BEYOND THE PANDEMIC

Building back better from crises in Asia and the Pacific
The Economic and Social Commission for Asia and the Pacific (ESCAP) is the most inclusive intergovernmental platform in the Asia-Pacific region. The Commission promotes cooperation among its 53 member States and 9 associate members in pursuit of solutions to sustainable development challenges. ESCAP is one of the five regional commissions of the United Nations.

The ESCAP secretariat supports inclusive, resilient and sustainable development in the region by generating action-oriented knowledge, and by providing technical assistance and capacity-building services in support of national development objectives, regional agreements and the implementation of the 2030 Agenda for Sustainable Development.

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EXECUTIVE SUMMARY

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Executive Summary
The COVID-19 pandemic has triggered unprecedented and globally synchronized health, social and economic crises, which threaten to roll back hard-won development gains. This report analyses the socio-economic impacts of the pandemic in the region, takes stock of actions so far, and offers recommendations for building back better – bolstering resilience to future wide-scale crises and setting the region back on track to achieve the Sustainable Development Goals.

**Counting the costs of a global pandemic**

The coronavirus disease 2019 (COVID-19) pandemic has created the worst crisis in Asia and the Pacific and beyond since World War II. The virus has attacked the core of our societies: few countries have been spared the shockwaves or the heart-breaking health consequences. Across the Asia-Pacific region, as across the world, countries have suffered sudden economic contractions, along with interruptions to trade, broken supply chains, and the collapse of international tourism – leading to widespread job losses and increases in poverty. Everyone everywhere has had to make changes to the way they live, work or study.

The virus does not discriminate between rich and poor. Anyone can be infected. But it does hit hardest at the poor and marginalized in developing countries because they are less able to adapt and adjust. Typically, they live in precarious situations and have less to fall back on and do not benefit from the kind of inclusive national policies that could offer greater protection.

People in richer countries, including some in Asia and the Pacific, are also under enormous pressure. Indeed, they have often had greater COVID-19 prevalences and suffered more fatalities than many developing countries. On the other hand, offsetting this richer countries are in a stronger position to defend their people. They can deliver more robust government services and medical care, and protect the livelihoods of households and the education of children and young people. They also have more robust and extensive Internet infrastructure and connectivity which, combined with greater digital skills, has enabled them to move many services, particularly education, online. Above all, they have greater financial resources, even if this entails massive public borrowing. For many developing countries in the Asia-Pacific region on the other hand,
COVID-19 has been a sudden wakeup call, revealing gaps in health services, as well as in social protection and in digital connectivity and skills that have left their people harshly exposed.

In all countries, the economic shock caused by the pandemic has exposed many structural weaknesses and fault-lines – in particular, the extent to which our production and consumption patterns have been destroying the environment. Once the virus hit and brought economic production and travel to a halt, the region saw dramatically boosted air and water quality, and reduced greenhouse gas emissions. On the other hand, the pandemic also created new problems – generating significant, if temporary, flows of waste material, mainly from plastics and food packaging, as well as medical equipment, gloves and face masks. The issue now is how to ensure a sustainable, green and inclusive recovery, that addresses the underlying causes of environmental degradation and social inequalities.

Even before the pandemic, many Asia-Pacific countries struggled to address their vulnerabilities and systemic weaknesses – notably in health and social protection systems, in digital connectivity and skills, and in transport links. As countries now work to stem the unprecedented challenges of the pandemic, they also need to address these weaknesses – to build back better.

This study proposes four critical interconnected areas: broadening social protection, investing in a sustained recovery, keeping goods and information flowing, and mending a broken relationship with nature. If countries in Asia and the Pacific can combine concerted national action with coordinated regional cooperation, they – and the world – can emerge from the pandemic more prosperous, sustainable, resilient and unified.

Broadening social protection

The COVID-19 pandemic has aggravated many underlying ills and highlighted gaps in social protection. More than half the region’s people are completely unprotected throughout their lives. Excluding China, this proportion rises to three-quarters. This is partly because so many people work in the informal economy, but it is also a reflection of a lack of political will to provide adequate social protection.
BEYOND THE PANDEMIC: BUILDING BACK BETTER FROM CRISES IN ASIA AND THE PACIFIC

Building back better from crises in Asia and the Pacific

- Broadening social protection
- Keeping goods and information flowing
- Investing in a sustained economic recovery
- Protecting environmental health
As a result, most individuals and families in Asia and the Pacific manage life's risks on their own – which not only leaves them very exposed but reduces their opportunities and life prospects. Children living in poor and deprived communities can suffer from nutritional and health deficiencies, with lifelong consequences. Adults who lose their job, become pregnant or give birth, can suddenly fall into poverty. Living with a disability often means living on a very low, if any, income, and at older ages people without adequate pensions are forced to continue working or depend on other family members for their survival. At the same time there is the ever-present danger of sickness, which can mean working while being ill and contagious. Without affordable health care, people may not seek treatment, or wait until it may be too late. While damaging for individuals, this lack of social protection is also stifling innovation and overall economic progress.

Simulations for 13 developing countries in the Asia-Pacific region show that if governments offered universal child benefits, disability benefits and old-age pensions, at conservative benefit levels, more than one-third of people would be lifted out of poverty. In the poorest households in Indonesia, Maldives, the Philippines and Sri Lanka, this basic social protection package would increase purchasing power by around 50 per cent.

Providing a basic social protection package would require an investment of 2 to 6 per cent of gross domestic product (GDP). Almost all countries in the region could afford this, especially when they consider the cost of doing nothing. Nevertheless, many countries spend less than 2 per cent of their GDP on social protection and the average investment across countries the region, at around 5 per cent, is less than half the global average of 11 per cent. Countries need therefore to extend coverage to everyone, while also ensuring that benefits are sufficiently high to make a difference to people's lives.

Investing in a sustained economic recovery

Governments around the world have responded to the immediate pandemic by deploying extensive fiscal resources and other measures for health care and for supporting business and household incomes. Over the first eight months of 2020, crisis-related emergency spending
by the region’s developing countries, together with accommodative monetary and financial policies, amounted to some $1.8 trillion, or 6.6 per cent of their combined 2019 GDP. In most countries, these expenditures, along with declining revenues, are leading to increases in fiscal deficits, which are projected to widen from 1.5 per cent of GDP in 2019 to 6.8 per cent in 2020, and to 5.6 per cent in 2021. Between 2019 and 2020, the average debt-to-GDP ratio in the region is estimated to rise from around 41 to 47 per cent and by 2021 could reach 49 per cent.

If countries in Asia and the Pacific are to embark on a sustained economic recovery, they will need to extend this commitment – to provide ongoing fiscal support and stimulus and direct their economies along more inclusive, resilient, and sustainable development pathways. But they should nevertheless aim to avoid unsustainable levels of debt or undermine macroeconomic stability. To do so, and create the necessary ‘fiscal space’, governments can take a number of measures. On the expenditure side they can aim to improve efficiency and reorient spending away from non-developmental areas, such as defence, and fossil fuel subsidies. On the revenue side they should be aiming for tax reform that mitigates inequalities and support the climate agenda.

Tax changes could include more progressive income tax and taxes on wealth, as well as on carbon. At the same time, it is important to combat tax evasion and eliminate harmful, if legal, tax practices. While doing so, countries will need to cooperate with other countries, in the region and beyond, to avoid harmful international tax competition.

Governments should also consider more innovative forms of borrowing. They can, for example, issue green, or sustainable, or pandemic bonds. For this they could look to the international community for technical support and guarantees, and also possibly the creation of bond funds aligned with the Sustainable Development Goals. There should also be opportunities to capitalize more on public assets, such as real estate or buildings, so as to unlock some of the potential on public balance sheets, for example, by identifying assets that could be used as collateral against which to borrow. To support such expansionary fiscal measures, central banks should pursue supportive policies to the extent possible, without compromising economic and financial stability. In this vein, national capital control measures and regional cooperation regarding
financial stabilization arrangements can also be considered.

Closer integration with global financial markets does however bring risks, notably of volatility and capital outflows, so there may also be a need for measures to address these risks. With the help of the international community, countries should advocate for debt relief where necessary. All these measures will benefit from early engagement among pertinent stakeholders.

**Keeping goods and information flowing**

The COVID-19 crisis disrupted global trade and supply chains, often leaving the most vulnerable population groups even further behind. During the first quarter of 2020, aiming to ensure supplies, many governments restricted exports while liberalizing imports, notably for food products and the medical supplies essential for fighting the pandemic. Although, in principle the World Trade Organization (WTO) as well as bilateral and regional trade agreements permit such measures, the restrictive measures added to economic and policy uncertainties, which pushed trade costs up by an estimated 7 per cent across the region during 2020.

During the pandemic, the transport and logistics industry made efforts to keep borders open to trade. Nevertheless, additional inspections, reduced hours of operation and road and border closures may have increased transport costs by 25 per cent. Again, it is those countries that already suffer from lower levels of connectivity which may be affected the most, further widening regional transport gaps.

A more positive outcome was a boost to cross-border paperless trade. Some countries that previously only used original paper documents now accept electronic customs declarations and other certificates. But this does require sufficient digital infrastructure, connectivity and skills. Moreover, the quality of digital infrastructure is reshaping international competitiveness and influencing decisions on where enterprises will invest. However, many countries still lack affordable Internet access and the technical capacity to implement and harmonize their systems with those of other countries.
Shifting production towards new and enabling digital technologies, while modernising traditional industries, depend on universal access to affordable and reliable broadband Internet. In this regard the region suffers from a digital divide that has not only persisted but also widened. More than half the region’s population remains offline. Only 13 per cent, or 600 million people, have access to fixed-broadband subscriptions. Most of the remainder rely on mobile broadband, which is often slower and less reliable but does reach more than 70 per cent of the region’s population. In Pacific island developing countries, however, uptake even of mobile broadband remains below 15 per cent.

There is also a sharp gender digital divide. Even before the pandemic, the gap between male and female users of the Internet was growing faster in the Asia-Pacific region than globally. And the pandemic is also expected to widen the gender digital gap in Internet access and further hamper women’s and girls’ access to employment and education.

If Asia and the Pacific is to withstand future crises, ensure resilient supply chains, keep markets open, and safeguard vulnerable groups, governments across the region will need to embrace digitalization and close the digital divides between and within countries. They should also make better use of international rail freight and multi-modal systems. This will mean not just building hard infrastructure, but also developing soft infrastructure and harmonizing digital connectivity and trade regulations. It will also mean increasing the capacity of governments, firms, and workforces, especially in countries in special situations (comprising least developed countries, landlocked developing countries and small island developing States) and addressing issues facing women and small businesses. For this purpose, a coordinated regional approach will be more effective than unilateral policy action.

**Protecting environmental health**

COVID-19 is a zoonotic disease – transmitted from animals to humans; it thus emerges where people come into direct or indirect contact with wild and farmed animals. As economic development has gathered pace, this interface has radically changed and expanded, a consequence in part of land degradation and urban sprawl that is destroying natural ecosystems and habitats, eliminating some species, and changing the
ways in which humans and animals interact. The extent of the damage is evident from the region’s biodiversity intactness index score, which is the lowest in the world. Over recent decades, Asia and the Pacific has lost over 60 per cent of its mangroves and 40 per cent of its coral reefs. Environmental damage is also being intensified by global warming. Asia and the Pacific has six of the top ten global carbon emitters, generating more than half the world’s greenhouse gas emissions.

Heightened exposure to zoonotic and other diseases and the general degradation of the region’s environmental health reflect critical failings in the way we manage our environment. These weaknesses can be institutional, structural-economic or behavioural.

**Institutional** – Many countries lack the necessary governance and institutional capacities. Science shows what should be done to address critical environmental issues, but governments may not respond adequately, especially when different ministries or departments work in separate siloes that inhibit concerted and coherent action. There is also a lack of commitment: countries need not just the institutional capacity to act but also the political will.

**Structural-economic** – Economic growth is often driven by a relentless paradigm that demands ever more intensive use of land, while encouraging unsustainable urbanization and multiple forms of pollution. The financial and business sectors take little or no account of the impact of their activities on the natural environment or on human health.

**Behavioural** – The drive for growth also encourages unsustainable lifestyles and patterns of consumption that need to be satisfied by intensive agro-food systems – and include illegal hunting and trade in wildlife as well as international live animal exports.

The COVID-19 pandemic is a wake-up call – for urgently restoring a sustainable relationship between human societies and the natural environment. For this purpose, a useful framework is the concept of ‘planetary health’. In alignment with the 2030 Agenda for Sustainable Development, this can serve as the basis for ambitious policies that address the linkages between human health and the health of the natural world – working within the limits of what nature can provide.
To achieve planetary health, the report suggests solutions that are institutional, structural-economic, and behavioural. Key institutional solutions include a regional agenda for planetary health that would bring in all relevant actors, strengthen environmental laws, regulations and their enforcement, support monitoring – and address the biodiversity and climate crises. Structural economic solutions would promote putting nature at the centre of the economic paradigm and as well as more sustainable land management and better forms of urbanisation, while also controlling pollution. Finally, behavioural change solutions would focus on sustainable consumption and production, promoting sustainable agri-food systems and better management of wildlife and wildlife trade.

Globally, the estimated annual cost of preventing zoonotic diseases ranges from $22 billion to $30 billion. This is a major investment – but far overshadowed by the estimated $8 trillion to $15 trillion that the COVID-19 pandemic is predicted to cost. Good planetary health makes good economic sense.
Governments across the region have responded to the unprecedented situation created by the COVID-19 outbreak and worked hard to curb the fallout. Most have concentrated on short-term measures. But if economies are to recover faster and in more inclusive way they must also aim for long-term sustainability – restoring ecosystems, reducing poverty and building resilience throughout the region. To enable member States of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) to build back better, this study proposes a five-point policy agenda:

**Enhance regional cooperation**

Establish or mobilize existing sectoral mechanisms to help governments recover from this pandemic and plan for future crises – while dealing with climate change and taking into account population ageing, and technological innovation and new forms of work.

**Build universal social protection along the life course**

Embed social protection in national development agendas and allocate the necessary resources. As a basis for leaving no one behind, governments should use a mix of contributory and non-contributory benefit schemes. They will also need to expand social protection to embrace informal workers and ensure that women and vulnerable population groups are sufficiently covered.
Investing in sustained recovery

Investing in a sustained socio-economic recovery aligned with the Sustainable Development Goals will require additional financial resources. To support long-term, resilient, inclusive and sustainable development, countries can reorient spending away from non-developmental areas, consider tax reforms to mitigate inequalities and support the climate agenda, and explore innovative financing instruments. They can also advocate for further debt relief measures and accelerate efforts to combat tax evasion through regional and international cooperation.

Promote trade facilitation, digitalization, and harmonization, and fully embed social and environmental concerns into global supply chains

Resist protectionist actions and forge regional solidarity to arrive at proportionate trade responses. Mobilize regional transport cooperation instruments for emergency use of cross-border freight. Decarbonize production and shift to more sustainable and lower-carbon, multimodal freight transport. Increase support for trade facilitation, trade digitalization and the development of paperless and contactless trade. Accelerate investment in digitalization and broadband connectivity. Improve the efficiency and sustainability of trade and transport procedures through regionally coordinated investments in hard and soft infrastructure.

Safeguard environmental health

Adopt a regional agenda for planetary health, bringing in all relevant actors to implement the institutional, structural economic, and behavioural changes needed to better manage human and environmental health.
The coronavirus disease 2019 (COVID-19) pandemic has created the worst crisis in Asia and the Pacific since World War II. Across the Asia-Pacific region, as across the world, countries have suffered sudden economic contractions, along with interruptions to trade, broken supply chains, and with the collapse of international tourism – leading to widespread job losses and increases in poverty. In all countries, the economic shock caused by the pandemic has exposed many structural weaknesses and fault-lines – notably in health and social protection systems, in digital connectivity and skills, as well as the extent to which our production and consumption patterns have been destroying the environment. As countries now work to stem the unprecedented challenges of the pandemic, they also need to address these weaknesses – to build back better.

The report analyses the socio-economic impacts of the pandemic in countries of Asia and the Pacific, takes stock of action so far, and sets out a policy agenda for building back better grounded in regional cooperation and centered around four critical interconnected areas: broadening social protection, investing in a sustained recovery, strengthening connectivity and supply chains; and mending a broken relationship with nature.

The full report is available at