



South Asian Cooperation for Accelerating Recovery from COVID-19 and Building Back Better

Report of Virtual Policy Dialogue held on 9 September 2020



Background

The Virtual Policy Dialogue on South Asian Cooperation for Accelerating Recovery from COVID-19 and Building Back Better was convened by UNESCAP on 9 September 2020. Building on the success of the UNESCAP's [High-Level Policy Dialogue](#) with ministers of planning/economy of South Asian countries held on 9 July 2020, the objective of this Dialogue was to bring together the heads of South Asian think-tanks and other eminent experts in an interactive session, to share their perspectives in addressing the challenges posed by the pandemic and on how regional cooperation and collaboration can assist the subregion in building back better. Hosted jointly by UNESCAP South and South West Asia (UNESCAP-SSWA) Office and South Asia Centre for Policy Studies (SACEPS), the Policy Dialogue was organized in collaboration with the BIRUNI Institute, Afghanistan; Centre for Policy Dialogue (CPD), Bangladesh; Research and Information System for Developing Countries (RIS), India; South Asia Watch on Trade, Economics and Environment (SAWTEE), Nepal; Sustainable Development Policy Institute (SDPI), Pakistan; and Institute of Policy Studies, Sri Lanka.

Dr. Nagesh Kumar, Director, UNESCAP SSWA and Prof. Akmal Hussain, Dean, ITU, Lahore and Co-Chair, SACEPS delivered the opening remarks. Distinguished speakers in the high level panel included Mr. Nazir Kabiri Executive Director, BIRUNI Institute, Afghanistan; Dr. Fahmida Khatun, Executive Director, CPD Bangladesh; Mr. Wangchuk Namgay, Chief, Development Cooperation Division, Gross National Happiness Commission (GNHC), Bhutan; Prof. Sachin Chaturvedi, Director-General, RIS, India; Ms. Aishath Saadh, Deputy Director-General, National Planning and SDG Coordination, Government of Maldives; Dr. Posh Raj Pandey, Chairman, SAWTEE, Nepal; Dr. Abid Suleri, Executive Director, SDPI and Member of PMEAC, Pakistan; and Dr. Dushni Weerakoon, Executive Director, IPS, Sri Lanka.

Carrying forward the discussions triggered in the High Level Policy Dialogue on 9 July 2020 and building on the momentum generated for South Asian cooperation, Dr. Nagesh Kumar, Director, UNESCAP SSWA shared the key messages of the UNESCAP Report on [COVID-19 and South Asia: National Strategies and Subregional Cooperation for Accelerating Inclusive, Sustainable and Resilient Recovery](#). The Virtual Dialogue was held on MS Teams as well as live streamed on YouTube. Over 850 participants, including representatives of governments, academia, think tanks, civil society organizations, and other key stakeholders from South Asian countries have attended/watched the virtual Policy Dialogue so far. The recording of the event is available [here](#) and the programme is at Annex – I of this report.

Key Highlights

Some of the key messages emanating from the Policy Dialogue are the following:

The pandemic represents a major disaster and gigantic human tragedy faced by the subregion with unprecedented socio-economic effects

The COVID-19 pandemic has had devastating impacts on South Asia exacerbated by inadequate public health infrastructure, pervasive informality, existing gender gaps and absence of comprehensive social protection. Economic growth has seen massive contraction with severe impacts on MSMEs, tourism, construction and export-oriented units such as readymade garments, leading to loss of jobs and livelihoods for millions of people in the subregion. Rising incidence of poverty, hunger and inequality threaten to jeopardize the development gains made in a whole decade with widespread implications for resilience against future pandemics and climate risks related disasters.

Existing vulnerabilities and structural inequalities have been exposed by the crisis exacerbating the negative impacts

The pandemic has exposed the fundamental aspects of vulnerability of South Asian subregion with disproportionate impacts on vulnerable people and marginalized sections of society. Lack of access to basic services, healthcare facilities, social security and decent jobs have pushed people at the margins into poverty, resulted in livelihood losses with cascading effects on inequalities. Lockdowns and restrictive measures have affected MSMEs, tourism and construction sectors characterized by large informality of operations and limited recovery cushions. Acute economic inequality persistent in the subregion and lack of investments in human development have excluded majority of people from the growth process, leading to a narrow base of growth and thereby, impacting the resilience of South Asia's growth to such crises.

National strategies must aim for people-centred, greener, equitable and inclusive economic growth and recovery

All the South Asian governments have undertaken immediate health emergency response measures to expand health infrastructure to save lives and contain the pandemic. Fiscal policy has been the main

instrument for bolstering economic recovery through fiscal stimulus packages, including concessional lending to affected sectors and businesses, tax breaks, interest waivers and income support. Governments have set up social security fund for needy people, expanded public employment programmes, provided food vouchers and cash transfers, and are moving towards comprehensive social protection systems. Apart from addressing the immediate health emergency, governments must look to recoup the economy and move towards more inclusive, equitable, planet friendly and sustainable growth trajectory in the medium term. Having a public universal health coverage programme helped countries such as Maldives in dealing with unexpected surge in demand for health services. Expanding the coverage and scope of public welfare programmes and safety nets such as universal basic income are a priority for South Asian countries for building long term resilience.

Fiscal stimulus and investments must be aligned with the SDGs through investments in universal health and social protection coverage, education and skill development, gender, sustainable urbanization, clean energy, climate adaptation and decarbonization of the economies, disaster resilient infrastructure included in the stimulus programmes.

Increased public expenditure needs resource mobilization and innovative means of financing

South Asia entered the crisis with elevated debt levels and high fiscal deficits, leaving limited fiscal space to address the challenges of the COVID-19 pandemic. Mobilization of resources for financing the large relief and stimulus packages and undertaking public investments becomes important for governments. While the fiscal prudence targets could be put aside in the immediate term for these extra-ordinary times, governments will have to consolidate their fiscal positions in the medium terms through effective management of public finances. For Afghanistan, which is heavily reliant on international aid, rebuilding the economy from the crises requires increased assistance from international donors and multilateral organizations. Some out-of-the box solutions would be needed for expanding non-tax revenues such as monetization of underutilized public assets, creation of large facility of SDRs by the IMF. While the IMF,

World Bank and ADB have extended support, more external assistance would be needed, including from multilateral banks for addressing the challenges along with debt relief packages for affected countries.

Addressing the digital divide and harnessing the digital revolution for Fourth Industrial Revolution (4IR)

COVID-19 has brought to the fore the importance of access to digital services and platforms. In some of the South Asian countries, digital governance systems that were being implemented prior to the onset of the pandemic could be quickly mobilized to sustain delivery of essential services. Bridging the digital divide and closing disparities in access to affordable ICT connectivity channels is critically important for provisioning of essential services, preventing disruptions to education and learning, ensuring remote working arrangements (work from home) during times of enforced restrictions on physical mobility. Accessing digital technologies and platforms can help businesses, especially South Asian MSMEs to enhance market access and use online platforms for greater ease of operations.

Criticality of South Asian cooperation for building back better and greater resilience against future disasters

- **Trade cooperation:** As global conditions turn unfavourable for international trade, 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, including through bilateral and multilateral trade agreements, bringing down trade barriers and facilitating trade in services and accelerating mutual investments.
- **Regional supply chains:** To mitigate large scale disruptions, supply chains are expected to become more compact and concentrated regionally. This provides opportunity for South Asia to promote investments in formation of regional production networks and value chains, look at specific sectors, such as food and health sector, to harness potential of greater supply chain cooperation.
- **Strengthening transport corridors:** Transport facilitation and strengthening freight corridors, including through expediting customs clearance and digitization can help sustain supply of food and medicines, vaccine delivery and critical equipment and to protect trade interests.
- **Financial cooperation:** Given that all South Asian countries are experiencing severe fiscal stress and liquidity crisis to varying degrees as a

fallout of COVID-19, financial cooperation at the regional level is of utmost importance. Besides the SAARC COVID-19 Emergency Fund, leveraging instruments under initiatives such as SAARCFINANCE can help sustain development financing in the subregional countries. Currency swap arrangements and capacity building for FinTech are among noteworthy on-going regional initiatives in this regard.

- **Exploring alternative modes of regional cooperation:** Given that broad-based regional cooperation is a necessity for South Asia to tide over the adverse impacts of COVID-19, a wide range of policy instruments are required to achieve the objectives of cooperation. While it is commendable that South Asian countries came together to establish an Emergency Fund, the requirement of cooperation goes beyond short-term measures. Stagnation in several of the work programmes on regional trade, transport, energy connectivity etc. under SAARC could be a limiting constraint in this regard. South Asian countries must strengthen SAARC processes while also exploring alternative instruments available under other regional groupings such as BIMSTEC and BBIN.
- **Sectoral cooperation:** Given the current complexities in mobilizing existing subregional organizations and architecture beyond health emergency response for COVID-19, thematic or sectoral cooperation in specific sectors or common areas/issues of South Asian countries could be pushed forward, for instance, cooperation on disaster risk reduction strategies, food security, share lessons on social protection strategies for addressing the crisis and collaborate on devising digital platforms for disease control and disaster management, content development and virtual learning tools for online education and service delivery such as telemedicine. UN agencies could facilitate such sectoral cooperation. SDGs implementation could also provide an important framework for subregional cooperation.
- **Development partners for supporting subregional cooperation:** UNESCAP with other regional partners and subregional organizations could support the sectoral regional cooperation in building back better through providing subregional platforms for facilitating knowledge sharing and good practices, undertaking dialogues and policy discussions on furthering South Asian cooperation and promoting regional cooperation in key identified sectors of subregional relevance.

Summary of Proceedings

Dr. Nagesh Kumar, Director, UNESCAP SSWA, shared four key messages of the UNESCAP policy paper on *COVID-19 and South Asia*. Firstly, the subregion entered this crisis with a low level of preparedness which exposed the development gaps further. Lack of robust public health infrastructure, gaps in access to basic amenities like sanitation and ICT connectivity, absence of social security for millions of workers, with majority employed in informal sector- all of which are SDG targets, reflected in low levels of SDG achievements- affected South Asia's preparedness to deal with the pandemic effectively. Elevated levels of public debt and fiscal deficits has constrained the fiscal space available to address the crisis.

Second message related to very severe socio-economic impacts of the pandemic on the subregion with widespread job losses as lockdowns and other restrictive measures hit the MSMEs, which constitute the backbone of the economies. Tourism sector, on which many South Asian countries like Maldives, Nepal, Sri Lanka rely heavily, has all but dried up as travel restrictions were put in place. Collapse of international trade has led to cancellation of export orders for garments and other products. Remittances, which form an important source of foreign exchange for countries like Nepal are expected to decline massively. In the context of remittances, Bangladesh's new two percent cash incentive, leading to an increase in remittances is an interesting policy measure and other South Asian countries could emulate such innovative policies. South Asian economies are likely to shrink for the first time in four decades. UNESCAP-SANEM simulations suggest, as many as 132 million people could be pushed into extreme poverty, reversing the hard-won gains during the whole decade. Inequalities are widening as vulnerable and marginalized groups, especially women, migrant workers, slum dwellers, elderly people and people with disabilities have been affected much more adversely.

The third message related to the **national strategies** to fight against COVID-19 must focus on large people-centered inclusive and sustainable relief and stimulus packages. UNESCAP-SANEM CGE model simulations find scale of stimulus packages needed

to mitigate the socio-economic impacts to be in the range of 7-14% of GDP. Immediate priority must be on saving lives through strengthening public health infrastructure, but the South Asian countries must move towards universal health coverage in the medium term. For livelihood security, in the short term existing programmes such as MGNREGA in India, EHSAS and BISP in Pakistan, similar programmes in Bangladesh must be expanded and countries must move towards universal social protection in the medium term. These social security programmes can be combined with green, inclusive and gender sensitive investments to build public goods and more sustainable, decarbonized economies to address multiple and intersecting deprivations e.g. waste recycling projects, waste-to-energy projects, micro-hydel projects. The subregion must focus on more decentralized urbanization patterns instead of few dense, urban clusters which makes people less vulnerable to pandemics and disasters. Financing in the extra ordinary times, governments could put aside fiscal prudence targets in the short term and consolidate again in the medium-term. South Asia's growth engines viz. MSMEs, need to be ignited by immediate infusion of funds. Financing of the stimulus packages is challenging and calls for resource mobilization through innovative and new taxes, donations and CSR, international cooperation including the support of international financial institutions like IMF, World Bank, ADB, AIIB. Yet some 'out of box' ideas can be implemented, e.g. creating a massive facility of new SDRs by IMF. Non-tax revenues must be tapped effectively, for example, as was highlighted in the High-Level Policy Dialogue (by *Dr. Rajiv Kumar, Vice Chairman, NITI Aayog, India*), including through monetization of underutilized public assets, to fund the stimulus packages.

Finally, the critical importance of **subregional cooperation** in effectively addressing the pandemic was highlighted in terms of harnessing unutilized intra-regional trade potential; strengthening transport corridors to ensure no disruptions to supply chains of medicines, food and essential commodities; fast tracking the clean energy transition; enhancing the food security and climate resilience of agriculture; coherence on disaster risk reduction strategies; for sharing good practices in harnessing the digital revolution; and closing the digital divide by South

Asian countries. Some important bilateral initiatives such as between India and Bangladesh on inland waterways, can be extended to other countries in the subregion. Such a mammoth development challenge calls for extraordinary response and greater South Asian cooperation can complement national strategies to build back better. UNESCAP, with other regional partners and subregional organizations such as BIMSTEC and SAARC can play a significant role to assist the subregion harness the potential of such cooperation for building back better.

Prof. Akmal Husain, Dean ITU, Lahore and Co-Chair, SACEPS, moderated the panel discussion and offered quick reflections on four fundamental aspects of vulnerability in South Asia that led to such devastating impacts, challenge of inequality and the opportunities for regional cooperation. The first aspect of vulnerability is lack of health infrastructure and absence of universal health coverage for all in the subregion. The second aspect which exacerbated the adverse impact of the pandemic on the people of this region was the lack of a social security system in the form of unemployment benefits and public pensions. The third aspect relates to absence of financial cushions for people at the margins of poverty, making them extremely vulnerable during pandemics and disasters. Provision of a universal basic income for South Asian people can prevent food insecurity and poverty traps during shocks and crises. Lastly, the most important aspect is acute economic inequality that persist in South Asia, especially in countries with high economic growth rates. This rising economic inequality necessitates reconfiguring growth and development strategy to make it more equitable and sustainable. South Asian countries must move towards universal provision of health care, education and social protection to come out of this crisis and build resilience for future pandemics and ecological disasters.

Contrary to the popular arguments that developing countries lack resources to roll out universal social protection measures, India and Pakistan have current per capita income levels above Germany, China and Japan at a time when these countries made their social security commitments. Recent development research shows that countries with equal distribution of income had higher rates of growth. More equitable growth process through provision of education, skills and basic services, taps into the productive potential of the hitherto excluded section of the society, such as the middle classes and the poor, and generates a broader base of savings, investible resources and productive assets. Restructuring the growth process through greater equality and investments in people for

human development can harness the depth of innovation capabilities, with innovations driving the economic growth process in the long term. A more equal, broad based and deeper South Asian growth process would help build resilience against future pandemics and ecological disasters.

Finally, South Asia could address these vulnerabilities through regional cooperation. A central aspect of South Asian cooperation is to accelerate trade and investment in the region and enable South Asian MSMEs to be locomotives of equitable growth. Enhanced access to regional markets and raw materials, can help growth and increase firm size. Similarly, regional cooperation in the areas of sharing new innovative, cost effective methods for universal provision of health care and education and developing an integrated digital communication system could help subregional countries fight the pandemic and future disasters collectively. Establishing integrated regional supply chains for critical items such as medical supplies, personal protective equipment etc., is very important to ensure there are no shortages. Given that the subregion is confronted with food security challenges, setting up a supply system through regional cooperation to move food supply from food surplus areas to food deficit areas is essential to address rising food insecurity in the wake of the crisis.

Perspectives from South Asian Think Tanks

Mr. Nazir Kabiri, Executive Director, BIRUNI Institute, Afghanistan, highlighted the economic challenges due to the COVID-19 pandemic at the national level. In Afghanistan, the major economic indicators indicated a steep fall in the second quarter of 2020. The projections of the BIRUNI Institute suggest GDP contraction of 8.2% in 2020 higher than the World Bank's estimates of 7.5%. The economy showed a significant fall in trade as exports declined to \$32 million in the second quarter as compared to \$143 million in the second quarter of 2019 while imports too dropped to an unprecedented level due to weak domestic demand. According to a Business Pulse Survey by IFC on formal SMEs, only 37 percent of the business operations were open during the months of June and July while the rest were temporarily closed. Afghanistan's economy has witnessed a sharp increase in poverty and unemployment. World Bank's estimates suggest that poverty could increase to 72% by the end of 2020 compared to 54% in 2015. On the other hand, BIRUNI Institute's estimates suggest that poverty rate could be as high as 80% in 2020 which could mean around

8 million people will be additionally poor due to the crisis. With as many as 4.8 million people becoming unemployed by the end of 2020, the unemployment is projected to increase from around 39% in 2017 to 53% by 2020.

At the regional level, the COVID-19 pandemic creates the risk of more inward looking, protectionist and nationalistic policies unless countries come together for greater regional trade, especially over land trade for Afghanistan. The nature of Afghanistan's economy is fundamentally different from other South Asian economies in terms of heavy reliance on international aid. Afghanistan meets 75 percent of its public expenditure needs (on and off budget) through international grants and aid, adding to the tremendous pressure on government to meet additional expenditure needs. From Afghanistan's context, the role of bilateral trade becomes important during the pandemic with its neighbours especially with Pakistan and Iran for food security as well as for the businesses. In the absence of trade agreement with Pakistan, while a transit trade agreement exists, it was suggested that a bilateral trade agreement between Afghanistan and Pakistan in this pandemic could unlock the full trade potential for wider regional cooperation. The country remains heavily reliant on international aid and with transition being made towards peaceful economy, post peace economic recovery remains vital. Also, as the government and international communities prepare for a talk in Doha, the future of aid in Afghanistan depends on donor pledging conference in Geneva in November 2020.

Dr. Fahmida Khatun, Executive Director CPD, Bangladesh, acknowledged that the COVID-19 pandemic has exposed the existing weaknesses and challenges plaguing the South Asia region and addressing these vulnerabilities is needed to build back better. From the country's perspective, the pandemic has caused unprecedented disruptions with large scale negative impacts on Bangladesh's economy and wellbeing of its people. Compared to other South Asian countries, Bangladesh has third highest number of cases per billion after Maldives and India and the lowest number of tests per thousand in South Asia with a high positivity rate. With COVID-19 testing in government healthcare centers being chargeable, it deters people with limited income or belonging to the poor strata from being tested, leading to an increase in cases. Bangladesh's health infrastructure has been inadequate to deal with the health emergency posed by the pandemic, with paucity of health infrastructure evident from availability of one hospital bed per 1196 persons and one registered physician for every 1581 persons.

Economic growth projections from various international and national organizations like World Bank, IMF and Economic Intelligence Unit and CPD have highlighted that even though Bangladesh, which has been one of the fastest growing economies in the region, would have a reduced growth rate in range of 1 to 4% this year as against the original government projection of 8.2 % and revised government projection of 5.2%. Economic fallout from COVID-19 has led to a transformation in the structure of the economy with implications for employment composition in the economy. In the current scenario, rural economy, especially agriculture, has assumed greater economic importance as migrant workers in industry and services sectors have returned to rural centers and are engaged in farming and allied activities. Estimates have shown that unemployment increased, and availability of jobs declined. During the lockdown about 71% of people have become jobless with an increase in inequality of consumption, income and wealth. This has increased the vulnerabilities of marginalized sections of population and pushed millions of people below the poverty line. Trade and investments have been adversely impacted due to COVID-19 with sharp fall in both exports and imports. The country's exports are heavily reliant on the garment industry and due to low demand from EU, USA and western countries there has been a sharp decline compounded by cancellations in export orders. Private investment has been low even in the pre-COVID-19 period and reviving domestic and foreign investments would be a key challenge going forward.

For greater South Asian cooperation, SDGs provide a major framework for collaboration, cooperation and for green and sustainable recovery. As highlighted by Jeffery Sachs, focusing on 6 of the SDGs can maximize positive spillovers across all the Goals. South Asia must look to promote cooperation in these SDGs, related to education and gender inequality, health and wellbeing, energy de-carbonization and sustainable industry, sustainable land food water, oceans, sustainable cities and communities, along with digital revolution for sustainable development. Secondly, regional collaboration for improvement in the health systems through greater health cooperation. Weaknesses in the health infrastructure have become more prominent during the crisis and there is huge scope for cooperation and development. Bangladesh has supported South Asian nations during the pandemic by sending emergency medicines to Bhutan, aid and doctors to Maldives while India has supported Bangladesh by sending testing kits. With the development of COVID-19 vaccine being underway, the idea of "Neighbour First

Policy” should be followed during the vaccine availability and distribution stage. Thirdly, regional cooperation in education, especially online teaching is another key area to focus. During COVID-19, the use of technology has increased across all sectors and online education has become a powerful medium to ensure learning. But in case of Bangladesh and many other South Asian countries, persistent digital divide has meant that the majority of children have missed out due to lack of access to internet, digital devices like smart phones, laptops etc. South Asian countries could collaborate on quality content development for online education and devising suitable online curriculum and pedagogy for ensuring continuity in education and minimize disruptions to online learning. Widespread school closures and economic distress have led to massive school dropouts, especially among poorer households, while in countries like Bangladesh it has led to early marriages for girls. Achievements of the country in better maternal and child health outcomes risk being reversed unless disruptions to education of girls and needs of women are addressed.

Mr. Wangchuk Namgay, Chief, Development Cooperation Division, GNHC, Bhutan: provided an overview on the impact of COVID-19 on Bhutan’s economy. Bhutan’s economy is forecasted to dip to low level of -6% at the end of 2020 against initial projection of 1% in the beginning of the year. Bhutan’s resource gap is estimated at \$15 billion with fiscal deficit at 7.6% of the GDP. While all sectors have been impacted by COVID-19, tourism, construction, manufacturing, cottage, and small enterprises have suffered severe losses. Tourism sector, which is the main source of revenue generation, has seen suspension in operations since March 2020 resulting in massive livelihood losses and decline in revenues by 41 percent in 2020 compared to the previous year. Construction sector, with sectoral GDP contribution of 14% in 2018, has been hit hard by the pandemic given its heavy dependence on Indian foreign workers. Due to COVID-19 related travel restrictions, there has been a shortage of workers in the sector. With high credit exposure (27 percent of total credit in 2019), the spillovers in the construction sector can have an unprecedented impact on Bhutan’s economy through non-performing loans and stalling both ongoing and new construction projects. The manufacturing and the mining sector, again a critical sector in terms of foreign currency, employment generation and bridging the widening trade deficit, is heavily reliant on India for raw materials and markets. In 2018, this sector constituted 38% of the total revenue and 75% of the total exports. COVID-19 restrictive measures and lockdowns has exerted

adverse impacts on the industry, extracting huge economic costs.

The Government of Bhutan has initiated an economic recovery plan comprising of cross-cutting national recovery plan; and sector specific recovery plans focusing on tourism, construction and manufacturing sectors. Under the cross-cutting recovery plans, the Druk Gyalpo’s Relief Fund, a social safety network fund provides income support to affected people, covering mostly people laid off during the pandemic and child support to children. To ensure continuity of business operations, the Bhutanese government has granted loan deferrals and interest waivers, especially to the SMEs and the small cottage industries badly hit by COVID-19. The Bhutanese government is revisiting the five-year plan with an aim to fast track certain activities to improve the economy and generate employment. Under the sector specific recovery plan, public investment in tourism sector would be incurred with an aim to build back better through skilling and re-skilling people engaged in this sector and diversifying and refurbishing the tourism facilities. Given the travel restrictions for international tourists, domestic tourism would be nudged strongly. Under the “Build Bhutan project” in the construction sector, workforce gap is being met through domestic labor comprising of people who are unemployed, laid off and people with unpaid leave with provision of public incentives in the form of pensions and social safety. In its initial phase, the project aims to engage 7,000 skilled workers and in total about 14,000 workers would be trained /re-skilled and made employable. For the manufacturing and mining sector, the “Economic Contingency Plan Series 2” focuses on provisioning of an enabling environment, access to finance, access to raw materials, market and other enabling factors. This plan would also explore ways for sustainable harvesting of Bhutan’s vast forest reserves to meet domestic demand and for generation of convertible currency. Even though 70 percent of Bhutan is under forest cover. only 3.7 percent of net annual increment of forest is harvested which is 0.05 percent of growing stock, leaving a vast stock of timber untouched and overstocked.

In terms of regional cooperation, Bhutan has received a lot of support from bilateral countries like India and Bangladesh in currency and kind. In the context of the pandemic and economic recovery process, the role of international financial institutions like the World Bank, ADB and other multilateral institutions remains extremely important for complementing national efforts in fighting COVID-19 and rebuilding economies.

Prof. Sachin Chaturvedi, Director General, RIS, India, highlighted the importance of financial cooperation for overcoming the unprecedented economic crisis triggered by COVID-19. At the country level, sharp contraction in GDP, negative services sector growth, decline in merchandise exports and imports, and widening output gap are compounded by massive job losses both in the formal and informal sectors. Surveys on industrial outlook and consumer confidence are indicative of large-scale decline in investment, consumption and employment. As India's policy response has been through measures to revive domestic production and demand through government programmes such as the *Atmanirbhar Bharat*, the path of recovery will depend on reaction of the domestic industry to incentives and capital support measures. In order to overcome the liquidity crisis, the Reserve Bank of India (RBI) has introduced an improved targeted long-term repo operations (TLTRO), specifically addressing liquidity constraint faced by non-banking financial institutions (NBFCs) through recapitalization. However, in order to ease credit conditions for the banking and financial sector, measures beyond extension of debt moratorium and restructuring of loans are required. On improving health infrastructure and services, India is currently spending up to 1.57% of GDP on public health, and efforts are being made to increase spending to about 6% of GDP in the coming 5 years period with collective efforts from the state and central governments. This will help to enhance the preparedness of the country in combating health emergencies such as the COVID-19.

Ongoing regional cooperation initiatives in the area of development, especially through collaboration of central banks of South Asian countries, are critical in the current context. Initiatives undertaken by SAARCFINANCE, a regional network of central banks of South Asian countries, to foster financial cooperation include a currency swap framework for 2019-22 through which RBI will continue to offer swap arrangement within an overall corpus of US\$ 2 billion. RBI has signed an agreement with Sri Lankan counterpart for US\$ 400 million, and similar agreements are being entered into with other South Asian countries. A roadmap for capacity building and technical support is being implemented under SAARCFINANCE, with scope of expansion of its outreach through India's involvement in the G-20 Framework Working Group. Regional initiatives for achieving greater financial inclusion and effective utilization of advanced technologies are also currently underway. It is important to expand the coverage of regional cooperation to topics beyond financial

cooperation, particularly on public health R&D and infrastructure, education, and other critical areas of sustainable development. Supporting MSMEs to enhance their role and participation in regional value chains is a priority for all countries in the subregion. An immediate priority for the subregion is to cooperate for expedited progress on COVID-19 vaccine development and distribution with a 'neighbourhood first' approach.

Ms. Aishath Saadh, Deputy-Director General, National Planning and SDGs Coordination Division, Government of Maldives, presented the successful experience of Maldives in containing the spread of COVID-19 to the capital region of Male, through inter-agency coordination, awareness generation and timely preventive measures. However, health systems continue to be on high alert as the capital region accounts for nearly two-thirds of the country's population. According to estimates by IMF, Maldives is one of the most negatively affected economies in South Asia with a projected contraction in GDP by 13% and an increase in fiscal deficit by 14.5%, particularly due to the impacts on the dominant industries of tourism and seafood exports. The Government of Maldives has committed about 2.5% of GDP to emergency relief measures by way of assistance to business enterprises, and monthly income support to poor and vulnerable households. Moratorium on loan repayments has been extended, while reducing the minimum reserve requirement to infuse additional liquidity into the financial system. The government has also subsidised utility bills across the country and adopted measures to control prices of essential goods and services.

Projects for digital governance that were being implemented prior to the onset of the pandemic helped Maldives to sustain delivery of essential services through online platforms. Such platforms were set up for conducting tele-classes for schools, telemedicine etc., while the private sector could utilize such facilities for continuity of business operations. However, disparities in access to digital platforms has had an adverse impact on universal provisioning of online services. Efforts are being made to make digital services affordable and accessible to all. An important learning from Maldives is the advantages of universal health care provisioning through public programmes which helped to ensure that all sections of the population have access to testing and medical care during the pandemic. This highlights the importance of extending safety nets to improve preparedness and resilience in dealing with public health crises. As the economic downturn has resulted in a rise in poverty and deprivation, concerted efforts are needed to expand and enhance the scope and

coverage of public welfare programmes. The new normal calls for inclusive interventions that are targeted towards the most vulnerable. Maldives is also preparing for 'building back better' by revamping its dominant industries such as tourism with emphasis on health safety and environmental sustainability.

At the subregional level, regional cooperation is important for planning and executing strategies to recover from the pervasive socio-economic challenges raised by COVID-19 pandemic and to overcome consequent burden on public resources. South Asian cooperation among the countries can help them learn from each other's experiences in tackling the pandemic and in the recovery phase.

Dr. Posh Raj Pandey, Executive Chairman, SAWTEE, Nepal, pointed out that though the rate of infection of COVID-19 is lower in Nepal than other South Asian countries at present, lower recovery rate is a cause for concern. Adverse socio-economic impacts of the lockdown measures adopted to contain the spread of the pandemic are becoming visible. Early estimates for the current fiscal year indicate that Nepal has entered a negative GDP growth zone. Recent studies by *Nepal Rashtra Bank*, the Central Bank, has shown that the crisis has hit the financial sector adversely, resulting in huge unutilized productive capacity. Manufacturing sector was forced to downsize, resulting in massive job losses and sharp wage cuts. Tourism, hospitality and education are some of the worst hit sectors. More than 90% of operators in the tourism and hospitality sector, particularly SMEs, faced temporary closure of business during the lockdown period. Since April 2020, merchandise exports decline by 36.4% and imports by 48.1%. Decline in imports of industrial inputs has severely affected productive capacity. Inflows of FDI and remittances have also slowed down considerably. Along with soaring domestic unemployment rates, Nepal is witnessing the return of migrant workers in large numbers.

Planning strategies for 'building back better' are challenged by unknown parameters in terms of the duration of the pandemic, its scale and intertemporal effects on investments, production and consumption. Fiscal stress will increase to unprecedented levels if productive sectors are unable to emerge out of the downturn in the near term. While broad-based regional cooperation is necessary for combating the current crisis, impasses in many of the programme areas for cooperation under SAARC need to be resolved urgently. Nepal's recent attempts to avail SAARC COVID-19 Emergency Fund for procurement of medical equipment met with certain procedural delays. Such procedural weaknesses in the modes of

regional cooperation can be detrimental. Strengthening regional cooperation through various alternative instruments available under SAARC, BIMSTEC, BBIN etc. should be given utmost priority.

Dr. Abid Suleri, Executive Director, SDPI and Member of PMEAC, Pakistan, provided country perspectives on the pandemic by highlighting the declining trend in new infections and mortalities being witnessed in Pakistan since 1 September 2020. At the world level, the pandemic has been accompanied by global economic recession and food insecurity. For Pakistan, food insecurity has not posed a challenge even though there was temporary spike in prices of wheat flour and sugar due to administrative causes. Rural economy, particularly the agriculture sector, has provided buffers for overall economic growth in Pakistan and contributed to maintaining food security and employment in the country. Government of Pakistan went for a "smart lockdown" approach in response to the pandemic where key sectors of the economy remained open and operational. It is being followed by a policy of "micro smart lockdown" with micro-containment zones where clusters are being detected.

In the context of the South Asian subregion, the ideal situation where eight South Asian countries collaborate and develop joint strategies and South Asian collective response to the crisis at hand, has not happened so far. The business-as-usual (BAU) scenario entails diverting attention from existing geopolitical tensions and focusing on national strategies and domestic responses at the country level. The worst-case scenario implies enhanced cross-border tensions to divert attention from domestic crises. South Asian think tanks could play an important role in driving regional collaboration and forging subregional and regional responses by offering pragmatic solutions given the current context. In this regard, thematic cooperation in specific sectors or common areas/issues of South Asian countries could be a good starting point, for instance, eight South Asian countries could cooperate on disaster risk reduction strategies and food security and devise joint strategies. In the case of recent locust attacks in Afghanistan, Pakistan, India and Nepal, the Food and Agriculture Organization (FAO)'s regional locust management programme has regular meetings of representatives from each of the affected country. Regional cooperation in the subregion must focus on doable, action-oriented issues, including: (i) Clean and green post COVID-19 recovery with promotion of clean and green investments in public health infrastructure and social protection infrastructure. UNESCAP SSWA office could play a pivotal role in driving this agenda forward. (ii) Universal social

protection strategies with pilot programmes on universal social protection for health emergency and employment. South Asian countries can share lessons learned and experiences and develop combined strategies for ensuring universal social protection coverage to their people. (iii) Opportunities for fiscal and financial inclusion by harnessing the digital transformation needed for Fourth Industrial Revolution (4IR). Scaling up of digital infrastructure has opened up new opportunities for telemedicine, online education, food delivery services and e-commerce. The digital revolution unleashed in the context of 4IR but accelerated by the pandemic offers scope for MSMEs to capitalize market access and doing business through greater usage of digital technologies. The pandemic has resulted in new ways of doing work, including work from home and remote working arrangements. South Asian countries could use existing and alternative forums for sharing their success stories and failures in combating the pandemic and broader economic recovery.

Dr. Dushni Weerakoon, Executive Director, IPS, Sri Lanka, provided Sri Lanka's perspective in tackling the COVID-19 pandemic. While the new cases and deaths due to COVID-19 have remained low, health hazard has been relatively contained with full resumption of economic activities and mobility, Sri Lanka faces a challenge in terms of providing adequate testing and health facilities for overseas migrant workers waiting to return to the country.

Economic fallout from the pandemic has been similar across all South Asian countries and recovery would be a key challenge. The prospects for subregional cooperation would have been stronger, if all countries in South Asia were overcoming the health crisis at the same pace, creating possibilities for resuming travel, tourism and reopening of borders. At the subregional level, areas of cooperation exist in the recovery phase.

Some of these areas for subregional cooperation include: (i) Macroeconomic policy, in particular, fiscal

policy coordination. Increased spending on health, education, social protection and universal basic income would need re-examination of taxation and expenditure policies of the countries in the subregion. While countries are trying to use stimulus measures to avert the crisis induced by the pandemic, in near future resource mobilization for ensuring resilience and managing public finances would become important. In macroeconomic policy responses to tackling COVID-19, fiscal policy has emerged as the main intervention in all South Asian countries. All South Asian countries face similar challenges of low tax collections, inadequate revenues and lack of fiscal space for increasing public expenditures on health, social protection and education. Researchers and South Asian think tanks can look beyond immediate macroeconomic policy interventions, at the recovery phase to identify policy choices and resource mobilization strategies for South Asia. (ii) Trade cooperation. Most countries in South Asia have closed borders, imposed trade restrictions and protectionist policies to deal with the crisis. Sri Lanka has imposed import restrictions on certain commodities and aims for self-sufficiency in food production. In the post COVID-19 recovery phase, South Asian think tanks must develop common positions and combined strategies on trade policies. (iii) Developing regional supply chains. To mitigate large scale disruptions, supply chains are expected to become more compact and concentrated regionally. Global production structures are going to be reset. This provides opportunity for South Asia to look at specific sectors, particularly food sector to harness potential of greater supply chain cooperation. (iv) Institutional cooperation. There is a need to look at institutions, both at regional level and country level, in terms of public service delivery and managing public finances. Governments have played a pro-active role in dealing with the immediate emergency posed by the pandemic with large scale state led development processes. South Asia, as a region must explore ways to ensure strong and resilient institutions going beyond COVID-19 recovery.

Summing Up and Way Forward

- The policy dialogue offered important insights, country perspectives and strategies for taking the agenda of South Asian cooperation forward. While proposals were made at the national level for crisis recovery, regional cooperation strategies and a regional master plan was emphasized upon to create resilience for future outbreaks and assist countries to build back better.
- In the open discussion, it was emphasized that South Asian region can make a strong case for debt relief at the regional level, with India positioned to take the lead (given its role as subregional and bilateral lender) in shaping the discourse at the international level in having debt relief and debt waiver measures to assist developing countries and least developed countries (LDCs).
- While the diversion of resources to meet COVID-19 can impact the achievement of the SDGs, national stimulus packages to meet the crisis can be aligned with the SDGs and other international commitments such as the Paris Agreement for cleaner, greener recovery and sustainable development.
- To come up with a strategy for overcoming gender gaps exacerbated by the crisis, focus should be on education, re-skilling of women and creating opportunities for self-employment and entrepreneurship through access to digital technologies and platforms.
- While the degree of vulnerability of countries might be different, but South Asia as a region is extremely vulnerable to ecological disasters and future pandemics. Universal provision of health care, social protection and other basic services can provide important safety cushions and enhance the overall preparedness of the region to deal with current crisis and future outbreaks.
- More equitable and broad-based growth trajectory, unleashing the potential of all people including the middle class and the poor, to be active participants in the growth process- has to be at the heart of recovery efforts.
- In the current context, international organizations and regional development partners, such as UNESCAP can foster greater regional cooperation among South Asian countries on sectoral basis, through thematic cooperation on sectors and issues.

Annex I



South Asia Centre for
Policy Studies (SACEPS)

In collaboration with

The Biruni Institute, Afghanistan
Centre for Policy Dialogue (CPD), Bangladesh
Research and Information System for Developing Countries (RIS), India
South Asia Watch on Trade, Economics and Environment (SAWTEE), Nepal
Sustainable Development Policy Institute (SDPI), Pakistan
The Institute of Policy Studies (IPS) of Sri Lanka

Virtual Policy Dialogue on

South Asian Cooperation for Accelerating Recovery from COVID-19 and Building Back Better

15.00-17.00 pm (IST), 14.30-16.30 (PST), 9 September 2020

Programme

15.00 – 15.30 PM	Opening remarks <ul style="list-style-type: none">○ Dr. Nagesh Kumar, Director, SSWA Office, UNESCAP○ Prof Akmal Hussain, Co-Chair, SACEPS
15.30 – 16.25 PM	Moderator: Prof Akmal Hussain, Co-Chair, SACEPS Panel discussion: (7 minutes each) <ul style="list-style-type: none">○ Mr. Nazir Kabiri, Executive Director, Biruni Institute, Afghanistan○ Dr. Fahmida Khatun, Executive Director, CPD, Bangladesh○ Mr. Wangchuk Namgay, Chief, Development Cooperation Division, GNHC, Bhutan○ Prof. Sachin Chaturvedi, Director General, RIS, India○ Ms. Aishath Saadh, Deputy-Director General, National Planning and SDGs Coordination Division, Government of Maldives○ Dr. Posh Raj Pandey, Executive Chairman, SAWTEE, Nepal○ Dr. Abid Suleri, Executive Director, SDPI, Pakistan○ Dr. Dushni Weerakoon, Executive Director, Institute of Policy Studies (IPS), Sri Lanka
16.25 – 16.50 PM	Q&A
16.50 – 17.00 PM	Wrap up by UNESCAP and SACEPS

