



# Socio-Economic Response to COVID-19: ESCAP Framework



## I. INTRODUCTION

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COVID-19 is an unprecedented socio-economic crisis and calls for unprecedented policy responses. In addition to being a severe health crisis that is upending people's lives, it is wreaking havoc on economies and societies at a global scale through containment measures put in place to control it. The Asia-Pacific region is no exception.

This paper outlines ESCAP's framework of support to member States as they respond to the socio-economic impact of COVID-19 pandemic in Asia and the Pacific. The paper takes guidance from the global "UN framework for the immediate socio-economic response to COVID-19". To ensure consistency of support from the UN system to member States, ESCAP's proposed framework is aligned well with this global framework and covers several similar socio-economic aspects.

It also builds on ESCAP's position paper, "The Impact and Policy Responses for COVID-19 in Asia and the Pacific", published on 25 March 2020, which outlined policy recommendations encompassing the economic, social and environment pillars of sustainable development and highlighted few areas for regional cooperation in this regard.

Importantly, it underscores the need for 'building back better' to ensure an effective pursuit of the 2030 Agenda for Sustainable Development.

The core of the ESCAP framework consists of three streams of work: (1) protecting and investing in people and enhancing resilience of societies and communities, especially women and vulnerable groups of population, through strengthening social protection, improving access to health systems and basic services, and enhancing resilience including emergency preparedness; (2) supporting sustainable and inclusive economic recovery through fiscal and monetary stimuli in line with the 2030 Agenda

for Sustainable Development and the Paris Agreement; (3) restoring and building resilience in supply chains through regional and sub-regional coordination on trade, investment, transport and digital connectivity and supporting small and medium enterprises (SMEs).

While these streams of work primarily focus on the socio-economic response of COVID-19, 'building back better' is an over-arching and cross-cutting principle of the entire framework that needs to be an integral part of all policy responses. The framework encourages countries to seize the opportunity and the disruptions of this crisis to accelerate progress towards the 2030 Agenda. The countries have an opportunity to accelerate decarbonization and adopt sustainable consumption and production, mitigate inequalities and promote inclusion, and strengthen accountable, capable governments and institutions, especially at the city level where the greatest impacts of COVID-19 are being experienced.

In addition, ESCAP's framework promotes forging regional and sub regional solutions across the three broad areas, and in line with the priorities of the Asia-Pacific Roadmap for the 2030 Agenda, especially the means of implementation. This can be pursued through collaboration with United Nations Resident Coordinators and regional UN entities, partnerships with sub-regional intergovernmental organizations, think tanks, the private sector, local governments and city networks, civil society organizations, and through ESCAP's own inter-governmental mechanisms such as the Commission and APFSD.

With a view to effectively monitor progress of measures put in place, COVID-19 provides added impetus to empower and enable National Statistical Systems to develop and deliver innovative and timely statistical products and services.

The framework in this paper will give due consideration to such aspects in line with regional and relevant sub-regional agreements. For instance, a new Stats Café series will provide just-in-time, practical assistance to National Statistical Systems on diverse topics such as the availability of geospatially-enabled, sub-national population estimates and how to access and use these estimates for national planning and prioritization purposes.

To implement this framework, over the next 12 to 18 months, ESCAP will mobilize its collective know-how and strategic presence through its subregional offices. It is re-orienting its programme of work for 2020 and 2021 to incorporate COVID-19 issues and will utilize its existing resources and will endeavor to raise additional extrabudgetary resources, as appropriate.

To this end, ESCAP is re-orienting its work programme for 2020 and 2021, as appropriate, within its existing human and budgetary resources, to incorporate COVID-19 related issues. Specifically, ESCAP will provide support along its three main business lines: knowledge products, that are based on solid research and analysis; intergovernmental meetings and policy dialogues; and programmed and on-demand capacity development and technical assistance activities. Given the travel restrictions in place, new and innovative modalities of support, such as using digital technology, will be given due consideration in organizing these activities.

## II. FRAMEWORK OF SUPPORT – WHAT IS ESCAP’S OFFER

ESCAP’s offer and value addition to support member States builds on its existing work, mandates and resources, and revolves around three main streams of work:

(i) **protecting and investing in people and enhancing resilience of societies and communities**, especially women vulnerable groups of population, through strengthening social protection, improving access to health systems and basic services, and enhancing resilience and emergency preparedness.

(ii) **supporting sustainable and inclusive economic recovery** through fiscal and monetary stimuli in line with the 2030 Agenda for Sustainable Development and the Paris Agreement.

(iii) **Restoring and building resilience in supply chains and supporting SMEs**, through regional and sub-regional coordination on trade and investment, transport, and digital connectivity.

An over-arching cross-cutting principle of the entire framework is to support efforts to **build back better** by embedding resilience, inclusiveness and sustainability considerations into policy responses. ESCAP firmly believes that the COVID-19 crisis can be taken as an opportunity to reorient the development approach, guided by the 2030 Agenda.



Moreover, in implementing the framework, ESCAP will leverage **regional cooperation** among member States **and collaboration** through partnerships with UNRCs, other UN entities, sub-regional inter-governmental organizations, think tanks and private sector to ensure a concerted regional approach to manage and recover from the crisis in a sustainable manner.

ESCAP's existing intergovernmental coordination platforms, such as the Commission session and Asia Pacific Forum on Sustainable development (APFSD), will be leveraged to take full advantage of this Framework.

## 1. PROTECTING AND INVESTING IN PEOPLE AND ENHANCING RESILIENCE OF SOCIETIES AND COMMUNITIES

### 1.1 Outline of the framework

The socio-economic impact of the pandemic is accentuated by the fact that over a quarter of the region's population are already living in poverty with daily means below \$3.20 a day. Around 1.6 billion people lack access to basic sanitation and an estimated 260 million lack access to clean water at home. COVID-19 impacts have also exposed the vulnerabilities caused by the very low investments in health and social protection in Asia Pacific, far below the global average. Estimates indicate that over 4 in 10 people in the region have no access to health care and over 6 in 10 people lack access to social protection. Without sickness benefits, many cannot afford to stop working even when sick and without unemployment benefits, many more will not be able to support their families. Based upon anecdotal evidence, this scenario is being played out across many countries in the region, even where the actual number of cases and deaths are not significant. Experience has shown that countries with established universal health care and social protection systems and a proper civil registration system are much better positioned to address a crisis, not least a health crisis like the ongoing pandemic.

At this critical time **Governments must make people their top priority in their policy responses**. Investing in people today will not only speed up economic recovery, but also lay the foundations for the future prosperity of the region.

Responses to the pandemic and its future socioeconomic impacts must, therefore, combine short-term relief measures with longer-term strategies to design, **develop and implement well-coordinated comprehensive social protection systems**, underpinned by transparent, well-governed and capable institutions and civil registration systems. An integrated element of such a response is the strengthening of health systems and pandemic preparedness and improving access to universal health care.

In addition, **to protect people against the current pandemic and possible future crisis, understanding of the risk magnitude, early warning and preparedness will also be critical**. Speed is of the essence and early warning for early action involves intelligent contact tracing, analytics-based dynamic risk hotspot mapping and identifying and targeting the most vulnerable. Geo-referenced big data can provide deep insights into temporal and location patterns of the contagion, and data drawn from mobile phones showing people's movement have clearly helped to better understand contagion patterns.



In the short term, many Governments have put in place measures to provide income support to the population through social assistance or other tax-financed benefits. Cash transfers are being implemented in some countries, while others are scaling up existing social assistance benefits or creating new ones. Some countries are experimenting with one-time income support to all residents. Implementation of these schemes in situations without an existing structure and a proper civil registration system is proving to be challenging and not reaching all sections of the affected population. This has a real potential for creating disaffection and disenchantment with the system. Countries with well-established unemployment protection schemes for workers are able to do this better through quickly expanding unemployment benefits; subsidies; and expansion or introduction of partial unemployment benefits to compensate for reductions in working hours.

Therefore, **during the implementation of these immediate short-term measures, countries need to keep the following in view:**

**One**, many countries in the region have a large informal sector, most workers are not covered by statutory social protection. These workers need to be at the centre of policy efforts.

**Two**, many of these workers are women, older persons and persons with disabilities and their needs require special attention.

## 1.2 Examples of support on offer

Using this momentum in favor of a people-centred agenda for future prosperity and resilience, ESCAP will work with partners in Asia and the Pacific, from within the UN system and outside, to support Governments in the region in this endeavor to create comprehensive and shock-responsive health and social protection systems that build resilience.

As an immediate support, **a range of analytical products will be produced** and disseminated as working papers, policy briefs and blogs to share information and knowledge in support of

**Three**, in urban areas in developing countries in the region, there are an increasing number of young people working in non-standard forms of employment, such as gig workers using digital platforms, and the self-employed are particularly at risk. Their services are in high demand and essential, but they are themselves unprotected by existing schemes of social security.

**Four**, domestic workers and migrant workers, including domestic migrant workers several of whom are women, are another particularly vulnerable group to the impacts of the COVID-19 crisis.

Implementing such large-scale measures for social protection is a huge undertaking at a time when revenues from taxation and other sources have plummeted. At the same time, the pandemic has highlighted the need for strengthened health systems and effective social protection, and the issue is receiving attention from all decision makers. In the medium and long term, with political will, governments of the region would most likely receive strong public support for launching a new people-centred agenda for future prosperity and resilience, guided by solidarity, sustainability and inclusion. To build broad public support for introducing, or extending existing, social protection schemes, it is important to consult and, take into account the contributions, of all relevant stakeholders including civil society and the private sector.

protecting people and strengthening resilience. For instance, to enhance emergency preparedness and resilience to disasters, a guidebook on risk analytics for intelligent crisis management solutions is being developed under the Asia-Pacific Disaster Resilience Network (APDRN). Similarly, a regional initiative under the APDRN aims to produce and compile georeferenced aggregated data and to advance the application of geospatial techniques “heatmaps” that will help identify which communities are particularly vulnerable to COVID-19 impacts.

Such **analytical and knowledge products will then be used to provide policy advisory services and technical assistance** to bridge analytical gaps and develop new technical tools. For instance, advisory services on social protection models and simulation tools and on strengthening of civil registration and vital statistics (CRVS) as per the regional Asia-Pacific CRVS Decade 2015-2024 will be scheduled to support more targeted COVID-19 recovery and response. Technical assistance will be provided to identify those furthest behind using ESCAP's leaving-no-one-behind (LNOB) methodology, and to identify the specific needs of certain vulnerable groups, including women, older persons, and persons with disability. This would be supported by detailed geospatially enabled population estimates, which would enable detailed COVID-19 analysis and response at the country level.

**Webinars and online discussions are also being organized to share experiences and good practices** across countries and regions. Such engagements are important to understand the differential impact of COVID-19 across countries and population groups in order to calibrate responses to ensure LNOB. Similarly, a new Stats Café webinar series will provide just-in-time, practical assistance to National Statistical Systems on diverse topics such as the availability of geospatially-enabled, sub-national population estimates and how to access and use these estimates for national planning and prioritization purposes. Such advisory services, technical assistance and discussions will feed into building regional and sub-regional training and knowledge platforms of social protection policies and measures as well as detailed and integrated disaster-related statistics.

## 2. SUPPORTING SUSTAINABLE AND INCLUSIVE ECONOMIC RECOVERY

### 2.1 Outline of the framework

**The economic fallout of COVID-19 includes a considerable disruption and contraction in economic activity, a steep decline in government and business revenues, loss of jobs and countless losses of livelihoods for informal daily wage earners.** For instance, the average GDP for the Asia-Pacific region could contract by 4 per cent; the highest contraction on record. Similarly, 7.2 per cent of working hours in Asia and Pacific region (an equivalent of 125 million full-time workers) are estimated to be lost in Q2-2020, as opposed to 6.7 per cent at the global level. Around 38 per cent of the workforce are employed in at-risk sectors such as manufacturing, hoteling and catering, tourism,

trade and transportation and other sectors, where numerous firms are facing collapse in demand and potential bankruptcies.

Massive counter-cyclical fiscal and financial measures are urgently needed. Several Asia-Pacific countries have already announced a range of unprecedented policy measures to stem the decline and eventually initiate economic recovery. Further efforts will be needed to ensure that such measures and recoveries are not focused on reviving economic growth only but are in line with inclusive, sustainable, resilient and low-carbon pathways. In this context, ESCAP recommends a three-step approach to member States.



**1. Assess the scope and scale of the needed policy measures, based on a clear understanding of the various channels of economic impact.** Some key examples are:

**First**, countries' containment measures such as quarantines, travel restrictions and lockdown have led to a significant reduction in aggregate demand, with particular impacts on services, construction and transport sectors. The pandemic has also considerably disrupted supply-chain-based manufacturing as well as agriculture. A significant deceleration in GDP growth and even a contraction in some economies is almost a certainty, along with increased layoffs and unemployment. Distinguishing between the collapse in external demand resulting from major trading partners' domestic actions, versus weak domestic demand from domestic containment measures will be important, as policy responses are devised and implemented.

**Second**, disruption and contraction in economic activity will lead to reduced government revenues. This will be a tremendous blow to some countries in the region that already face high debt levels and limited fiscal space and are lagging in investments in much needed infrastructure and other basic services. In particular, there are countries in the region, including several countries with special needs, that have limited access to foreign debt markets. Nevertheless, to mitigate the impact of COVID-19, several countries will face an increase in borrowings, including those receiving soft loans, extending guarantee to private sector loans, or other form of loans. Meeting such requirements will be a major challenge for governments.

**Third**, the vulnerability of the external sector and volatility in financial and commodity markets are likely to increase. Examples include capital outflows to safe assets from several developing countries, in turn weakening their currencies.

Meanwhile, in prioritizing the welfare of their own citizens, countries are engaging in beggar-thy-neighbour policies, and tariff and non-tariff measures as well as export bans, are continuing. Moreover, international demand for commodities has declined sharply, especially for oil, further contributing to economic and financial uncertainty and instability for commodity-exporting countries. Lower commodity prices can reduce commodity exporting countries' fiscal revenue, worsen their trade balance and put depreciation pressure on their currencies.

**2. Analyze policy measures that have been announced and propose those which should be considered, taking account of the financing and implementation constraints faced by governments, at both the national and subnational levels.** In particular, an assessment of the fiscal space available for increasing public expenditures will be conducted, as it in a large part determines governments' capacity for action. Examples of what policy measures should aim at are:

**First**, revive aggregate demand and protect the most vulnerable productive actors. Governments will need to step-up their spending and, over the medium-term, their public investments in a targeted manner. They should distinguish between immediate relief measures during the lockdowns, and the measures to support economic recovery once the epidemic is contained. Given the heterogeneous productive structure in developing Asia-Pacific countries, there will not exist a one-size-fits-all policy. Intergovernmental transfers should also be supported to decentralize and strengthen the capacity of local authorities to better respond. But pursuing such policies in a sustained manner could be a challenge, as poorer countries face limited fiscal space and implementation constraints.

**Second**, support the stability of the financial system and avoid a credit crunch. Some immediate measures should comprise supplying sufficient liquidity to the banking system, including through significant reductions in interest rates by central banks. Capital controls may be required as well in some instances to stem capital flight. Targeted credit or interest/principal payment deferrals can be provided to support SMEs and households in need.

**Third**, increase investments to strengthen health and social protection systems and move towards universal health care and universal social protection systems. Vulnerable population groups must be placed at the center of such measures with a critical role for gender analysis. Many of the vulnerable population groups, including informal settlements, also need access to basic infrastructure and services also, and thus investments, including at the local level, will need to be channeled to address these concerns as well.

**Fourth**, increase investments in digital infrastructure to reduce the digital divide in the region. Lockdowns have called into question the e-resilience of networks as demand for bandwidth surged. Consequently, in today's virtual normal, the wide digital divide threatens to accentuate inequalities and divides across many dimensions of poverty and vulnerability. Additionally, it is important to mitigate disruptions in education through investing in support for e-learning capabilities for teachers and students, particularly in under-privileged communities and school-systems. Without according priority to such investments, as previous disasters have shown, it is the unconnected that are the most exposed to risk, that are the most in need of government financial support and other services, and that are the most likely to be left out and left behind.

**A lot of these policy measures would require increase in fiscal expenditures. How to finance them will be an important challenge.** This challenge will be more pronounced for least developed countries, where vulnerability to external shocks is already elevated due to fragile health systems, weak social protection systems, dependency on a narrow resource base and limited export markets. Pertinent policy measures could include: expanding the tax base through introducing tax reforms to enhance tax compliance; rationalizing existing subsidies and tax exemptions and re-prioritize some public expenditures; and introducing new tax instruments that address social and environmental concerns. Yet, extra caution is needed to ensure that implementing these measures does not further weaken aggregate demand. In parallel, governments could seek to leverage domestic and foreign private finance, such as by issuing sovereign bonds, including social bonds, and promoting a public-private partnership financing modality for public social and infrastructure services.

**3. Assess key implications of the proposed policy measures to ensure that policymakers are aware of policy trade-offs and that the desired impacts of such measures are sustained over time and promote the social and environmental objectives of the 2030 Agenda.** Key examples of such considerations are:

**First**, the impact of policy measures on fiscal and public debt positions. The fiscal stimulus being rolled-out in several countries will lead to increases in fiscal deficits and public debts. While the region as a whole has ample fiscal space, some countries have high fiscal deficits and are already at high or increasing risk of external debt distress. These countries may need debt relief and/or deferral of debt payments or debt restructuring support. Tools of debt sustainability analysis will need to be redesigned to support countries in a medium to long-term framework.

**Second**, the effect on capital outflows and exchange rate and financial market volatility. Sustained fiscal and monetary expansionary measures in developing countries may lead to capital outflows, along with exchange rate and financial market volatility. Regional and bilateral cooperation in Asia-Pacific can play an important role in this regard, for instance, to facilitate bilateral and regional currency swap arrangements on sustained basis.

**Third**, ensuring social and environmental sustainability in policy responses, in line with the 2030 Agenda and the Paris Agreement. Policy measures will need to take climate mitigation and adaptation as well as disaster resilience into consideration.

## 2.2 Examples of support on offer

Under the framework articulated above, ESCAP will **analyze immediate adverse economic impacts** under COVID-19 at the regional and subregional levels as an initial and immediate step, differentiating the channels through which different country groups have been affected. Based on that, more specific studies will be conducted to **assess the role of macroeconomic policies**, in particular fiscal policies, in supporting recoveries that are in line with the 2030 Agenda and the Paris Agreement, and the related implications for fiscal balance and debt management.

Moreover, **financing mechanisms will also be analyzed** to identify their role and resilience in responding to the COVID-19 pandemic. A specific focus will be on the LDCs to address their vulnerability and discuss fiscal, financial and other policy mechanisms to help build their resilience to external shocks, keeping in view their graduation considerations.



This is because extreme weather events in the region are increasing in frequency and intensity, and economic losses from disasters are on the rise. These trends will accelerate concurrently with pandemic losses if policy neglect sets in. A balance will need to be struck between short-term economic recovery gains, facilitated through fiscal and monetary measures, and long-term environmental and climate benefits. The sustainability aspects of the proposed policy measures will need to be assessed and investments prioritized accordingly as well, to ensure that the desired impacts of such measures are sustained over time and that they promote the social and environmental objectives enshrined in the 2030 Agenda.

In this context, **a series of policy briefs, working papers and blogs will be produced** to share information and knowledge. In addition, several discussion platforms or high-level dialogues will be organized, either virtually or otherwise, later in 2020 to discuss and disseminate the COVID-19 knowledge products, lessons learned, and policies implemented or under consideration and their implications. The idea will be to engage with government officials, researchers, and think tanks and share countries' experiences, best practices, and lessons learnt.

**The evidence-based knowledge will feed into ESCAP's policy advisory services and capacity building activities** at both regional and subregional levels in the next 12 to 18 months (and beyond as appropriate), to facilitate member States' response measures to COVID-19 and consequent recovery policies that also help to accelerate SDG achievement. Given that financing tools are critical to support needed expansion in public expenditures, especially for LDCs, workshops will be organized to enhance countries' technical capacity to mobilize financial resources, such as utilizing public-private partnership modality, developing sustainable capital markets, and issuing SDG and/or social bonds.

## 3. RESTORING AND BUILDING RESILIENCE IN SUPPLY CHAINS AND SUPPORTING SMEs

### 3.1 Outline of the framework

The Asia-Pacific region has surged into the “factory for the world” on the wing of cheaper and faster transport and ICT connectivity, reduced border barriers, and use of technology for splitting production to maximize the use of economies of scale and facilitate trade. These global and regional value chains have made its participants, many of which are SMEs, truly co-dependent. They rise together, but also fall together. For example, prior to the COVID-19 pandemic, the trade tensions between the US and China – both economies with significant roles in global value chains – had already significantly disrupted regional value chains.

**The current restrictions on movements of people, production parts and raw materials are disrupting global supply chains and operation of SMEs.** At the outset of COVID-19 pandemic, government’s measures are focusing on halting mobility of people. This also means stopping many parts of production and movement of cargo, which are irreplaceable parts of the supply chains. Closed borders or severely restricted air transport and trucks and in some cases also trains, inland and maritime shipping, especially in land-locked developing countries (LLDCs), exacerbated by inefficient cross-border trade facilitation procedures, has resulted in long queues and days of waiting time at the border and backlog of cargoes in airports and seaports.

Although not as abrupt as international passenger transport, such disturbances in the connectivity logistics mean that SMEs are facing sudden loss of revenue and problems with cash flows, leading to issues with retaining their employees and clients. This includes SMEs that are logistics providers, with possible long-term repercussions on their service delivery in the future. Domestic lockdowns and other such restrictive measures are exacerbating the challenges faced by SMEs.

At this early stage, some **efforts are being made to facilitate flows of necessary goods.** For example, globally, more than 80 economies have removed some import restrictions in medicines and medical supplies by reducing either tariffs or non-tariff measures or both. Similarly, in response to global calls from the heads of G20, international organizations, business sectors, and other stakeholders, some Asia-Pacific countries have eased certain restraints that held back global trade and supply chains, especially of the products needed to fight COVID-19. More broadly, another notable positive development is an increased use of digital technologies, such as contactless terminals, automated controls, acceptance of e-documents, and of special transport facilitation measures to address COVID-19. However, despite these early responses, there remains limited, if any, regional or sub-regional coordination on trade and transport policy response to COVID-19.



**To restore supply chains and support SMEs, policymakers should consider several policy actions:**

**First**, countries should strive to remove the additional trade barriers and controls put in place in response to the COVID-19 pandemic as soon as possible. The need for such barriers may be regularly reassessed based on the evolution of the pandemic. Trade procedures and controls should also be simplified and digitalized to the extent possible. The current challenges have highlighted the importance of accelerating implementation of paperless trade or trade digitalization. Digitalizing trade procedures offer various benefits, such as increased regulatory compliance, reduced illicit financial flows, improved collection of border tax revenues, and more effective and inclusive participation in the digital global economy. The crisis also highlights one more advantage of paperless trade: its “contactless” nature. Paperless trade greatly reduces the need for human to human interactions, making it much easier for trade to continue when governments ask people to stay at home to minimize the spread of the virus.

**Second**, given the importance of FDI in establishing, expanding and operating global and regional value chains, countries should improve business and investment climates with a particular view to restore FDI flows and ensure the sustainability of FDI. In this regard, countries should: (a) step up attraction and promotion of both inward and outward FDI in selected sectors that are essential to achieve the SDGs, in particular the healthcare sector and pandemic responses; (b) diversify FDI towards intraregional FDI flows to prevent dependence on limited supply chains in case of disruption because of pandemics or other natural or manmade disasters; (c) improve investment facilitation through better aftercare of existing investors to ensure they expand their businesses in a sustainable manner; (d) adopt indicators to more appropriately measure the contribution of FDI to sustainable development in general and responding to the COVID-19 pandemic in

particular; and (e) strengthen regional cooperation mechanisms to promote intraregional FDI through matching outward FDI from one country with needs for inward FDI in other countries.

**Third**, the impact of the COVID-19 pandemic on the availability and affordability of future international transport and logistics services and digital infrastructure, especially by SMEs, need to be carefully monitored. Among others, it is important to (a) ensure availability and affordability of freight transport services and digital connectivity to the most vulnerable segments of the society and the countries with special needs; (b) preserve the region’s competitiveness during and after the crisis, by maintaining the optimal leverage and resilience of available transport and logistic capacity, and by strengthening digital infrastructure and connectivity. These are some of key factors considered by global supply chains players in defining their post-COVID-19 strategies; and (c) advance the region’s sustainable transport and ICT connectivity agenda by retaining initiatives which contribute to making freight operations and digital infrastructure more inclusive and sustainable.

**Fourth**, dedicated programmes to support SMEs should be implemented. To restart and rehabilitate SMEs, three phases of government policy responses for the SMEs should be considered: (a) immediate financial assistance due to reduction in economic activity caused by measures to prevent spreading of COVID-19; (b) re-activation of business activity once the pandemic is contained; and (c) recovery of economic growth, promoting enterprise sustainability and resilience including through the promotion of uptake of internationally recognized standards and principles of responsible business practices and support to innovative business models such as inclusive business and social enterprises.

## 3.2 Examples of support on offer

To support implementation of the suggested policies outlined in this stream of work of the framework, **ESCAP will produce analytical products, offer policy advisory services, and organize training and capacity building activities.** For instance, to facilitate international trade and promote trade digitalization in times of crisis and pandemic, analysis of several trade policy issues will be conducted, such as (a) the impact of export bans; (b) reconfiguration and diversification of value chains; and (c) trade facilitation for food security and food waste reduction. In this vein, **online platforms will be organized to enhance the capacity of policymakers** to analyze and develop trade policies to address the 2030 Agenda, including the development of model provisions for Regional Trade Agreements in times of crisis and pandemic. Policy dialogues on post-19 regional cooperation for trade digitalization will be organized as well at the sub-regional level.

**To promote role of FDI in strengthening supply chains,** ESCAP will carry out studies on (a) FDI patterns and flows in Asia and the Pacific, particularly in the healthcare sector; and (b) policy measures to promote inward and outward FDI in the region. To offer policy advisory services and

featured during dedicated sessions of the Asia-Pacific FDI Network.

**Since many regional value chains involve SMEs, various aspects of ESCAP's work will focus on their issues as well.** For instance, new studies will be undertaken to examine (a) the impact of COVID-19 on women-led MSMEs; (b) policy options to enhance SMEs' access to finance during emergency situations; (c) SME integration into global value chains; and (d) e-commerce and innovative financing mechanisms for SMEs. Several of these analytical products will serve as background material for technical assistance to support countries in reviving SMEs. Technical assistance on business registration digitalization to facilitate the process on starting and formalizing businesses is also planned.

**On ensuring transport and digital connectivity,** studies will be conducted on (a) the impact of COVID-19 on the demand and supply of international freight transport and logistics services; (b) the impact of COVID-19 on urban mobility and logistics; and (c) transport and supply chain resilience during a pandemic. To disseminate the findings of these studies, policy dialogues will be organized as well.

## III. BUILDING BACK BETTER – AN OVER-ARCHING PRINCIPLE OF THE FRAMEWORK

The outbreak of COVID-19 is a wakeup call. Business-as-usual is not an option. Without enhancing resilience, inclusivity and sustainability ex-ante, such shocks will continue to not only incur economic losses, but more importantly threaten people's lives and livelihoods. Thus, building back better has to be an over-arching and cross-cutting principle of the entire framework through integrated policy responses aligned with the Sustainable Development Goals. **Building back better simply means charting out a development trajectory that prioritizes people and planet and is just not focused only on economic prosperity.**

There are important lessons that the region has learned from previous shocks and crises. For instance, during the 2008 global financial crisis, the primary focus of the region was on reviving GDP growth, without due consideration given to its distribution and reliance on excessive resource use. The lack of much needed structural reforms has also contributed to slower productivity growth, persistent inequality and rising carbon dioxide emissions in the region. Therefore, it is essential that the recovery policy packages designed this time to address the deleterious economic effects of the COVID-19 pandemic embed long-term sustainability across the three pillars – economic, social and environmental.

From the **economic perspective**, governments should be mindful about the impact of expansionary fiscal and monetary measures on medium-term economic and financial stability and prospects of the 2030 Agenda. For example, as the fiscal stimulus will most certainly lead to increases in public debts, concerted efforts will be needed to ensure debt sustainability among those that are already at high or increasing risk of debt distress. Meanwhile, efforts could be made to not only maintain financial stability in the face of shocks, but also to green and improve access to the financial systems by incorporating climate risks, adopting higher reporting standards, and leveraging technologies to enhance financial inclusion. Finally, stimulus packages that improve transport and digital connectivity can enhance region's economic potential.

From the **social perspective**, governments must work toward improving the conditions of ordinary people. Stimulus packages and investments must support the most vulnerable, including through the innovative use of technologies, comprehensive health services and social protection policies. Similarly, while undertaking investments in physical and digital infrastructure, due considerations should be given to gender, disability, older persons and marginalized groups to increase inclusive access to the infrastructure and services. Such infrastructure investments should also lead to other social benefits, such as job creation, access to markets and public services such as education.

While these economic and social considerations are already covered in the three streams of work discussed in the previous section, the considerations from the environmental perspective merit further discussion. From the **environmental perspective**, this Framework focuses on analyzing environmental sustainability challenges and opportunities and enhancing region's capacity to integrate decarbonization, energy efficiency and climate change mitigation in its responses to COVID-19 and to build resilience through protecting and restoring ecosystems:

**First, analyse environmental sustainability challenges and opportunities resulting from COVID-19.**

An economic slowdown and restrictions on human mobility seem to have given the environment a breathing space. Among other implications, this has reduced demand for oil and gas and resulted in substantive reduction in GHG emissions and air pollution. However, there is a risk that emissions and other environmental externalities may rebound, and perhaps even increase, once the crisis is over due to the need to re-stock missing supplies and kick-start economic recovery. In this regard, identifying the challenges and opportunities for environmental sustainability resulting from COVID-19 will help provide a strong foundation to recommend consistent and coordinated policy measures. For instance, as renewable energy costs in many parts of the world now outcompete traditional energy sources, renewables-based energy systems can boost energy security, build energy independence, and support the Paris Agreement.

**Second, develop policy tools to enhance the region's capacity to integrate decarbonization, energy efficiency, pollution reduction and climate change mitigation and adaptation in minimizing the impact of COVID-19 and reviving economies in post-COVID-19 time.**

Among other developments, current low oil and gas prices offer an opportunity to implement structural reforms in support of climate change mitigation efforts, such as by imposing more extensive carbon pricing mechanisms and reducing fossil fuel subsidies. To support such an economic transition, following elements and principles could be built into national fiscal stimulus and economic recovery plans:

- Spending and investments should be in line with existing national environmental and climate objectives, as defined in national development plans, SDG implementation plans, biodiversity plans and NDCs.

- Government stimulus packages should aim to accelerate decarbonization. Renewable energy and energy efficiency should be one of the main sectors in the stimulus packages as renewable energy can create more jobs per unit of energy delivered than fossil fuels and has lower lifecycle costs.
- Tax incentives and smart de-risking investments should support climate and environmentally friendly areas such as renewables. For instance, fossil fuel-based power plants can be assessed as high-risk investments and excluded from covers for such investments by insurance companies.
- Recovery plans, at both national and subnational levels, should at least maintain, if not strengthen, existing environmental standards and policies related to climate change, air and water pollution, biodiversity loss, and other environmental challenges.
- Governments should also actively promote the uptake of internationally recognized standards and principles of responsible business conduct and practices, including the principles of the Global Compact and UN Guiding Principles of Business and Human Rights.

**Third, deploy public investments in sustainable sectors and projects that strengthen livelihoods and help the environment and the climate.** Examples include large-scale restoration of degraded ecosystems and enhanced management of protected areas to increase resilience to natural and health disasters; food systems and agriculture; renewable energies, and the development of green infrastructure in rural and urban environments.

**Fourth, ensure low-carbon and climate resilient transition for connectivity-related infrastructure in the post-COVID-19 time.**

Policy efforts should be made to heal supply chains, facilitate logistics and transport and narrow digital divide. This should be pursued in a manner that avoids a rebound in negative environment externalities, and ensures a low-carbon and climate resilient transition. The focus could be on ICT and transport sectors:

**ICT sector.** COVID-19 has led to surges in bandwidth demand. Employers, educational institutions and hospitals have come under pressure to innovate for enabling remote learning and working. While this has raised opportunities to advance technology-based solutions such as tele-health and tele-education, the wide digital divide means that such opportunities are available only to those with access to affordable and reliable broadband Internet.

**Transport sector.** In response to the pandemic, many countries opted for a greater use of rail transport services, introduction of intelligent transport systems and cross-border transport facilitation efforts. Together with sharp declines in unnecessary travel and transport, these developments have reduced energy consumption, congestion and air pollution. Political will and actionable policies are needed to harness the lessons learned and innovation brought by the pandemic.



## Examples of support on offer to 'Build Back Better'

To support countries in devising and implementing policies that help 'build back better', ESCAP will undertake a range of activities that include:

**Analyze policy packages and suggest policy guidelines to ensure compatibility with climate resilience and social inclusivity.** For instance, a series of policy briefs will be produced to discuss decarbonization, energy efficiency, reduction of air pollution and climate change mitigation, as well as to share information and knowledge in support of protecting people.

**Tap regional knowledge to strengthen ESCAP's research,** for instance, through launching a regional network of transport think tanks, to support member States with evidence-based recommendations to enhance regional and sub-regional transport connectivity in an environment- and climate-friendly manner. ESCAP Sustainable Business Network will also be consulted regarding the policy responses to support SMEs or global value chains.

**Provide technical assistance** to identify those furthest behind using ESCAP's LNOB methodology to enable more targeted COVID-19 recovery and response.

**Provide advisory services** on enhancing sustainability of urban public transport, digitalization and facilitation of freight transport operations, in particular, of rail and port operations. Meanwhile, ESCAP will facilitate improvement of internet traffic management in ASEAN's CLMV countries and in the Pacific islands, respectively, through the establishment of a common internet exchange point in each of the two subregions; and support co-deployment of fiber optic cable along passive infrastructure networks to lower costs while improving connectivity to geographically remote communities, such as landlocked countries of North and Central Asia. Cross border power system connectivity will be promoted to integrate more renewable energy to contribute to decarbonization and low carbon development.

## IV. STRENGTHENING REGIONAL COOPERATION AND COLLABORATION – LEVERAGING ESCAP'S INTERGOVERNMENTAL MECHANISMS

The COVID-19 pandemic has shown several perils and vulnerabilities of an integrated global economic system. To mitigate these perils and vulnerabilities and to maximize the benefits of integrated global economic system strong regional and sub-regional cooperation and multi-stakeholder collaborations will be critical. During emergency situations, regional and sub-regional collaborations and partnerships play a crucial role by coordinating policy interventions and sharing of knowledge and best practices. Under this Framework, ESCAP will engage with various partners (such as UN entities at the regional and country levels, sub-regional organizations, think tanks, and the private sector) to enhance the member States' capacity in coping with COVID-19, and building back better.



**Regional and sub-regional cooperation is key in operationalizing the three main streams of work under this Framework.** For example, to protect people and enhance resilience of societies and vulnerable communities, regional cooperation can facilitate the work on multi-country heatmaps that identify highly vulnerable communities, geo-referenced big data that show the patterns of contagion across countries, and civil registration including records on migrant workers. Similarly, to support economic recovery through fiscal and monetary stimuli, the success of relevant initiatives, such as foreign debt relief, capital controls, and currency swap arrangements, is largely dependent on regional cooperation. Finally, to restore supply chains and support SMEs and to implement international trade digitalization, strong regional cooperation is needed to facilitate the access of cross-border freight transport services and ensure resilient and universal connectivity to broadband Internet.

**‘Building back better’ also benefits from regional and sub-regional collaborations and partnerships.** For instance, to embed sustainability into current policy responses, such as by designing stimulus packages which integrate energy efficiency and climate change issues, governments and other stakeholders would need to align their actions with international environmental standards and principles. Likewise, policy actions that are aimed at strengthening the region’s preparedness to cope with future pandemic shocks, such as establishing a regional public health emergency fund and improving digital infrastructure for remote learning and working, also rely on regional cooperation for their success.

**ESCAP’s existing intergovernmental coordination platforms will be leveraged to take full advantage of this Framework.** At the highest level, ESCAP convenes two region-wide, annual intergovernmental platforms. The first platform is the **session of the Economic and Social Commission for Asia and the Pacific**, which provides ministerial-level participants and various other stakeholders an opportunity to discuss and decide on important issues pertaining to inclusive and sustainable economic and social development in the region. The second platform is the **Asia-Pacific Forum on Sustainable Development (APFSD)**, which serves as a regional platform for supporting countries, particularly those with special needs, in implementing the 2030 Agenda. In addition, ESCAP also convenes nine, **bi-annual Committee sessions**, which reflect the nine substantive areas of ESCAP’s works. Some specific examples given at the end of this section highlight how these intergovernmental platforms can support the three main streams of this Framework while considering sustainability concerns.

The Framework will also take into consideration the considerable differences in sub-regional realities. Therefore, **beyond the region-wide intergovernmental mechanisms, ESCAP will also work closely with sub-regional organizations and non-government entities.**

Examples include the Association of Southeast Asian Nations Secretariat (ASEAN), the Pacific Islands Forum Secretariat (PIFS), Secretariat of the Pacific Communities (SPC), the Council of Regional Organizations of the Pacific, the Bay of Bengal Multi-Sectoral Techno-Economic Cooperation (BIMSTEC), South Asian Association for Regional Cooperation (SAARC), the Shanghai Cooperation Organisation (SCO) and the Eurasian Economic Commission (EEC). ESCAP has also established or served as a major player in several networks of the region whose works and mandates are relevant to ESCAP’s socio-economic responses to COVID-19. Examples include the Asia-Pacific Information Superhighway, the Asia-Pacific Disaster Resilience Network, Asia-Pacific Research and Training Networks on Trade and FDI, ESCAP Sustainable Business Network, Infrastructure Financing and Public-Private Partnership Network of Asia and the Pacific, and North-East Asian Subregional Programme for Environmental Cooperation (NEASPEC) and North-East Asia Development Cooperation (NEADCF).

Jointly with UNECE, ESCAP also supports the United Nations Special Programme for the Economies of Central Asia (SPECA). The 2020 SPECA Economic Forum and its various thematic Working Groups will review the relevant aspects of post- COVID-19 recovery at their sessions.

Furthermore, **ESCAP is actively engaged with several UN entities in the region under the five Issue-Based Coalitions (IBC).** The issues covered under these IBCs are: (i) climate change mitigation; (ii) building resilience; (iii)- inclusion and empowerment; (iv)- human mobility and urbanization; and (v)- human rights and gender equality. Several aspects of work under these IBCs share strong synergies with ESCAP framework of socio-economic response to COVID-19 and would serve as useful channels to route ESCAP support.



Technical work produced under these collaborations and partnerships can inform the discussions held during ESCAP's intergovernmental platforms. Key examples could include:

- Leverage the 8<sup>th</sup> session of the APFSD, to be held in 2021, to strengthen implementation of the 2030 Agenda amidst COVID-19, as requested by the Chair of the 7<sup>th</sup> session of the APFSD.
- The Commission session in 2021 could facilitate the dialogues among the member States and other stakeholders on lessons learned from COVID-19 crisis experience and how to strengthen the region's preparedness for the future pandemics and other adverse shocks, through strengthening health and social protection systems.
- Leverage the 7<sup>th</sup> session of the ESCAP Committee on Statistics in August 2020 to strengthen national statistical systems capacity to implement the 2030 Agenda amidst COVID-19.
- Support the incorporation of effective pandemic and disaster preparedness and responses into the regional transport and trade arrangements, building on the intergovernmental cooperation formalized by agreements on Cross-border Paperless Trade, Asian Highway Network, Trans-Asian Railway Network, and Dry Ports of International Importance.
- Promote the adoption of a regional action plan to strengthen regional cooperation on social protection in Asia and the Pacific.

## V. FRAMEWORK OF SUPPORT – HOW ESCAP WILL DELIVER

To implement this framework, over the next 12 to 18 months, ESCAP will mobilize its collective know-how and strategic presence through its subregional offices. It is re-orienting its programme of work for 2020 and 2021 to incorporate COVID-19 issues and will utilize its existing resources, including the SDG Rapid Response Facility, and will endeavor to raise additional extrabudgetary resources, as appropriate.

For each of the streams of work, and as an immediate support, ESCAP's assistance can be categorized in three interlinked categories: **knowledge products**, based on sound research and analysis; **intergovernmental meetings, policy dialogues and webinars** based on the knowledge products; and tailor made **policy advice and capacity development activities**, using the expertise within ESCAP and with its partners, within and outside the UN system.

As articulated above, ESCAP will prepare several analytical knowledge products, which will be made available in the shape of policy briefs, working papers, blogs, data and information portals, and analytical tools. These COVID-19 related knowledge products can be accessed at the ESCAP website at <https://www.unescap.org/covid19>.

ESCAP will also conduct intergovernmental meetings, multi-stakeholder policy dialogues and webinars on COVID-19 related issues. Prime among the intergovernmental meetings are the Commission session and APFSD. In addition, ESCAP will convene sectoral committee meetings; ministerial conferences, expert group meetings, multi-stakeholder policy dialogues and webinars to discuss regional and sub-regional cooperation and issues of common concern; exchange experience and ideas and lessons learnt. A list of upcoming ESCAP meetings can be accessed at <https://www.unescap.org/events/upcoming>.

Upon request of its member States, ESCAP will also provide tailored policy advice and capacity development on COVID-19 related issues in the three streams of work outlined above. Such tailored policy advice and capacity development can be provided at the country, sub-regional and regional levels in line with the UN framework for the immediate socio-economic response to COVID-19 and in coordination with the United Nations Resident Coordinators. Such advice and capacity development will utilize expertise within ESCAP; within the UN family in Asia and the Pacific or with ESCAP’s partners in the region, as appropriate and will primarily be funded through the Rapid Response Facility established by ESCAP in 2017. At the country level such assistance will be provided in coordination with the UN Resident Coordinators and the UN Country Teams, as appropriate.

**To access tailored policy advisory services and capacity development activities, governments of ESCAP member States are requested to write either directly or through the UN Resident Coordinator in their country, to ESCAP’s sub-regional offices:**

Subregional office	Contact person
<b>Subregional Office for North and Central Asia (SONCA):</b> Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Russia Federation, Tajikistan, Turkmenistan, Uzbekistan.	Nikolay Pomoshchnikov <pomoshchnikov@un.org>
<b>Subregional Office for South and South-West Asia (SSWA):</b> Afghanistan, Bangladesh, Bhutan, India, the Islamic Republic of Iran, Maldives, Nepal, Pakistan, Sri Lanka and Turkey.	Nagesh Kumar <nkumar@un.org>
<b>Subregional Office for South East Asia (SOSEA):</b> Brunei, Cambodia, Timor Leste, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.	Ruhimat Soerakoesoemah <ruhimat.soerakoesoemah@un.org>
<b>Subregional Office for East and North-East Asia (ESEA):</b> China, Democratic People's Republic of Korea, Japan, Mongolia, Republic of Korea and Russian Federation, Hong Kong and Macau.	Ganbold Baasanjav <ganbold.baasanjav@un.org>
<b>Subregional Office for East and North-East Asia (ESEA):</b> China, Democratic People's Republic of Korea, Japan, Mongolia, Republic of Korea and Russian Federation, Hong Kong and Macau.	Iosefa Maiava <maiavai@un.org>

In addition, senior representatives of member States can write to the Executive Secretary, either directly or through their Permanent Missions in Bangkok, as they deem appropriate. Such communication should be addressed to [oes.unescap@un.org](mailto:oes.unescap@un.org).