

**COVID-19
CORONAVIRUS
RESPONSE**



PROTECTING PEOPLE AND ECONOMIES:

INTEGRATED POLICY RESPONSES TO COVID-19

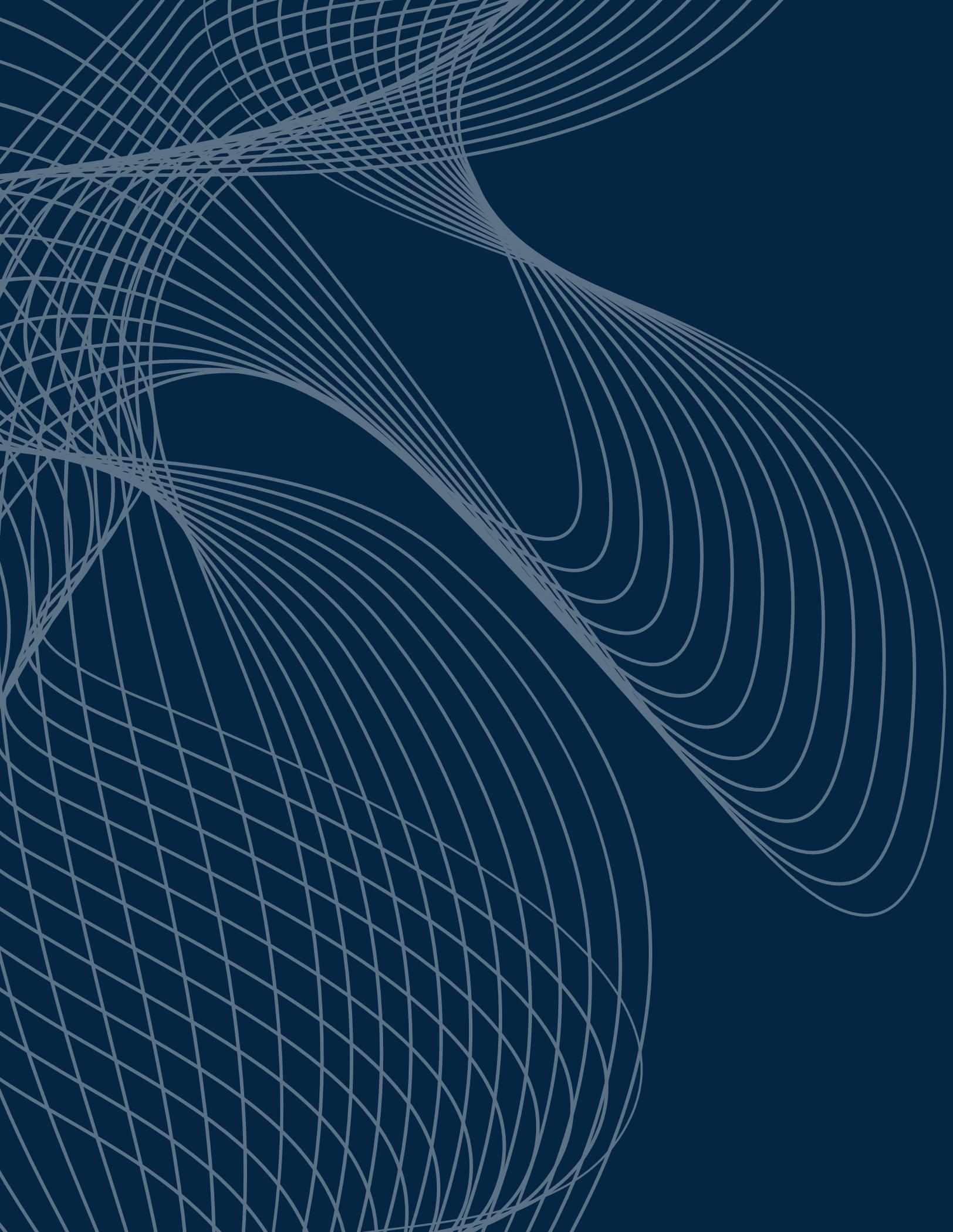


Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized



**PROTECTING
PEOPLE AND
ECONOMIES:
INTEGRATED POLICY
RESPONSES TO COVID-19**

© 2020 International Bank for Reconstruction and Development / The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

This work is a product of the staff of The World Bank with external contributions. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent.

The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Rights and Permissions

The material in this work is subject to copyright. Because The World Bank encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given.

Any queries on rights and licenses, including subsidiary rights, should be addressed to World Bank Publications, The World Bank Group, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: pubrights@worldbank.org.

Design: Israel David Melendez



Acknowledgments

This paper draws on the discussion note, co-authored by Martin Rama and Hans Peter Lankes, “The economic policy response to the COVID-19 crisis,” and on contributions by experts across the World Bank Group, including all Global Practices; the Development Economics Vice Presidency; the Fragility, Conflict and Violence and Gender Global Themes; the Mind, Behavior, and Development Unit (eMBeD); regional and country teams; and others.

We would like to gratefully acknowledge the immense contribution of Sameera Maziad Al Tuwaijri and Seemeen Saadat, who developed the earlier versions of this report. The Executive Summary was written by Roberta Gatti and Laura Rawlings. Under the leadership of Hana Brix, the Human Capital Project (HCP) team developed the main paper: Ramesh Govindaraj and Zelalem Yilma Debebe (Chapter 2), Kelly Johnson, Maya Brahmam, Aaron Buchsbaum, Amer Hasan, and Kavita Watsa (Chapter 3), and Alexander Leipziger, Mohamed Jelil, and Salina Giri (Chapter 4). The Annexes with Policy Matrix, Targeting, and Resources were prepared by Aaron Buchsbaum, Kelly Johnson, Laura Rawlings, Junya Yuan, and Nuoya Wu. Lastly, we would like to extend special thanks to John Steinhardt for his editing support.

Valuable strategic guidance and support was received from Mari Pangestu, Managing Director, Development Policy and Partnerships; Qimiao Fan, Director of Strategy and Operations; and Nadir Mohammed, Director of Strategy and Operations, Human Development. Aart Kraay, Richard Damania, Roberta Gatti, Vivien Foster, and William F. Maloney provided advice and inputs. The team is also grateful for contributions and comments from Claire Chase, Feng Zhao, Halsey Rogers, Harideep Singh, Karla Carvajal, Jozefien van Damme, Leslie Elder, Margaret Grosh, Martine Heger, Mickey Chopra, Norman Loayza, Roumeen Islam, Shokraneh Minovi, Shwetlena Sabarwal, Caglar Ozden, Jevgenijs Steinbuks, Hanan Jacoby, Deon Filmer, Emanuela Galasso, Biju Rao, Harris Selod, Mike Toman and Berk Ozler. A huge thanks goes to the eMBeD team led by Renos Vakis, the Gender team led by Caren Grown, and the Fragility, Conflict and Violence team, led by Franck Bousquet.

Contents

07	Acronyms
08	Executive Summary: COVID-19 Policy Responses and Integrated Policy Framework
08	Introduction
10	Key principles to inform decision making
11	Containing the pandemic
12	The economic response to save lives and livelihoods
13	Supporting the post-COVID-19 transition and mitigating the impact of future pandemics
14	Preparing for and stimulating an economic recovery
17	1. Introduction to Chapters
19	2. Containing the Pandemic and Protecting Health
20	2.1 Prevent and contain the spread of the disease
24	2.2 Ensure continuity of services for health
25	2.3 Ensure vulnerable groups are included in the health response
26	2.4 Establish well integrated and sustainable systems/institutions
27	2.5 Conclusion
29	3. Protecting Human Capital and Livelihoods for Economic Recovery
30	3.1 Protect households now by supporting income, food security, and access to essential services
33	3.2 Engage communities and communicate to build trust and support coordinated action
34	3.3 Strengthen resilience in service delivery
37	3.4 Conclusion

39	4. Leading the Economic Policy Response
40	4.1 Establish Strong Leadership
41	4.2 Protect the Poorest and Most Vulnerable
42	4.3 Support Jobs and Firms
44	4.4 Preserve the Stability of the Financial Sector
45	4.5 Leverage Global Support
46	4.6 Link Immediate Response to Sustainable Recovery
48	4.7 Conclusion
50	ANNEX 1 Operational Response Options for LIC / MIC and FCV to COVID-19
52	ANNEX 2 Targeting Emergency Social Protection Responses to COVID-19
55	ANNEX 3 Select COVID-19 Resources
	Key Considerations
21	Box 1 Key Considerations on Easing Lockdowns where there is a community wide transmission
30	Box 2 Vulnerable Groups
41	Box 3 Managing Public Finance, Losses and Risk
42	Box 4 Policy Trade-offs: Protecting the Poorest and Most Vulnerable
43	Box 5 Policy Trade-offs: Protecting Firms
45	Box 6 Policy Trade-offs: Supporting the Financial Sector
46	Box 7 Promoting Trade and Retaining Foreign Direct Investment
48	Box 8 Leveraging the Window of Opportunity for Reform, Resilience and Growth
49	Box 9 Fiscal Space in Developing Countries

Acronyms

BCC	Behavioral Change Communications
CDD	Community-Driven Development
DRM	Disaster Risk Management
EVD	Ebola Virus Disease
EID	Emerging Infectious Disease
FCV	Fragility, Conflict and Violence
GBV	Gender-Based Violence
HRH	Human Resources for Health
ICT	Information and Communication Technology
LIC	Lower Income Country
LMIC	Lower and Middle Income Country
MERS	Middle East Respiratory Syndrome (or its causative coronavirus)
MIC	Middle Income Country
PPE	Protective Equipment
RSP	Remittance Service Provider
SARS	Severe Acute Respiratory Syndrome (or its causative coronavirus)
TTI	Testing, Tracing, and Isolating
WASH	Water, Sanitation and Hygiene

Executive Summary:



Policy responses to the crisis must be carefully calibrated, with a view to priorities in the face of trade-offs. Saving lives and livelihoods today must be balanced with preparing for an effective, resilient and equitable recovery tomorrow.

COVID-19 POLICY RESPONSES AND INTEGRATED POLICY

The COVID-19 pandemic has unleashed a global health emergency and an unprecedented economic crisis of historic magnitude. Governments facing this threat are in uncharted territory, but three policy priorities addressed in this note are clear:

- Disease containment is a first-order concern to combat the pandemic, and measures such as testing and tracing, coupled with isolating and treating the infected can bring first-order gains.
- The economic crisis requires a parallel and simultaneous effort to save jobs, protect income, and ensure access to services for vulnerable populations.
- As governments act to slow the pandemic and protect lives and livelihoods now, they will need to maintain macro stability, continue to build trust, and communicate clearly to avoid deeper downturns and social unrest. Looking forward, this crisis can be an opportunity to rethink policy to build back with stronger systems for people and economies.

Tough policy trade-offs emerge in both the short and longer terms, shaped by complex interactions among epidemiological factors, demographics, fiscal space, government capacity, and the strength of health and service delivery systems. No precedents and no simple answers exist. Missteps are inevitable. All available policy solutions are likely to be expensive, messy, and to a degree inadequate, given the magnitude and complexity of the crisis. As an introduction to the more detailed note, this executive summary proposes several broad principles that can inform policy decisions in this demanding context. It also sketches possible solutions for immediate support, with a view towards recovery in the medium term.

The epidemic is unfolding rapidly and presents a set of unique challenges to address containment. Initially detected in Wuhan, China, in late December 2019, the COVID-19 virus has spread rapidly to all regions of the globe. Like previous pandemics such as SARS and MERS, COVID-19 is of zoonotic origin. COVID-19 can be transmitted easily, even when infected persons are asymptomatic. This complicates case detection and diminishes the incentives for many infected individuals to reduce their activity level. Mortality from COVID-19 is concentrated among older persons and the medically vulnerable, and can therefore generate a negative externality in terms of the attitudes and behavior of the young towards the old and a tension between the welfare of the productive majority and that of the most vulnerable population groups. To date, the virus has spread fastest in cities, accelerated by the combination of more intensive economic activity and denser population. Emerging evidence shows however that mortality patterns align with economic disadvantage. This may reflect the fact that, in many cases, the poor cannot afford to adopt distancing measures. Poor people may also have worse baseline health and limited access to medical care.

COVID-19 is at once a demand and supply shock, posing unprecedented challenges. As a result of the global economic disruption linked to the health crisis, countries are seeing a decline in foreign demand and a drop in commodity prices. Lower-income countries increasingly find themselves locked out of global financial markets, even as they face capital outflows and declining remittances. In addition to the demand shortfall and financial stress, the COVID-19 crisis also involves a major supply shock. Internationally, supply chains threaten to break down, which may result in shortages of key inputs and higher food prices. An important difference from previous crises is the potential for a recurrent return of the supply shock until a vaccine is developed. This threat weighs on the prospects for recovery. Domestically, social distancing measures and lockdowns, which many countries have implemented in some form to stave off the contagion, reduce both labor supply and demand, as well as increase transaction costs.

Governments have an essential role to play in containing the pandemic and tackling its economic repercussions. In the absence of a cure or a vaccine, containment measures are essential to reduce the number of new infections. The experiences of the Republic of Korea and Singapore indicate that widespread testing, combined with contact tracing and isolation, was effective at the outset of the outbreak. Coupled with targeted social distancing, especially for the most vulnerable and for the elderly, these measures can contain the spread of the virus with relatively limited economic loss, when compared to full lockdowns. On the economic front, governments will need to act as last-resort insurers. The priority for all countries is to mobilize and deploy resources – across the whole society – to re-orient spending to health, provide relief to households and firms, and prepare for a recovery. Economic relief packages are designed in real time, and in a context of high uncertainty driven by the many unknowns about the characteristics and the evolution of the disease. As a result, decision making will need to be adaptive to make room for course correction.

The nature of policy response will be shaped by country characteristics. Because of limited capacity and access to testing, developing countries may not be able to test and trace the infected. They need alternative low-cost solutions to make containment feasible and effective, with attention to potential infection hotbeds such as densely populated areas and urban slums. In countries with limited fiscal space and high degree of informality, policymakers have only a limited set of tools available to them. In the immediate future, putting cash in the hands of vulnerable segments of the population – not only the poor but also informal workers – will be essential to protect livelihoods and enable containment policies. International coordination and assistance will be central to bridge financing gaps and to help countries avoid policy choices that might risk reversing hard-earned development progress.



Key principles to inform decision making

Before turning to examine specific policy options in the different phases of relief and recovery, several high-level principles may be considered that can inform policy decisions:

Trade-offs will be difficult and should be informed by country context. Countries will need to balance protecting people from the pandemic with ensuring access to income, food, and basic services. In the economic response, governments will have to design support to firms and to households, recognizing that the economic shock comes primarily through labor market impacts. This implies that response options should vary according to households' and firms' employment status and formality, with a focus on minimizing job losses and attendant income shocks, as well as protecting the vulnerable. Given the urgency of responding rapidly and the limited options available to many countries, action is needed both domestically and internationally, but with the recognition that most solutions will be expensive, frequently hasty or piecemeal, and insufficient to solve the full set of challenges being presented.

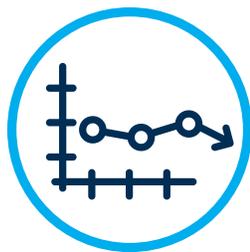
Good data enable evidence-based, adaptive policy decision making. Big and "small" data can play an important role. Testing for infection is key, since data from testing reveal the dynamics and characteristics of the epidemic. Related measures such as contact tracing are also crucial to manage disease spread. Economic data will likewise inform well-calibrated responses for relief and recovery. The high level of uncertainty linked to COVID-19's evolution means mistakes are inevitable. However, relying on data will allow feedback mechanisms to weigh costs and benefits as countries adapt and correct their approaches.

A "whole of society" approach is needed for immediate response and medium-term recovery. In the emergency phase, governments can provide incentives or use mandates to coordinate with businesses and communities in combating the disease, maintaining social distancing, and supporting people affected by the pandemic's health and economic impacts. Disruptions in access to essential goods and services, including food, health care, and education, will erode not only current welfare but also future productivity.

Governance and transparency are even more crucial now in shaping the distribution of the inevitable losses from the COVID-19 shock. Governments should assess what they can accomplish, and clearly communicate how they intend to manage the real losses of economic value. This will be essential to ease social tensions.

Leadership is essential, and governments can use factual, clear communication to align behavior and build trust. Success in containing the pandemic depends on government policy, but also on people's behavior. Governments will need to take leadership in working with the private sector, communities, and the media to support responsible collective action and maintain social cohesion – vital for stability and successful recovery.

Prioritize the vulnerable. The pandemic's social and economic consequences disproportionately affect the vulnerable. The risk of transmission is particularly high among those less able to practice social distancing, including urban slum dwellers and institutionalized populations, as well as groups such as market traders who cannot afford to attempt it. The economic response will need to address the exacerbation of pre-existing vulnerabilities and support those whose livelihoods are threatened. Negative impacts will be stronger for those without access to social protection. Welfare losses, disruption in education and childcare services, and increased stress and violence can have irreversible consequences for women, adolescent girls, and children. Disability, ethnic, religious, or geographic characteristics may exacerbate negative impacts.



Containing the Pandemic

SUPPRESSING THE CONTAGION WILL GENERATE FIRST-ORDER GAINS

Beyond the immediate priority of developing a vaccine, containing the disease is the strategy that will deliver the largest immediate gains. Most containment strategies involve some form of distancing. Testing, tracing, and isolating (TTI) seeks to identify and isolate infectious persons, both symptomatic and asymptomatic. This approach has proven effective in reducing the spread of the virus, especially when implemented early. Various forms of lockdowns and social distancing have also been applied in countries across the income spectrum to delay disease spread and slow the inflow of critical-care patients to hospitals (this is what is known as “flattening the curve”).

Implementation capacity, availability and affordability of testing, health-sector capacity, and fiscal space, among other factors, affect the feasibility of different containment solutions. In parallel, epidemiological factors and underlying vulnerabilities linked to demographic structure, population density, poverty, and co-morbidities shape the geography of infection. Low-income countries face the particularly complex challenge of identifying affordable containment strategies. TTI depends on investments in affordable testing, complementary equipment and implementation capacity to test and trace. In the absence of a rigorously and successfully enforced TTI protocol, all lockdowns must involve a short-term trade-off between disease containment and economic activity. When implemented society-wide, lockdowns can be very costly and in poor countries people might not be able to afford to respect them. In these lower resource contexts, where hospital beds and ventilators are scarce, and poverty and informal activity are widespread, the gains from social

distancing and flattening the curve may also be more limited. Feasible strategies might then include protecting the elderly and vulnerable, improving access to water, to promote hand washing and hygiene practices, and temporarily banning or reducing the size of social gatherings.¹

STRENGTHENING HEALTH SYSTEMS TO PROVIDE CRITICAL CARE NOW

Countries need to treat the sick while ensuring the safe continuity of priority health services, including critical care, vaccinations, and reproductive, maternal and child health. Triage and innovations are needed now to minimize supply-chain disruptions for essential medical equipment and drugs. Revamping health facilities and optimizing human resources for health will help to manage the increased number of critical care cases. Because the resource requirements may be overwhelming for many lower and middle income countries (LMICs), governments will need to engage the private sector to expand capacity effectively. In some settings, telemedicine and e-health can increase the reach of health services. Cooperation between and across states and the private sector will be essential, including to ensure reliable access to energy, utilities, transport, and telecommunications.

REINFORCING DISEASE SURVEILLANCE TO PREPARE FOR FUTURE OUTBREAKS

Progressively strengthening health systems is essential to durably control COVID-19 and prepare for future outbreaks. In the short run, building capacity to test, trace, and isolate cases and strengthening other aspects of disease surveillance can help contain potential new waves of infection. The “one-health” measures now urgently required to prevent and contain disease outbreaks will remain vital in the longer term. Ongoing action is needed to address zoonotic transmission from animals to humans, upgrade disaster risk management systems, and adapt urban planning to facilitate disease control. Health-system strengthening also implies using reliable data to target action and provide concrete, science-based communication to the public. This will build public trust and accelerate disease control today, while drawing evidence from the current crisis to strengthen future preparedness. There may also be opportunities to draw upon the tertiary education system to provide rapid training of nurses, laboratory technicians, and other health professionals.

¹ <https://som.yale.edu/sites/default/files/mushfiq-howell-v2.pdf>



The Economic Response to Save Lives and Livelihoods

SUSTAINING FOOD SECURITY AND ACCESS TO ESSENTIAL SERVICES

Beyond health impacts, COVID-19 is disrupting people's access to essential services, food, and livelihoods, translating into a slowdown or reversal of hard-won human capital gains in health, education, skills, and productivity. The poorest and most vulnerable households and populations are suffering most, especially as many are not able to social distance out of economic necessity or have lost access to income. In the short term, governments should consider expanding social protection to support household consumption by increasing the coverage or amounts of cash transfers and appropriately designed public works, together with social insurance, where relevant. Additional levers include employment retention or restoration policies, especially to help firms retain workers, given the centrality of labor market impacts. Innovative strategies to ensure continued access to education in the face of school closures can include remote learning and support to parents and communities, with a focus on equity and inclusion. Where schools are still open, policies should focus on risk awareness, safety, hygiene, and student support. To ensure access to a range of services, it will be essential to maintain and expand digital connectivity, safe transportation, and access to electricity.

Protecting food supply chains and production is vital, given threats to food security and the risk of inflation.

With much of agribusiness informal, a key risk is that food availability could become constrained. Keeping supply chains fully functional will involve maintaining open “green channels” for the transport of food, along with other solutions such as improving on-farm food storage and finding innovative ways to help agribusinesses meet higher safety costs and health regulations. Where required, farmers can be provided with necessary inputs (seeds, fertilizers, pesticides, equipment, veterinary products) for the next harvest. Policies should also be in place to protect supply chains in other sectors of strategic importance, such as health equipment. strategic importance, such as health equipment.

SUSTAINING THE ECONOMY – PROTECT FIRMS, JOBS, AND HOUSEHOLDS

COVID-19 is affecting the whole fabric of economies – including firms, service delivery systems, and households.

Thus, in the short run, a country must protect its whole economy to sustain livelihoods, enable containment, and accelerate recovery. Depending on countries' economic structure, different instruments will articulate and target this support.

The COVID-19 shock affects firms through supply disruptions—linked to declines in labor, lack of intermediate goods, and lower productivity—and a demand shock. The impact is heightened by lockdown measures and compounded by the deterioration in access to credit, as well as increased uncertainty. Early findings suggest that large shares of employment will be impacted by the crisis. Unless policies to protect them are in place, many profitable firms and productive jobs could disappear, making economic recovery slower and more costly. An example would be the future cost associated with filling vacancies created by the destruction of specialized employment now.

Against conventional wisdom, the unique nature of the COVID-19 shock points to the need to protect jobs. The stimulus packages adopted by several advanced economies are explicitly built along these lines. They encompass employment guarantees, wage subsidies, tax relief, working capital finance, and balance sheet and debt service relief. If they are made conditional on maintaining employment, these interventions can protect both firms' capabilities and workers' incomes². The hardest hit sectors and occupations (such as retail, hospitality, tourism, leisure) are predominantly public facing and have high rates of female employment: these sectors warrant special consideration. Countries can

² Another way to protect jobs is to keep paying frontline service providers like teachers, both to ensure continuity of basic services and to provide fiscal stimulus.

also protect jobs by prioritizing the salaries of frontline public service providers, so as to help ensure the continuity of basic services.

In lower-income countries where informality is high, instruments to protect private sector firms are likely to reach only a small portion of the productive sector.

Ensuring the availability of finance for smaller firms and their workers should be a priority since they cannot be efficiently reached through formal instruments such as taxation policies or wage subsidies. This is particularly important for female business owners who may be disproportionately affected as the tightening liquidity exacerbates pre-existing gender gaps in access to finance. Support could be triaged by commercial banks, microfinance institutions, digital lending platforms, corporate supply chains, local governments, communities, or other intermediaries. However, this would need to be supported by accountability measures and incentives such as portfolio risk-sharing and guarantees for the intermediaries to enable the socialization of potential losses.

Informal firms are also likely to suffer substantially from reduced demand and from closures imposed for infection control. Such firms' activities typically occur in crowded areas that pose a threat to disease containment.³ With the distinction between micro firms and individuals often blurred, support to this segment will need to take the form of cash transfers to informal workers, rather than support to informal firms. Formal sector workers may have social protection provisions in their employment contract, such as unemployment insurance or health insurance coverage, while the poorest may already benefit from social assistance programs. Between these two groups lie numerous vulnerable poor (and non-poor) people, often informal sector workers, often women, often urban, whose livelihoods will be suddenly and adversely affected.

Expanding social protection will play an essential insurance role. This will support household consumption by increasing the coverage or amounts of cash transfers and appropriately designed public works, as well as through social insurance and employment retention or restoration policies. The choice between more narrowly targeted or broader policies will depend on countries' fiscal space and available instruments for determining eligibility – a challenging task in countries with a large informal sector. As a very general rule, the current crisis calls for speed and broad coverage of assistance, in preference to precise targeting.



Supporting the post-COVID-19 transition and mitigating the impact of future pandemics

As countries start the process of returning to normal, governments will need to prepare to protect people both from a possible resurgence of COVID-19 and future pandemics. Expanding social safety nets and social insurance, and adapting them to be more agile in the face of shocks, calls for adequate financing, including contingent financing for crisis response, as well as upgrades to delivery systems, including registries and digital payments. Expanding social insurance to those without access through employers is also key to achieving universal social protection coverage. Ensuring continued food supply and rural income may require support to farmers, for example on inputs. Restoring learning and reopening schools rests on ensuring that schools are safe and prepared to support students and parents. There may be a need for financial incentives to bring vulnerable students back to school, as well as for programs tailored to specific high-risk groups. There will be opportunities to build back better after the pandemic. Enhancing the resilience of households and services depends on improved infrastructure, with action needed to create better regulatory environments and increase access to water and sanitation, electricity, and broadband.

³ <https://www.latinamerica.undp.org/content/rblac/en/home/library/covid-19--policy-papers.html>



Preparing for and Stimulating an Economic Recovery

ENSURING FINANCIAL STABILITY AND TRADE

Ensuring macro-economic stability and avoiding a financial sector collapse will become a pressing issue as debtors are unable to service their obligations and losses accumulate. Trust and transparency in government actions will be at a premium. Governments will need to step in to ensure that financial support is secured and provided transparently and fairly in order to maintain macro-economic and social stability. However, the optimal design of government intervention is not simple. In the short term, governments must facilitate smoothing shocks, and partially absorbing credit risk. Governments will be tempted to resort to less optimal solutions, such as allowing firms to skip utility payments or households to withdraw retirement savings. Such measures risk making infrastructure utilities and pension funds insolvent. In more extreme cases, governments will need to step in as an insurer of last resort to manage needed transfers and bailouts, even taking ownership stakes in financial sector institutions and strategic industries to prevent a financial sector collapse. The risk is that these actions can open the door to political patronage and longer-term inefficiencies. To avoid this, strong arrangements should be put in place to ensure transparency and accountability, for example by establishing sovereign wealth funds or asset management companies. In the medium term, firms will need to be restructured and bankruptcies managed, and state-acquired assets should be carefully divested to restore competitiveness to firms and macro-economic balance to countries.

In the face of the systemic shock posed by the pandemic, macroeconomic measures are likely to be costly, requiring careful management with an attention to debt.

Countries with constrained fiscal space will probably resort to increasing their debt to provide financial support to firms and households. Countries' sovereign debt is likely to rise dramatically over the medium term and will require close management.

Many key economic policy decisions to address the crisis are required at the national level, but protecting global trade and international capital flows, together with policy coordination across countries, will also be critical. Governments may need to temporarily constrain the movement of people across borders to contain the pandemic. However, lessons from the food-fuel-financial crisis of 2008-09 suggest that curtailing exports of food in order to keep domestic prices under control disrupts international supply chains, leading to price spikes with devastating consequences for the poor. The current crisis is a moment to resist closing borders. Open borders preserve international access to food and essential medical goods (including material inputs for their production). Continuous coordination will ensure that unilateral country policy decisions regarding containment do not produce negative spillovers internationally.

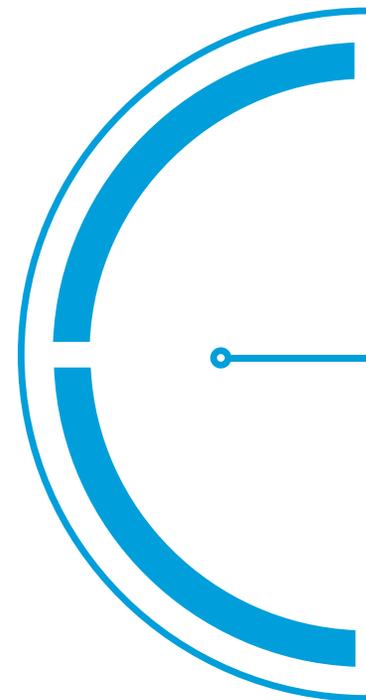
STIMULATING THE RECOVERY

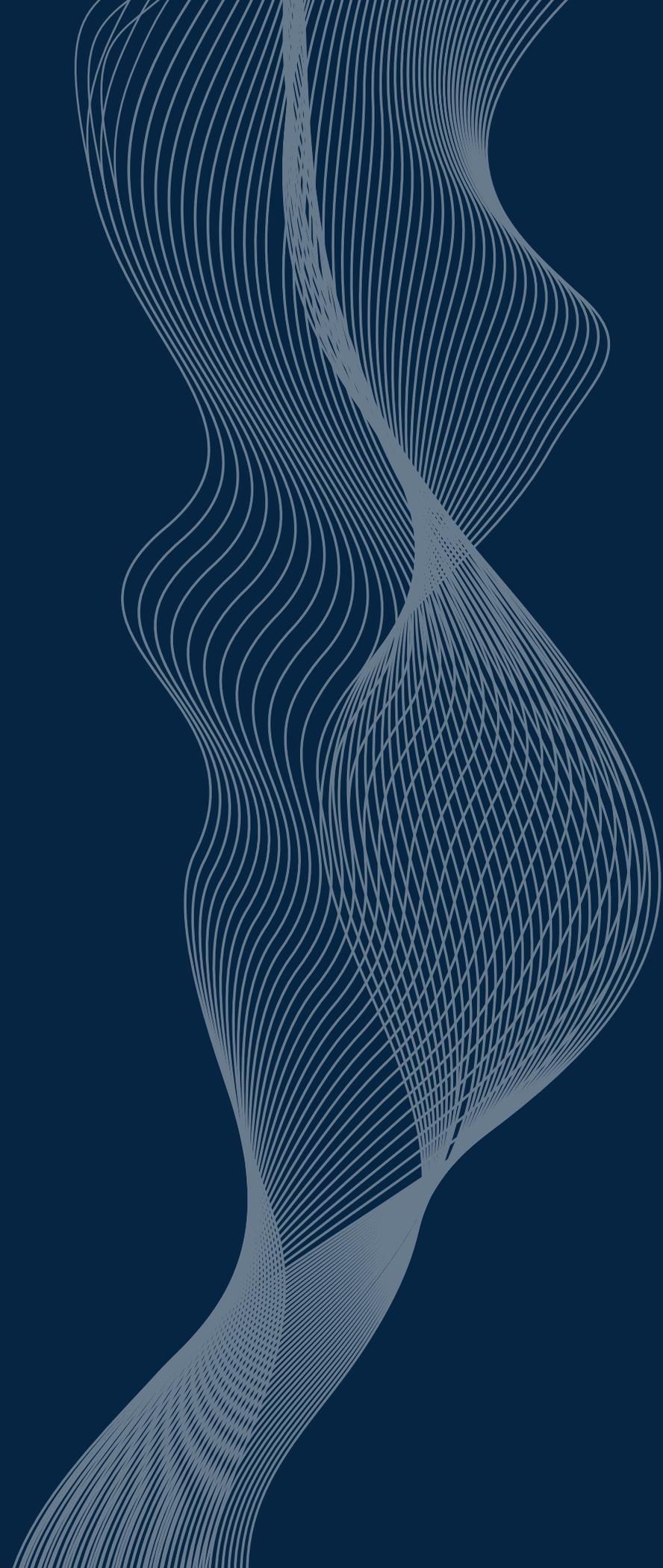
To help economies regain their pre-crisis levels, policies will need to move from crisis management to recovery. This presents opportunities for reforms to support more resilient institutions and inclusive growth. Once economies emerge from the "hibernation" induced by containment measures, policies can be formulated to boost demand through an appropriate combination of monetary and fiscal policy. The efficacy of fiscal stimulus depends on many factors, including the size of multipliers and the country's institutional quality and fiscal space (public savings, revenue-raising capacity, and access to financial markets). In countries where monetary transmission is weak, and fiscal space and fiscal multipliers are small, a more viable goal for macroeconomic policy would be ensuring the continuity of public services, supporting the poor and vulnerable, and maintaining macroeconomic stability. For this purpose, fiscal policy would need to avoid procyclicality and monetary policy would need to ensure sufficient liquidity while keeping inflation low and stable. Effective management of the recovery will provide a windfall of strengthened legitimacy and trust in government.

LEVERAGING INTERNATIONAL COOPERATION

International cooperation will be critically important in combating the pandemic: ensuring the availability of medical supplies and providing the right incentives for the development and production of new tests, treatments, and vaccines. Centralized procurement, advance purchase commitments, and international cooperation on patents and research could be used to spur innovation and accelerate vaccine and test production, availability, and affordability. International cooperation will also be essential to providing financial support to low income countries to allow for an effective response to the health and economic dimensions of the crisis, including to extend safety nets and safeguard human capital and livelihoods. In addition, international research collaborations across universities can play an important role in the global search for solutions.

Multilateral organizations can provide fast-disbursing budget support and investment projects, while the central banks of advanced countries should make foreign exchange available through swap lines with their counterparts in developing countries. Private sector resources should also be mobilized through risk-reduction initiatives, both to widen the resource base for recovery at a time when net private flows to developing countries have collapsed, and to add implementation capacity in weak administrative environments. Donor funds could be leveraged to arrange a large-scale pooling of risks, with a focus on the poorest countries, where risks are significant even at the best of times. In parallel, international institutions can coordinate to provide much-needed debt relief to countries facing limited fiscal space and increasing debt ratios.







The pandemic can have a profound negative impact on people and their productivity for the long term. Strong leadership, coordinated action across sectors, and whole-of-society engagement can protect people and the economy and leverage recovery for future growth.

1. INTRODUCTION TO CHAPTERS

COVID-19 not only represents a worldwide public health emergency but has also become an international economic crisis that is likely to may widen inequalities and disproportionately affect poor and vulnerable populations.

The pandemic has produced a global and domestic shock for all countries. Globally, this implies a drastic reduction of exports, especially raw materials; a drop of commodity prices to historical lows; a sharp decline in services such as tourism; and a steep decline in remittances. At the country level, this entails direct costs related to morbidity, health care, and uncertainty; and indirect costs related to the containment and mitigation measures imposed to reduce the spread of the disease, such as reduced labor, production capacity, productivity and erosion of human capital. What makes managing this health emergency so challenging is that if unattended, it could lead to countless fatalities – yet, if drastic measures to contain the spread of the disease are imposed, the result could be an extremely deep recession with adverse effects on poverty, vulnerability and human capital.

The pandemic is simultaneously a negative supply shock and a negative demand shock: it reduces the ability of people to work and firms to produce, and it lowers the incentives (and removes options) for people to consume and for firms to invest. It may hurt low- and middle-income countries disproportionately because they lack the resources and capacity to deal with systemic shocks, having larger informal sectors, shallower financial markets, less fiscal space, and less developed institutions and governance.

The welfare impact on individuals and households is profound in both monetary and non-monetary terms, with possible long-term consequences for human capital. Households lose income due to illness and the concomitant decline in formal and non-formal employment and remittances, while facing rising prices of essential goods. Disruptions in the delivery of essential goods and services, including health care, education and nutrition, erode not only welfare but also human capital and thus future productivity. Women and other vulnerable groups outside the formal social protection system are the worst affected. Moreover, the decline in welfare, disruption in education and other services, and the rise in stress and violence can have irreversible negative consequences for adolescent girls and children. Disability, ethnic, religious, or geographic characteristics may further exacerbate the negative impact.

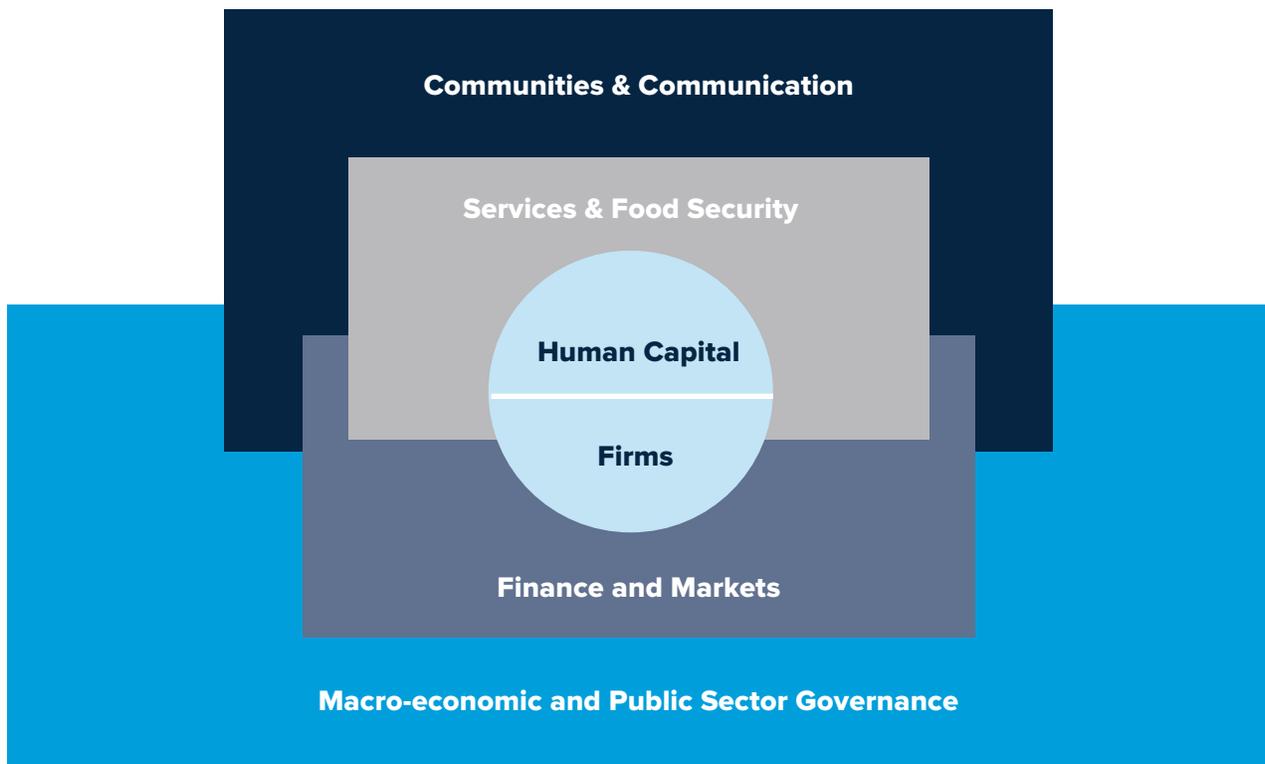
APPROACH AND STRUCTURE

This paper outlines potential policy responses and trade-offs in addressing the economic and social impact of the current pandemic. It highlights the main themes of protecting the poor and the vulnerable and preserving human capital investments while buffering firms, safeguarding the financial system and, eventually, stimulating economic recovery. Based on the simple framework below, the policy response to protect welfare and human capital highlights access to essential services and food, and the role of communities and communication in counteracting shocks. Specifically, Chapter 2 focuses on the containment of the virus and health response; and Chapter 3 places an emphasis on protecting people’s human capital and livelihoods with special attention to women and vulnerable groups. Chapter 4 explores the economic response both in terms of immediate relief and how to sow the seeds of a lasting economic recovery. The paper highlights some of the trade-offs required for macroeconomic consistency and suggests policy options in relation to country context. On one hand, protecting human capital during and beyond COVID-19 involves saving lives and safeguarding welfare and future productivity. On the other hand, overcoming the economic recession requires supporting firms, preventing financial sector collapse and

socializing losses. The design and balance of policies to protect human capital and those to resuscitate the economy depend on country characteristics including fiscal space, institutional capacity, and financial, corporate and structural vulnerabilities. Their effectiveness is influenced by behavior and market sentiment, which in turn reflects trust and overall leadership at the national and local levels.

Leadership, governance and communication are critical for a successful policy response. Clear, consistent, and transparent communication from leaders creates trust and conveys a sense of stability during a time of uncertainty. Effective leadership at the national and local levels is integral to shaping individual and community behavior and should be underpinned by decisions grounded in sound evidence. Furthermore, to encourage collective action and social cohesion in the face of a pandemic that threatens societies, governments need to engage local leaders, businesses, civil society organizations and influencers to ensure appropriate information flows and concerted action. The policy matrix in Annex 1 illustrates the context-sensitivity of the policy response, with examples to support policy dialogue on the design most suited to given circumstances.

FRAMEWORK: POLICY RESPONSE TO COVID-19





Prevent and contain the spread of COVID-19, focusing on at-risk groups, while ensuring the continuity of all essential services for health and laying the foundations for resilience.

2. CONTAINING THE PANDEMIC AND PROTECTING HEALTH

In COVID-19, the world faces a pandemic of historic proportions.

As of April 12, 2020, the disease had affected more than 1.8 million people, with almost 113,000 dead in 213 countries and territories, and health systems around the world overwhelmed. These statistics are almost certainly underestimates, given significant underreporting and limited testing capacities. Pandemics such as COVID-19 have pervasive, adverse effects on health service delivery in terms of access, continuity and quality both in the short term and in the long run. The impact on health services is likely to persist well beyond the duration of the pandemic, owing to the loss of health workers, as well as residual morbidities among those who recover from the acute condition.

Many countries lack the resources to respond rapidly or effectively to COVID-19. In the short term, all countries need to prevent and contain the spread of the disease, ensure continuity of health services, and ensure vulnerable groups are included in the health response. In the longer term, it will be paramount for them to establish well integrated and sustainable systems and institutions.

Emergency measures to contain the disease are likely to affect the economy in the short term, but policymakers must in turn consider the implications for political stability of an economic slowdown. This will involve stark and uncomfortable choices as they seek the right balance between mitigating potentially catastrophic health risks and the maintenance or revival of economic activity (Loayza and Pennings, 2020).⁴ Nevertheless, since many countries are still in the early stages of the pandemic, their immediate focus should be on a rapid and effective containment strategy tailored to country characteristics. Put simply, a failure to contain the disease could make the crisis far more costly, both in health and economic terms.

In this Chapter, we discuss urgent multisectoral approaches to containing the virus and protecting health in the short term (sections 2.1-2.3) as well as preventing and preparing for similar epidemics in the future (section 2.4).

⁴Norman V. Loayza and Steven Pennings (2020). Macroeconomic Policy in the Time of COVID-19: A Primer for Developing Countries. World Bank Research and Policy Briefs.



2.1 PREVENT AND CONTAIN THE SPREAD OF THE DISEASE

Containing the pandemic requires a ‘whole of society’ approach, involving various ministries, the private sector, civil society organizations, communities and the collaboration of individuals. While much of the policy reforms and actions relate to the health sector, there is a lot that actors across sectors could do to facilitate containment of the disease and thus limit its impact on health, and, by extension, human capital.

From the health sector perspective, preventing and containing the spread of COVID-19 involves: i) surveillance and detection, ii) prevention of spread in the community through smart containment, iii) clinical management of cases through the strengthening of health systems, iv) effective communication, and v) ensuring data availability, transparency and coordination of efforts. Eradication of COVID-19 is not likely in the near or medium term. The risk of re-introduction and resurgence of the disease will continue and will need to be sustainably controlled through the rigorous application of public health, clinical and other interventions as the virus circulates between and within countries. The implications are as follows.

- **Strengthen the capacity for disease surveillance and detection:** Reducing the mortality, morbidity, social and economic impacts of an epidemic like COVID-19 will depend on a rapid emergency response. This means swift detection of local outbreaks and a simultaneous assessment of epidemic potential in a country as a whole. Previous outbreaks, such as Severe Acute Respiratory Syndrome (SARS) and Ebola Virus Disease (EVD), have shown that the cost of an epidemic rises exponentially with delayed detection. A country’s ability to do this depends on its existing disease surveillance capacity, including the resilience of its primary health care system. Where these systems are deficient, an immediate priority is to strengthen relevant capacities. In lower income countries (LICs) and lower and middle income countries (LMICs) constrained by insufficient resources, assistance from the international community becomes vitally important.
- **Prevent further spread of the disease in the community through smart containment:** As soon as the epidemic potential of the outbreak is assessed, identification of the right containment strategy becomes crucially important. Several non-pharmaceutical interventions such as isolation, contact tracing, quarantine and social (physical) distancing have been

shown to be effective in containing the virus. However, at any given time governments must introduce a combination of public health measures dictated by the capacity of the public health system and whether there is community transmission (as opposed to relatively small clusters of cases or sporadic cases). The control of clusters and sporadic cases will entail an effective combination of isolation, contact tracing and quarantine. Mass testing is also important to identify who has been infected and needs to be isolated in a hospital, away from friends and family (as in Singapore), while those found not to be infected can continue working and interacting socially, as they pose a much lower risk to others. Lessons from Singapore and the Republic of Korea suggest that rigorous testing, tracing, and isolation are effective strategies in containing the virus. If community transmission occurs, exceptional measures will need to be taken to suppress transmission as quickly as possible and transition back to a steady state of low-level or no transmission, including context-appropriate infection prevention and control measures, physical distancing measures, and proportionate restrictions on non-essential domestic and international travel.

However, widespread lockdowns and social distancing measures may not always be appropriate or feasible in the contexts of less wealthy countries, or those beset by fragility, conflict and violence (FCV). Here livelihoods depend existentially on daily wages, as the capacity of the government to put in place compensation schemes is limited. Meanwhile, neither population density nor living conditions allow for universal containment measures. In these countries, adopting targeted (“smart”) social distancing measures (specific to geographic areas or population groups), combined with testing, may be a more effective strategy, especially if adopted early, before the virus becomes widespread. Targeted social distancing should focus on the most vulnerable population groups, such as the elderly and those with pre-existing medical conditions. A case has also been made for the further evaluation and promotion of infection control measures less disruptive to the livelihoods of the poor, and feasible in low-resource settings, including handwashing and good respiratory hygiene, such as promoting the use of tissues or elbows when coughing or sneezing, as in Bangladesh; or use of homemade masks, as in India (Saleh and Cash, 2020).⁵

Where widespread lockdowns have been instituted due to community transmission, striking the right balance between health and economic costs becomes a priority and will require countries to take a carefully calibrated approach to easing lockdowns as soon as the disease situation allows it. Recognizing the many uncertainties surrounding COVID-19, and based on current knowledge, some key considerations for easing lockdowns are summarized in Box 1.

⁵ Saleh, A and R.A. Cash (2020). Masks and Handwashing vs. Physical Distancing: Do We Really Have Evidence-based Answers for Policymakers in Resource-limited Settings? Center for Global Development Blog Post, April 3, 2020.

BOX 1. EASING LOCKDOWNS WHERE THERE IS A COMMUNITY TRANSMISSION (KEY FACTORS)

EPIDEMIC FORCE:	The greater the epidemic force, the more urgent, large-scale and long-lasting will be the lockdowns required and the greater the likelihood and scale of second wave rebounds when measures are relaxed. At the same time, a prolonged, total lockdown is bound to trigger a backlash in terms of both lives and livelihoods.
POPULATION HEALTH:	The more widespread infection of the elderly, those with co-morbidities, and health workers becomes, the narrower are a country's prospects of reopening successfully.
CAPACITY TO MANAGE REDUCED MEASURES:	Countries with imported infections and limited community transmission who can protect their borders and rely on community preparedness have a greater capacity to reopen internally.
GEOGRAPHICAL CONSIDERATIONS:	Urban and rural areas present different challenges – social distancing will be easier in rural areas, which may accordingly become places to shield the elderly and cocoon the vulnerable.
PUBLIC HEALTH CAPACITY:	Countries with an extensive and well-tried public health system experience fewer infections and can reopen earlier. Countries need to protect health workers and maintain a surplus of hospital and ICU beds before they consider large-scale reopening. Countries without such capacity must rapidly build it during lockdowns before they reopen.
HEALTH SERVICE CAPACITY:	Countries must have protected health workers and a surplus of isolation, hospital and critical care places before they consider reopening.
DECISION MAKING CAPABILITY:	Countries must ramp up decision making capabilities, especially the capability to make locally informed and adaptive decisions. In addition, countries should utilize the pause afforded by lockdowns to ensure their data management and decision-making capacity is effective enough to manage the relaxation of measures and ultimate reopening.
INNOVATIONS:	Scientific and technological innovations in (i) digital mobility and public health tracking tools, (ii) testing, (iii) treatment, and (iv) vaccine development have been unprecedented and offer the hope of a more rapid – and comprehensive – pathway to reopening.

- **Ensure effective treatment of the infected through a strengthened health system:** Containing the spread of the disease also relies on effectively treating patients until they recover and ensuring that other patients and healthcare providers do not contract the disease in healthcare settings. This requires: i) expanding capacity for quarantine, ii) mobilizing equipment and supplies, iii) mobilizing human resources for health (HRH), iv) strengthening safety and quality of care protocols and practices, v) ensuring financial access to utilization of services. As such, countries need to engage the private sector, citizens and the diaspora to mobilize resources with the agility needed to respond to the crisis. For this to happen, guaranteeing the free provision of COVID-19 related health services is critical (and is likely to boost health-seeking behavior). Assistance from the international development community will also be important. Key steps in this process are:

- » **Expand capacity for quarantine.** This may include innovative solutions such as identifying fixed and mobile facilities that can be converted into quarantine facilities and ICUs (such as repurposed ships and railway coaches in India, hotels in Ethiopia, and sports stadia in the US) and ramping up patient transportation.
- » **Mobilize equipment and supplies** to address the limited capacity of the health system in terms of diagnostic capacity, therapeutic supplies and life-support systems such as ventilators.
- » **Mobilize HRH** including relying on out-of-the-box solutions such as reactivation of retired and non-practicing HRH, allowing flexibility of working hours, optimizing the use of existing staff through task shifting or geographical redeployment (as in Korea, Ireland and UK), and training or retraining. The specific needs of female healthcare workers, such

2. CONTAINING THE PANDEMIC AND PROTECTING HEALTH

as menstrual hygiene and transportation needs, must under no circumstances be overlooked. Policymakers could also consider the use of short-term monetary and non-monetary incentives to keep frontline staff motivated, depending on appropriateness and feasibility. This includes providing care options for health workers on a temporary, emergency basis such as home-based care, offered by individuals approved by state officials.

- » **Put in place safety and quality of care protocols** and practices at all levels of care. Investing in infection prevention and control, including ensuring the availability of personal protective equipment (PPE), addressing the lack of isolation facilities and triaging are all critical actions to protect not only patients but also healthcare providers. Experience from the SARS outbreak in China has shown the heavy cost of not providing PPE to frontline staff (19 percent of the SARS cases in China were healthcare workers – Rajakaruna et al. 2017).⁶
- » **Ensure financial access to utilization of health services** through fee waivers and inclusion of COVID-related health services in insurance benefit packages. Experience shows that the private sector can be a valuable ally to governments in expanding the disease surveillance and treatment capacities needed to mount an effective COVID-19 response. In the short term, effective collaboration with the private sector can help in a rapid expansion of testing capacities, provision of advanced hospital care, increasing the supply of diagnostics and essential medicines, production and maintenance of biomedical equipment, and expansion of mobile health and telemedicine systems. In the longer term, collaboration will facilitate the development of safe and effective vaccines and therapeutics that can be delivered at scale. International agencies have an important role to play in supporting developing countries in this area.
- **Provide widespread and effective communication:** Inadequate risk awareness and information can significantly weaken the COVID-19 response and aggravate the duration and severity of outbreaks. Since individual behavior is of pivotal importance in the containment of epidemics, official guidance and directives built on public trust should be central to communication efforts, appropriately nuanced to highlight the specific risks faced by various demographic sectors (according to gender, age, health status and so forth; women, men, boys, girls). Experience from previous epidemics (SARS and EVD) has shown that the costs of misinformation and panic are high since they interrupt the emergency response and health service delivery (Bali et al. 2016). Efforts to counteract misinformation, while engendering

trust and cooperation, will require a combination of regulation, multi-sectoral partnerships (such as with social media and telecom companies) and collaboration with relevant stakeholders (influencers, traditional and community leaders) able to help in addressing any local sanitary practices, gender differences in hygiene practices and behaviors affecting epidemiological risk (as seen during the outbreaks of Ebola in DRC and Liberia, and HIV-AIDs in Malawi). A coordinated and effective public health awareness campaign needs to include: i) consistent communication of risk in accordance with WHO recommendations, ii) clear evidence-based messaging that is easy to quantify and understand (including consideration of the ‘differently abled’), iii) dynamic rumor management and social research to curb misinformation and understand risk perceptions, iv) continued information and data sharing with the public and stakeholders to facilitate research and build trust, and v) targeted messaging to hard-hit groups and leaders (as in Singapore).

- **Ensure data availability, transparency and coordination among government ministries, partners and stakeholders.** The effectiveness of the emergency COVID-19 response is highly dependent on transparency and coordination among partners and stakeholders, as well as the quality and amount of information that is available at any given time. A well-coordinated response will coalesce behind stronger institutions with the mandate to lead, such as command and control structures with Emergency Operation Centers (EOCs), Technical Working Groups, and a “One-health” platform, implementing Strategic Response Plans. Clear communication of the resources being made available, and standardization and streamlining of reporting tools can further facilitate transparency. To depoliticize the pandemic, it is also important to make health officials the visible face of the response (as in Singapore), promote female participation in decision-making in preparedness and response, and transparently publish COVID-19 statistics and case tracing (as in Singapore and Korea). Where possible, linking databases across ministries (as in Taiwan, China) could also facilitate the effectiveness of the response. Countries should also use the pause afforded by lockdowns to ensure their data management and decision-making capacity is effective enough to manage measures to relax lockdowns and revive economic activity.

Beyond the health sector, it is vital for countries to mobilize a “whole-of-society” approach involving a coordinated response among all relevant sectoral ministries, as well as the private sector, in responding to COVID-19, such as:

- **Ensure reliability and availability of water, sanitation and hygiene (WASH) services in healthcare facilities:** In order to protect patients, health workers and support

⁶ Rajakaruna, S. J., Liu, W. B., Ding, Y. B., & Cao, G. W. (2017). Strategy and technology to prevent hospital-acquired infections: Lessons from SARS, Ebola, and MERS in Asia and West Africa. *Military Medical Research*, 4(1), 32.

staff from possible infection in health care settings, there needs to be a reliable supply of water, sanitation, hygiene and medical waste management. These services and the supply of sanitary products, such as soap, alcohol-based hand rubs, and menstrual hygiene products, should not be interrupted and should be available for health workers and both infected and non-infected patients. In addition to ensuring a continued supply of these services and products in existing facilities, temporary health care facilities and quarantine sites should also be equipped with these services and products.

- Ensure supply of water and sanitation services for communities:** As the primary mitigation strategy for COVID-19 relies on proper and frequent handwashing, countries need to make sure that just-in-time water services are provided to those communities, schools and other facilities that currently lack access to a reliable and safe water supply. Facilities to promote safe and hygienic disposal of waste products also need to be in place. Without this, the effectiveness of the primary containment strategy is likely to be jeopardized. The focus of the water sector should include: i) provision and operation of compact water treatment plants, ii) construction and operation of water points to deliver water in strategic urban or rural locations, and iii) provision and operation of water tankers.
- Ensure continuity and affordability of electricity and other public utilities:** Public health measures taken to promote social distancing may disrupt livelihoods and the provision of services. This may affect the delivery of utilities to households, as well as their ability to afford the associated costs. A blanket postponement of utility fees critical for containment of the outbreak may seem to be an effective mitigation strategy. This would, however, create a significant fiscal burden and possibly undo decades of reforms in the utility sectors (as discussed in Chapter 4). Therefore, access to these services could be more efficiently facilitated through targeted social protection measures, which are discussed in Chapter 3. It is also important to switch to digital payments where possible (as part of social distancing measures) and designate the staff manning these public utility providers as ‘essential workers’ during the pandemic and to provide them with appropriate PPE.
- Sanitize public facilities:** Given that a complete shutdown will likely not be a feasible approach in most LICs, LMICs and FCV contexts, it is important to sanitize public facilities such as transportation hubs, public transport vehicles, schools, businesses and marketplaces, and provide fixed and portable handwashing facilities at suitable public locations. Increasing the frequency of cleaning to maintain hygiene at public transport and transit points and establishing handwashing stations could also be an effective containment strategy in low resource

settings (as in Rwanda). Such measures must, however, be adequately resourced and complemented with clear and respected protocols.

- Integrating prevention efforts and services to respond to gender-based violence (GBV) into response plans:** Rates of GBV, especially Intimate Partner Violence have increased as people stay at home and change behavior in response to the spread of COVID-19. Other types of GBV are sexual assaults against children, disabled and the elderly. It is important that response plans exploit channels that have proven effective such as social media, or radio, to provide information on how to seek services during periods of social distancing. This will in turn necessitate the designation of domestic violence shelters as essential services, with increased resources for them. Health care workers must be properly trained to identify GBV risks and cases, and helplines for GBV reporting and referral must receive dramatically increased funding to cope with a probable flood of calls. Technology and mass communication can and should be harnessed to disseminate information in a positive way on non-adversarial conflict resolution, parenting skills, and how to manage stress and anger.
- Adopt a one-health approach:** The agriculture sector could be instrumental in efforts to prevent and contain infection. As COVID-19 is a zoonotic disease, veterinary and agricultural experts can help policymakers and practitioners understand the early drivers of the epidemic and facilitate a timely response to any analogous future outbreaks. In keeping with the “one-health” approach, animal and agricultural health experts must be included in multi-sectoral technical working groups and rapid response teams. These experts can help to identify and zone high-risk areas, such as wet markets, to curtail animal to human transmission. They can also help in crafting safe food handling and water storage messages for wider communication, as well as inform good hygiene practices in the food industry (with improved biosecurity in animal production and trade). Furthermore, through collaboration with the private sector, the agricultural sector can help ensure food availability (such as “green channels” in highways for transporting food, as in India) and thereby reduce the susceptibility of the vulnerable and malnourished to disease. The agriculture sector can also help in crafting safe food handling and water storage messages for wider communication, as well as inform good hygiene practices in the food industry (e.g. improving biosecurity in animal production and trade).



2.2 ENSURE CONTINUITY OF SERVICES FOR HEALTH

Within the health sector, while the top priority in national policy responses to COVID-19 is to prevent or contain the virus outbreak, it also remains vital to ensure the continuity of routine health services, alongside other critical services that impact on the health sector. Experience from previous epidemics has shown that the increased demands placed on health facilities and health care workers by the epidemic response often leaves health systems overstretched and unable to operate effectively. Two global surveys undertaken recently by the Stop TB Partnership Secretariat and the Global Coalition of TB Activists have independently demonstrated that the measures taken for the COVID-19 pandemic have significantly disrupted national TB programs and adversely impacted individuals and communities affected by TB, especially the most vulnerable. Previous outbreaks have similarly demonstrated that when health systems are overwhelmed, mortality from vaccine-preventable and other treatable conditions – such as those related to maternal and child health and non-communicable diseases – can increase dramatically. During the 2014-2015 Ebola outbreak, an estimated 10,600 lives were lost to HIV, TB, and malaria during the epidemic based on an estimated 50 percent reduction in healthcare services in Sierra Leone, Guinea and Liberia (Parpia et al 2016).⁷

Even as the emergency is being tackled, policymakers must focus efforts on delivery of the most essential health services, namely to:

- **Preserve basic health services** such as routine vaccination, reproductive health services including care during pregnancy and childbirth, infant and child health services, and auxiliary services like basic diagnostic imaging, and laboratory and blood bank services, among others;
- **Ensure continuity of care for chronic conditions** such as HIV/AIDS and TB treatments, and the management of non-communicable diseases such as hypertension, diabetes, cancers and mental health conditions;
- **Provide emergency and critical care health services;** and
- **Support frontline health workers by considering specific needs that go beyond personal protective equipment,** as well as providing care options on a temporary, emergency basis. Measures need to be in place to prevent and mitigate sexual exploitation, harassment and abuse and gender-based violence.

In addition to the imperative of mobilizing HRH, as discussed above, other measures are key to promoting continuity of healthcare services including **rational allocation of healthcare services** (including the relocation of clinical services outside affected areas, where necessary and feasible), expanding the reach of health services through the **use of telemedicine and e-health**, and **reducing disruption to supply chains**⁸ for medical equipment, drugs and related essentials. This could involve support to the diversification of supply chains (international organizations, including WBG can play an important role in supporting countries in this regard), including buying from the private market and importing from other countries and regions, as well as strengthening the delivery of services through **up-to-date information and effective monitoring and evaluation systems**.

In addition to health sector interventions, ensuring continuity of healthcare services is contingent on effective coordination among sectors as varied as energy, transport and telecommunications. Examples of such multisectoral measures are:

- **Provide emergency support to water and sanitation utilities** to ensure continuity of water supplies, staffing levels, and spare parts; and
- **Ensure availability of protective equipment**, with prioritized testing and safety supplements for water utility staff to compensate them for the additional workload and risk.
- **Provide continuous electricity access** to critical health and other relevant facilities, with the establishment of electricity back-up arrangements, with emergency measures to ensure that electricity utility and off-grid staff have protective equipment, and funding of contracts with the private sector to deliver reliable electricity in key areas;
- **Invest in strengthened transmission grids** to provide a reliable service under crisis conditions, including improving grid and off-grid flexibility through the deployment of battery storage assets.
- **Provide lifeline mobility** services for key workers (rail; road; maritime; air), key logistical services and emergency situations.
- **Increase the bandwidth and manage internet congestion.** This may require governments and telecom operators to work together to reconfigure and expand networks, optimize traffic management, and access spare capacity in infrastructure (spectrum, fiber optics) so as to provide connectivity to government institutions, hospitals, households and SMEs. Such actions may require temporary adaptation of existing regulation.

⁷ Parpia, A., M., Ndeffo-Mbah, N. Wenzel and A. Galvani (2016). Effects of Response to 2014-2015 Ebola Outbreak on Deaths from malaria, HIV/AIDS, and Tuberculosis, West Africa. *Emerging Infectious Diseases* 22(3): 433-441

⁸ The implications of broader supply chain disruptions are discussed in chapters 3 and 4.



2.3 ENSURE VULNERABLE GROUPS ARE INCLUDED IN THE HEALTH RESPONSE

The lessons learned from historical and recent public health crises show that epidemics often exact a disproportionate toll on vulnerable segments of the population. Vulnerability may be a consequence of a variety of innate and environmental factors, including biology, age, gender and perceived gender roles, sexual preference, sociocultural behaviors, immune status, and underlying chronic diseases and disabilities. In responding to pandemics such as COVID-19, therefore, it is particularly important to ensure that vulnerable populations are not left out of the response and to put in place specific multisectoral measures to address their special needs. In this context, policymakers must pay special attention to frequently neglected aspects, such as the provision of psycho-social support and mental health services.

Examples of health-specific interventions, across specific dimensions of vulnerability and across sectors are presented below. Vital but non-health related interventions relevant to these vulnerable groups are discussed in the section on preserving and protecting human capital (Chapter 3, Box 2).

Urban slum dwellers, refugees, migrants and institutionalized groups: Many cities in developing countries are likely to be potential hotspots for COVID-19 owing to their limited health service capacity, and only rudimentary emergency preparedness, if any. Furthermore, almost a billion people live in slums and informal settlements, where social distancing is often not feasible, and the risk of community transmission thus very high. The lack of basic services and infrastructure, especially for hygiene (water, sanitation and waste collection) and medical treatment, and reliance on communal facilities (such as communal standpipes or latrines), further accelerates infection rates and compounds the difficulty of responding to the disease. In such an urban area, any lockdown that failed to address livelihood issues affecting migrants would be counterproductive: it would simply precipitate an exodus to rural areas, further spreading the disease (as observed in India). Similarly, in refugee camps, prisons, nursing homes, orphanages and homeless shelters, the proximity, and preexisting vulnerabilities, of the inhabitants leave them particularly prone to infectious diseases. By contrast, good practice would:

- Provide targeted messages that maintain community awareness of the virus, impacts, and ways to mitigate spread;
- Address local practices that present clear risks (such as greeting, congregation, sanitary practices, gender differences in hygiene practices);
- Prioritize and fund targeted health and related service provision for these groups; and
- Conduct selective COVID-19-related home, refugee camp and institutional improvements (such as sanitation, technology), including preparations for the coming winter and adverse weather.

Women and girls: Pandemics may have different impacts on women's and men's health due to pre-existing conditions, biological differences and gendered behaviors. Hygiene practices may also differ between women and men. Policymakers should take these differences into consideration when planning for healthcare services and campaigns to mitigate any differential impact of epidemics on women and girls. Some examples of good practice are:

- Ensure that healthcare and nutritional services respond to the unique needs of women;
- Advise families on nutrition behaviors and establish alternative food distribution channels to support the optimal nutrition of women during the pandemic; and
- Target messages to women or men (or both, as appropriate) about the importance of using protective measures both inside and outside the home. These messages will work best if based on open and constructive recognition that gender-specific effects derived from underlying gender norms and roles will often be amplified or distorted by confinement measures.

Children under five years of age: Early years investments are foundational to human capital development, and policymakers should therefore ensure access to key interventions that:

- Protect and promote optimal infant and young child feeding during the pandemic, including the delivery of emergency food and nutritional supplements through cash transfers and feeding programs;
- Ensure the availability of clinical nutrition services for the assessment and treatment of child wasting and advice on feeding during illness;
- Facilitate the continuation of early childhood development (ECD) interventions; and
- Use health and nutrition platforms to deliver messages on coping, parenting and early stimulation.

The elderly and the “differently able”: The aging and the aged not only face a markedly higher risk of a severe or fatal encounter with COVID-19, but also face poorer health and economic outcomes that can accentuate the levels of poverty and inequality already characteristic of this population segment in many LICs, LMICs and FCV contexts. The ‘differently abled’ may also face differential disease risks as well as constraints in accessing services. Health-specific measures to protect these groups will:

- Launch targeted communication strategies to transmit key messages on health, hygiene and nutritional practices, identifying signs of illness and how to seek immediate medical attention;
- Emphasize isolation from the pandemic and providing relevant care for underlying health conditions; and
- Ensure support to these groups to access income support, food and key public services. In this context, it can be valuable to engage community leaders and others to foster social cohesion, promote public health interventions and reduce social stigma associated with the illness.



2.4 ESTABLISH WELL INTEGRATED AND SUSTAINABLE SYSTEMS/ INSTITUTIONS

The abovementioned health interventions focus on the immediate future and are aimed at **preventing and containing the spread of the disease**. Over the longer term, efforts need to shift towards **protecting** human capital. Again, these measures entail a combination of health and health sector interventions and broader multisectoral responses.

Design an evidence-based and comprehensive surveillance strategy: To prevent and prepare for future pandemics, policymakers must develop an adequately resourced surveillance strategy. Although most LICs and LMICs do have some form of surveillance approach, it is very rarely comprehensive, regularly updated, or appropriately resourced. A thorough country evaluation would adhere to the policy and institutional framework for preparedness (Joint External Evaluation Tool) developed by WHO. In this context it is commonly, albeit aptly, observed that “an ounce of prevention is worth a pound of cure”. Systemic deficiencies in disease prevention and surveillance and weak core country capacities for International Health Regulation (IHR) were among the key contributors to the severity of the Ebola epidemic in West Africa. The international community has paid considerable attention to developing financing mechanisms for outbreak responses. However, the actual financing for prevention and preparedness programs through domestic and international resources has lagged far behind (Carlin et al. 2019).⁹

A national surveillance strategy must:

- Develop a risk assessment and response plan, including building capacities for national and provincial modeling (differential forecasting) of epidemics, including the identification of hotspots, and estimating prevention and preparedness requirements in terms of financing, infrastructure, human resources for health, and equipment, drugs and health supplies;
- Invest in preparedness for case detection and treatment, reinforce governance and oversight, build local diagnostic capacity and strengthen systems for treatment and infection control. This includes enhancing disease detection capacities and mobilizing surge response capacity through trained and well-equipped frontline health workers, and building systems for real-time community-based disease surveillance and citizen engagement;

- Design public health measures to prevent the spread of the disease in the community (vaccination, quarantine, social distancing, personal hygiene, travel and trade restrictions) and establish contingency plans to maintain essential services and supplies. These measures, which should be embedded in reconfigured primary healthcare systems, should highlight the needs of migrant and displaced populations, particularly in fragile, conflict-affected or humanitarian emergency settings;
- Build capacity for clinical and public health research, including for vaccine and drug production (in LICs and LMICs that have such local production capacities); and
- Implement policy reform to provide either universal health coverage or a focus on specific vulnerable groups (such as women, adolescent girls and children) involving integrated access to key health, nutrition and population services including GBV response plans.

Adopt a “one-health” approach: This policy framework has already alluded to the short-term “one-health” measures necessary to prevent or contain disease outbreaks; however, investments are also necessary in the longer-term for sustaining and building such systems. Environmental and anthropogenic factors, such as climate change, animal-human interactions, land usage, migration patterns and animal husbandry, have drastically increased the risk and frequency of outbreaks. An estimated 60 percent of all human diseases can be spread from animals, and 75 percent of emerging infectious diseases are zoonotic¹⁰. However, the prevention of epidemics at a pre-initiation phase, before pathogens spill over from animals to humans, remains neglected. Zoonotic spillovers of virtually all these diseases from wildlife or livestock, and the increasing burden of vector-borne diseases, derive from the aforementioned drivers. Concerted action is therefore needed at the interface of the health and animal husbandry sectors. This will entail targeted programs for behavior change (emphasizing issues such as the regulation of wet markets, as in the case of SARS, MERS and COVID-19) and reduced dependence on such food sources, combined with appropriate biosecurity and surveillance systems.

Integrate health in disaster risk management (DRM) systems: It is essential to incorporate public health aspects into existing DRM systems which are otherwise primarily geared towards responding to natural and climate disasters. It should be a priority to collect, collate and analyze urban and DRM geospatial data, and then to make it available to health stakeholders to help them to anticipate and mitigate future epidemics. Meanwhile, multi-sectoral impact assessments should assist future risk-informed decision-making by building on existing DRM experience and methodologies for post-disaster loss or needs assessments and recovery plans.

⁹ Carlin et al., 2019. Building resilience to biothreats: an assessment of unmet core global health security needs <https://www.ecohealthalliance.org/wp-content/uploads/2019/04/Building-Resilience-to-Biothreats.pdf>

¹⁰ Zoonotic refers to diseases that are transmitted to humans from animals.

Prepare urban areas and slums for future pandemics:

Recognizing the unique needs of urban areas and slums, it is important to:

- Update and scale up the slum upgrading programs, focusing on strengthening resilient infrastructure, early warning systems, linkages across agencies, mobilizing community-based organizations, and ensuring sustained services for the urban poor during future crises;
- Strengthen zoning and land use planning, including the development of a legislative framework, especially for wet markets within dense urban neighborhoods, integrating healthy design standards into Bank-financed and other social infrastructure, and improving the quality and distribution of public spaces; and
- Establish territorial coordination plans and agencies with the aim of incorporating health resilience aspects into integrated territorial plans, engaging private sector and communities, and strengthening the capacity of subnational and local governments to lead the epidemic coordination efforts.



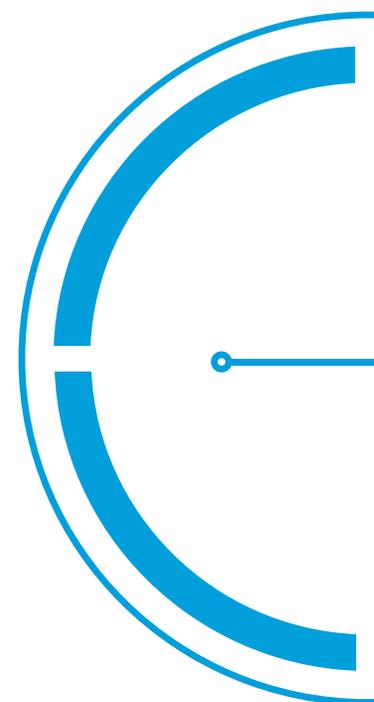
2.5 CONCLUSION

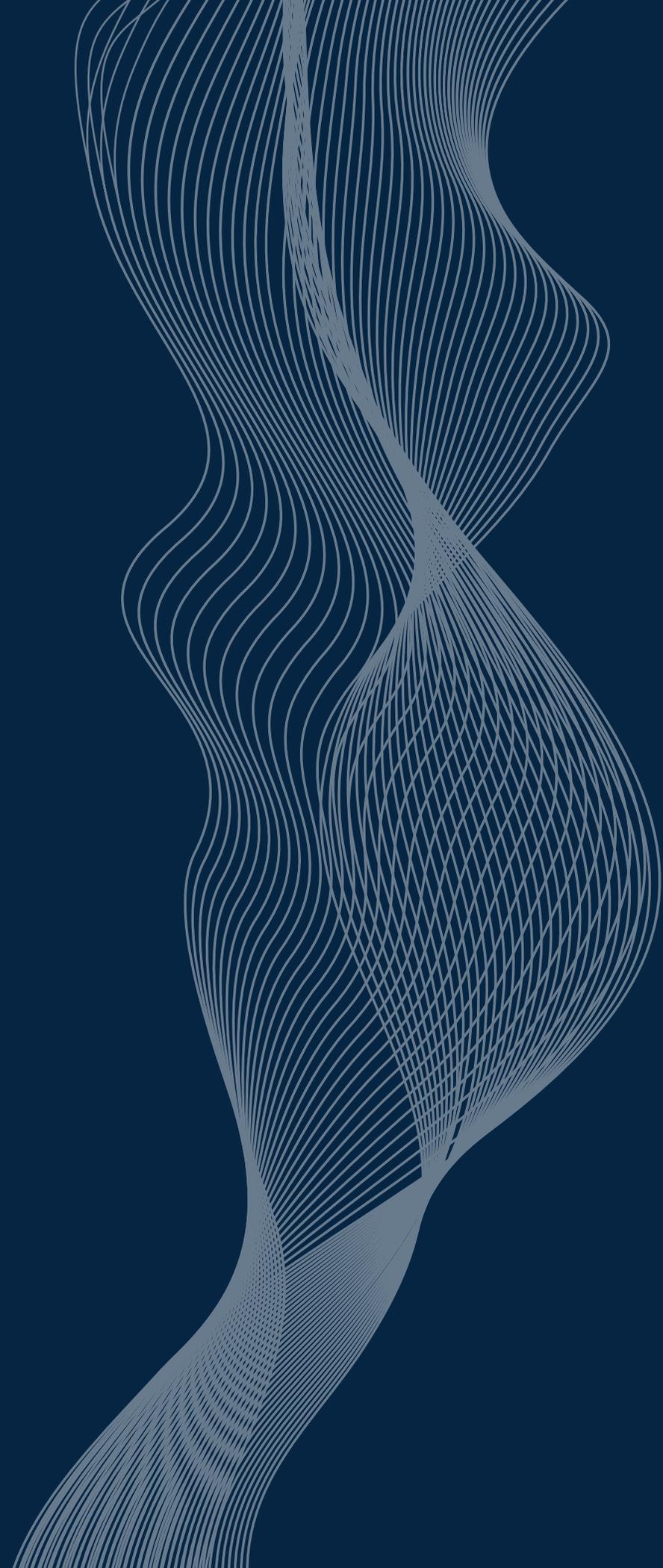
COVID-19 has taken a heavy global toll, affecting millions of lives, and straining even the most advanced and best resourced health systems around the world. As it exerts simultaneous supply and demand shocks on the economy, policymakers – especially those in LICs and LMICs – will inevitably find it challenging to address its multiple impacts on their citizens. However, the chain of negative effects it is imposing on the economy will only be broken if policymakers are squarely focused on mitigating and containing the spread of the disease. Many developing countries have a narrow window of opportunity available to them to contain the health devastation and economic damage of COVID-19, as the virus has not yet spread widely. Furthermore, once the disease has been contained, these countries will also need to establish robust systems to prevent or avoid future epidemics.

Accordingly, this chapter has highlighted policies and interventions that countries could consider in the short run to prevent and contain the spread of the disease and ensure continuity of multisectoral services for the health of all, particularly the vulnerable (section 2.1-2.3 above). It also pointed out the critical longer-term systemic actions that need to be taken to prepare for future pandemics (section 2.4).

The measures outlined above apply universally, but each country must implement them according to its own assessment of risk, capacity, and vulnerability. Specifically, the prioritization of policy actions will depend on where a country currently stands in terms of its macroeconomic and health system capacity, the stage of the virus’s epidemiology, and the available fiscal space. In other words, policymakers in each lower-, middle-, and higher-income and FCV country must choose the “right” level and type of containment and mitigation measures, balancing the need to tackle the health emergency with the equally pressing objective of maintaining and reviving economic activity. Weighing these economic and social costs of containment and mitigation measures will require a careful consideration by each country of its context and the resources available to it.

Lest a national perspective clouds the global view, it is worth highlighting that, since pandemics do not respect borders, the developed world and lower-, middle-, and higher-income and FCV countries alike have a vested interest in cooperating to establish multisectoral “whole-of-society” approaches to protect the health of populations and prepare for — and seek to prevent — future pandemics in the global village.







By protecting human capital now nations will be able to recover better post pandemic.

Focus on vulnerable groups, food and income security, education, basic services, and digital connectivity.

Strengthen service delivery systems and engage communities for impact.

3. PROTECTING HUMAN CAPITAL AND LIVELIHOODS FOR ECONOMIC RECOVERY

COVID-19 is affecting households more profoundly and widely than the health impact alone. Disruptions in the delivery of essential services and food, combined with the loss of income in households may slow down or even reverse hard-won human capital gains in the poorest countries. The negative impact is especially pronounced in households that are poor, dependent on employment in the informal or other strongly affected sectors, or dependent on a single income earner. Women and adolescent girls are disproportionately at risk owing to caregiving responsibilities, specific vulnerabilities and health care needs during pregnancy, and at an elevated risk of GBV (Fraser 2020)¹¹ and sexual exploitation. Groups who are vulnerable on the basis of gender, disability, ethnicity, religion, or geography may face discrimination in access to essential services and necessities.

A multisectoral policy response is needed to protect people, especially vulnerable groups (Box 2), from the immediate impact of the crisis, as well as to strengthen long-term preparedness. Governments need to: i) protect households in the short term by supporting income, food security and access to essential services, and ii) engage communities and communicate to build trust and support coordinated action; and iii) strengthen resilience in service delivery.

¹¹ <http://www.sddirect.org.uk/media/1881/vawg-helpdesk-284-covid-19-and-vawg.pdf>



3.1 PROTECT HOUSEHOLDS NOW BY SUPPORTING INCOME, FOOD SECURITY, AND ACCESS TO ESSENTIAL SERVICES

Any response in the short term must be multisectoral and tackle the impact of COVID-19 on lives and livelihoods. This impact is manifesting itself in all aspects of daily life: household income and consumption, food security, and access to essential services beyond health. Many households are being affected, necessitating responses at an unprecedented scale across most countries. To combat this onslaught on multiple fronts, governments should consider the following policy options:

Use existing social protection mechanisms to support household consumption.

Current social protection programs (social insurance and social assistance) can serve to temporarily expand countercyclical measures in support of some of the poorest people in developing countries. Such programs will help maintain income and compensate for higher food prices, lower prices of goods for export, and unexpected costs such as medical bills. There is a tension between helping the very poorest, who have the least margin for loss before human capital and livelihoods are irreversibly damaged, and helping the many who are experiencing significant new losses (such as those who have always been vulnerable to poverty, the new poor and those in the middle class facing soaring expenses and shrinking incomes). Fiscal space, institutional capacity, and the social contract will determine the options available to governments, which will need to:

BOX 2: VULNERABLE GROUPS

The pandemic is already exacerbating pre-existing inequities in society. As such, policymakers must pay special attention to vulnerable groups who, if not supported, will be forced to adopt counterproductive coping mechanisms that could undermine containment measures, erode human capital and undercut economic recovery.

POORER HOUSEHOLDS are less able to cope with shocks and more likely to avoid health services and descend into deeper poverty; lack of income and reduced access to food and transport will increase stress and affect mental health.

ILLITERATE OR DISABLED HOUSEHOLDS may need special outreach and information to ensure that they understand public health protocols and can understand and access services.

ETHNIC, RELIGIOUS OR GEOGRAPHIC MINORITIES may have unequal access to services or face discrimination from providers.

INFORMAL SECTOR WORKERS may be particularly vulnerable to economic disruption and loss of livelihoods and will be harder to reach through established social insurance measures, requiring special outreach and adaptation of response measures.

WOMEN AND GIRLS face the prospect of rising gender-based violence due to social distancing. Specific groups of women—such as single mothers, widows, domestic workers without social protection, refugee women and girls (see also below)—are more likely to be poor and less able to cope. Girls might be at increased risk of early marriage, adolescent pregnancies and school dropout. Women and girls will also face an increased caring burden (such as for children out of school, or family members who are elderly, ill or incapacitated). Increased mental health support and

support for childcare is needed. Targeting women and giving assistance payments to women may be helpful, but with attention to household decision-making dynamics.

HOUSEHOLDS WITH YOUNG CHILDREN particularly those in the first 1,000 days of life, will need consistent access to nutrition, health services such as routine immunizations and support as they struggle to deliver nurturing care to newborns and infants at a time of high stress – both financial and psychological.

MIGRANTS are likely to be particularly hard hit, as their movements are restricted to limit the spread of COVID. Migrant workers are also often employed in key sectors such as agriculture and thus still need to travel and work. Furthermore, migrant workers are unlikely to be covered by existing social protection schemes and will need targeted outreach and support if they are unable to work (with public health communications in their native languages).

REFUGEES may also need specific support and outreach due to language barriers in host communities, as they face limited service access and crowded conditions in camps.

PRISON POPULATIONS may live in overcrowded conditions conducive to spread of the virus. As a result, some countries are choosing to release non-violent offenders. These people will need specific support because they lack income and commonly have nowhere to live upon release.

- **Expand eligibility criteria, expand financing, and ensure that administrative systems are inclusive and responsive.** Expand criteria to compensate those affected for loss of income and increased care responsibilities with a focus on the most vulnerable and the most impacted. Annex 2 highlights some special considerations for beneficiary targeting and how to use information systems.
- **Transfer larger sums** to mitigate the impact of higher prices, particularly food prices, and unexpected medical expenses or provide in-kind transfers to offset these impacts if markets are not functioning.
- **Prepare employment retention or restoration policies,** including policies to help firms retain workers during the crisis.
- **Make payments through electronic means** as much as possible to avoid transmission of disease at payment or cash withdrawal sites. If delivering essential goods, stagger delivery dates, and ensure crowd control at distribution points.
- **Waive conditions for transfers** as meeting them is difficult and possibly dangerous during the pandemic. Waiving the “works” requirement of public works and community-driven development (CDD) programs is also advisable given the potential for spreading the virus at work sites. If works must continue, social distancing must be rigorously maintained lest the fight against the pandemic be jeopardized. Policymakers could also replace works requirements with Behavioral Change Communications (BCC) sessions on critical issues such as WASH, and nutrition that would also need to be delivered in pandemic-aware modes.

Protect or restore food supply chains and production to maintain food security.

Outbreak control measures are likely to impact farm work and food supply chains. Previous major outbreaks such as EVD, SARS and MERS have had negative impacts on food and nutrition security. These involved two main types of issues, requiring both ex ante preparation and real time response: namely the collapse of incomes of poor and rural producers and price effects. The impact on income can be addressed through existing social protection and community-based mechanisms. Governments should also address the impact of prices¹², for example, by subsidizing key inputs and collaborating with provincial and municipal authorities and the private sector to prevent price hikes of critical supplies.

- **Avoid supply chain disruptions.** Keep shipping lines and domestic transport working. Governments can work with shipping companies and the private sector to keep critical supply chains going. The global community can help subsidize the additional expenditure required.
- **Take collaborative and targeted actions at the local or municipal level.** Local or municipal level responses have a direct impact on individuals and household food security and nutrition. Key actions for municipalities include:
 - » *Collaborate with national and state governments as well as private sector providers to ensure food availability.* This may include equitably redistributing government stockpiles, rationing, helping to reduce supply chain disruptions, and facilitating the import of food from nearby regions.
 - » *Ensure that people (especially the most vulnerable) have access to food,* through measures such as targeted transfers, increased access to markets, and reduced profiteering.
 - » *Provide nutrition and health services for children, pregnant women and mothers.* Emergency food access including nutrition supplements using alternative food distribution channels to reduce the likelihood of transmission of COVID-19.

Sustain student learning while protecting health and safety.

As of April 2020, an estimated 85 percent of children across the world are affected by school closures. Experience with schooling disruptions suggests that, in the absence of a robust policy response, learning outcomes for students are likely to be negatively impacted with potential long-term consequences for their attainment, employability, productivity, and welfare.¹³ In addition, if girls are less likely return to school, learning inequalities will increase, students will become more vulnerable and gender inequality could rise too (there was an estimated 16- percentage-point decline in girls’ enrollment after the EVD crisis). Governments must move quickly to avert these consequences, through three types of policies: coping policies, to protect students and deliver learning equitably while schools are closed; policies for managing continuity, to support school reopening with as little learning loss as possible; and policies for improvement and acceleration, so that education does not merely revert to problematic pre-COVID patterns.

¹² Food prices may rise, or fall, depending on a variety of local conditions influencing labor, input supply, and market access.

¹³ These disruptions include: HIV/AIDS on teacher absence in Zambia, leading to a reduction in learning outcomes; teacher strikes in Argentina, leading to an average loss of half a year of schooling and resulting in reduced lifetime labor force earnings; floods in Thailand, leading to reductions in test scores on national exams; civil conflict in Peru, leading to a fall in educational attainment; and hurricanes in New Orleans, leading to a decline in learning outcomes for those students who did not move to better school districts.

3. PROTECTING HUMAN CAPITAL AND LIVELIHOODS AGAINST SHOCKS AND FOR ECONOMIC RECOVERY

- **The immediate priority is coping: Where schools are closed, customize strategies for continued learning such that students benefit equitably from available resources.** Key strategies in countries with complete or partial school closures include:
 - » *Extend or advance scheduled vacations or close schools* for a week to a month to keep students out of school and sanitize premises.
 - » *Reach out to parents and students* to prevent dropout during closures (especially among tertiary and secondary students) and convey information about learning opportunities and materials and best hygiene practices, as well as information on how to access alternatives to school meals.
 - » *Maintain critical school feeding programs by replacing* them with cash transfers or direct distribution, as many poor households depend heavily on free school meals.
 - » *Conduct emergency remote learning programs, focusing on equity and inclusion.* A multi-platform approach helps reach everyone, not only those with connectivity, by creatively combining the use of radio or television, SMS and social media, online instruction, and printed materials. Ensure remote learning programming also caters to young children; support parents to engage in early stimulation and learning at home; deliver picture books and early learning kits, particularly to the poorest.
 - » *In parallel, provide training support to parents and teachers* so they can help children stay engaged with learning. This will be particularly important for households with young children, especially those in the first 1,000 days of life. Supporting parents to provide early stimulation, learning support and opportunities for children to learn through play will be critical to ensuring their readiness for learning.
 - » *Where possible, use digital applications and online platforms:* These tools offer opportunities to keep boys and girls engaged in learning. However, it is important to highlight that targeted measures will be required. The most vulnerable girls are likely to lack access to digital materials, and may not have the time to study while at home owing to their heavier burden of home and caregiving responsibilities.
 - » *Keep paying teachers,* to ensure continuity of learning and provide fiscal stimulus.
- **In low-capacity contexts, consider using education facilities as additional sites for delivering healthcare and redeploying school staff with reduced work to support the larger community during the crisis.** For example, in areas of low or no connectivity in communities, education facilities can be used as information hubs or medical holding centers (while schools are closed). In these cases, a clear path must be set out for the return of these schools to their primary function as soon as the crisis is over.

- » *Redeploy school administrators and teachers who are not delivering distance learning.* These individuals comprise a cadre that can be trained during the school closure to help with initiatives such as sensitization and other social activities (as occurred during the EVD outbreak in 2014, when teachers in Guinea carried out advocacy work in their communities and supported contact tracing of Ebola patients).
- » *They can also be deployed to support parents of young children to provide nurturing care and protection from violence and stress.* Parents could be targeted to encourage responsive caregiving, good health and nutrition practices, and coping strategies for parenting in situations of stress. These professionals could also provide information on the fundamental developmental importance of the early years; provide emergency childcare and psychosocial support for frontline workers with families; and offer interventions that mitigate the risk of domestic violence and support victims.

- **Where schools are still open or scheduled to reopen soon, focus on awareness, safety, hygiene, and student support.** This includes policy measures to reduce contact and overcrowding, such as staggered shifts and alternating weeks. It also includes campaigns through schools to increase awareness of the dangers of the pandemic, reinforcing hygiene practices by engaging students and administrators, and enhancing sanitization protocols and health and sanitation supplies where possible. Public gatherings and school-related events and trips can be cancelled or postponed. Schools can also help identify students in need of COVID-19-related support, including counseling.
- **Immediately begin planning for school reopening that will ultimately improve on the pre-pandemic status quo.**

Adopt policies to both manage and protect movement of people and goods for the immediate safety of households and workers.

During the pandemic, governments are faced with taking decisions to lockdown, as well as managing the implications of lockdown and social distancing for the mobility of people and goods, and the continuity of transport services. This has cumulative impacts on the economic activity of cities, regions, freight logistics, as well as related industries, markets and supply chains. Transport services may be shutting down or scaling back as routes are no longer viable, potentially affecting essential travel and supply chains for food, fuel, medical supplies and essential goods, and domestic distribution channels. Key short-term policy interventions are needed in three areas equally relevant for the most critical transport sectors and modes of transportation:

- **Adopt protocols and allocate resources to permit safe use of transport services.** This includes sanitizing public service areas, training operators and equipping them with PPE for the safety of people who need to use public transport. Promote back-up means of transport, such as walking and cycling.
- **Take temporary measures to manage movement of people,** whether across borders or into normally crowded areas. Where there is no alternative, ensure safe and organized transport for migrant day laborers.
- **Provide repatriation support to overseas migrant workers likely to become stranded away from home** or en route due to restrictions and financial constraints. Many migrants who would like to (or are required to) to return home might face financial and logistical difficulties due to closure of airports and increased travel restrictions.

Maintain and expand digital connectivity to cope with increasing demand.

During lockdowns, digital technologies are extremely important to ensure that families members can stay in touch, businesses operate with many staff working at home, and essential public services remain uninterrupted. However, data traffic is subject to congestion and increased cyberattacks. Economies with already low internet access (or no access) face special challenges as they cannot deploy remote work, learning, and health services. Within the first three months, governments can consider policies to support the following:

- **Increase bandwidth, manage congestion to avert internet breakdowns, and ensure that frontline government workers and public service providers stay connected.** Ensure connectivity by pre-purchasing broadband internet access, software licenses and digital authentication/e-signature capability for government officials working from home; developing innovative business models to unlock dark fiber (spare capacity) options for immediate use; and likewise allow sharing of infrastructure by granting or securing access to excess capacity infrastructure.
- **Foster immediate expansion of access and price reductions** by lowering requirements to open digital identity accounts, implementing (or temporarily suspending) policies related to infrastructure or service provision, leveraging the private sector, and potentially providing bridge loans to internet providers; and support ICT (information and communications technology) line ministers to develop emergency and recovery action plans.
- **Support basic social service delivery** by leveraging mobile network data and digital applications to support health and education systems, enable data collection and analysis for pandemic response and to ensure that government-to-person (G2P) transfers are possible digitally.

Ensure uninterrupted access to electricity during the pandemic.

Critical energy interventions for effective COVID-19 pandemic response could include:

- **Expand access and improve security of supply** by providing electricity access to key public facilities and support the establishment of electricity back-up arrangements for critical services.
- **Provide targeted emergency financial support** to service providers, such as electric utilities, to ensure continuity of essential services; ensure that electric utility and off-grid staff have protective equipment; fund contracts with the private sector to deliver reliable electricity in critical areas.



3.2 ENGAGE COMMUNITIES AND COMMUNICATE TO BUILD TRUST AND SUPPORT COORDINATED ACTION

Leadership at a time of crisis hinges on the ability of government at all levels to create trust and influence individual and community behavior. Trust is built on clear, consistent and transparent communication based on solid evidence and engagement. Governments should engage on digital platforms as well as reach out to the media, community and religious leaders, businesses, and social influencers to hear their concerns, share information, and strengthen the response to the pandemic. Greater social cohesion is built when governments communicate clearly and openly about the disease and get feedback from communities, encouraging cooperation to curb infection, while ensuring that minority groups and women suffer no discrimination and that vulnerable groups are protected.

During times of crisis, the public administration is called upon to take a stronger role.

This entails leading communication and fact-based information on the nature of the threat; providing emergency and immediate services; private sector regulation (to reduce speculative behaviors); and policy making to mitigate the impact and plan for economic recovery. To be effective, the government response needs to be well coordinated under an emergency management team with clear definitions of roles and responsibilities; and accountable, through special committees of parliament and special audits to oversee the emergency management team decisions; they will also need to be clear on messaging to the public. The critical role of government leadership is discussed further in Chapter 4.

Engage and communicate with citizens to both share and receive critical information.

Communicating, and sharing data, directly with the larger community will allow for innovation and help governments to obtain current information on the disease and feedback on the effectiveness of actions. Information will need to be socialized and localized so that communities can protect themselves against the spread of the illness and mobilize to help vulnerable groups who are difficult to reach.

- **Identify and assist most vulnerable at-risk groups** via quick phone surveys and citizen-generated data; pinpoint the nature and spread of the disease and implementation bottlenecks; and identify beneficiaries and allocate benefits. Existing community-driven development (CDD) platforms can be useful to build vulnerability profiles.
- **Crowdsource information from citizens** through apps to track the spread of illness and government responsiveness.
- **Share simple messages, data visualizations, and social media campaigns** to inform citizens about the spread of the virus, and the effectiveness of countermeasures.
- **Engage with people using existing community-based groups** such as religious and community leaders, self-help groups, village leaders, community-based organizations, civic groups, and local women's groups as advocates. Ensure diversity: deploy women, men, and LGBT+ individuals in emergency management groups.
 - » *Ensure that women's organizations and leaders have a role.* For example, women leaders were trained by the WHO in the Democratic Republic of Congo and were effective voices during the Ebola crisis to improve prevention and response.
 - » *Use existing CDD platforms to communicate culturally appropriate messages on preventative measures and proper hygiene practices,* including deploying trusted community facilitators. Capitalize on partnerships that can be formed among facilitators, community volunteers and health workers. This will help to inform and promote appropriate behaviors in high-density urban slums or refugee camps and to reach the elderly and disabled; it will also help to counter misinformation and misperception.
 - » *In some contexts, women may not be reached by relevant information campaigns* on how to halt the spread of the pandemic due to women's limited access to mobile phones and other media devices, mobility constraints (resulting in exclusion from power networks), gender gaps in educational attainment, lack of contextualization, and other factors. There is evidence from the Ebola crisis in West Africa that campaigns were not as effective as they could have been because they failed to reach women and did not consider traditional gender roles.



3.3 STRENGTHEN RESILIENCE IN SERVICE DELIVERY

As countries transition from the immediate response phase and start to return to normal life, governments will need to consider steps to not only manage this phase but also ensure that their systems are prepared for future shocks. To combat a possible resurgence in COVID-19 cases and to prepare for the future, governments should consider the following policy options.

Expand access to social safety nets covering the poorest and most vulnerable, while making social safety nets more responsive to shocks.

As economies restart and people go back to work, governments will be able to gradually ease extraordinary measures and payments to some households. This will require careful analysis of the recovery and employment numbers and clear and thorough communications to beneficiaries about the end dates for benefits. However, particularly in LICs, where such coverage remains an issue in normal times, the crisis will likely have increased the number of people in need of longer-term support. As such, expansion of coverage will be critical. Over the long term, governments should:

- **Extend social assistance to all poor people and possibly those vulnerable to falling into poverty as well, ensuring dynamic entry procedures and flexible budgeting to increase coverage when needed.** Expand coverage of the informal sector to include insurance and savings mechanisms. In the long term, broader coverage helps guard against future shocks, serves as an investment in human capital, and helps increase consumption. Active labor market programs, labor intensive public works, livelihoods support and skills training, can all be targeted to support household enterprises in the informal sector and support critical service sectors to contribute to fiscal stimulus in the medium term. Cash and food transfers can also be used to support human capital development and household consumption. Fifty-five percent of the world's population is not covered by social protection measures.

- **Support productive inclusion programs for the poorest and most vulnerable.** Productive inclusion is a critical part of many governments' large-scale anti-poverty programming. The objective is economic inclusion, including self-employment, income diversification, and resilience. These programs target extremely poor and vulnerable households – especially female headed – with a set of “bundled interventions” to address multiple constraints including access to markets and services and social exclusion. These are a particularly good way to reach rural poor and can work in fragile contexts. For these reasons the engagement of community mechanisms is a critical driver of program delivery with most programs leveraging community structures, including informal savings/credit community groups, local governance groups, and formalized producer organizations.
- **Make social protection more responsive to shocks** with the following measures:
 - » *Ensure timely and flexible adaptation to rapidly changing needs*, including triggers and clear protocols for when to expand responses and when to rein them in.
 - » *Improve social protection delivery systems*, such as enabling digital direct cash payments and expanding coverage of social registries, to facilitate rapid expansion of transfers and linkages to services.
 - » *Secure contingent financing* for social protection in response to shocks.
 - » *Strengthen public employment service systems*, unemployment insurance, and other active labor market programs

Monitor and assess the impact of school closures on learning and reopen schools with an eye to supporting the most vulnerable students and move beyond recovery to improvement.¹⁴

Promoting learning recovery for all students will require other policies, such as targeted financial support to boost re-enrollment; training for teachers to help them assess and reverse learning loss in key subjects; and better data and monitoring systems. It will be important to monitor the extent to which the disruptions have impacted learning. Beyond the bald fact of school closures, there will be a complex picture of student and teacher absenteeism, exams delays, and families now without the means to send their children back to school. Such monitoring will help shape recovery efforts. In the longer term, it will be instructive to assess the impacts — and how alternative coping strategies fared — so as to shape future policies.

- **Support students as they return to school when institutions reopen.** In addition to providing a safer environment in school buildings, re-enrollment drives and campaigns may be needed to bring students back to school, with enhanced measures to deal with the learning loss that took place while schools were closed.
 - » *Offer financial incentives to bring vulnerable students back to school:* Given that COVID-19 is likely to have differential impacts on girls and boys, measures to ensure that girls (or boys, depending on the context) return to school when institutions reopen (such as conditional cash transfers, scholarships) need to be considered and put in place ahead of time.
 - » *Target specific programs to adolescent girls:* Such efforts will be needed to tackle increases in early marriage (probably ending the young bride’s formal education forever) precipitated, at least in part, by negative income shock.
 - » *Teach students at the right post-COVID level,* conducting formative assessments to assess learning lags, focusing on learning recovery, meeting urgent needs such as foundational skills and preparation for standard exams. Adjust academic calendars as needed to allow students to catch up.
 - » *Enhance counseling facilities for students and families* where possible, especially those dealing with COVID-driven adversity.

¹⁴ Although it is only at this phase that a more accurate assessment of impact can be finalized, work and projections should begin while the crisis is ongoing to allow for fast action during the recovery phase. It is understood that these actions may need to be modified if the scope of relevant projects subsequently needs to be changed.

- **Create communication campaigns.** This will be essential to assure parents of the safety of their children returning to schools. This is especially critical in communities where there may be a distrust of Government. Communication could include a timeline of school sanitization (especially if schools have been used as isolation centers), dissemination of screening protocols (what would be the process if a child has a fever at school), and the provision of hand washing stations and supplies. This latter point is also of crucial relevance to the need to build in resilience when schools are reopened. If wash stations or latrines are too few or not well located, students will be left vulnerable to resurgent or future health risks. In other words, it may well be dangerous to merely restore educational facilities to their original condition.
- **Ensure reductions in family incomes due to the crisis do not affect attendance.** This is particularly relevant where school fees are paid by families. Temporary cancelation of such fees may also be an option, but alternative reliable sources for school financing will need to be ensured.
- **Move beyond recovery to improvement, by building on the most effective policies from the previous phases** – including better use of learning technologies, curricula more focused on foundational skills, and more financing for the most pressing needs and most effective solutions.

Strengthen water, sanitation and hygiene (WASH) interventions as a basic public health strategy, including to combat infectious disease.

In the longer term, governments will need to ensure continuity of services for water, sanitation, and hygiene and expansion of WASH infrastructure, including for health facilities and educational institutions. They will also need to strengthen multi-sectoral and national institutions and platforms for policy development and coordination of prevention and preparedness, including for anti-microbial resistance.

Continue supporting farmers with inputs and services for the upcoming harvest season.

Governments may have to make urgent strategic interventions if farmers' income, or input supply, has been sharply reduced. For livestock, this would require protecting productive assets through, for example, provision of feed and veterinary services. Irrigation services for farmers will need to maintain infrastructure, personnel, and safe operations. Farmers who rely on these services should not be subject to disconnections, late payment penalties, and other fees.

Depending on the country context, deploy national prevention and control strategies to manage risks associated with food from animal sources.

Policymakers should tailor interventions based on detailed assessments of the risk of emerging infectious diseases (EIDs) at the human, animal and ecosystem interfaces, the epidemiological status of major zoonotic infections, the capacity of national Veterinary Services through OIE (World Organization for Animal Health) PVS (Performance of Veterinary Services) pathway, and the specific vulnerability of the livestock sector to new, emerging and re-emerging infectious diseases. Governments would need to: (i) enhance EIDs prevention and preparedness capability; (ii) strengthen disease surveillance, diagnostic capacity and research; (iii) strengthen control programs and outbreak containment plans; and (iv) improve biosecurity in animal productions and trade.

Support the remittance infrastructure in developed and developing countries.

Remittance service providers, especially money transfer operators, have been facing store closures and disruption of remittance services owing to COVID-19. Support could be provided to remittance service providers (RSPs) to keep stores open and minimize disruption to remittance services. Further, incentives (such as subsidies) could be offered to RSPs to reduce the cost of remittance services. For example, RSPs could claim tax credit for waiving remittance fees paid by remitters.

Focus on strengthening digital development, creating a better regulatory environment, and ultimately increasing broadband access for households and services.

- In the three to six months after the immediate crisis, take key actions including removing constraints to private sector investment, protecting data, and supporting education.
 - » Focus on removing constraints to private sector investment by addressing entry and expansion restrictions, updating rules for the use of universal service funds allowing for remote connectivity and services for health, education and public servants, target population and SMEs.
 - » Strengthen frameworks and systems for data protection of personal information, cybersecurity, digital transactions and digital identification.
 - » Support digitization of the education sector.

- » Ask ICT line ministries to develop detailed action plans to achieve universal internet access and enable private investment to help achieve this goal.
- » After the first six months, focus on universal access to broadband and advanced use of digital services and applications.
- » Plan and invest to achieve universal, affordable and high quality broadband access, and mobilize private financing with efficient use of universal access obligations.
- » Expand the use of digital services, ranging from simple USSD (quick codes) or SMS-based communication to more advanced apps, along with artificial intelligence and big data, to benefit from e-health facilities, support health system monitoring, and emergency preparedness.
- » Enhance digital skills across the economy.

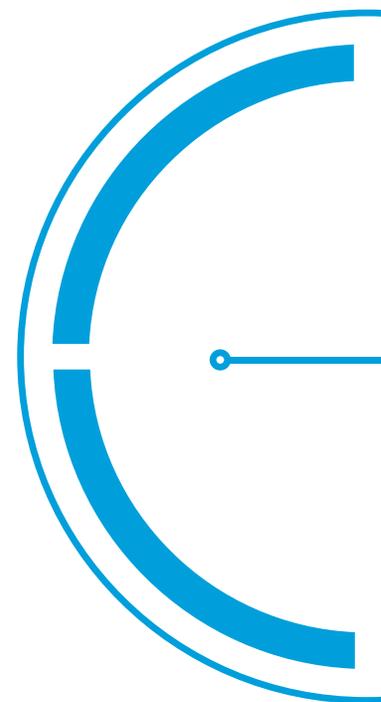
Ease fiscal pressure in the energy sector and invest in fiscal stimulus programs contributing to clean energy and universal access goals.

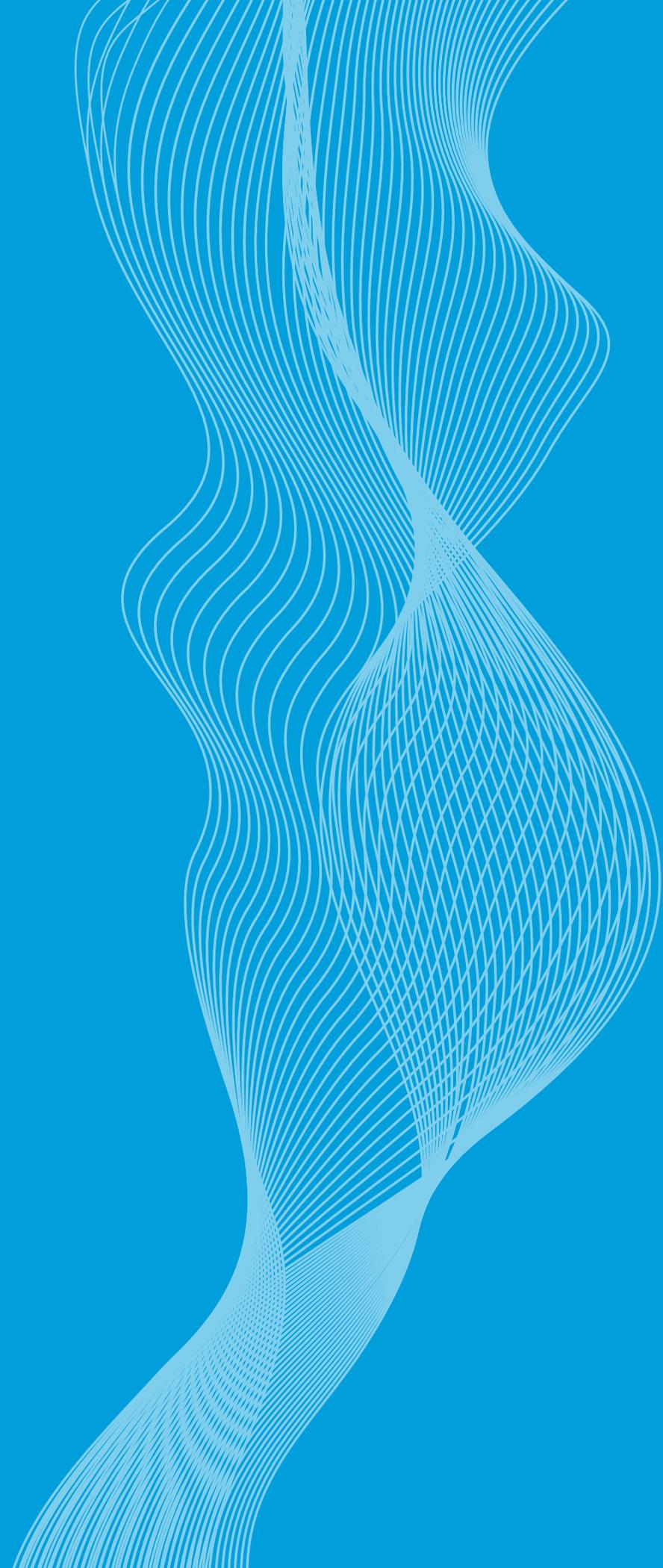
- Take the window of opportunity presented by low oil prices to rebalance tariffs and thereby protect the most vulnerable consumers. Adopt a package of reforms to improve financial sustainability of power utilities (such as improved corporate governance, strengthened managerial practices, and enhanced regulatory framework).
- Improve the legal and regulatory framework for off-grid options to make them more attractive for the private sector.
- Also, invest in strengthening the transmission grid to provide more reliable and resilient service under crisis conditions, including improving grid and off-grid flexibility through deployment of battery storage assets, particularly for remote locations.



3.4 CONCLUSION

The immediate response to the pandemic, to safeguard people’s wellbeing during the most dangerous phases, must involve more than containment and public health. Human capital must be more broadly shielded and nurtured by protecting households, individuals and their livelihoods in the short term from the impact of the pandemic on incomes and access to essential services while at the same time also helping prepare for longer-term household resilience and more robust essential services. There is ample evidence that without such policy measures to protect people and deliver essential services especially those serving the most vulnerable, the accumulation of human capital could be interrupted during shocks, and that the impact of this loss can last for decades and across generations, affecting future productivity and welfare.







Support households, firms and the financial sector via coordinated efforts underpinned by effective leadership, communication and partnership with the private sector. Use recovery phase for reforms to build resilient and inclusive growth.

4. LEADING THE ECONOMIC POLICY RESPONSE

Although the COVID-19 pandemic shares similarities to other crises – the decline in foreign demand; the drop in commodity prices; frozen global financial markets; capital outflows; the fall in remittances – additional features make its impact more profound. The crisis involves a major supply shock domestically, with economic activity drastically reduced by social distancing and containment measures. Furthermore, the breakdown of international supply chains may result in shortages of key inputs and possibly higher food prices. Finally, the prospects for a full and sustainable recovery are highly uncertain until a vaccine can be produced.

The costs of the pandemic are likely to be high for developed countries and even higher for developing countries, which generally have lower health care capacity, larger informal sectors, shallower financial markets, less fiscal space, and weaker governance. As a result, policymakers in these countries will need to carefully weigh the effectiveness of containment and mitigation policies – based on epidemiological evidence – against possible adverse socioeconomic consequences.

An effective response to the crisis requires a substantial mobilization of resources. Short-term liquidity will be essential to keep basic services running, to buffer economic activity, and to protect human capital investments. But financial resources alone will not be enough. In the meantime, the urge to respond rapidly and decisively to the crisis may lead governments to take measures that will compound difficulties in the future. In this context, a firm conceptualization of what to do (and what not to do) will be just as pivotal as the availability of financial resources. Moreover, international cooperation will be needed as developing countries see their revenues drop and their access to financial markets dry up.

Challenges may be common to all, but responses need to be tailored to the structure and institutions of individual countries. What has already been undertaken in advanced economies is not replicable in most developing countries. The economic stimulus packages of advanced economies rely extensively on taxes, transfers and guarantees, but measures of this sort only reach a fraction of firms and households when economic activity is largely informal.

4. LEADING THE ECONOMIC POLICY RESPONSE

In the short term, the focus in developing countries must be on containment and mitigation measures that slow the spread of the virus and protect people (discussed in Chapters 2 and 3) and on emergency relief measures that prevent a health crisis from creating mass unemployment and bankruptcies. The goal of macroeconomic policy in the near term is not to stimulate the economy — which is impossible given the supply-restricting containment measures — but rather to support those affected simultaneously by the pandemic and the public health measures intended to blunt its spread. Critical times call for well-designed, coordinated government action and effective public service delivery — preserving a sound approach to macroeconomic stability and proper governance.

After the spread of the virus has been controlled and containment measures relaxed, macroeconomic policy can instead focus on stimulus. However, as monetary transmission tends to be weak, fiscal space is limited, and fiscal multipliers are often small, the effectiveness of demand-oriented macroeconomic policy may be low in many developing countries. A more viable macroeconomic goal in developing countries is avoiding procyclicality, ensuring the continuity of essential services, and supporting the vulnerable.

This chapter distinguishes two phases for economic response. First, relief measures during the peak of the health crisis; and second, economic recovery measures in its aftermath. While chapters 2 and 3 advise on COVID-19 containment strategy, health response, and policies to protect human capital and livelihoods, this chapter discusses a coordinated approach to economic relief and recovery measures. The proposed economic response emphasizes measures to: i) establish strong leadership; ii) protect the poorest and most vulnerable; iii) support jobs and firms; iv) preserve the stability of the financial sector; v) leverage global support; and vi) link relief measures to recovery efforts. Three important aspects are discussed here: the trade-offs involved in approaches to socializing losses, the management of assets, and the overarching theme: linking immediate response to sustainable recovery. The chapter illustrates how economic response depends on country characteristics, and provides examples on prioritizing policies, addressing trade-offs and sequencing under different circumstances.



4.1 ESTABLISH STRONG LEADERSHIP

Leadership, coordination and overall governance are critical for the whole economic response. As governments are at the center of the relief measures, they are called on to be fast, creative, effective, transparent, and accountable. Moreover, during times of crisis, the public sector takes on a stronger role in society. Governments and public sector institutions are responsible for the provision of emergency services, the formulation of fiscal responses, coordination across several levels of government, and communication to the public. In order to perform these roles, governments need to ensure business continuity to the best of their ability across myriad public sector functions, including service delivery, public finance management, domestic resource mobilization, tax/customs administration, and state-owned enterprises. Central governments must also coordinate with local authorities to translate policies and expenditures into results.

The design of the **macro-fiscal responses** to the COVID-19 pandemic is equally important. Consideration should be given to the efficacy of specific instruments in achieving their desired goals, with regard to cost and fiscal sustainability; flexibility to adjust to changing circumstances; and administrative feasibility.

Design and implementation require **a coordinated approach**. The fiscal authority and line ministries for the social sectors, trade and commerce, and central banks and other regulatory financial institutions must work in concert. Coordinating government response can be entrusted to an emergency management team with clear definitions of roles and responsibilities that are subject to transparency and accountability arrangements.

Clear, **consistent communication** from leadership is essential because it fosters trust, sets expectations, and conveys a sense of stability during a time of immense uncertainty. Economic policy choices and implementation arrangements, including the purpose, scope, and intended beneficiaries need to be communicated openly and through a broad range of sources to create awareness and elicit action.

BOX 3: MANAGING PUBLIC FINANCE, LOSSES AND RISK

Relief measures require identification of fiscal resources and adaptation of fiscal management to quickly redirect spending and prudently manage liabilities and fiscal risk exposures. Without adequate capacity, risks of inefficiency and waste, as well as fraud and corruption, may loom large. The most urgently needed measures to consider include:

- **Access financing sources** – such as contingency appropriations within the approved budget; emergency spending provisions; expenditure reprioritization; possible savings in ministry budgets; or access to external grants and borrowing – **and reassessing debt sustainability constraints for countercyclical policies.**
- **Ensure that cash is available, spending is accounted for, debt is managed prudently, and procurement is agile.** For example, require centralization of all public sector cash in a single treasury account; establish emergency treasury regulations and working conditions to support continuity and effective delivery; report daily or weekly on disbursements during emergency procedures and monthly on related fiscal measures and costs, including distribution impact.
- **Establish clear limits to government contingent liabilities.** Government can explicitly commit to guaranteeing the stability of the financial sector, to ensuring the continuity of basic services, to supporting small businesses and strategically important sources of employment, or to helping the poorest and the most vulnerable. A statement of this sort would coordinate expectations, help economic agents adjust to the new environment, limit opportunistic behavior and serve as a social compact on how to manage the crisis. But the statement should also be realistic in terms of what is feasible. Lacking the deep pockets and the institutional capacity of advanced economies, the governments of developing countries may have to spell out clear priorities, and the sequence in which the commitments to socializing losses will be honored.
- **Assess the fiscal exposure to public-private partnership (PPP) contracts and state-owned enterprises.** A review of the PPP portfolio would identify where the financial risks are largest and identify options to safeguard continued essential service delivery while managing fiscal impacts. Governments need to ensure that COVID-19 does not incentivize opportunistic behavior unrelated to the crisis, and at the same time protect the long-term health of infrastructure assets and continuity of service.



4.2 PROTECT THE POOREST AND MOST VULNERABLE

Implementing policy approaches described in chapters 2 and 3 may require redeployment of staff and boosting institutional capacity in logistics chains, procurement and financial management. Partnerships, including with private firms, state-owned enterprises and financial institutions may be required to secure essential health supplies and deliver support to households. Similarly, the involvement of community and civil society groups can help governments reach the poorest and most vulnerable, where targeting and delivery mechanisms are weak. Priority actions within the context of the economic response include:

- **Redirecting public expenditures toward the health response, essential services and household income support.** Mobilizing financial resources for the health response and essential service delivery may require amendments to facilitate spending with accountability. At the same time, it is extremely important to prevent a diversion of resources from other critical services, such as sexual and reproductive health services. National governments may need to adjust intergovernmental fiscal transfers to increase resource flows to local actors to implement early relief, while also revisiting decentralization policies and institutional systems to strengthen local capacity. Where local governments have de jure or de facto limited functional assignment of responsibilities in service delivery, domestic resource mobilization agencies at national or regional levels will be at the forefront. In some fragile and conflict situations, engaging citizens to oversee service delivery and creating mechanisms to reinforce their participation is critical to improving services and social cohesion.

4. LEADING THE ECONOMIC POLICY RESPONSE

- **Mobilizing human resources for the health response and essential service delivery.** Fast changes in civil service rules, processes and procedures may be required to support surge capacity in health and other priority areas through emergency hiring, redeployments and volunteers; social distancing for essential service delivery in each sector; civil service rules for home-based work, and workers' health and safety. Given the pressing need to provide administrative services online, the basic principles of digital government need to be adopted swiftly to guide government innovations and efforts to adopt the appropriate legal framework to protect data privacy.
- **Monitoring and deterring anticompetitive behavior in necessity goods and services markets.** Some price increases are to be expected due to the negative supply shock and a positive demand shock as people stockpile necessities. However, these shocks also increase the risk of anti-competitive behavior (such as price gouging or bid rigging in expedited procurement processes). The dominant positions of some digital market players may also be temporarily reinforced, although e-platforms themselves can help monitor price changes and sales patterns of key goods. Generally, existing laws should be able to prevent actions to restrict supply and drive up prices.

BOX 4: POLICY TRADE-OFFS: PROTECTING THE POOREST AND MOST VULNERABLE

- *Better to target fiscal assistance and essential services to the neediest households or more broadly through a blanket approach?* While accurate targeting is preferable, this often cannot be quickly accomplished and can have the counterproductive effect of slowing down delivery of critical assistance to vulnerable households. Given the severity of the pandemic in many countries, more blanket assistance may be considered a speedy remedy; however, governments will need to determine whether adequate fiscal resources are even available and whether a broader approach will have the desired impact without creating perverse incentives.
- *Which groups are in greatest need and for how long will support be provided?* Inaccurate targeting risks marginalizing already vulnerable populations. Removing support too soon, or leaving it in place too long, could hinder a swift recovery.
- *How to balance speed with accountability?* While implementing a fast, effective response, the maturity of delivery systems and capacity of state and local governments must be weighed against the need for transparency and accountability at the national level.



4.3 SUPPORT JOBS AND FIRMS

To address uncertainty and minimize longer run costs of losing viable businesses and jobs, governments need to act quickly to inject liquidity into the private sector.

Although blanket support for jobs and firms is atypical in a normal crisis, it may be justified (if feasible) in the context of a global pandemic causing both demand and supply shocks that affect entire economies. Mitigation efforts such as social distancing severely affect sectors that rely on social interactions (tourism, hospitality, transport, retail, manufacturing, and construction), while also constraining transportation and logistics networks that link people or goods to markets.

Given lower levels of capacity, constrained resources, and a high degree of informality, developing countries should take a two-track approach to support jobs and firms.

Policy responses will need to be tailored to fiscal space, government capacity, labor markets, tax and social protection systems, and levels of informality, as well as the heterogeneity of shock to different firms, sectors, locations and the urgency with which different potential recipients need assistance in each country context. To reduce economic scarring, identifying firms more exposed to supply and demand shocks and quickly implementing policy responses should be a priority where feasible. It is important that measures are time-bound and transparent to avoid perverse incentives and longer-run market distortions.

- A first track should be geared to systemically important employers or exporters, those with significant backward and forward linkages or in sectors such as logistics and utilities that enable other economic activities. Due consideration should also be given to those firms

that employ a larger share of women and socially disadvantaged groups. Support would be administered through the government's own budget, through commercial banks that are adequately incentivized and protected or through dedicated recovery funds bundling financing from a range of domestic and international sources. Fiscal measures to consider include: wage subsidies; deferral of taxes and social security contributions; moratoria on debt repayments; access to subsidized loans; partial credit guarantees; and temporary credit lines. In addition, temporary relaxation of regulations and greater information sharing and coordination among competitors may be appropriate in some critical sectors.

- The second track would focus on supporting smaller, younger and innovation-intensive firms, women-owned businesses and SMEs – including informal ones – that suffer from asymmetric access to financial markets and are difficult to reach through formal banking channels. The goal is to ensure the availability of finance in a context of mounting working capital needs. Support should be triaged through a combination of commercial banks, microfinance organizations and informal business associations, digital lending platforms, corporate supply chains that include informal businesses in their value chains or other intermediaries. Governments can employ

a mix of grants, their own procurement practices, and incentives for other lenders that will help offset potential losses. It will be important to communicate clearly and broadly to ensure that smaller and less formal firms are aware of the public support interventions and are able to apply for and receive them.

A fundamental issue facing governments in this context is linking support for firms to worker retention. If the ultimate goal is protecting jobs rather than firms, there is an obvious risk that the opposite happens – namely that interventions help ensure a firm's survival but workers still lose their jobs. This is partly a design issue that can be addressed through conditionalities, such as setting requirements that firms retain workers (more easily monitored in the formal sector). Likewise, firms receiving public support should be mandated to provide paid sick and family leave days to their workers. With regard to formal firms, there are additional mechanisms the government can implement if necessary to pro-rate or claw back payments, for example converting a grant into a loan or creating a tax debit. Another measure to consider could be paying a higher proportion of wage bills for furloughed firms until production can restart to avoid overwhelming unemployment insurance (UI) systems. This might be a particularly attractive option for countries without UI systems.

BOX 5: POLICY TRADE-OFFS: PROTECTING FIRMS

- *Marshalling finite fiscal resources between households and firms.* Providing support through firms may help them keep employees and support faster economic recovery, but will fail to reach people working in the informal sector and the poorest. Fiscal space limitations, and the prospect of a second wave of the epidemic arriving when all resources have been exhausted, make it all the more important to strike an appropriate balance. Based on country context, a mix may be required, and the balance will depend on the easiest method to reach those most in need. One possible way to view this trade-off is that the critical need to support the vulnerable blurs the distinctions between supporting micro-firms, supporting households and supporting communities.
- *Support systemically important firms and affected sectors or create a level playing field for all?* Targeting support to certain firms or sectors preserves scarce fiscal resources and can help governments try to provide levels of support in line with immediate needs, though it still may need to prioritize among many deserving recipients. At the same time, targeting adds elements of complexity and discretion in a context where a timely response is needed. Targeting can be hard to implement in settings where institutional capabilities are weak and may open the door to rent-seeking behavior and potential capture by well-connected firms. This can hurt competition, skew resources away from viable firms, and undermine an efficient policy response and effective recovery in the longer term. Yet blanket provisioning of limited resources to firms would be costly and inefficient. Specific country characteristics and potential conditionality of fiscal support should dictate decision-making.
- *Balancing the urgency to disburse financial resources with the need to plan for recovery.* The growing spread of disruptions across multiple sectors, locations, and types of firms demands quick action. However, policy choices should not only offset the immediate negative impact, but also create foundations for productivity-driven growth during the recovery period by seeking to minimize distortions and disincentives that can hamper recovery efforts.



4.4 PRESERVE THE STABILITY OF THE FINANCIAL SECTOR

Governments must reduce stress on the financial system to prevent a potential collapse. The ripple effect of distressed households and businesses is bound to impact banks and the rest of the financial system. To help banks meet the credit demands of customers and prevent defaults and financial crises, the monetary authority can ease lending facilities to banks and ensure sufficient liquidity in the system. Specifically, the central bank can introduce interest rate cuts, reduce reserve requirements, lower the rates and lengthen the maturity on its discount window lending, and generally prioritize its function as lender of last resort.

However, governments must ensure banks pass liquidity on to businesses that need it most. During the 2008-10 global financial crisis many countries used increased access to credit to strengthen their own balance sheets. However, this liquidity was not sufficiently passed on, particularly to SMEs including female business owners who are often disproportionately affected as the tightening liquidity exacerbates pre-existing gender gaps in access to finance. This can partly be addressed in policy design and making public support to first-tier financial institutions conditional upon their willingness to pass it down to lower levels. The use of government guarantees, in addition to capital injection, can help ensure this.

The government should also play the role of insurer of last resort and centralize real economic losses to the extent possible. However, this requires resources, and in an environment of limited fiscal space, governments will need to prioritize. Serving as an effective insurer of last resort also requires institutional capacity, and developing countries differ considerably in this respect. Governments should assess what they can accomplish, given their resources and capacity, and clearly communicate the criteria, instruments, and limits of support. Possible instruments to accomplish these objectives could include not only taxes and transfers, but also guarantees, debt rescheduling, clearance of arrears, or the acquisition of assets and liabilities. Lacking the deep pockets and the institutional capacity of advanced economies, the governments of developing countries may have to spell out clear priorities and the sequence in which the commitments to socializing the losses will be honored.

Depending on the length and severity of the crisis, other measures to support the financial system include:

- **Protecting payment systems** to rapidly process disbursed relief payments, to mitigate the sharp decline in remittance flows, and to enable customers to transact even when physical interactions are limited. To achieve this, money transfer operators may need to be supported, digital platforms enabled, and customer due diligence rules simplified.
- **Debt moratoria.** If adopted, these would need to be comprehensive throughout payment chains in order to avoid penalizing intermediaries.
- **Default terms for debt repayment** like those introduced as part of the Latin American stabilization plans of the 1980s that offer automatic conversion of all debt payments in domestic currency to a much lower interest rate.
- **Forbearance** may also be needed but should be introduced with utmost caution.

In its efforts to prevent a financial sector collapse and support jobs and firms, governments may need to transfer downside risk and losses to public balance sheets.

Socializing the losses may require taking ownership stakes in financial sector institutions, through recapitalization, and in strategic employers. These moves will entail a change in the relationship between the public and the private sector, potentially leading to an implicit nationalization of important segments of the economy.

In countries with weak institutions, significant state ownership runs the risk of fostering political patronage, the distribution of favors, and corruption. To address these risks, strong arrangements need to be put in place to manage the newly acquired assets at arm's length from politicians. These arrangements need to ensure transparency and accountability, perhaps in the form of sovereign wealth funds or asset management companies that build on the best examples from countries at similar development levels. In the medium-term, the divestiture of state assets to the private sector must be prioritized. Individual cases will need to be reviewed, and balance sheet repair solutions designed.

BOX 6: POLICY TRADE-OFFS: SUPPORTING THE FINANCIAL SECTOR

- *How and under what circumstances should governments intervene to support systemically important sectors? Systemically important firms may require support to avoid large negative impacts across a broader set of firms; however, past crises demonstrate a need for caution in this regard. Governments should not rush to nationalization measures without a solid rationale and economic analysis. Taking an equity stake in firms in exchange for financial assistance can let the benefits of recovery be more widely shared. For large-scale state-aid and bailout resources, there should be clear rules and economic rationale for interventions.*
- *Consider fiscal risk and governance requirements when deciding how losses will be socialized. Some governments have begun implementing haphazard solutions like allowing firms to skip utility payments or households to withdraw retirement savings. Such policy responses may provide vital lifelines to firms and households, but they risk making infrastructure utilities and pension funds insolvent, undoing decades of careful policy reform efforts. Governments must be prudent and keep this in mind when assessing what they can accomplish with the resources and capacity available to them.*



4.5 LEVERAGE GLOBAL SUPPORT

Many key economic policy decisions to address the crisis need to be made at the national level, but protecting global trade, international capital flows and policy coordination across countries will also be critically important. Concerted action is key if the overall policy response is to be more than the sum of national-level measures. The largest economic powers and key international organizations have a central role to play in this respect. But national policy decisions also need to consider the importance of preserving an open world.

Governments should commit to protecting international trade, particularly for food and medical supplies. The movement of people across borders has been temporarily constrained, to limit the spread of the epidemic. However, borders should remain open to movements of goods and services, to international capital flows, and to remittances. Most critically, a repeat of the food crisis of 2008-09 needs to be avoided. Individual countries could be tempted to curtail exports of food in order to keep domestic prices under control, but the cascading consequences of such decisions will make everybody worse off, as was the case a decade ago. The disruption of international supply chains could lead to a spike in prices, with devastating consequences for the poor. The logic is similar for the medical supplies that are needed to address the health emergency.

International cooperation will be critically important to mobilize financial resources toward developing countries.

There is a global dimension to the socialization of losses from the crisis, in addition to the domestic one. Multilateral organizations, international financial institutions (IFIs) in particular, need to actively engage in the mobilization of financial resources in the form of fast-disbursing budget support, while the central banks of advanced economies should make foreign exchange available through swap lines with their counterparts in developing countries. These moves will help ensure that developing countries have the fiscal and monetary space they need to implement their policy responses to the crisis.

Private sector resources should be mobilized alongside donor funds. Standardized, rapidly replicable portfolio risk-sharing or guarantee schemes could combine funding from multiple sources to support lending to small firms by banks and microfinance institutions. Multi-country funds with layered risk structures could leverage financial support from IFIs as well as private sources to support a revival of investment, and to strengthen or restructure corporate and bank balance sheets. Insurance products facilitated by IFIs could anchor capital optimization schemes. Partnerships with corporates that have large supply and distribution networks can provide alternative channels for reaching smaller enterprises where banking sectors have insufficient reach.

Finally, an important area where international cooperation could make a difference is the availability of medical supplies and the development of new tests, treatments, and vaccines. At a time when countries are understandably giving priority to their own citizens, centralized procurement of ventilators and other critically important equipment could help developing countries organize their responses. International cooperation could be mobilized to transfer supplies and expertise across countries that are facing the outbreak of the COVID-19 epidemic at different points in time. International research collaboration across universities

4. LEADING THE ECONOMIC POLICY RESPONSE

could play a significant role in the global pursuit of solutions. Advance purchase commitments could be used to encourage pharmaceutical firms to introduce innovations that benefit the entire world, even if developing countries do not have the means to pay for them.

Global coordination during this time will be essential to support the most vulnerable and mitigate the worst effects of the pandemic. Together, the international community, led by international financial institutions and global institutions, such as the G20, can implement COVID-19 debt initiatives (such as suspending debt repayments) and call for action in support of IDA countries. It will be crucial to support fragile

and conflict-affected countries that do not have access to IDA or IBRD, including those in arrears (such as Sudan and Zimbabwe), as well non-members (such as West Bank and Gaza). Multi-Donor Trust Funds, the State and Peacebuilding Fund, will therefore play an important role in complementing IBRD and IDA support by offering flexible and timely financing to FCV-impacted countries during the crisis. Coordination efforts led by the WHO and involving all relevant partners can help blunt the pandemic and institute timely and transparent information sharing on continued threats to global health. Finally, an easing of trade restrictions among all countries will enable access to critical goods, including food staples and medical supplies.

BOX 7: PROMOTING TRADE AND RETAINING FOREIGN DIRECT INVESTMENT

It is critical that countries **keep trade open to ensure access to essential goods** and minimize economic disruptions. It is suggested that governments:

- Avoid export restrictions, especially for medical supplies and food staples, and lock in tariff reductions on medical and other essential products;
- Simplify the process of obtaining licenses for medical products;
- Consider opening trade in health-related services to help countries address the crisis;
- Relax some regulations and shift to risk-based enforcement;
- Seek to reduce tariffs on inputs or provide a tariff holiday to support businesses and households;

- Adopt business continuity measures for continued operation of critical logistics services; and
- Consider financial support for international transport and national air-carriers.

To retain **foreign direct investment**, governments should seek to:

- Avoid protectionist trade policies and preferential treatment to local rather than foreign-owned companies; and
- Reduce risk of investor disputes, particularly if increasing state participation in new economically strategic industries.



4.6 LINK IMMEDIATE RESPONSE TO SUSTAINABLE RECOVERY

The objective of macroeconomic policy in the aftermath of the pandemic is to help the economy regain its pre-crisis footing and focus on economic recovery, long-term fiscal sustainability and economic growth. Relief and recovery policies are connected because without emergency relief a collapsed economy would be much harder to revive. If properly managed, many of the immediate measures will help prepare the recovery and help kickstart the economy. Supporting the poorest and the most vulnerable will help keep children in school and limit the risk of malnutrition, protecting human capital investments. Protecting jobs and firms will preserve productive employer-employee matches

and sectoral expertise, allowing the economy pick up steam relatively quickly when the pandemic has passed.

While it would be premature to aim for strong policy commitments except those crucial to enabling the crisis response and unblocking the recovery, a broader vision on how to respond to the crisis should be articulated, with ownership by governments and development partners. The agreed vision must go beyond addressing immediate crisis needs and delineate the path towards a vigorous and sustainable recovery. Any delay in restarting economies will be costly at the national level and in terms of livelihoods, but also in causing lasting damage to human capital and balance sheets, and thus to future growth. In the coming months policymakers should aim to base their decisions and plans on the twin needs for urgent relief and a sustainable recovery.

As with relief efforts, the international community must play a central role. Global policy coordination can help to facilitate

faster, more resilient, and more equitable growth and put in place comprehensive policies to better mitigate the effects of future pandemics. International institutions such as the G20, WHO, and WTO should take the lead in such efforts in close coordination with international financial institutions.

Formulating Policy Responses

As noted earlier, to prevent a financial sector collapse and support jobs and firms, governments may need to transfer downside risk and losses to public balance sheets. While significant state ownership opens the door to political patronage and potential corruption, it also offers an opportunity to address long standing structural and sustainability challenges.

It is crucial that governments communicate clearly on the direction of travel, establish a timeline and set up sunset clauses wherever appropriate. The process of acquiring, managing and divesting assets may also be perceived as biased toward well-connected businesses and a gateway for personal gain. Such a perception would be extremely damaging as it would undermine confidence in the government. It may also dissuade civic-minded policymakers from making decisions that are badly needed because of the personal consequences such decisions could entail. To address these risks, governments should implement effective transparency and accountability mechanisms to faithfully manage the newly acquired assets.

Governments must remain mindful of sustainability and prioritize interventions appropriately. Where possible, interventions introduced in the form of credits and guarantees rather than outright grants and subsidies hold the prospect of repayment when businesses and households recover. In the same vein, tax deferrals may be preferable to outright tax exemptions. Professional and transparent management of the assets that a government may need to acquire will preserve their profitability, and orderly divestiture will boost private sector dynamism.

Responding to the crisis should not amount to preserving inefficient firms at any cost. The recovery phase can offer the opportunity to challenge long-standing and inefficient dominant firms and introduce competition in key sectors. The creation of new firms should be encouraged, especially if this provides opportunities to young, educated people. Mechanisms to turn the crisis into an opportunity for startups should be explored, even if their scale is bound to be modest. Governments can use a combination of policies to improve the entrepreneurial climate, access to finance, and when possible provide preferential treatment in the procurement of goods and services for immediate need and under supply from smaller firms. Governments can establish platforms to invite and fast-track local innovations and engage local entrepreneurs in solving problems.

The recovery period provides a window of opportunity for key structural reforms. For example, policymakers could take advantage of likely low oil prices to revisit regressive

subsidies to improve equity and improve future fiscal space. Removing fossil fuel subsidies – and particularly the elimination of ceilings – would not be felt in the current low-price environment. These mechanisms are widely used in developing countries to buffer the domestic economy against hikes in global fuel prices but are regressive, discourage investments in energy efficiency and tend to turn into a significant drag on public finances during price booms.

A related opportunity would envision policymakers revising taxes on fossil fuels. Low fuel prices provide a selective stimulus to high-carbon, capital-intensive industries. The absolute benefit of the reduced prices accrues to more affluent households, especially in low- and middle-income countries. Taxing those fuels and recycling the revenues through spending or reduction in labor taxes improves equity and jobs since low-carbon industries are on average more labor intensive.

Mainstreaming digital technologies during the recovery phase can build resilience for future shocks while creating lasting efficiencies. Digital technologies have demonstrated themselves to be game changers in crises, supporting the health response (e.g. telemedicine); allowing firms to adapt to mobility restrictions (e.g. home-based work, mobile payments); helping SMEs survive the downturn (e.g. FinTech); delivering agricultural inputs (e.g. e-vouchers); providing more effective operation of social safety net programs (via mobile payments); and sustaining education efforts (e.g. education apps, virtual classes). Increasing digitalization will not only better prepare economies for future shocks but can foster greater effectiveness and efficiency throughout the economy and government. For example, governments can provide faster and more transparent services using e-Government platforms, which improve efficiency and reduce opportunities for corruption.

Countries should also seek to reclaim their long-term agendas, including the Sustainable Development Goals and a renewed focus on jobs and economic transformation. Redoubling investment in resilient infrastructure and building human capital should be essential ingredients of this vision. Established priorities such as gender and climate, each with unmet economic potential, will present significant opportunities for inclusive and sustainable economic growth. This second phase should build on the immediate policy response that will ideally have created the policy and institutional foundations for the recovery to take hold.

BOX 8: LEVERAGING THE WINDOW OF OPPORTUNITY FOR REFORM, RESILIENCE AND GROWTH

Economic crises often create opportunities for economic reforms. In addition to encouraging investments in country capacity and health systems for long-term preparedness, a major opportunity exists around green public investments in renewables, climate adaptation, clean water systems or public green transport as these would not only serve as a catalyst for restarting the economy but also tilt it towards green growth.

Recovery policies should also invest in future resilience. The positive effects of fiscal measures undertaken during the recovery are more persistent if they combine short-term stabilization of demand with long-term expansion of potential output. This includes investments in durable assets such as resilient infrastructure. World Bank research has found the

benefit-cost ratio is estimated around \$4 per \$1 invested in resilient infrastructure. In early warning systems it is even higher. There are also cost-effective investments in energy efficiency and improving the grid to benefit from low-cost renewable energy.

Environmental tax reforms can also play an important role. Many countries may seek to implement stimulus measures in a context of limited fiscal space and elevated debt burdens. If the stimulus must be fiscally neutral, one approach is to reduce taxes which have a high fiscal multiplier during recessions (such as direct taxes), while seeking to raise revenues on tax bases that have a low fiscal multiplier (such as consumption taxes). This is exactly what an environmental fiscal reform can do.

Managing Resources for Recovery

During the recovery phase, countries will need to identify the appropriate instruments for stimulus and put in place strong commitment and coordination mechanisms to boost confidence. Monetary and fiscal stimulus packages are likely to be less effective in developing countries, and governments may resort to public investments to revive the economy and rely on private sector and foreign inflows to complement and support their efforts.

The crisis will require careful consideration and planning for the use of macroeconomic policies since developing countries have limited room for maneuver. Monetary policy transmission may be weak in many developing countries due to a lack of market-determined interest rates. Moreover, the efficacy of fiscal stimulus depends on fiscal space and institutional quality, both of which may be lower in developing countries (see Box 9). Similarly, tax cuts are also likely to be less stimulatory in countries with low initial ratios of tax revenues to GDP, which is the case in many developing countries. One policy option in the face of weak transmission is direct lending from central bank to firms, however, this is fraught with challenges — especially in a weak institutional environment.

Private sector resources should be mobilized through risk-reduction initiatives where possible. This will serve both to widen the resource base for recovery at a time when net private flows to developing countries have collapsed and to add implementation capacity in weak administrative environments. Donor funds could also be leveraged to arrange a large-scale pooling of risks, with a focus on the poorest countries where risks are perceived to be significant even at the best of times.

International cooperation will be critical to mobilizing the financial resources developing countries will have to rebuild. Developing countries will need to borrow from IFIs and/or refinance their external debt obligations to avoid procyclical cuts to public expenditure. IFIs can help by expanding their lending facilities (mainly to middle-income countries), increasing their grants (to low-income countries), and coordinating debt forgiveness and moratoria. IFIs can also provide foreign currency liquidity to the central banks of developing countries in their domestic markets through dollar swaps, as was done during the 2008 global financial crisis. Finally, global policy coordination can facilitate faster, more resilient, more equitable growth by removing trade and travel restrictions as soon as the pandemic subsides and helping to implement comprehensive policies to curb future waves of the illness.



4.7 CONCLUSION

The immediate economic response to COVID-19 must protect households, firms, and the financial sector through emergency relief measures to prevent mass unemployment, bankruptcies, and economic collapse. If prudently planned and executed, the relief phase will lay the foundation for recovery, as it offers a window of opportunity for key structural reforms that can build resilience and ensure sustainable economic growth in the longer term. However,

this has arisen in a rapidly evolving environment in which many developing countries have limited fiscal resources. In this context there is a need for swift prioritization, proper sequencing, and thoughtful policy design, as well as unwavering support from the international community. Equally

important is an honest assessment of the policy trade-offs governments face. Policy decisions made in the coming weeks, and their effective implementation, will determine the survival of individuals, businesses, and communities.

BOX 9: FISCAL SPACE IN DEVELOPING COUNTRIES

Utilizing limited fiscal capacity in developing countries requires pragmatism and prioritization. Macroeconomic measures are likely to be costly in the face of the systemic shock posed by COVID-19. Depending on countries' income level and fiscal space, governments may resort to tapping public savings (in the form of sovereign wealth funds or international reserves); increasing their public debt (borrowing in domestic or external markets); budget-neutral reallocation of expenditures (in case deficit financing is too expensive); or reliance on external grants and concessional lending (especially for low-income countries).

The political and institutional capacity to design and implement fiscal responses to an external shock will affect a government's choice of instruments. In a broad sense, capability includes both the technical capacity to implement specific fiscal measures and the institutional and political arrangements that may either facilitate or hinder an adequate fiscal response. The table below summarizes the features of fiscal measures according to capacity and size of fiscal space.

Fiscal strategies to address COVID-19 impacts are aligned with country capability and fiscal space as follows:

	LOWER CAPABILITY	HIGHER CAPABILITY
More fiscal space	<ul style="list-style-type: none"> • Focus on less complex fiscal measures • Consider use of non-state actors to support response efforts 	<ul style="list-style-type: none"> • Seek fiscal instruments that are most suitable to the specific country circumstances, including economic and fiscal structure
Less fiscal space	<ul style="list-style-type: none"> • Focus on interventions where cost control is manageable and that are easily reversible with limited capability • Focus on less complex fiscal interventions • Clear prioritization of objectives • Seek to expand fiscal space 	<ul style="list-style-type: none"> • Focus on cost control and reversible measures • Clear prioritization of objectives • Seek to expand fiscal space

Countries with limited space should focus on interventions with limited cost implications that are easily reversible.

Credit instruments such as tax deferrals and short-term loans may be particularly appropriate. Less fiscal space will also force countries to set clear priorities. In most cases, health interventions will clearly have the highest priority, followed by interventions to protect households and firms.

Expanding fiscal space may come at the cost of other development priorities. Limited access to funding from reserves or from borrowing will force countries to reallocate funds towards COVID-19 priorities. The disruption of programs from which resources are allocated can have a significant economic cost in terms of delayed development. It can also cost lives, as during the 2014-2016 Ebola epidemic in West Africa, when more people may have died from disruptions to day-to-day health and reproductive care services than from the disease itself. Essential public services must be safeguarded to preclude the repeat of such an outcome. For developing countries, development partners will also have an important role in expanding fiscal space, be it through increased development assistance, debt forgiveness or deferral of debt service payments, or reprioritization within existing programs of support.

Limited state capability imposes a different set of constraints on the implementation of fiscal measures. The scope for increasing such capacity in the short term will be very limited. However, using non-state actors in the response, especially civil society and faith-based organizations, as well as the private sector may help to broaden capabilities and the set of interventions that can be used. Otherwise, the focus will need to be on the selection of instruments that are administratively less complex and that are within the capability of countries.

ANNEX 1: OPERATIONAL RESPONSE OPTIONS FOR LIC / MIC AND FCV TO COVID-19

This matrix of operational response options distills recommendations made throughout the paper and aligns them along short-term responses and medium-to-long term response. The matrix covers LIC and MIC together and has separate considerations for FCV. More country types will be added.

	Short-Term Response / Protect	Medium – Long Term Response /Recover and prepare
LOWER INCOME COUNTRIES AND MIDDLE INCOME COUNTRIES		
Containing the Pandemic and Protecting Health	<ul style="list-style-type: none"> Strengthen capacity for disease surveillance and detection Adopt non-pharmaceutical interventions such as isolation, contact tracing, quarantine and social (physical) distancing Adopt targeted and localized (smart) lockdowns where there is community transmission Bolster the health care system's response capacity and ensure effective treatment (emphasis on task shifting, focus on basic package of essential services using mobile facilities and WASH/utilities, providing fee-waivers for COVID-19, greater involvement of the private sector) Preserve the provision of basic health service delivery, including health services addressing GBV Provide coordinated, transparent and effective communication (greater involvement of community and religious leadership) Protect vulnerable groups (focusing on urban slums, refugees and institutionalized groups, children under five, the elderly and the co-morbid) 	<p>Health sector responses:</p> <ul style="list-style-type: none"> Design a comprehensive surveillance strategy and invest in preparedness for case investigation and treatment Reinforce health system strengthening emphasizing PHC: optimize HRH; strengthen adequacy, efficiency and equity of health financing; strengthen safety and quality of care protocols and practices; strengthen data for decision making Put in place a platform for communication, coordination and collaboration of human and animal health, environment and agriculture/food experts. Build capacity for clinical and public health research <p>Complementary responses outside health sector:</p> <ul style="list-style-type: none"> Address the demand side constraints through social protection and labor programs. Strengthen HNP interventions in non-health programs Update and scale up slum upgrading programs; strengthen zoning and land use planning; establish territorial coordination plans Integrate health in DRM systems Strengthen wet market regulation, surveillance and regulation of food systems.
Protecting Human Capital and Livelihoods Against Shocks and Preparing for Recovery	<p>Human Development responses</p> <ul style="list-style-type: none"> Expand Social Protection programs vertically and horizontally, adapting design, management and delivery modalities, focus on jobs, and employment retention Pursue alternative ways of schooling with special attention to the needs of girls, who are at higher risk of not returning when schools reopen. <p>Complementary responses from other sectors</p> <ul style="list-style-type: none"> Protect food security by keeping borders open, prioritizing mobility of food system workers with adequate health safety, enhanced communication of market conditions, averting risk of famines, and enhanced nutrition programs Protect jobs and micro, small and medium enterprises via fiscal, financial and trade measures Ensure continuity of essential services for the poor and vulnerable, including displaced persons Maintain and expand digital connectivity in the face of increasing demand 	<p>Human Development responses</p> <ul style="list-style-type: none"> Strengthen adaptive social nets Ensure safe return of students to schools, with special attention to girls and vulnerable children; strengthen education systems including the capacity to deliver digital/online education; preserve education funding <p>Complementary responses from other sectors</p> <ul style="list-style-type: none"> Support farmers with next planting season and productive inclusion Improve regulatory framework for expanded broadband
Leading the Economic Policy Response	<ul style="list-style-type: none"> Emergency financing to mitigate economic, health, and social impacts on the most vulnerable Protect human capital expenditures to avoid reversal of progress Strengthen accountability and transparency mechanisms to oversee response, including expenditure monitoring, citizen feedback, communication, leaders' fora and crisis cabinets Expand central bank lending facilities and improve access to finance for firms Redirect public expenditures to public health care Support households through cash transfers Exercise tax exemptions and limited grants to businesses Provide liquidity to firms (formal and informal) and mitigate credit risk Strengthen resilience of payments systems and policies to support remittances flows Provide tax relief for firms Implement flexible and accountable PFM (public financial management) and human resource management policies and continued salary payments Focus on cost control and reversible measures Ensure business continuity through targeted trade facilitation measures and support to logistics systems to ensure access to medical goods and food 	<ul style="list-style-type: none"> Maintain stable fiscal and monetary policy including transparency and exit strategies for emergency responses Debt relief tied to core reforms (e.g. fossil fuel subsidies & taxes on financing, PFM and M&E systems for transparency) Provide steady funding to ensure continuity of public services and support to vulnerable and poor Replenish fiscal resources Establish national risk management systems Implement digital upgrading programs and the provisioning of digital infrastructure Utilize macro-fiscal instruments that are most suitable to country circumstances, including economic and fiscal structure

	Short-Term Response / Protect	Medium – Long Term Response /Recover and prepare
FRAGILITY, CONFLICT AND VIOLENCE COUNTRIES		
Containing the Pandemic and Protecting Health	<ul style="list-style-type: none"> Strengthen capacity for disease surveillance and detection Adopt non-pharmaceutical interventions such as isolation, contact tracing, quarantine and social (physical) distancing Adopt targeted and localized (smart) lockdowns where there is community transmission Bolster the health care system's response capacity and ensure effective treatment (emphasis on task shifting, focus on basic package of essential services using mobile facilities and WASH/utilities, providing fee-waivers for COVID-19, greater involvement of the private sector) Preserve the provision of basic health service delivery, including health services addressing GBV Provide coordinated, transparent and effective communication (greater involvement of community and religious leadership) Protect vulnerable groups (focusing on urban slums, refugees and institutionalized groups, children under five, the elderly and the co-morbid) Prioritize hygiene and other WASH-related interventions and focus on decongestion and isolation and quarantine capacities in camps or camp like settings 	<p>Health sector responses:</p> <ul style="list-style-type: none"> Design a comprehensive surveillance strategy and invest in preparedness for case investigation and treatment Reinforce health system strengthening emphasizing PHC: optimize HRH; strengthen adequacy, efficiency and equity of health financing; strengthen safety and quality of care protocols and practices; strengthen data for decision making Put in place a platform for communication, coordination and collaboration of human and animal health, environment and agriculture/food experts. Build capacity for clinical and public health research <p>Complementary responses outside health sector:</p> <ul style="list-style-type: none"> Address the demand side constraints through social protection and labor programs. Strengthen HNP interventions in non-health programs Update and scale up slum upgrading programs; strengthen zoning and land use planning; establish territorial coordination plans Integrate health in DRM systems Strengthen wet market regulation, surveillance and regulation of food systems. Put in place/strengthen coordination protocols and structures including community based engagement and donor/ humanitarian coordination strategies
Protecting Human Capital and Livelihoods	<p>Human Development responses</p> <ul style="list-style-type: none"> Expand Social Protection programs vertically and horizontally, adapting design, management and delivery modalities, focus on jobs, and employment retention Pursue alternative ways of schooling with special attention to the needs of girls, who are at higher risk of not returning when schools reopen. <p>Complementary responses from other sectors</p> <ul style="list-style-type: none"> Protect food security by keeping borders open, prioritizing mobility of food system workers with adequate health safety, enhanced communication of market conditions, averting risk of famines, and enhanced nutrition programs Monitor the countries and regions (regardless whether formally classified as fragile and conflict-affected or not) where COVID-19 may exacerbate pre-existing fragility-related issues, including in terms of exclusion, lack of service delivery, governance, and grievances Maintain critical public services such as management of health care facilities, payments of public servants, and provision of essential goods and services by the state. Support social cohesion and peace through community outreach and focus on vulnerable groups Counteract pre-existing fragility-related issues, including in terms of exclusion, lack of service delivery, governance, and grievances. 	<p>Human Development responses</p> <ul style="list-style-type: none"> Strengthen adaptive social nets Ensure safe return of students to schools, with special attention to girls and vulnerable children; strengthen education systems including the capacity to deliver digital/online education; preserve education funding <p>Complementary responses from other sectors</p> <ul style="list-style-type: none"> Support farmers with next planting season and productive inclusion Improve regulatory framework for expanded broadband Prioritize approaches to address compounding risks of pandemic, food security (e.g. locusts in the Horn of Africa), and climate change
Leading the Economic Policy Response	<ul style="list-style-type: none"> Emergency financing to mitigate economic, health, and social impacts on the most vulnerable Protect human capital expenditures to avoid reversal of progress Strengthen accountability and transparency mechanisms to oversee response, including expenditure monitoring, citizen feedback, communication, leaders' fora and crisis cabinets Expand central bank lending facilities and improve access to finance for firms Focus on interventions where cost control is manageable and that are easily reversible with limited capability 	<ul style="list-style-type: none"> Maintain stable fiscal and monetary policy including transparency and exit strategies for emergency responses Debt relief tied to core reforms (e.g. fossil fuel subsidies & taxes on financing, PFM and M&E systems for transparency) Provide steady funding to ensure continuity of public services and support to vulnerable and poor Provide steady funding to ensure continuity of public services and support to vulnerable and poor Focus on less complex fiscal measures

ANNEX 2: TARGETING EMERGENCY SOCIAL PROTECTION RESPONSES TO COVID-19

Responses need to be timely, mostly temporary, and somewhat targeted.

To be effective in countering the impact of the crisis, response measures for households need to be timely. Timely intervention ensures survival and helps households avoid harmful coping strategies or irreversible losses. Timely responses can help households take measures to reduce the spread of contagion and reduce social and political tensions.

The duration of the pandemic control measures and economic crisis is as yet unknown and so too is the extent of the period when extraordinary measures will be required to support households. However, the number of people needing income support should decline as economies recover and workers go back to work, so some benefits will be temporary. Some improvements to social protection might remain, especially more agile administrative mechanisms for enrollment and payments, and improvements in insurance coverage (health insurance, sick leave, unemployment insurance).

Targeting can steer limited resources toward households most at risk of serious harm and those most affected by this crisis. The categories and numbers of people in need of assistance are so great that very broad responses seem warranted, yet the prospect of mustering sufficient resources (from savings from past fiscal prudence, budget reallocation, new debt, or a combination of the three) is a daunting one. However, there are clearly some households that are less affected or better able to ride out the crisis, and therefore governments need to consider how to best channel precious funding to those households in greatest need.

Timeliness will always trump detailed targeting in the current crisis scenario. To respond quickly usually means initially building upon existing programs or databases, and then designing improvements or tailoring systems to target needs over subsequent weeks and months.

Targeting tools and information sources, the programs that use them, and which subsets of needs each will cover. The existing programs and the administrative systems that support them were set up for other reasons than a response to the current crisis, so they will imperfectly match the types of losses being experienced under COVID-19. However, they offer a starting point for both an urgent policy response via existing vehicles and lessons for building new programs.

- Means tests are, in theory, the targeting mechanism best attuned to pick up the income losses among those who were not poor before the crisis. The presence of such programs is mostly limited to high income or upper middle-income countries. Moreover, whether existing means-tested programs can effectively respond depends on the availability of intake processes, rapidly updating income information, any mandatory waiting periods, and, above all, the availability of budgets. A further consideration is that such programs mostly have eligibility thresholds set to include only the poorest, and benefit levels geared to provide for only a very basic standard of living. For a middle-income family that loses one of two jobs, or sees a substantial reduction in earnings while maintaining employment, the normal eligibility threshold would probably be too low to allow the family any benefits. For a middle income family losing all income the program might become available, but provide benefit only enough for basic food. The benefit may not be sufficient to pay the substantial set of regular bills such a family might have, such as rent or mortgage on a nice dwelling or payment for a car or scooter. Thus in the absence of additional public action (to prevent evictions, foreclosures or repossessions) the family could suffer irreversible losses as well as significant reductions in level of living. *During the crisis, modifications to these programs might include improving the availability of quick registration, waiving waiting periods, using monthly rather than yearly income to establish eligibility, extending the period when benefits are available, introducing income disregards for rent or mortgages, health care expenses, insurance payments.*
- Programs based on formal employment such as unemployment insurance (full or partial) should similarly be able to respond to the relevant subset of workers. Unemployment insurance is usually set roughly in proportion to wages, so can provide benefits above the poverty level (for a limited duration), though usually still implying a marked reduction in income. Programs are usually geared to situations where the labor contract is broken altogether (and thus do not serve those who remain in work but with reduced hours) and usually imply a new set of hiring transactions once the economy restarts. *During the crisis, modifications to these programs might include reducing the required period of contribution before benefit; allowing for partial benefits for those facing reduced hours; and extending the period of benefits if the duration of the crisis exceeds that period.*

- In developing countries, many social assistance programs are targeted using other criteria – proxy means tests, age, and geography – which are less likely to be sensitive to sudden income losses. To the extent that the programs are targeted to those who were already poor or have less capacity to withstand shocks, top-ups to benefits may be merited but they will not be well calibrated to serve the ‘new poor’ or the size of income losses. *During the crisis, modifications of these programs might include increasing the benefits for those currently on income support and waiving co-responsibilities; increasing the eligibility threshold to scale up coverage; building or improving ‘on-demand’ application systems; modifications to delivery systems to increase the availability of online functions for applications, payments and grievance redress so as to allow as many services as possible to people without requiring movement or queuing; and for populations that online services cannot reach, modifying logistics to minimize crowding and queuing.*
- Universal or ‘affluence tested’ programs. There were no long run general income support type UBI programs in effect prior to the crisis but a few countries unsatisfied with the patchwork likely to emerge from the abovementioned measures or seeking simplicity without overlaps, are providing very broad based benefits to all citizens/residents below an income cutoff set high up the income distribution. So far, the interventions are for one-off or very short-term benefits. The program design is simple, but its execution requires having ID and payment information for nearly the whole population. Existing social security or tax registries contain information for higher earners and may be sufficient to conduct the ‘affluence testing’ but to make payments feasible still implies having basic identity and payment method information for the middle and lower parts of the income distribution that may not be covered by the tax registries. Social registries may cover some but not all of this gap. Thus, such programs will only be actionable as designed in countries with much better than average data systems.

What sources of information can be drawn on to provide the basis for quick response? To provide a response in a crisis it is always fastest to work using existing data or data that will be generated in the course of ongoing administrative processes. In past crises large new mobilizations have been effected, but such options are now largely precluded by the public health measures to help limit the spread of COVID19. Table 1 shows the features of three of the most common databases that might be used to determine eligibility for social protection programs. In many countries the existing registries are far from ideal as they do not cover all the workers and families a government might wish to assist, nor are they

conducive to tailoring assistance to the magnitude of losses. It is particularly difficult to reach those who were until very recently in the informal sector but not poor. Thus, extensions and innovations are certainly warranted.

To address the imperfect match between existing information bases and desirable policy responses, governments may pursue a mix of responses:

- i. They may make ‘first approximation’ measures – topping up benefits, raising eligibility thresholds, waiving requirements for established programs that serve groups that are thought to largely overlap one or more of the groups expected to be suffering significant losses.
- ii. They may seek to improve the established registries – increasing capacity for on-demand registration and updating information, especially via electronic channels.
- iii. They may seek to draw on new or non-traditional sources. For example, informal vendors may not be registered with social security or income tax authorities but may have paid fees for stalls in municipal markets, so a list of stallholders could be added to a register of unemployed individuals. Creative delving into partial, local or sectoral sources of information may help in building up registries.

Finally, building back better: Crises always reveal the insufficiencies of social protection systems – how many are uncovered; how meager the benefits; how static the systems; how they overlook the constraints experienced by their clients in terms of time, travel, and use of digital services; how hard it is to provide insurance to the informal sector. Crises often leave in their wake a narrowing and lowering of options and outcomes for people with insufficient social protection. But they also commonly spur changes in social protection programming which not only bring some immediate benefits but also substantially improve social protection in the country for the years that follow. In this case we may see that responses (or limitations to a response) to the current crisis fuel a wave of improvements that support better future social protection needs. We hope to see improvements in:

- Digital services and procedures that are more ‘human centered’ to improve availability and lower transactions costs for a good proportion of clients (there is always a need to ensure that those with limited digital access are not excluded);
- Dynamism and inclusion to allow continuous enrollment in programs or reassessments of needs rather than only rare ‘survey sweep’ based intakes; and
- Labor protection less tightly tied to employment contracts.

TABLE 1: COMMON REGISTRIES AND THEIR ATTRIBUTES

Attribute	Income tax register	Social security payment registries	Social assistance registries
Unit of observation		Individual worker	Household, or head of household may or may not include ID information for all members of the household
Coverage	In many poor and middle-income countries only a few of the highest income individuals	Formal sector workers are usually at the higher end of the welfare distribution, coverage may range from as little as single digits to more than 90 percent of workers	Meant to start at the bottom of the welfare distribution, coverage ranges from a small proportion of the population to half, and occasionally even more than three quarters
Timeliness of information	Often annual	May be updated as often as monthly or quarterly	Often multi-year cycles, sometimes as short as one or two years, but cycles of over five years not uncommon
Feasibility to cross match to other sources	Records based on national ID or social security number, so usually high	Records based on national ID or social security number, so usually high	Variable depending on coverage of national ID or commonly used functional ID
Links to payment options	Often included	May not be included; may be gathered only if an unemployment insurance claim is filed or upon retirement	May be included for only those currently in receipt of cash transfers; sometimes for all registrants
When is registration required or allowed?	When income exceeds a defined threshold	When formally employed, transaction usually handled by employer at time of entry into employment	In some countries on-demand registration allowed, in others only during periodic 'survey sweep' enrollment periods

[1] Loyaza and Penning March 26 2020 Policy Research Brief No. 28 from Malaysia DEC hub, World Bank

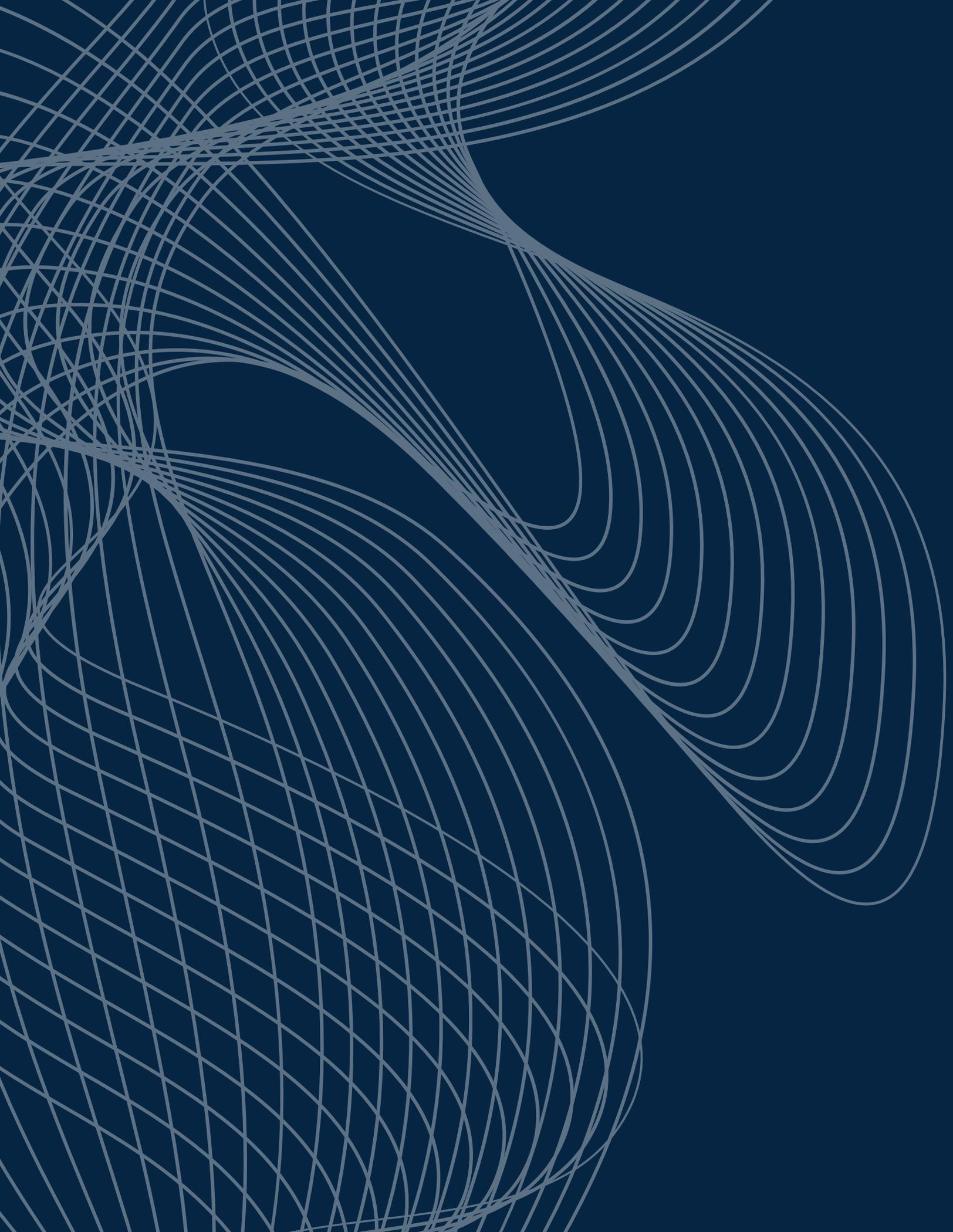
[2] Gentinlini et al March 27 report 84 countries have already taken SP measures in the face of the crisis. http://www.ugogentilini.net/wp-content/uploads/2020/03/Social-protection-responses-to-COVID19_March27.pdf

[3] It complements the draft note from the Jobs group (Carranza et al March 2020) which covers how to support firms to minimize losses to employment.

[4] Current medical scenarios are that even in places with high access to highly sophisticated health care, on the order of 80 percent of people who become ill will not need medical intervention to recover. For those who do need intervention, the interventions can be significant and expensive. In many richer countries with higher availability of sophisticated hospital care, the costs will be (largely) covered by national health insurance rather than by households, but not in all countries. In many of the poorer countries such care may be simply unavailable to most patients who would benefit from it.

ANNEX 3: SELECT COVID-19 RESOURCES

Affiliation	Title	Weblink	Type
Business Fights Poverty	Business and COVID-19: Supporting the most vulnerable (response framework)	https://businessfightspovetry.org/articles/covid-19-response-framework/	Doc
Economics for Inclusive Prosperity (ECONFIP)	ECONFIP COVID-19 briefs	https://econfip.org/#covidbriefs	Site
International Monetary Fund (IMF)	IMF country economic policy tracker	https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19	Site
London School	The Economics of a Pandemic	https://icsb.org/theeconomicsofapandemic/	Doc
McKinsey	COVID-19: Implications for business	https://www.mckinsey.com/business-functions/risk/our-insights/covid-19-implications-for-business	Site
The Organization for Economic Co-operation and Development (OECD)	OECD COVID-19 Portal	https://www.oecd.org/coronavirus/en/	Site
Oxford	Oxford COVID-19 government response tracker	https://www.bsg.ox.ac.uk/research/research-projects/oxford-covid-19-government-response-tracker	Site
Ugo Gentilini	Safety Nets Global Lead Ugo Gentilini's blog	http://www.ugogentilini.net/	Site
United Nations	Joint statement on nutrition in the context of the COVID-19 pandemic in Asia and the Pacific	https://www.unicef.org/rosa/press-releases/joint-statement-nutrition-context-covid-19-pandemic-asia-and-pacific	Doc
World Bank Group	Interactive Database on Coronavirus (COVID-19) Trade Flows and Policies	https://www.worldbank.org/en/data/interactive/2020/04/02/database-on-coronavirus-covid-19-trade-flows-and-policies	Site
World Bank Group	15 Ways to Support Young Children and their Families in the COVID-19 Response	https://openknowledge.worldbank.org/handle/10986/33646?show=full	Doc
World Bank Group	Understanding the Coronavirus (COVID-19) pandemic through data	http://datatopics.worldbank.org/universal-health-coverage/covid19/	Site
World Bank Group	Financing firms in hibernation during the COVID-19 pandemic	http://documents.worldbank.org/curated/en/228811586799856319/pdf/Financing-Firms-in-Hibernation-During-the-COVID-19-Pandemic.pdf	Doc
World Bank Group	Independent Evaluation Group's Lessons Library: Evaluative Resources and Evidence to inform the COVID-19 (Coronavirus) Response	https://ieg.worldbankgroup.org/topic/covid-19-coronavirus-response	Site
World Bank Group	Behavioral Sciences to Protect Human Capital Investments During and After the COVID-19 Pandemic	http://documents.worldbank.org/curated/en/348121588772219062/Behavioral-Sciences-to-Protect-Human-Capital-Investments-During-and-After-the-COVID-19-Pandemic	Doc
Yale	Yale COVID-19 country financial response tracker	https://som.yale.edu/faculty-research-centers/centers-initiatives/program-on-financial-stability/covid-19-crisis	Site





www.worldbank.org

www.worldbank.org/humancapital