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### Responding to the COVID-19 Pandemic: Leaving No Country Behind

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# **Foreword**

The Asia-Pacific region continues to grapple with the calamitous consequences of the COVID-19 pandemic. While the development of vaccines against the virus gives us cause for optimism, the deeper socioeconomic scars caused by the pandemic will remain long after the more immediate recovery.

The economic and social effects of the pandemic have differed widely across countries and population groups. The poorest, socially excluded communities and women have been hit the hardest. The pandemic has reversed decades of progress on poverty reduction, heightened vulnerabilities and led to greater inequality within and between countries. It has also exposed the strain on the planet of unsustainable patterns of production and consumption and inadequate investments in people.

Progress towards the Sustainable Development Goals was already sliding in Asia and the Pacific, and the crises caused by the pandemic further undermined the prospects of achieving them. Therefore, identifying pathways to recovery and taking action to build resilience is more important than ever. This Report focuses on two.

Accelerated digital transformation, driven by technological innovation and rapid policy adaptations that have embraced the change, has played a critical role in enabling countries to respond to the pandemic. Simultaneously, this has opened up new possibilities for also taking on longstanding development challenges. Digital technologies were used innovatively in pandemic management and emergency relief and helped provide essential health services, educate millions of children, and bring social protection to vulnerable communities. The inventive responses to the pandemic have demonstrated that digitalization may be one of the most powerful forces of societal and economic change. Digitalization is, however, not a panacea as it can widen gaps in economic and social development within and between countries. The challenge before us is to shape the digital revolution in ways that ensure green, inclusive and resilient growth across the region.

Regional cooperation processes have been disrupted by the pandemic, as many countries have prioritized national measures to contain COVID-19. As countries seek to rebuild to restart their progress towards the Sustainable Development Goals, now is an opportune time to consider how a differently-directed regional cooperation can prioritize the wellbeing of people and the planet, and enhance regionwide resilience to future health, economic, and environmental shocks.

To bring these two pathways together to achieve the Sustainable Development Goals and "leave no person and no country behind", regional cooperation that closes the digital gaps between countries is more urgent than ever. We are pleased to issue this joint report under the Sustainable Development Goals Partnership initiative of our three entities to urge further ideas and actions. Our organizations are committed to supporting regional efforts in Asia and the Pacific to recover and rebuild.

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# **Executive Summary**

This report is published at a time when the Asia-Pacific region continues to battle with the severe, adverse social and economic consequences of coronavirus (COVID-19) pandemic. The pandemic has triggered the first decline in human development in thirty years. It has hit the poorest and socially excluded the hardest. While the Asia-Pacific region was already off-track to meeting the Sustainable Development Goals (SDGs), the pandemic is a massive setback for achieving the SDGs by 2030.

The pandemic has exposed the region's pre-existing social, economic and environmental vulnerabilities and reinforced the importance of the overarching principle of the 2030 Agenda of "leaving no one behind". Understanding how these vulnerabilities shape the impact of pandemic in the countries and subregions in Asia and the Pacific is critical to designing policies that ensure no one, and no country, is left behind.

The COVID-19 pandemic is an asymmetric shock: countries have been affected differently and the result may be greater economic divergence both within and between countries in the region. Without concerted and collaborative policy actions, there is a real risk of a so-called "K-shaped" recovery in which some groups or countries recover much faster than others. This report stresses that in addition to the risk of vulnerable groups within countries being left behind, there is now a heightened risk of vulnerable countries being left behind. It considers what can done to mitigate growing divergence and create the foundation for resilient, inclusive and sustainable development pathways. The report focuses on two areas that hold particular promise in this endeavor: digitalization and regional cooperation.

## From rupture to recovery

The COVID-19 pandemic has caused economic and social devastation across the Asia-Pacific region. It has destroyed tens of millions of jobs and livelihoods and will reverse much of the region's progress in reducing poverty and ending hunger, as well as adversely affect health and education prospects. The poor and vulnerable, including women, migrant workers, daily wage laborers, and other informal sector workers, have been hit the hardest. Policymakers have focused on containing the virus and meeting peoples' immediate needs. While governments recognize the potential of pursuing more environmentally sustainable development as part of recovery in a region on the frontlines of the climate crisis, tangible action has been limited.

Pre-existing vulnerabilities have only compounded the impact of the pandemic. The economic performance of many countries in the Asia-Pacific region had already been deteriorating before the pandemic. Falling productivity and a reliance on exports had made a dent in economic growth. Similarly, income inequality had been rising and was widely acknowledged as a key challenge, along with weak health and social protection systems. The consequences of pursuing unsustainable consumption and production patterns for the environment were also visible.

The crisis has laid bare the inadequacy of the systems of education, healthcare and social protection in many developing countries of the region. This is particularly worrying given high degree of informality and vulnerable jobs in the region. COVID-19 has also shown that environmental vulnerabilities can multiply health and socio-economic impacts. For instance, underlying health conditions caused by air pollution made COVID-19 infections more complicated and fatal. Another lesson of the COVID-19 pandemic has been that complex disaster risks need to be tackled holistically, taking a whole-of-government approach.

Yet, just as the impact of COVID-19 varied across the region depending on infection levels and vulnerabilities, governments' responses also differed widely, reflecting differences in capacities and resources. The combination of these varying vulnerabilities and responses heighten the risk of greater divergence and inequality between countries of the region. The urgent challenge therefore is to ensure that the recovery encompasses all countries and peoples and is consistent with the SDGs. Going forward, carefully designed rights-based, pro-poor and inclusive policies are needed to limit poverty, polarization and exclusion.

# Recovery and resilience for all: The role of digitalization

Digitalization is one focus area that can help mitigate divergence and enable attainment of the 2030 Agenda. Even before the onset of the pandemic, the digital revolution was transforming how people and businesses work and create economic value. The pandemic has accelerated the uptake of digital solutions and sped up the digital transformation. The use of digital technology has helped governments, businesses and people manage pandemic responses, and cope with the immediate effects of social distancing and other containment measures. In many countries, teaching and working moved online; millions of students and workers connected through online platforms. These solutions were not available to all people, however. Many poor and vulnerable groups have been unable to afford or access them.

The importance of digital financial services became ever more apparent as governments and people came to value secure, affordable and contactless financial tools. These services allowed governments to reach households and firms fast and at low cost, thus fostering inclusive growth, addressing vulnerabilities and boosting resilience. Countries with existing government-to-person payment ecosystems were able to make available swift lifesaving cash support, while online payments and trading helped businesses, especially micro, small and medium-sized enterprises, survive repeated lockdowns. Digital finance is set to play an even more significant role for governments, businesses and citizens during and beyond the recovery phase.

Yet, digitalization is not a panacea. Persistent and large digital divides within and between countries of the region risk amplifying gaps in economic and social development. Countries need to overcome various barriers to more equitable digitalization, including differences in national standards and poor interoperability between national systems. Regional cooperation can help countries develop more universal and accessible digital infrastructure, including through legal and regulatory reforms.

# Strengthening regional cooperation for the 2030 Agenda after COVID-19

Now is an opportune time to reflect on the vital role of regional cooperation in managing the transition out of the crisis. As governments closed borders, and lockdowns brought to a standstill economic activity, cross-border trade, migration, and tourism, the COVID-19 pandemic revealed the interdependence of the countries in the region. In recent years, the social and environmental dimensions of sustainable development have not been given a high enough priority in regional cooperation. A renewed urgent focus on people and inclusive cooperation is necessary. Environmental sustainability must become central to economic and physical integration efforts. In addition, regional cooperation must support countries to build greater resilience. These measures will be vital to mitigate the threat of a K-shaped economic recovery and prepare countries to deal with future shocks.

The immediate challenge for policymakers across the region is to reopen their economies and initiate a robust recovery across the region. Regional cooperation will be instrumental to fully restore travel, trade, cross border investment, value chains and migration flows.

Importantly, regional cooperation must support people-centered development. This can be achieved through, for instance, better healthcare systems and more effective public health emergency preparedness. Countries in the region can draw on the lessons learned from the use of digital technology in reaching out to people during the pandemic. The severe economic repercussions of the pandemic have shown the value of quality social protection systems in providing emergency aid. In many countries of the region these systems are inadequate. Governments need to build more effective, universal social protection systems that address changing needs throughout the lifetimes of all members of society and can be relied upon in times of crisis.

To ensure that no country is left behind in the recovery, regional cooperation should aim to align finance with the SDGs. Regional action can help countries raise additional financing to meet their development needs through better cooperation on tax, domestic resource mobilization and greater financial stability and resilience. It is imperative that governments develop common standards and approaches that align private investment with the SDGs and scale up the use of sustainability focused instruments that tap regional and global capital markets such as green bonds. Finally, cooperation on fintech holds immense promise for deepening financial inclusion.

It is vital to make trade and value chains more resilient and sustainable and create new opportunities for less developed and more vulnerable countries to be part of these systems, including by harnessing the digital economy. Regional cooperation on connectivity is critical to enabling equitable digitalization and can overcome digital divides in the region. There is also a critical need to address environmental and social dimensions of connectivity infrastructure. Cooperation to ensure seamless and secure cross-border data flows will be key for ensuring interoperability of systems and enabling digital finance for all. Stepped up regional integration through digital systems can help ensure no country is left behind in an increasingly connected world in which digitalization translates into greater resilience.

Despite many challenges, there has been unprecedented collaboration among governments and bilateral and multilateral donors as well as development banks, philanthropic organizations and the private sector to fight the pandemic. Science, technology, and innovation enabled by these partnerships have played a critical role and will continue to drive countries' efforts to recover and build resilience. Scientific and technological innovations are a key means of achieving a sustainable, equitable, and resilient future for both human civilization and the biosphere. These developments point to the potential for better collaboration between the private and public sectors across the regions and the possibility of new models for provisioning regional and global public goods.

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