and skill development of South Asia young workforce, including through a large programme of government funded internships in companies, would pay rich dividends in the context of potential relocation of manufacturing by multinational enterprises (MNEs) as discussed above in the post-COVID-19 scenario and for accelerating their own structural transformation in the 4<sup>th</sup> Industrial Revolution (IR4.0).

### **Inclusive and sustainable urban spaces**

The pandemic has also exposed the unsustainable nature of South Asia's urban landscape. As observed above, COVID-19 has been spreading rapidly in the overcrowded unhygienic conditions in the urban slums of Karachi, or Asia's largest slum, *Dharavi* in Mumbai, or *Koiraal Bosti* in Dhaka, causing a threat to the entire population. South Asia's urban areas have very high proportion of population living in slums (Figure 21) and this proportion has not declined over the years. In India, for example, the share of slum population in India fell only marginally from 18.3% to 17.4% between the 2001 and 2011 censuses. Similar trends have been observed in Pakistan, Nepal and Sri Lanka. Although Bangladesh has managed to reduce the proportion of slum dwellers, it still has one of the highest proportions of slum dwellers in South Asia.



The challenge provided by the pandemic should be turned into an opportunity to promote decentralized urban governance structures could enable several smaller sustainable cities to grow, build greater resilience through relying on local supply chains, local actors as change agents and thereby, reduce concentration in a few dense urban centres.<sup>85</sup> It calls for a re-configuration of the urbanization strategy in South Asian cities around long-term, multi-sectoral, integrated approaches to sustainable and resilient urban growth tailored to the needs of the urban poor. Such an urban strategy must specifically address the needs of migrant labour and their families also enabling them to live decent lives. The urban strategy should also pay attention to a new more sustainable pattern of urban mobility and public transport in South Asian cities by revisiting city planning concepts with introduction of exclusive bicycle lanes and walkways, improvement of surrounding environment, interconnected parks that would induce more active mobility.

Figure 21: People living in slums as proportion of total urban population in South Asia (latest year)

Country	People living in slums (% urban population)	Year
Afghanistan	63	2014
Bangladesh	55	2014
Bhutan	70	1990
India	24	2014
Nepal	54	2014
Pakistan	46	2014
Sri Lanka	25	1990

Source: UNESCAP based on World Bank (database mdgs.un.org)

### Re-igniting South Asia's growth engines

Beyond saving lives and livelihoods, the most urgent need will now be to revive the economy, as the lockdowns are being eased gradually. As observed earlier, MSMEs form the backbone of the South Asian economies in terms of jobs, income creation and exports. They have suffered badly with the disruption of value chains, return of migrant workers to their homes, collapse of demand and cancellation of orders. They need to be provided immediate infusion of funds to revive their businesses which in turn will restore the jobs that they had created, while following the new norms of social distancing, and other standard operating procedures. The governments can also support them through deferred payments of taxes, rents, interest payments and public utilities and encourage monetary policy easing to infuse liquidity to sustain production and generate economic activity. Monetary authorities have taken measures to ensure adequate liquidity in the financial system through reductions in policy rates and lowering of reserve

requirements. Temporary relief measures have been announced for financial institutions and non-banking financial intermediaries to prevent liquidity mismatches and prevent insolvencies. Central banks of South Asian countries have also intervened in the foreign exchange markets to prevent exchange rate volatilities.

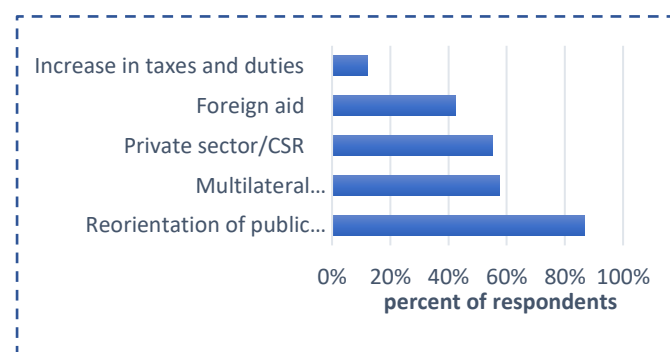
Apart from supporting MSMEs, the fiscal stimulus could also assist in generating demand including through closing the infrastructure gaps especially by building large scale sustainable and resilient infrastructure. This will help in reviving aggregate demand while also strengthening the longer-term sustainable development basis of their economies. The other important priority would be to close any gaps in the digital connectivity and broadband networks to ensure that all sections of the society including school children have access to online learning tools.

The pandemic has also exposed the risks of heavy dependence on a few countries for global supply chains of key products. As the western and Japanese multinational enterprises (MNEs) reconfigure their value chains as a part of derisking and diversification strategies, South Asian countries could offer themselves as potential venues for new offshore locations, which could also assist them to diversify products and markets of their exports. For this, however, they will need to create a conducive investment climate with appropriate policy incentives, improved infrastructure, skilled manpower base, and strengthened transport connectivity for efficient production and reduced cost of trade within and beyond the subregion.

### Financing of the Fiscal Stimulus Measures

Given the relatively small fiscal spaces, as observed in Section 2, the South Asian governments will have

Figure 22: Sources of Funds for Managing COVID-19 Crisis in South Asia



Source: UNESCAP-SSWA Rapid Response Survey

to explore different opportunities for financing the large stimulus packages needed to overcome the crisis.

The UNESCAP Survey indicated reorientation of public expenditures; greater recourse to multilateral banks and organizations and foreign aid; more participation of the private sector including expanding CSR; and increase in taxes among the possible sources (Figure 22).

### ***Exploiting the fiscal space***

South Asian countries need to exploit any fiscal space at their disposal for sustaining the large stimulus packages including through reorienting the public expenditure. Given their heavy dependence on imported hydrocarbons, the falling crude prices have also created opportunities for expanding fiscal space for South Asian countries by increasing taxes on fuel and remove subsidies. In the medium term, the fiscal space could also be enhanced by increasing tax to GDP ratios that tend to be very low in South Asia, as observed in Section 2, including through enhancing tax compliance, expanding the tax base and through new and innovative taxes. Governments may also consider imposing additional COVID-19 cesses on existing sources of revenue or on luxury items, where possible. Yet large fiscal support measures could lead to increases in fiscal deficits and widen debt levels in many countries, albeit temporarily. This could negatively affect their sovereign credit ratings and in turn, impact their abilities to borrow from foreign markets.<sup>86</sup> The latter could be forestalled through announcement of credible strategies to return to fiscal prudence targets once the crisis abates. Given the deflationary conditions, there is little risk of higher fiscal deficits pushing inflationary expectations. Revival of the economic activity will eventually lead to higher revenues helping in fiscal consolidation. Stronger coordination between fiscal and monetary authorities is also critical to finance the stimulus packages and to ensure that resources are effectively channelled to productive sectors, economic actors and households in need of support.

### ***Leveraging voluntary donations, philanthropy and corporate social responsibility***

Among the other options to generate revenues for funding the stimulus programmes include attracting voluntary donations to COVID-19 related funds established by the governments or credible civil society actors. Philanthropy and corporate social responsibility funds could also be leveraged to augment resources.

### ***International cooperation: Multilateral and bilateral assistance***

The international financial institutions including the IMF, the World Bank, regional development banks and bilateral donors can play an important role by making additional resources available to the Governments for meeting their requirements for the stimulus packages. They have got into action and

have mobilized quick disbursing loans and assistance. World Bank, for instance, has extended fast track COVID-19 support of \$2.540 billion to 8 South Asian countries that includes \$100 million each to Afghanistan and Bangladesh, \$200 million to Pakistan, \$128 million to Sri Lanka, \$29 million to Nepal, \$7.3 million to Maldives and \$5 million to Bhutan and \$2 billion to India. Asian Development Bank (ADB) COVID-19 has also provided support amounting to \$250 million for Nepal, \$1.5 billion for India, \$20 million for Bhutan and \$600,000 for Sri Lanka. The newly established multilateral banks have also begun providing support to South Asian countries with AIIB lending \$500 million to India and \$250 million to Bangladesh. India has also received \$1 billion from the New Development Bank of BRICS. IMF has extended \$244 million under Rapid Credit Facility (RCF) and \$488 million Rapid Financing Instrument (RFI) to Bangladesh, and \$214 million to Nepal and \$28.9 million to Bhutan under RCF. Afghanistan and Nepal have also received support under debt service refinancing from IMF.

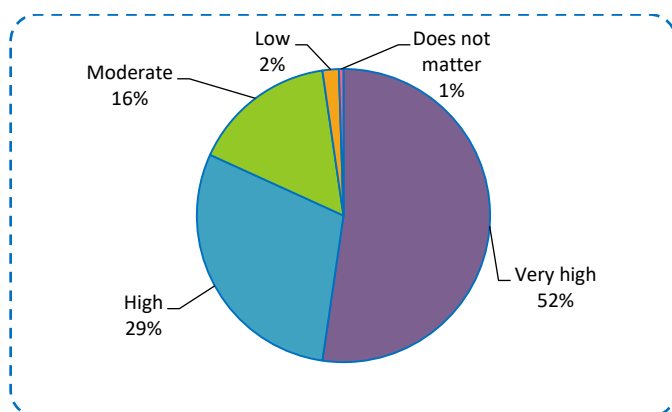
While international financial institutions have begun to support the South Asian countries among their other members, massive needs of developing countries would require some out-of-the-box solutions to make a significant difference to resource mobilization. In that context, issue of additional Special Drawing Rights (SDRs) of the order of US\$ 1 trillion by IMF to facilitate easing of liquidity challenges faced by developing countries has been proposed.<sup>87</sup> However, so far there has not been an agreement among the IMF shareholders on this proposal. Another discussion has been on debt restructuring and debt cancellation of developing countries in this period of crisis, which may be particularly helpful for some South Asian countries such as Pakistan, Sri Lanka, and Maldives. However, the G-20 Finance Ministers at their virtual meeting held on 15 April 2020 endorsed a suspension of debt service payments between 1 May 2020 till the end of 2020 for the poorest countries that will benefit four Least Developed Countries (namely Afghanistan, Bangladesh, Bhutan, Nepal) and Pakistan (as International Development Assistance (IDA) eligible country) in South Asia.<sup>88</sup>

The outlook for bilateral assistance for addressing the COVID-19 challenge remains clouded given that most of the developed countries are themselves severely affected by the pandemic, although it may have helped small countries like Maldives tide over the most immediate liquidity challenges. The US has announced US\$ 174 million assistance to 64 countries<sup>89</sup> that includes \$2.9 million to India, \$1.3 million to Sri Lanka, \$1.8 million to Nepal, \$3.4 million to Bangladesh and \$5 million to Afghanistan to help them fight the pandemic. Other developed countries may also announce their assistance for developing countries.

## 5. South Asian Cooperation for Building Back Better

As the pandemic transcends the national boundaries, it provides scope for regional and subregional cooperation. The UNESCAP-SSWA Survey also highlighted strong role for regional cooperation with 81% respondents finding such cooperation to have high or very high impact in dealing with the pandemic (figure 23). The COVID-19 pandemic has already brought the South Asian countries together. The South Asian leaders have held a virtual meeting on 15 March 2020, to discuss the modalities for cooperation in fighting the pandemic. Leaders of BIMSTEC have also expressed their commitment to strengthen their cooperation to combat the impact of COVID-19 pandemic together. Greater regional cooperation among South Asian countries is critical not only to manage the COVID-19 crisis, the effects of which are still unfolding, but also to recover from the crisis in a sustainable manner and to build back better. Hopefully the revival of the SAARC process in the wake of COVID-19, besides BIMSTEC, BBIN (Bangladesh, Bhutan, India and Nepal), UNESCAP, and bilateral channels between South Asian countries, would help harness the full potential of subregional cooperation.

Figure 23: Perceived Role of regional cooperation in mitigating the pandemic



Source: Based on UNESCAP-SSWA online Survey

### Subregional cooperation for addressing the health emergency

The South Asian Leaders at their virtual Summit in March 2020 have already established a COVID-19 Emergency Fund under the SAARC.<sup>90</sup> Started with an initial \$10 million contribution of India, all the SAARC member countries have contributed to the Fund

totalling USD 21.8 million.<sup>91</sup> The Leaders Meeting was followed by a meeting of SAARC Health Ministers on 23 April 2020, convened by Pakistan, at which it was agreed to establish an electronic disease surveillance platform for tracking coronavirus outbreaks in South Asian countries and providing online training tools for emergency responses.<sup>92</sup> The meeting reiterated the importance of regional cooperation and solidarity to address and mitigate the unprecedented threat posed by the pandemic to the region. An electronic platform developed by India called 'SAARC COVID-19 Information Exchange Platform (COINEX)' can be used by SAARC countries for exchange of tools and COVID-19 related health information and plans to offer online training courses and e-learning modules for capacity building of health professionals in the subregion. The SAARC Disaster Management Centre (SDMC) has set up a COVID-19 website with daily coronavirus related updates about South Asian countries.<sup>93</sup>

Among the issues for cooperation, South Asian countries should keep their markets open for trade in medicines, health care equipment and other essential goods and services for dealing with the pandemic. South Asian countries can also collaborate and pool their resources and capacities in innovation, including through multi-stakeholder partnerships from within the subregion and beyond, to develop and utilise digital technologies and innovative mechanisms to meet the needs of people during the outbreak and mitigate the impact of the crisis including in development of affordable test kits, vaccines and treatments for COVID-19, building on their leadership in the area. A cooperative approach may also help in investing in digital technologies to improve public health infrastructure and efficiency, Research and Development (R&D) in health technologies and disperse early warning alerts for future outbreaks through measures like usage of big data, developing international helplines, health portals, online disease surveillance systems and telemedicine, among others for better health disaster preparedness.

Finally, a number of low-cost, frugal social learning interventions and good practices are emerging from across the subregion which could play a significant role in bringing about desired behavioural changes in the fight against COVID-19 with respect to hygiene, sanitation, physical distancing and staying at home. In Bangladesh, the introduction of tippy-taps, a simple, water-saving handwashing device, has helped to promote handwashing in rural communities



of Bangladesh.<sup>94</sup> India has developed *Aarogya Setu*, a contact tracking app to warn users if they come across a COVID-19 positive case. In Vietnam, private philanthropists have set up rice ATMs in various cities to dispense free rice to people who are poor and affected by the crisis.<sup>95</sup> The Indian state of Kerala has achieved successes in controlling the spread of the virus with limited fiscal resources, through adopting a “whole-of-government” and “whole of society” approaches.<sup>96</sup>

### ***Harnessing the potential of intra-regional trade for accelerating recovery***

The COVID-19 pandemic has been particularly devastating for world trade which is expected to decline by upto 30% as observed earlier. South Asian exporters have also been facing the cancellation of orders and subdued demand in their export markets. Against that backdrop harnessing of intra-South Asia trade could be an important option for South Asian countries especially in view of unexploited potential to speed up their recovery from the pandemic. UNESCAP (2018b) has found that South Asian countries were able to harness only a third of their mutual trade potential, resulting in an annual loss of more than \$55 billion worth of trade. The study also suggested that the mutual trade potential could double in five years due to formation of regional production networks and value chains.<sup>97</sup> This would require action to strengthen transport connectivity and facilitation at the borders which presently make cost of trade within the region much higher than trading with more distant regions such as Europe and North America. The provisions of South Asian Free Trade Area (SAFTA) and SAARC Agreement on Trade in Services (SATIS) could be strengthened to bring down trade barriers and facilitate trade in services and promote mutual investments. UNESCAP (2018b) has outlined a policy agenda for a South Asia comprehensive economic partnership to harness the potential of regional value chains that becomes particularly relevant in the aftermath of COVID-19. The agenda comprises seven policy priorities namely a) advancing the liberalization of trade in goods, b) strengthening facilitation of transport and trade at the land borders, including through paperless trade, c) effective liberalization of regional trade in services, d) investment promotion to foster regional value chains, e) harmonizing product standards and conformity assessment procedures, f) cumulative rules of origin and industrial cooperation, and g) coordination of international payment arrangements and banking cooperation.

### ***Financial cooperation for addressing the post-COVID challenges***

Financial cooperation among the South Asian countries can assist them in addressing their temporary liquidity constraints, development finance, policy coordination and information sharing on stimulus measures.<sup>98</sup> SAARC has a forum of the

central bank governors and finance secretaries, namely SAARCFINANCE, since 1998. Within the SAARCFINANCE framework, the Reserve Bank of India (RBI) has been operating since 2012, a Regional Currency Swap Arrangement of \$2 billion to address temporary liquidity problems affecting SAARC members. Maldives (\$150 million) and Sri Lanka (\$400 million) have drawn upon the Currency Swap arrangement to boost their foreign exchange reserves in the context of the pandemic.<sup>99</sup> The RBI could consider enhancing the corpus of the facility to \$5 billion in view of the growing requirements of South Asian countries

For development financing, SAARC has established the SAARC Development Fund with a capital base of US\$400 million. SAARC Development Fund (SDF) has allocated \$5 million for COVID-19 related projects in South Asian countries to mitigate the socio-economic impacts of the pandemic.<sup>100</sup> In order for it to play its role as an effective and well-endowed development bank to assist South Asian countries in the post-COVID-19 scenario, SAARC Development Fund could be transformed into a South Asian Development Bank, enabling it to raise capital from the markets and catalyzing much larger infrastructure projects through a co-financing arrangements with the Asian Development Bank or the Asian Infrastructure Investment Bank, among other financing institutions.

### ***Strengthening South Asian freight corridors in the aftermath of COVID-19***

International freight transport has been among the first and the hardest hit sectors in the wake of the COVID-19 outbreak. The sector will also necessarily have to lead the way in post-Covid-19 recovery, given its bearing as the lifeline of regional supply chains. Millions of lives and livelihoods critically depend on how freight transport lines bounce back to sustain supply of food and medicines, and to protect trade interests. South Asia entered the lockdown with poor transport and logistics systems.<sup>101</sup> Reduced operating capacities under lockdowns further affected regular freight movements at ports and border-crossing stations. Lack of digital trade/transport documentation processes and manual transshipment practices at the South Asian ports and border crossings reduce the effectiveness of emergency transport measures. Fallouts from exposure to COVID-19 should be converted to an opportunity for the transport sector to reassess and devise an appropriate revival strategy. Perhaps the most important learning from the current experience is the importance of a holistic approach to transport facilitation. South Asia’s transport reform measures must encompass both vertical (infrastructure and services improvement at each trans-shipment nodes at ports, land customs stations and inland container depots) and horizontal (ease of trans-shipment between nodes with or without modal interchanges) aspects of freight transport connectivity. Immediate priority should be to restore

regular freight transport operations post-COVID-19 lockdown. South Asian countries need to upgrade infrastructure for modernized cargo tracking, inspection and clearance and move towards a subregional electronic cargo tracking system and a collective approach to transport corridor development. In this regard, recent initiatives India and Bangladesh to transport essential commodities during the pandemic through railways and to expand the scope of inland water transport mechanism under the Protocol on Inland Water Transit and Trade are worth noting. A number of overlapping transport development initiatives which exist in South Asia also need to be synergized for optimal outcomes. UNESCAP has been offering support to South Asian countries in terms of design and operationalization of subregional transport corridors of critical importance, linking together key segments of the Asian Highway (AH) and Trans-Asian Railway (TAR) networks, as well as transport networks being developed under subregional organizations including BIMSTEC, Economic Cooperation Organization (ECO) and SAARC.<sup>102</sup>

#### ***Cooperation for food security and climate-resilient agro-ecosystems***

South Asia is highly vulnerable to climate change induced extreme weather events and faces highest risk of food insecurity due to climate change. The climate crises such as floods, cyclones, drought, heatwaves as well as the sudden attack of locusts continue to adversely affect food security. Climate resilience is therefore key to the food security in South Asia. COVID-19 has intensified these existing vulnerabilities and exacerbated immediate challenge of maintaining food security in the face of the crisis and ensuring well-functioning markets and agriculture supply chains. South Asian countries broadly have similar agrarian structures, agricultural practices, market orientation, food production and distribution architecture. Hence, cooperation for food security has been an important priority for SAARC. A number of initiatives have been taken including establishment of the SAARC Food Bank which has been drawn upon in the context of COVID-19. South Asian countries need to promote sustainable agriculture practices as a driver for increasing agriculture value added along with minimizing their negative impacts on natural ecosystems and resources. The COVID-19 crisis provides a timely opportunity for South Asian countries to strengthen regional cooperation in areas related to food security and agriculture systems around a 10-point regional action agenda identified by UNESCAP on food security: (i) building resilience to climate change and future pandemics (ii) regional trade liberalization in agriculture to ensure price and supply stability (iii) operationalization of the SAARC food and seed banks which can provide food reserves and buffers against such unexpected supply shocks like COVID-19 (iv) leveraging technology,

R&D in agriculture, technical capacity building and knowledge sharing (v) sharing of good practices and development experiences in food security policies (vi) improving governance through regional institutions (vii) co-ordinated responses in international forums and multilateral negotiations (viii) collaboration on trans-boundary outbreak of livestock diseases and zoonotic transmissions, which assumes greater significance during COVID-19 (ix) strengthening food safety and nutritional standards and (x) management of shared natural resources such as water and energy resources.<sup>103</sup> COVID-19 has highlighted the need for substantial reconfiguration of conventional public policy strategies for food security and regional cooperation.

#### ***Fast-tracking clean energy transition***

Closing its staggering energy gaps has been a high priority target for South Asia, which may assume a higher significance in the aftermath of COVID-19. South Asia faces the twin challenges of meeting the huge capacity addition requirements for its energy starved economy, while turning the energy mix sustainable. Energy policies could potentially be key conduits of economic revival in the subregion, acting through vectors of higher productive efficiency and lower costs across sectors.

The single most important opportunity for South Asia to make its energy transition is to harvest its large renewable energy potential<sup>104</sup> and share it through an integrated regional power grid, forming a subregional delivery system for low carbon energy. Besides direct benefits,<sup>105</sup> a fully integrated regional power trading system will have a definite bearing on the subregion's efforts to achieve the SDGs. To date, considerable progress has been made in bilateral interconnections and power trading arrangements between Bangladesh, Bhutan, India and Nepal. These developments, along with eventual expansion of the western grid (Pakistan-Afghanistan-Central Asia) and the southern grid (India-Sri Lanka), can form the building blocks for a regional power trading system. The SAARC Framework Agreement for Energy Cooperation (Electricity) signed in 2014 is an important framework to deeper regulatory alignment and infrastructural investments. Regionally coordinated actions must include financing of cross-border power trading infrastructure, regulatory harmonization, promotion of private sector participation and cross-learning from best practices.<sup>106</sup>

#### ***Digital Technology, ICT connectivity and Data Systems***

COVID-19 has accelerated the digital transformation that was underway globally through increasing reliance on virtual meetings during work from home, online shopping, contactless deliveries, virtual interfaces, digital payments, virtual learning, remote



delivery of health services through telemedicine, online entertainment and so on. The South Asian governments also turned to digital technologies in their response to the crisis through use of online portals, social media, dashboards etc. for real-time information sharing, direct benefit transfers, providing health services through “virtual doctors,” use of drones for sanitation, deploying facial recognition and thermal scanners to identify potentially infected people. Sharing of good practices in virtual governance or e-governance between the South Asian countries could be fruitful.

A heavy reliance on digital technologies has also exposed the criticality of closing the digital divide in South Asia to ensure inclusive access to broadband networks in all parts of the subregion. In that context, the UNESCAP-led initiative for the Asia-Pacific Information Superhighway (AP-IS) that aims to increase the availability and affordability of broadband internet across the region by strengthening the underlying internet infrastructure in the region, assumes importance.<sup>107</sup> In particular, COVID-19 has exposed the need to invest in much denser infrastructure networks in both urban and rural areas with fibreoptic cables traversing the “last mile” to reach buildings and enable all to transact virtually. UNESCAP research shows that the co-deployment of fibreoptic cables along other passive infrastructure networks such as highways, roads, railways, power networks is not only highly cost-effective, but it accelerates transformation to smart or intelligent systems. UNESCAP research also shows that building more internet exchange points – carrier

neutral and for countries with small data volumes on a shared basis – can significantly improve data traffic management. This will result in more intra-regional content exchange, improved latency, speeds and affordability.

### ***Building disaster resilience through subregional cooperation***

South Asian countries have been highly vulnerable to natural disasters including cyclones, tsunamis, floods, droughts and earthquakes having been hit by two cyclones *Amphan* and *Nisarga* in the May-June 2020 intersecting with rapidly spreading COVID-19 in the impact zones. While early warning systems have been helpful in saving lives through timely evacuation of at-risk community, their increasing economic impacts are the cause of concern. Regional cooperation through WMO/UNESCAP Panel on Cyclones has facilitated sharing of timely and accurate early warnings. UNESCAP (2019) identifies the coastal regions of South Asia as a multi-hazard risk hotspot where poverty, inequalities and environmental degradation converge with disaster risks, now compounded by COVID-19. The challenge lies in protecting the most vulnerable, their lives and livelihood, in midst of intersecting crises. The regional co-operation framework needs to be broadened with multi-hazard risk reduction, prevention and resilience building approaches. In this context, UNESCAP seeks to contribute to resilience building and better recovery from the pandemic by narrowing down the resilience gaps through Asia-Pacific Disaster Resilience Network.

## 6. Concluding Remarks

South Asia entered the global pandemic with a number of pre-existing gaps in public health infrastructure and access to basic amenities such as sanitation and broadband connectivity, gender inequalities, pervasive informality, and inadequate social protection. The elevated fiscal deficits and public debt levels left small space for fiscal stimulus. Several hundreds of thousands have become victims of COVID-19 infections in South Asia, where the incidence is yet to peak. But the socio-economic impacts, in the form of millions losing jobs and being pushed into extreme poverty and hunger undermining the SDG achievements of years, as economies collapsed under the lockdowns, are equally staggering for the governments to address.

Mitigating these extra-ordinary challenges would also require equally extra-ordinary responses. These include large people-centred relief and stimulus packages; community participation and whole-of-government and whole-of-society approaches to be effective. As the governments mobilize resources for mounting the relief and stimulus packages, the objective should be not to go back to the *status quo ante* that prevailed in pre-COVID scenario but to *build-back better* by directing these resources to inclusive, sustainable and resilient recovery. South Asian countries should seek to close the gaps in public health infrastructure and move towards universal health coverage and build on the existing

social safety net programmes to move towards universal social protection and enhance resilience for future shocks.

COVID-19 has helped to bring the South Asian countries together for coordinating actions in dealing with the pandemic. South Asian cooperation can usefully complement the national efforts not only the health crisis but also help in reviving the economies and building back better. Regional and subregional cooperation has been considered as key to operationalizing the UNESCAP framework on socio-economic response to COVID-19 covering 3 pillars viz. (a) protecting people and enhancing resilience, (b) supporting sustainable and inclusive economic recovery, and (c) restoring supply chains and supporting MSMEs.<sup>108</sup>

As a development partner of South Asia with a mandate to promote regional cooperation, and with a subregional office dedicated to it, UNESCAP stands ready to assist the member States in exploiting the potential of South Asian cooperation, including in cooperation with SAARC, BIMSTEC, BBIN and other frameworks, to support their effort to build back better and foster inclusive, sustainable and resilient development!

# Endnotes

<sup>1</sup> South Asia subregion includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka

<sup>2</sup> For the ESCAP Framework, see UNESCAP (2020d).

<sup>3</sup> UNESCAP SSWA (2018a).

<sup>4</sup> UNESCAP (2020a).

<sup>5</sup> The stringency index is calculated using several containment measures implemented by the respective governments. They include, closing of schools and workplaces, ban on public gatherings, staying at home measures, closing of public transport and domestic and international travels.

<sup>6</sup> IMF (2020b).

<sup>7</sup> UN DESA (2020).

<sup>8</sup> World Bank (2020a).

<sup>9</sup> Global Trade Alert (2020)

<sup>10</sup> Russel (2020).

<sup>11</sup> Devnath (2020).

<sup>12</sup> Business and Human Rights Resource Centre (2020).

<sup>13</sup> Sarafat (2020).

<sup>14</sup> Prasain (2020).

<sup>15</sup> Mathew (2020).

<sup>16</sup> Ravichandran et., al (2020)

<sup>17</sup> Xinhua (2020).

<sup>18</sup> Hamza (2020).

<sup>19</sup> Knoema (2020)

<sup>20</sup> UNWTO (2020)

<sup>21</sup> Knoema (2020)

<sup>22</sup> World Bank (2019)

<sup>23</sup> Agarwal (2020).

<sup>24</sup> ILO estimates that people in vulnerable employment, working as own-account workers and contributing family workers in India earn only around one fifth of the labour income of wage and salaried workers. See ILO (2020f). World Employment and Social Outlook: Trends 2020.

<sup>25</sup> ILO (2020d).

<sup>26</sup> ILO (2020a).

<sup>27</sup> The UNESCAP-SANEM South Asia Model is a general equilibrium (GE) model that combines country models for the five countries of South Asia- Bangladesh, India, Nepal, Pakistan and Sri Lanka, which represent 98.2% of the population in the subregion. The model relies upon updated social accounting matrices (SAM) for each country that maps key sectors' transformation of resources based on national data in 10 broad sectors. The GE model generates changes in household real expenditure out of shocks introduced in the model. Changes in household real expenditure are linked with head-count poverty rate using the calculated elasticity values. The GE model also generates changes in output out of any shock introduced in the model. Changes in output are linked with employment rate using the calculated elasticity values. The business as usual growth rate is based on the trend of the last five years. Negative shocks on investment, export and remittances are modelled to reflect the COVID-19 induced economic growth scenario. Positive shocks on investment and government transfers to firms are considered. These positive shocks generate sectoral and overall economic growth, create employment, and increase real household income and consumption. Government expenditure on health and social protection transfers increase total factor productivity, which in turn

generates sectoral and overall growth, thereby increasing real household income and consumption. The increase in real household consumption also stimulates demand for health services and demand for goods and services, thereby stimulating growth in those sectors and leading to a virtuous cycle of supply-side mechanisms as well. This in turn increases real household income and consumption. For details on the application of the UNESCAP-SANEM South Asia CGE Model, see Kumar et al. (2016).

<sup>28</sup> ILO (2020b).

<sup>29</sup> Initial reports indicate that in Nepal the cancellation of mountaineering expeditions in spring, including for Everest, has resulted job loss of around 13,000 people working as tour, trekking and mountain guides. See [https://www.wto.org/english/tratop\\_e/covid19\\_e/sawdf\\_nepal\\_e.pdf](https://www.wto.org/english/tratop_e/covid19_e/sawdf_nepal_e.pdf)

<sup>30</sup> Nam News Network (2020).

<sup>31</sup> FIREFOXTOURS (2020).

<sup>32</sup> UNDP (2020a)

<sup>33</sup> World Bank (2017a); Anner (2020).

<sup>34</sup> Riaz (2020).

<sup>35</sup> ILO (2018b).

<sup>36</sup> UNDP (2020b).

<sup>37</sup> Sumner et. al. (2020).

<sup>38</sup> In India, 29.4 per cent of urban population dwells in slums, while in the Indian city of Mumbai, the commercial and financial hub of India, 62 per cent of the inhabitants live in slums. This provides the context of COVID-19 outbreak in Dharavi, Asia's largest slum situated in Mumbai where it is challenging to ensure social distancing and access to safe water and sanitation. See for more details, Mehta and Ringler (2020).

<sup>39</sup> World Bank (2020c).

<sup>40</sup> Rashid and Khaled (2020)

<sup>41</sup> World Bank (2020c)

<sup>42</sup> New Age Business (2020) and The Business Standard (2020).

<sup>43</sup> UN WOMEN (2020a).

<sup>44</sup> Globally, women represent about 70 per cent of workers in health and social sectors, including those working in care institutions. See Boniol et al (2019) for details.

<sup>45</sup> United Nations (2020c). Policy Brief: The Impact of COVID-19 on Women.

<sup>46</sup> NCSW, Ministry of Human Rights and UN Women. (2020).

<sup>47</sup> ILO (2018).

<sup>48</sup> ILO (2020e)

<sup>49</sup> UNICEF (2020).

<sup>50</sup> HomeNet South Asia (2020).

<sup>51</sup> Agarwal (2020).

<sup>52</sup> Duerto Valero and Tinonin (2020)

<sup>53</sup> World Bank (2017b).

<sup>54</sup> GSMA (2019).

<sup>55</sup> Ibid.

<sup>56</sup> UN Women (2020b).

<sup>57</sup> EPW Engage (2020); Needs Assessment Working Group Bangladesh (2020).

<sup>58</sup> ILO (2020f).

<sup>59</sup> Vegas (2020).

<sup>60</sup> GSMA (2019).

- <sup>61</sup> United Nations (2020b).
- <sup>62</sup> UNESCAP (2020b).
- <sup>63</sup> World Bank (2020b).
- <sup>64</sup> Based on IFPRI Resources and Analyses of COVID-19 Impact. See <https://www.ifpri.org/covid-19>. Refer Gillespie (2020); Heady and Ruel (2020) and Dev (2020).
- <sup>65</sup> WFP (2020).
- <sup>66</sup> Amani (2020).
- <sup>67</sup> Outlook (2020).
- <sup>68</sup> Haq and Dutta (2020).
- <sup>69</sup> The Independent (2020).
- <sup>70</sup> Farmer (2020); BBC (2020).
- <sup>71</sup> Power and Participation Research Centre (2020).
- <sup>72</sup> This includes countries with children receiving World Food Programme meals, it excludes India, Maldives and Bhutan. Refer <https://cdn.wfp.org/2020/school-feeding-map/>
- <sup>73</sup> Headey and Ruel (2020).
- <sup>74</sup> Based on IFPRI resources and research on COVID-19; see Roy et al. (2020); Rangunathan (2020); Chowdhury et al. (2020); Weerahewa et al. (2020).
- <sup>75</sup> For a summary of policy responses, refer <https://www.unescap.org/covid19/policy-responses>
- <sup>76</sup> Dev (2020).
- <sup>77</sup> <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>
- <sup>78</sup> Islam and Divadkar (2020).
- <sup>79</sup> United Nations(2020a) COVID-19: Pakistan Socio-Economic Framework
- <sup>80</sup> Kapur and Viswanathan (2020).
- <sup>81</sup> Hidrobo et al. (2020).
- <sup>82</sup> Asia Pacific Energy Portal, accessed at <http://asiapacificenergy.org>
- <sup>83</sup> Fine et al (2020).
- <sup>84</sup> UNICEF (2019).
- <sup>85</sup> UNESCAP, UN Habitat and others (2019); Desai (2020).
- <sup>86</sup> Business Standard (2020b) and Roy (2020).
- <sup>87</sup> Plant (2020).
- <sup>88</sup> G20 Finance Ministers and Central Bank Governors Meeting, 15 April 2020. See [https://g20.org/en/media/Documents/G20\\_FMCBG\\_Communicu%C3%A9\\_EN%20\(2\).pdf](https://g20.org/en/media/Documents/G20_FMCBG_Communicu%C3%A9_EN%20(2).pdf)
- <sup>89</sup> The Economic Times (2020).
- <sup>90</sup> This was an important milestone because even though not an official summit, it was SAARC's first high level meeting since 2014. Leaders of seven SAARC countries participated through video conference while Pakistan was represented by its health minister.
- <sup>91</sup> In US\$ - Afghanistan – 1mn, Bhutan – 100,000, Bangladesh – 1.5 mn, India – 10 mn, Nepal – 1mn, Maldives – 200,000, Pakistan- 3mn and Sri Lanka – 5mn.
- <sup>92</sup> SAARC (2020).
- <sup>93</sup> Fruman and Kaul (2020).
- <sup>94</sup> Quisumbing et al. (2020).
- <sup>95</sup> Lee (2020); Minh Le (2020).
- <sup>96</sup> Vijayan (2020).
- <sup>97</sup> UNESCAP SSWA (2018b).
- <sup>98</sup> Wignaraja et al (2020).
- <sup>99</sup> The Hindu (2020); Business Standard (2020b).
- <sup>100</sup> Noronha (2020).
- <sup>101</sup> UNESCAP SSWA (2020b).
- <sup>102</sup> Ibid.
- <sup>103</sup> Kumar and George ed. (2020)
- <sup>104</sup> Predominantly hydropower potential of Bhutan, Nepal and certain locales of India and Pakistan. Also includes potential of multiple renewable sources across South Asia, as reflected in India's projection for generation of a combined 175 gigawatts (GW) of solar, wind, biomass and small hydropower production by 2022.
- <sup>105</sup> Some assessments indicate that the direct benefits of full power grid interconnection could reach US\$9 billion per year in direct savings and reduce GHG emissions by more than 9% per annum compared with business as usual, without accounting for social and environmental benefits. Rapid developments in renewable energy technology and increased estimates of renewable resources in various parts of the subregion may further boost these estimates. See UNESCAP SSWA (2018c) for a detailed discussion of benefits and prospects of regional power trade in South Asia.
- <sup>106</sup> UNESCAP SSWA (2018c)
- <sup>107</sup> UNESCAP SSWA (2018b).
- <sup>108</sup> UNESCAP (2020d)



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