

Combating COVID-19 in Asia and the Pacific: Measures, Lessons and the Way Forward

Governments in the Asia-Pacific region are taking administrative and policy actions to cope with the COVID-19 pandemic and its adverse impacts. Most countries and territories have adopted travel restrictions and social distancing policies to slow the spread of the disease. While many countries have rolled out fiscal and monetary stimulus packages, their scale and policy focus differ depending on their national circumstances, implementation capacities and how severely they have been affected by COVID-19 disease. In going forward, the region needs to invest in health and social protection systems and embed long-term sustainability into stimulus packages and recovery policies in order to strengthen resilience to future shocks. Policy coordination across countries is critical to ensure that no one is left behind.

In just four months after the first cases of pneumonia, later identified as being caused by the novel severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), were reported, the virus has spread from that initial cluster in one country to more than 210 countries and territories around the world, including at least 42 in the Asia-Pacific region. As of 12 May 2020, more than 800,000 cases have been confirmed in the region, including over 23,000 deaths.¹

The rapid evolution of COVID-19 shocked both the demand and supply sides of economies, and has posed huge economic challenges, threatening people's lives and livelihoods. Measures undertaken have involved those to contain or mitigate the spread of the virus and minimize the adverse economic impacts, especially on the most vulnerable.

A. CONTAINMENT MEASURES

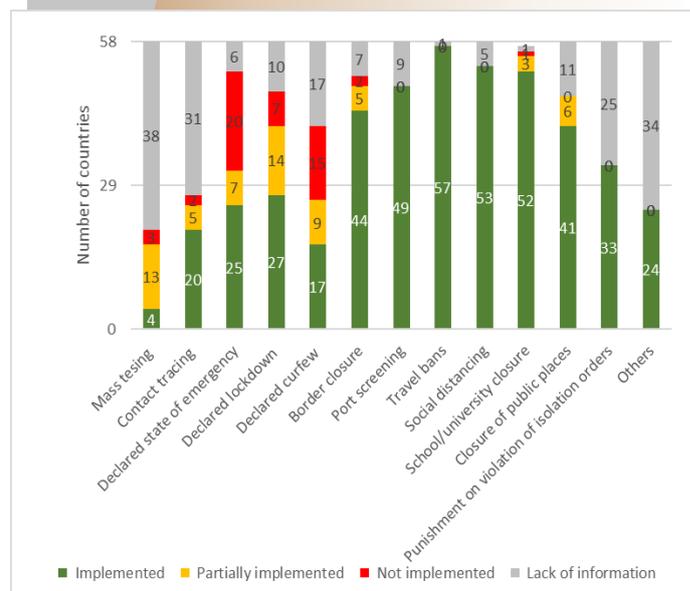
Saving lives by slowing the spread

All Asia-Pacific countries have taken some measures to contain or mitigate the spread of COVID-19 (figure 1). These include:

- o *Declaring a state of emergency, lockdowns across countries or in major cities or curfews.*
- o *Lowering the chances of importing the virus by: (a) fully or partially closing borders; (b) adopting screening at the ports; and (c) introducing travel bans or restrictions.*

- o *Containing community transmission through: (a) social distancing; (b) school closures; and (c) closure of public places. However, less than 50 per cent of the countries penalized violation of these isolation orders. Among those that did, they did so by imposing fines, public humiliation and*

Figure 1. COVID-19 containment and mitigation measures in Asia and the Pacific



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

Note: The figure is based on information available up to 1 May 2020.

Implemented = Implemented nationwide; Partially implemented = implemented in selected locations.

imprisonment. For instance, *Singapore* would penalize those who flout social distancing regulations with a fine of up to S\$10,000 or six months imprisonment.

In comparison, only a quarter of the countries have started mass testing and contact tracing, which have been identified as effective measures to contain COVID-19.²

B. Macroeconomic Stimulus Saving lives and livelihoods

Fiscal measures: *Saving lives and livelihoods through stimulus packages to reduce the adverse socioeconomic impact*

Large and well-targeted emergency fiscal policy measures are critical to help affected businesses and households due to collapse in aggregate demand and productive activities. Of the 49 countries that have announced stimulus packages in the region, the majority are:

- o *Prioritizing support to the health responders to fight COVID-19* [40].³ The ones that have not announced doing so do not yet have too many positive COVID-19 cases.
- o *Supporting businesses*, especially small and medium-sized enterprises (SMEs) [28]. Such measures included subsidizing utilities and rentals, subsidizing loans or loan payment deferrals, tax exemptions or payment delays, delays of social security payments for the employees, among others.
- o *Helping employees* [37] by providing wage subsidies, expanding unemployment benefits and retaining employment.
- o *Providing additional social assistance* [24] in such areas as care for seniors (*Australia*), pension payments (*Turkey*) and child allowance (*Mongolia*).
- o Supporting households [33], especially the vulnerable ones, by cash transfer (*Islamic Republic of Iran, Malaysia*), subsidizing utilities (*Maldives*), reducing or deferring social security payments (*Brunei Darussalam*), deferring student loans (*Fiji*), providing rental subsidies (*Nepal*), among others.

At least eight countries also introduced in-kind transfers, such as food provision. For instance, in *Myanmar*, households without a regular income are being provided with food.

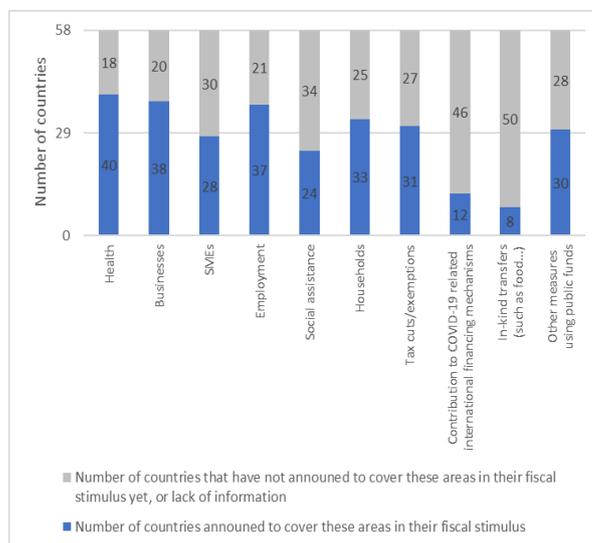
- o *Engaging in global and regional cooperation to combat COVID-19*. For example, *Australia, Azerbaijan* and *New Zealand* have announced contributions to the World Health Organization (WHO) COVID-19 Fund. Japan will contribute to the International Monetary Fund (IMF) Catastrophe Containment and

Relief Trust. Countries in South and South-West Asia are contributing to the COVID-19 Fund of the South Asian Association for Regional Cooperation (SAARC).

The size of fiscal stimulus packages differs across countries,⁴ ranging from 0.1 to more than 20 per cent of GDP, with a median of about 2.8 per cent. Overall, the more developed countries plan to increase fiscal spending more than the less developed ones (figure 3).

The size of such packages also differs at the subregional level. Countries in *East and North-East Asia* are increasing public spending at a relatively larger scale on average, followed by countries in the *Pacific* and *South-East Asia*. In *South and South-West Asia*, except for *Bhutan* and the *Islamic Republic of Iran* which have both planned a fiscal stimulus of 14 per cent of GDP, the stimulus is below 5 per cent of GDP for the rest. In *North and Central Asia*, *Turkmenistan* has not announced any fiscal measures yet, as no positive cases of COVID-19 have been reported there as of 12 May 2020.

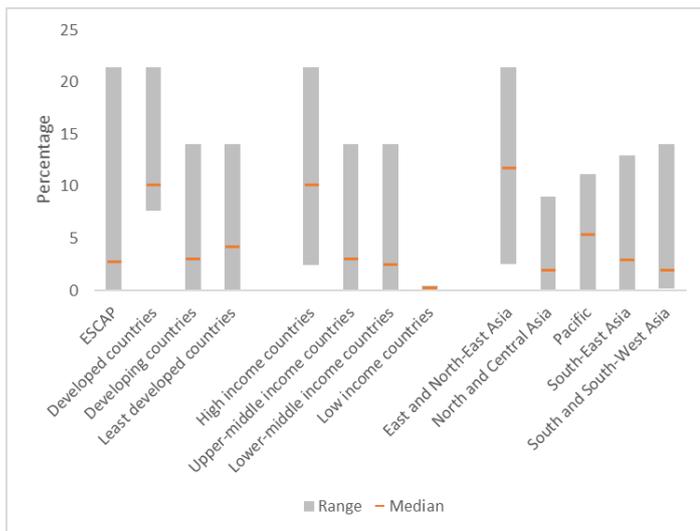
Figure 2 Areas that fiscal stimuli cover in Asia and the Pacific



Source: ESCAP, based on information available up to 1 May 2020 from IMF Policy Responses to COVID-19, ILO COVID-19 Country Policy Responses, OECD Country Policy Tracker, Oxford COVID-19 Government Response Tracker, and various national sources.

Note: Fiscal support includes the following components: health sector: increased spending on public health services, such as epidemic prevention and control and acquisition of medical supplies; businesses: sectoral-specific financial support, tax exemption or deferral, utility or rental payment exemption or deferral, etc.; SMEs: SME-specific business support measures; employment: wage subsidies, employment retention and employment training; social assistance: child allowance, elderly care, unemployment benefits, pension payments, suspension of social insurance payments; households: direct cash transfers, reduction in utility bill payment, house rental subsidies, and education grants for vulnerable households. Tax cuts or exemptions cover both businesses and households. Other measures include budget saving or infrastructure investment. Some of the categories may overlap. For example, a tax cut for SMEs will be recorded in the “businesses”, “SMEs” and “Tax cuts/exemptions” categories.

Figure 3. Size of fiscal stimulus to combat COVID-19 in Asia and the Pacific, as a share of GDP



Source: ESCAP, based on information available up to 1 May 2020 from IMF Policy Responses to COVID-19, ILO COVID-19 Country Policy Responses, OECD Country Policy Tracker, Oxford COVID-19 Government Response Tracker and various national sources.
 Note: If a country announced a fiscal stimulus package but did not reveal its size, then it is not included in calculating the range and the median.

Developed countries in Asia-Pacific region are Australia, Japan and New Zealand; the rest are developing countries.

Country groupings by income level follow the World Bank's definition, available at: <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>.

Country groupings by subregions follow the ESCAP definition, available at: www.unescap.org/sites/default/files/Annex4_List_of_countries_Asia-Pacific_SDG_Progress_Report2019.pdf.

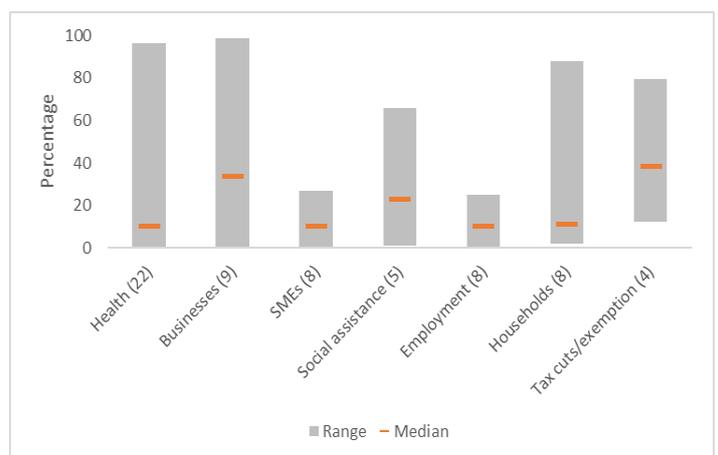
Fiscal packages prioritize different policy areas based on countries' national circumstances (figure 4). For instance, of the total fiscal stimulus package, support for public health services ranges from 0.3 to 97 per cent across different countries. At an aggregate level, financial support for businesses, including tax cuts or exemptions, has received the greatest policy attention.

Monetary policy measures: Avoiding a liquidity and credit crunch

Monetary policy measures are complementing stimulative aspects of fiscal policy measures, such that economic activities can be sustained in a targeted manner without a liquidity and credit crunch. All countries in the region have adopted an expansionary monetary policy stance through:

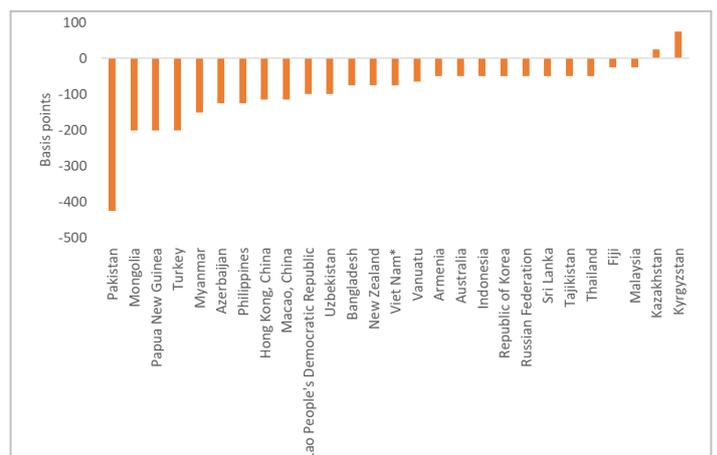
- o *Interest rate cuts* [26] ranging from 25 to 425 basis points (figure 5). In contrast, two Central Asian countries raised policy rates due to inflationary pressures, but injected liquidity to support the economies by lowering liquidity ratios or risk weights of certain assets.
- o *Other policies to provide liquidity*, including through open market operations, and to set up special financing facilities.

Figure 4. Spending in different policy area in Asia and the Pacific, as a share of the total stimulus package



Source: ESCAP, based on information available up to 1 May 2020 from IMF Policy Responses to COVID-19, ILO COVID-19 Country Policy Responses, OECD Country Policy Tracker, Oxford COVID-19 Government Response Tracker and various national sources.
 Note: The figures inside the brackets indicate the number of countries included in calculating the range and the median.

Figure 5. Policy rate cuts since the beginning of 2020



Source: ESCAP, based on information available up to 1 May 2020 from IMF Policy Responses to COVID-19, ILO COVID-19 Country Policy Responses and various national sources.

Note: In the figure, the average policy rate cut is illustrated.

*Viet Nam's central bank cut benchmark policy rates by 50-100 basis points, effective 17 March 2020.

- o *Temporarily easing macroprudential policies* to improve the liquidity conditions in their economies, including cuts in reserve requirement ratios, relieving capital requirements, loosening countercyclical capital buffers, liquidity cover ratio requirements and lowering risk weights of certain assets (such as loans to SMEs, or provision of mortgages). Some central banks also announced delays in the implementation of macroprudential policies.

Financial policy and balance of payments measures:
Strengthening financial stability

Many countries are actively supporting financial markets to reduce volatility and improve stability by:

- o *Reducing the debt burden of businesses and SMEs* by allowing loan deferment, extensions and moratoriums [26]. Many such policies target SMEs, including targeted lower interest rates, interest and principal repayment deferrals, issuance of interest-free loans and special loan facilities. Some countries have also lowered bank fees and charges to reduce costs for businesses, or temporarily waived penalties for non-performing loans.
- o *Easing stock market volatility* by temporarily prohibiting short-selling, relaxing rules on share buybacks and reducing or exempting fees for securities services. For instance, OJK, Indonesia's financial regulator, introduced a new share buyback policy to allow listed companies to repurchase their shares without a prior shareholders' meeting and set limits on stock price declines. The Securities Commission of Malaysia suspended short selling until 30 April 2020, waived annual licensing fees for listed companies and enhanced protection of distressed companies against liquidation.
- o *Maintaining foreign exchange market stability* by selling international reserves or through foreign exchange auctions or by establishing new currency swap lines with the Federal Reserve (such as *Indonesia* and the *Republic of Korea*). However, some have allowed exchange rates to adjust flexibly to absorb economic shocks, with several countries allowing one-off depreciation of currencies.
- o *Avoiding capital flight* by suspending outward remittances and investment payments (*Sri Lanka*) or tightening exchange restrictions on current international payments and transactions (*Turkmenistan*).

C. THIS TIME SHOULD BE DIFFERENT

Economic recovery policies must embed inclusivity and sustainability

The aims of policy packages announced so far have differed because the encounter with COVID-19 has varied across countries. Some have prioritized relieving the burden on the public health sector and coping with the negative impact on the economies, while others are starting to reopen their economies.

With the lingering possibility of another wave(s) of COVID-19, it could still be too early to assess the effectiveness of policies. However, experience so far suggests that countries' timely and decisive actions to suppress the virus and to support businesses and households in need are critical to saving both lives and livelihoods.

Moreover, one key element that policymakers should take into account is to embed long-term inclusivity and sustainability in the policy packages. This is an important lesson that the region has learned from the global financial crisis (GFC). Twelve years ago when the GFC occurred, the region introduced large-scale stimulus packages, which lifted the world out of the recession. However, too much focus on GDP growth, without due consideration of its distribution, its reliance on excessive resource use and the lack of much needed structural reforms have all contributed to slower productivity growth, persistent inequality and rising carbon dioxide emissions in the region, thereby constraining its future development potential. Therefore, it is essential that the recovery packages designed this time to address the deleterious economic effects of the COVID-19 pandemic embed long-term sustainability (see box).

- o **Prevention is better than cure:** *Build resilience and preparedness ex ante to improve the conditions of the masses*

Although it is very helpful for countries to roll out substantial fiscal stimulus packages, it is more effective to build ex ante resilience as the COVID-19 pandemic has revealed the fragility in the lack of both health emergency preparedness and economic buffers.

For instance, to minimize the impact of such crises on people in the future, social protection must be strengthened, which will serve as an automatic stabilizer to protect the most vulnerable when shocks occur. In fact, the region falls below global averages in public social expenditure as a share of GDP (ESCAP, 2018). ESCAP (2019) estimated that establishing a social protection floor and providing universal health coverage in the developing Asia-Pacific region would require an annual additional investment of \$475

Box: Are fiscal stimulus packages in line with the 2030 Agenda?

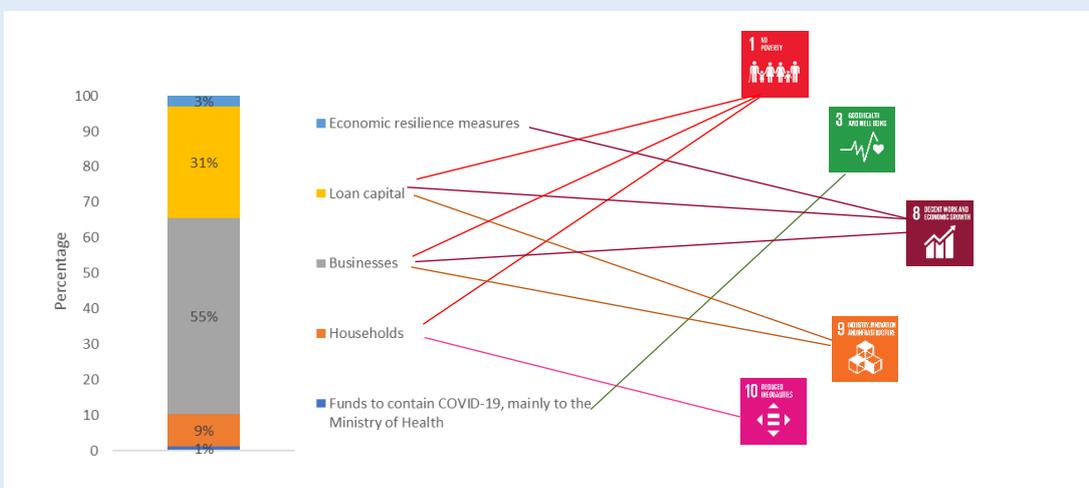
Ensuring fiscal stimulus packages’ alignment with the 2030 Agenda for Sustainable Development is an effective way to enhance their long-term sustainability. Although it is not yet possible to provide a complete regional picture due to limited details of the policy packages, information about some individual countries could shed some light.

For instance, *Singapore* has announced four stimulus packages as of the end of April 2020, totalling S\$64 billion (13 per cent of GDP). Over half of the package is directed to businesses, including supporting industries and the self-employed that are directly affected, wage subsidies and an enhancement of financing schemes (figure below). This is expected to help uphold employment, sustain people’s income, support industries and relieve economic slowdown (Goals 1, 8 and 9). More than 30 per cent of the package will be for loan capital, which is expected to help households and businesses in need, and also stabilize the economy (Goals 1, 8 and 9). In addition, just below 10 per cent of the package provides households with support, including direct cash transfers and additional payments for lower-income individuals and the unemployed. Such support for households can lower their vulnerability to shocks and reduce inequality (Goals 1 and 10). *Singapore* plans to spend 3 per cent of the fiscal stimulus on economic resilience measures, including making firms more resilient through strengthening trade associations and business groups, employment training and

providing co-funding for businesses to undertake professional cleaning for places that have experienced confirmed COVID-19 cases (Goal 8) (Zhuo, 2020). Last but not least, direct support for the health-care system (Goal 3) accounts for a very small share (1 per cent).

The breakdown of *Singapore’s* stimulus package shows the country’s clear focus on helping people, especially the most vulnerable, while maintaining the health of the economy through supporting businesses. This is largely in line with the people and prosperity aspects of the 2030 Agenda. One area that the country should consider more including within its future policies is the planet aspect. For example, when providing loan support for businesses, certain sustainable or climate-resilient investment criteria could be applied (see discussion on businesses above). That said, *Singapore* has made efforts to mainstream environmental sustainability into its budget. For instance, in February 2020, a “Unity” Budget was announced, which allocated S\$5 billion to set up a coastal and flood protection fund to protect Singapore against rising sea-levels. In addition, *Singapore* announced its Green Finance Action Plan in 2019, which committed to pivot towards a clean and sustainable future through (a) building resilience to environmental risks; (b) developing green finance solutions and markets; and (c) leveraging innovation and technology.

Figure: Breakdown of fiscal stimulus in Singapore and its linkage with the Sustainable Development Goals



Source: ESCAP, based on IMF Policy Responses to COVID19 (accessed on 8 May 2020).

billion, or 1.5 per cent of regional GDP. This includes an additional investment of \$880 million per year through 2030 in emergency preparedness, risk management and response, as part of the health system (figure 6).

Likewise, relatively weak economic fundamentals, limited fiscal space and lack of access to capital markets are presenting challenges to the less developed countries to roll out timely and sufficient stimulus packages, which could in turn trap them in their vulnerable status. In contrast, all developed countries in the region have introduced larger-scale fiscal stimulus packages (figure 3). It is not too late to think ahead and prepare for the next big shock.

- o **Climate change is the defining issue of our time – and we are at a defining moment: Integrate decarbonization and climate action in reviving economies**

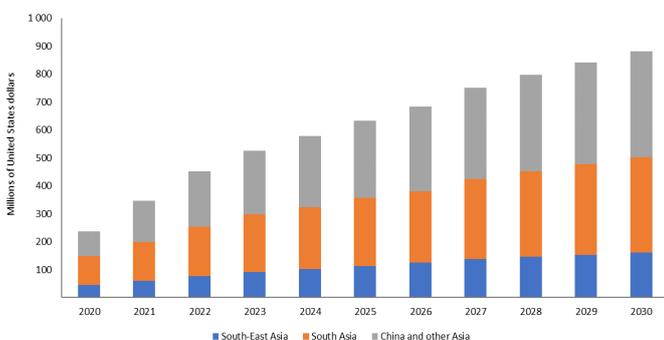
The region is also facing a climate emergency. Policy responses to cope with COVID-19 could simultaneously accelerate low-carbon transition and support climate change mitigation efforts. For instance, the current low oil and gas prices offer an opportunity to impose more extensive carbon pricing mechanisms and eliminate fossil fuel subsidies. In fact, just by phasing out fossil fuel subsidies some countries could fully or largely finance the stimulus packages announced so far (figure 7). In addition, spending and investment in countries' policy packages should be in line with existing national environmental and climate objectives, as defined in national development plans, Sustainable Development Goal implementation plans, biodiversity plans and nationally determined contributions. Policies need to shift towards more investments in renewable

energy and improving energy efficiency, especially as renewable energy can create more jobs per unit of energy delivered than fossil fuels.

- o **Responsible business makes better business: Businesses need to contribute to the economic recovery with long-term resilience**

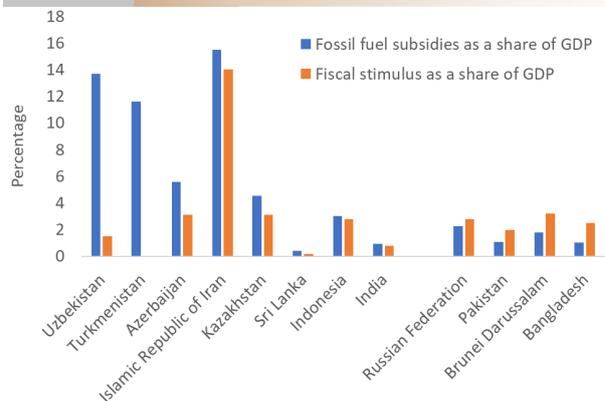
Businesses are an integral part of the economic recovery. As discussed in Section B, measures to support businesses account for a substantial share of the macroeconomic packages. Economies rely on firms to produce and invest as well as to provide employment. If firms continue their business-as-usual, it will lead to rising environment degradation and climate risks, which affect the most vulnerable disproportionately. Meanwhile, businesses need to take their corporate social responsibility of providing decent living wages and other benefits to their employees. In this regard, businesses should internalize such negative social and environmental externalities caused by their operations, by incorporating environmental, social and governance (ESG) factors into their business decisions. This involves greater transparency (by publishing sustainability reports); greater responsibility (by signing up for membership in the United Nations-supported Principles for Responsible Investments (UNPRI); and higher reporting standards (such as those issued by the Global Reporting Initiatives or by the Financial Stability Board's Task Force on Climate-related Financial Disclosures) (ESCAP, 2020a). Research suggests that such a transition could create additional 14 million jobs in Asia and the Pacific. Such jobs will be secure compared to the ones created in a business-as-usual counterfactual world.

Figure 6. Additional investment needs in health emergency preparedness in Asia-Pacific developing countries



Source: ESCAP estimates, based on WHO SDG Health Price Tag.

Figure 7. Fossil fuel subsidies and fiscal stimulus to cope with COVID-19



Source: IEA; ESCAP, based on information available up to 1 May 2020 from IMF Policy Responses to COVID-19, ILO COVID-19 Country Policy Responses, OECD Country Policy Tracker and various national sources.

- o **We cannot just consume our way to a more sustainable world:** *Encourage people to adopt sustainable lifestyles*

While for the longest time it was believed that individual actions are useful but not a game changer to propagate social and environmental goals, the COVID-19 pandemic has proved otherwise. For instance, during the pandemic and lockdowns, people have followed isolation policies, knowing that each person had impacts on others. As services got limited to essentials, people have started to distinguish between needs (that are limited) and wants (that are unlimited). Hence, at the individual level, in going forward, people can choose lifestyles that minimize the use of natural resources and reduce their carbon footprints. For instance, people can opt for energy-efficient home appliances, choose ride-sharing and use public transport to reduce their own carbon footprints. With new technologies, there are more options to increase the utilization and efficiency of idle resources. Governments and businesses can also help people make sustainable lifestyle choices by providing small nudges such as eco-labelling or marketing campaigns for sustainable goods and services (ESCAP, 2020a).

- o **Alone we can do so little; together we can do so much:** *Enhance global and regional cooperation*

The COVID-19 pandemic emerged when global cooperation was at its nadir. However, extreme shocks teach the benefits of cooperation. For instance, the 2003 outbreak of severe acute respiratory syndrome (SARS) taught that sharing information, coordinating responses and pooling resources, such as protective gear, medicine and tests, was vital (Safi, 2020). Lack of coordination has weakened the world's response, as COVID-19 continues to spread. Countries should join hands in developing vaccines and medicines and lift barriers against exports of medical equipment and medicines. In terms of macroeconomic policies, countries should coordinate fiscal and monetary policies to ensure that no one is left behind. In this

vein, concerted action will be needed to help indebted nations in creating fiscal space for mitigating the pandemic⁵ and ensuring recovery and to provide currency swap lines that can stabilize currencies and cross-border financial flows. When the region is planning to reopen and to revive activities, policy coordination and regional cooperation will also be important to restore supply chains.

CONCLUSION

It has taken a pandemic, which has cost a great deal in the loss of lives and livelihoods, to demonstrate once again the importance of ex ante preparedness and cooperation. However, it is important to not have this crisis "go to waste". This pandemic can become a catalyst to change the development approach to one which prioritizes people and the planet. Just as during the 2008 global financial crisis, the world is looking right now at Asia and the Pacific to lift the global economy out of the current recession. At this critical crossroads, the region should transform itself from being an economic growth leader into a trailblazer for sustainable development.

Endnotes

¹ For details, see www.worldometers.info/coronavirus/.

² Early in 2020, the Republic of Korea experienced one of the world's largest initial outbreaks of COVID-19 outside China. However, the country has been able to contain and reduce the spread of the virus, at least so far, without imposing a nationwide lockdown. Mass testing and contact tracing at an early stage of the outbreak helped (Kim, 2020). Mass testing and contact tracing are also at the core of the European Union COVID-19 exit plan (Kelly, 2020).

³ The figures inside the brackets represent the number of countries that have implemented the measures indicated.

⁴ Caution should be exercised about direct cross-country comparison because, for instance, half of Japan's 20 per cent of GDP stimulus comprises loans and guarantees. Other countries such as

India have also introduced such measures, but the stimulus number refers mostly to the direct spending and revenue measures.

⁵ Introducing large and unconditional fiscal stimulus measures will have an impact on the countries' fiscal deficits and debt levels. Although the region as a whole has fiscal space, some countries have high budget deficits and debt management challenges. For those with high debt levels and debt servicing costs, engagement with international stakeholders is needed for debt relief or deferral of debt repayments. Such measures could be coordinated with multilateral organizations, such as IMF, the World Bank and Asian Development Bank (ESCAP, 2020b).

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