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Socio-economic impacts of COVID-19, policy responses and the missing middle in South Asia

International Policy Centre for Inclusive Growth (IPC-IG)

Research Report No. 47
Socio-economic impacts of COVID-19, policy responses and the missing middle in South Asia
By International Policy Centre for Inclusive Growth (IPC-IG)

This publication is one of the outputs of the UN to UN agreement between the International Policy Centre for Inclusive Growth (IPC-IG) and the United Nations Children's Fund (UNICEF) Regional Office South Asia (ROSA).

The International Policy Centre for Inclusive Growth (IPC-IG) is a partnership between the United Nations and the Government of Brazil to promote South–South learning on social policies. The IPC-IG is linked to the United Nations Development Programme (UNDP) in Brazil, the Ministry of Economy (ME) and the Institute for Applied Economic Research (Ipea) of the Government of Brazil.

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Suggested citation: IPC-IG and UNICEF ROSA. 2020. *Socio-economic impacts of COVID-19, policy responses and the missing middle in South Asia*. Research Report No. 47. Brasília and Katmandu: International Policy Centre for Inclusive Growth and UNICEF Regional Office for South Asia.Brasília: International Policy Centre for Inclusive Growth.

ISSN: 2526-0499

SOCIO-ECONOMIC IMPACTS OF COVID-19, POLICY RESPONSES AND THE MISSING MIDDLE IN SOUTH ASIA

ACKNOWLEDGMENTS

During the elaboration of this report, we were fortunate enough to receive important inputs and feedback from UNICEF specialists and, whether directly or through them, governments of most countries in the region. We did our best to address most of the suggestions and critiques, and to ensure that all errors were corrected. Although the authors bear full responsibility for any mistakes, errors or omissions, we would not have been able to complete this work without the collaboration of our UNICEF counterparts at the Regional Office for South Asia (ROSA) and at each of the eight Country Offices in the region. Namely, we would like to thank Jean Gough, Abdul Alim, Ivan Coursac, Bernadette Gutmann, Pravaran Mahat, Anne Sophie Bonefeld, Rabin Karmachaya, Stanley Gwavuya, Freshta Ahrar, Nienke Voppen, Mekonnen Woldegorgis, Marie-Consolee Mukangendo, Jigme Dorji, Misaki Ueda, Tapan Kapoor, Antara Lahiri, Soumen Bagchi, Luis Gorjon Fernandez, Yosi Echeverry Burckhardt, Mohamed El Munir Safieldin, Ibrahim Naseem, Usha Mishra Hayes, Thakur Dhakal, Sajith De Mel, and Louise Moreira Daniels.

FOREWORD

Dear reader,

This Research Report—*Socio-Economic Impacts of COVID-19, Policy Responses and the Missing Middle in South Asia*—examines the epidemiological evolution and socio-economic impacts of COVID-19, as well as responses by governments in South Asia during the first five months of the pandemic. It assesses the region's vulnerability factors, such as deficiencies in health preparedness, which required strong containment measures to control the spread of the disease. It also examines the challenges in providing income security to workers and their families in the event of both idiosyncratic and covariate shocks, due to high levels of informality and low social protection coverage.

The necessary containment measures required to save lives have severely impacted the livelihoods of millions of people, increasing the poverty gap for those who were already categorised as poor before the COVID-19 pandemic and pushing millions more into poverty. In addition to internal factors, a dramatic decrease in the external demand for goods and services will have more severe impacts on countries in the region whose gross domestic product (GDP) and total employment are directly pegged to global value chains, such as the garment industry in Bangladesh, Nepal and Sri Lanka, and foreign tourism in Bhutan and Maldives.

To respond to these dire prospects of low or even negative GDP growth, increased unemployment rates, and decreased disposable income for families, most countries in the region have introduced robust programmes, which are already yielding encouraging results. These include monetary and fiscal policies to protect businesses and employment, as well as social assistance responses in the form of in-kind and cash transfers, as well as subsidies for food and public utilities. Furthermore, in countries where school feeding programmes had a pivotal role on the social assistance set-up prior to COVID-19, there has been an effort to deliver take-home rations to support students and their families.

Despite the timely and robust social protection responses deployed by South Asian countries thus far, opportunities remain to further strengthen the overall shock-responsiveness of social protection systems and build the resilience of individuals and families to effectively cope with internal and external shocks. This includes consolidating integrated information systems to foster programme coordination across all administrative levels and enabling faster, more precise and 'cheaper' horizontal and vertical expansions during times of crisis. At the same time, the Achilles' heel of South Asian social protection systems is not so much social assistance, but rather social insurance. Despite commendable progress, most forms of social insurance in the region are still rather regressive, limited to the small portion of population who are formally employed. Social insurance schemes primarily cover formal workers, leaving out those in the informal sector (including migrants). Governments in South Asia must expand social protection floors—including rolling out universal programmes—and extend social insurance schemes while fine-tuning complementarity between these two important pillars, to avoid 'missing the middle' and therefore foster social cohesion.

Enjoy your reading!

Jean Gough
UNICEF Regional Director for South Asia

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank
EMDE	Emerging Markets and Developing Economies
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross domestic product
ILO	International Labour Organization
IMF	International Monetary Fund
IPC-IG	International Policy Centre for Inclusive Growth
SDG	Sustainable Development Goal
UNICEF	United Nations Children’s Fund
WHO	World Health Organization
WFP	World Food Programme

EXECUTIVE SUMMARY

The analysis presented in this report documents the ongoing policy responses to the COVID-19 crisis in South Asia and lessons that can be drawn for the future of social protection in the region. It discusses the epidemiological evolution of the disease and the containment measures adopted, the channels through which the pandemic and containment measures affect the economy and livelihoods—including the predicted impacts on gross domestic product (GDP) growth and poverty rates—as well the monetary and fiscal responses enacted by governments in the region. This latter discussion is focused on how social protection systems have adapted and expanded to respond to the massive covariate shock resulting from the pandemic, highlighting the challenges involved in reaching the so-called 'missing middle': workers covered neither by social assistance nor by social insurance. Finally, we discuss alternatives to scale up social protection systems in the region to ensure that these mostly informal or unpaid workers are covered by social protection programmes, in line with Sustainable Development Goal (SDG) Target 1.3: "Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable".

By the end of August 2020, South Asia was still grappling with the spread of COVID-19. India had emerged as one of the global hotspots of the pandemic. While the health crisis has wreaked havoc all over the world, South Asia was affected comparatively late. Thus, countries in the region were able to adopt stringent social distancing measures from mid to late March to slow down the spread of the disease and avoid overburdening their comparatively fragile health systems. The responses have varied in stringency and timing; however, near-full lockdown measures had been adopted in all countries but Afghanistan and Bhutan by early April. Common measures adopted across all countries in the region include school and workplace closures and severe restrictions on public transport.

The strict lockdown measures observed in South Asia have taken an economic toll, particularly on informal sector workers. This has sparked a debate in the region around the need for further general—as opposed to local ('smart')—lockdowns, and an apparent trade-off between 'lives vs. livelihoods'. Under the imperative of saving livelihoods, countries in the region have recently started to loosen restrictions.

A dire outlook: the economic impacts in the region

COVID-19 represents an atypical economic shock, as it is composed of three interrelated shocks that impinge on economic activity and may exacerbate each other, leading to a protracted economic crisis:

1. a negative **supply shock** brought about by closed shops and venues that cannot operate during strict or partial lockdowns;

2. a negative **demand shock** due to an internal slump in demand and spillover effects from high-income countries hit by the crisis, reflected in lower demand for tourism and export products; and

3. a **global financial shock** causing capital withdrawals from emerging markets, increases in interest costs for developing countries and currency depreciation.

Due to the uncertain nature of 'second-round effects', economic shocks across the globe negatively impinging on each other, and the further development of the pandemic, the quantification of the crisis' economic impacts is somewhat speculative at this point and comes with significant downside risks. The most recent estimates forecast recessions in most South Asian countries, with the economic slump lasting into 2021. According to the World Bank's June estimates, the region is projected to contract by 2.7 per cent in 2020, recovering modestly to 2.8 per cent growth in 2021.

This is in sharp contrast with growth figures from before the crisis, when South Asia was projected to continue being one of the fastest-growing regions in the world.

With incomes falling, the same is expected for private household consumption. This would also be reflected in a considerable setback in reaching SDG 1 ("end poverty in all its forms everywhere"). Preliminary estimates suggest that extreme poverty might increase by 1.8 to 2.3 percentage points in South Asia, or that up to 42 million people might fall below the World Bank's USD1.90 poverty line. Considering poverty lines of USD3.20 and USD5.50, this figure might be as high as 138 million and 102 million, respectively. These estimates have continuously worsened with the pandemic's progress in South Asia.

Importantly, there is a threat that in the absence of a strong and widespread social protection response, these economic impacts will be persistent and continue to impinge on the vulnerable populations, even as the macroeconomic scenario gradually starts to recover in the medium to long term. This is of special concern in light of South Asia's high informality levels. The crisis poses an even greater threat to the informal economy for three core reasons: 1) firms in the informal sector are hit particularly hard by the crisis because enterprises are often small, labour-intensive, and focused on services, making them susceptible to shocks on both the supply and demand sides; 2) informal workers are more exposed to the health and economic ramifications of the crisis because they tend to be less educated, low-paid, living in precarious circumstances, and migrate for work; 3) the informal sector is harder to reach through policy measures targeted at alleviating the strain of the crisis. This is because of low levels of financial inclusion and the fact that informal workers tend not to enjoy the same institutionalised protection as their formal counterparts. In this sense, informal workers constitute an important segment of the 'missing middle' not covered by social protection and are harder to reach through shock-responsive measures.

Alleviating the fallout: policy responses to the crisis

In order to curb the impact of the crisis on the economy and protect livelihoods during lockdown, South Asian countries have adopted a diverse set of monetary, fiscal and social protection policies. To support firms and households, central banks have reduced policy rates and facilitated credit, including flexibilisations in servicing existing debt. The main goal of these measures is to maintain the liquidity of firms and households during times of reduced revenue and income. Additionally, in response to the added strain on national health systems caused by the pandemic, all countries have increased their spending on the health sector. Tax reductions or deferrals in tax filing deadlines were also common policy tools employed in the region.

Regarding social protection, countries have introduced vertical expansions (increased benefit amounts to those already covered) and horizontal expansions (extending coverage to new beneficiaries), as well as introducing measures enhancing the comprehensiveness of social protection systems (extending the scope of risks covered). A strategy employed by most countries was to provide temporary cash and in-kind transfers to poor and vulnerable populations, including informal workers, to safeguard their subsistence given that their livelihoods are at risk. Moreover, all countries put labour retention measures in place, which were meant to secure formal sector jobs and allow for a quicker restart after lockdowns end.

Reaching the 'missing middle'

Differently from previous shocks, COVID-19 has affected incomes across the distribution and threatened livelihoods far beyond the poorest members of society. While social assistance in South Asia typically only aims to cover the poorest quintile, albeit with exclusion errors leaving parts of this group uncovered, even before the pandemic social insurance already failed to cover most of the region's population—which we term the 'missing middle'. At the onset of the crisis, this meant low overall coverage rates for non-poor informal workers. An important challenge for the emergency social protection response, therefore, was to quickly expand coverage to previously unprotected groups.

Important vehicles to this end were existing social registries and emergency registration campaigns, many of which were conducted remotely and/or digitally, in many cases building on tools that had been previously developed to support the implementation of existing social protection programmes.

Regarding the adequacy of the South Asian social protection response, the literature on cash transfers suggests that, in regular times, they should cover from around 15 per cent to 20 per cent of the average household income of the poorest quintile, a threshold reached by most—but not all—emergency food/cash transfers in the region. However, in a lockdown situation, cash transfers probably require higher values to ensure compliance with containment measures, as they must compensate for livelihood and income losses that may result from social distancing norms.

Furthermore, (semi) contributory initiatives proposed to support the informal and self-employed workers, which comprise a significant part of the missing middle in the region, tend to cover fewer branches (and related contingencies) of the minimum social security guarantees as established in the ILO Convention 102 on Social Security. For example, family or child allowances are not part of the 'simplified' packages for informal workers, which reveals their shortfalls regarding the protection of women and children from an income security viewpoint.

Policy recommendations for social protection

A significant concern is that the expansions of social protection that have taken place as a response to COVID-19 are limited to a specific time frame, while the economic impacts of the crisis and the threat of future shocks to the missing middle will outlast them. Therefore, policymakers need to draw lessons from the current crisis to expand regular social protection coverage, in line with universal coverage across the lifecycle. To that end, countries should employ a dual strategy:

1. Social protection floors must be expanded to provide basic social protection for all.
2. Social insurance must be extended to informal and self-employed workers to provide coverage in the face of idiosyncratic or covariate shocks.

Concrete steps to achieve the goals of this dual strategy include:

- Implementing universal or quasi-universal programmes, such as universal child benefits, paid sick leave, and other types of cash transfers that also include (marginally) non-poor people.
- Expanding and unifying social registries, expanding national ID ownership, and promoting the financial inclusion of poor and vulnerable people.
- Promoting formalisation, such as by opening contributory social insurance accounts supported by public funds.
- Abolishing perverse incentives for employers to hire workers informally to avoid contributing to social insurance and formalising semi-dependent employment relationships.

1. INTRODUCTION: COVID-19 AND ITS IMPLICATIONS FOR SOUTH ASIA

This report has three main objectives: (i) to summarise what is known about the **epidemiological, economic, and social impacts** of the COVID-19 pandemic in South Asia as of late July 2020; (ii) to **map macroeconomic (monetary and fiscal) measures** in response to COVID-19, with a focus on **social protection measures**; and (iii) to discuss options to increase **social protection coverage** to informal and self-employed workers as a response to the ongoing pandemic and beyond. It draws on data and information made available by UN agencies, the International Labour Organization (ILO), the World Bank, the International Monetary Fund (IMF) and the Asian Development Bank (ADB) as well as from a mapping of social protection measures implemented in response to COVID-19 and collected by the International Policy Centre for Inclusive Growth (IPC-IG) research team, with support from the UNICEF Regional Office for South Asia (ROSA) and its eight country offices in the region.

1.1 Epidemiological developments, health preparedness and containment measures

The first confirmed cases of COVID-19 in South Asia appeared at the end of January 2020 in India, Sri Lanka and Nepal. Roughly a month later, Afghanistan, Bangladesh, Bhutan, Maldives, and Pakistan also reported their first cases. The spread of the disease does not show a common trend across countries in the region. Figure 1 depicts weekly averages of new confirmed COVID-19 cases per million people, from early March to the end of July. The Maldives has had the highest number of (weekly) new cases per million since early April, while Sri Lanka and Bhutan had the two lowest numbers of new cases per million in the region as of late July. Despite exhibiting very different levels for this indicator, all three countries have shown a more volatile pattern over time. By the end of July, Pakistan, Afghanistan, and Bangladesh seemed to be witnessing slight decreases in the number of new confirmed cases per million people, while Nepal seemed to have stabilised at a lower level compared to its peak in June. India showed a steady increase over the period, reaching the second highest number of new cases per million people in the last week of July (Beltekian et al. 2020). The downward trend in Afghanistan, Bangladesh and Pakistan must be considered with caution, since these countries have comparatively low testing rates per million people, as shown in Table 1 (Worldometer 2020). Likewise, the number of new cases in countries with an upward trend may be even higher due to low rates of testing per million people. Deaths per million people also vary considerably across countries, with Afghanistan displaying the highest rate (32.7), followed by Maldives (29.6), Pakistan (26.9), India (25.9) and Bangladesh (18.7). No COVID-19 deaths have been recorded in Bhutan so far, and Sri Lanka and Nepal have death rates as low as 0.5 and 1.8, respectively (See Table 1).

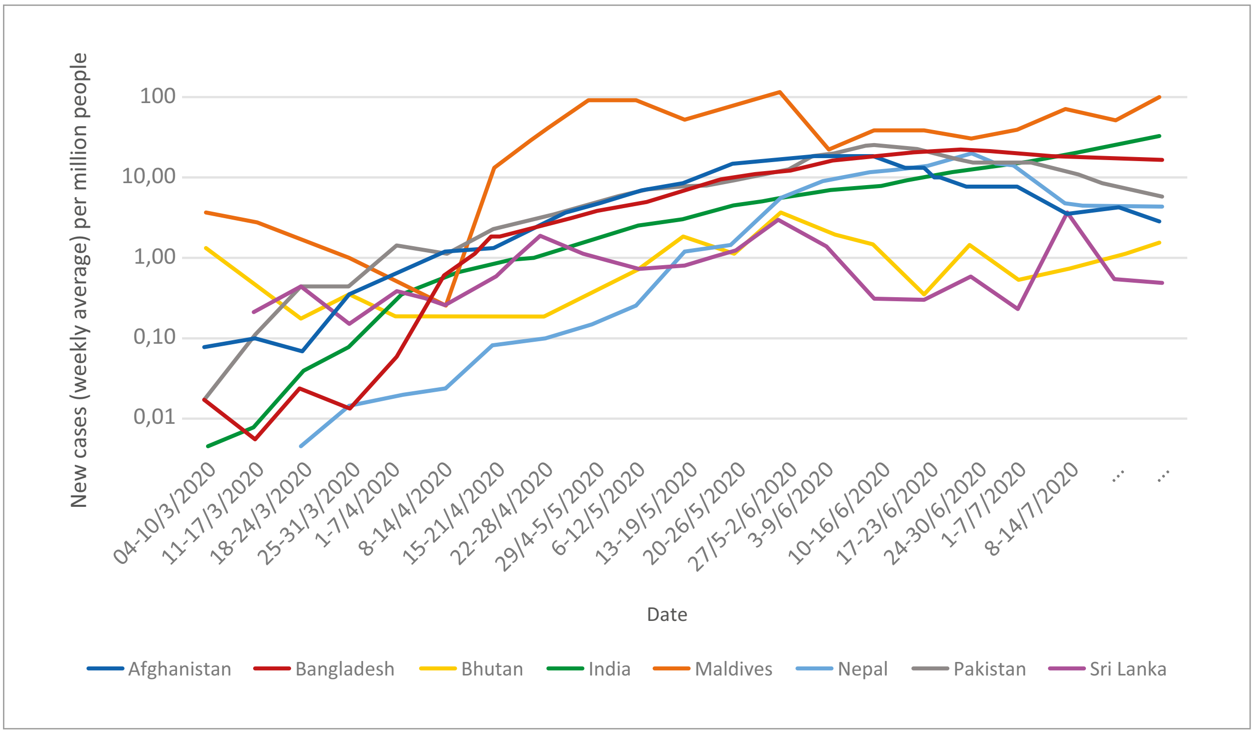
To assess the threat posed by the pandemic to countries' health systems, it is useful to look at projections of average intensive care unit (ICU) beds needed per day at the country level, based on scenarios[1] for the epidemiological evolution of the disease vis-à-vis current ICU bed supply (IHME 2020). Figures 2 to 7 show the availability of ICU beds and projected need for six South Asian countries (data was missing for Bhutan and India) until November 2020. At the time of these projections (end of July), Sri Lanka[2] and Maldives had the least worrying prognostic, since the need for ICU beds is not expected to exceed or even reach the available number. Afghanistan, Nepal and Pakistan, despite not facing high pressure regarding the availability of ICU beds as of the end of July, will likely face shortages in the event of a second wave of contamination by October 2020. Bangladesh had the worst prognostic, as a shortage of ICU beds is already felt in the country and is due to get worse. It is important

1. The projections presented in this report are based on estimates produced by the Institute for Health Metrics and Evaluation (IHME). The 'current projection' used in Figures 2-7 assumes the trend of gradually loosening restrictions will continue in each location at its current trajectory, until the daily fatality rate reaches a threshold of 8 deaths per million people. If the daily fatality rate in a location exceeds that threshold, then it is assumed that restrictions are reintroduced for a six-week period (IHME 2020).

2. See <https://indianexpress.com/article/explained/dealing-with-covid-lessons-from-the-experience-of-sri-lanka-6482114/>.

to consider two other factors when analysing these indicators, even for countries with relatively good prognostics. First, a considerable number of people in the region may not have access to hospital beds even if they are available (Changoiwala 2020). Second, around a quarter of the population in Sri Lanka, more than a fifth of the Indian population, almost a fifth of the Nepalese population, and more than a tenth of the populations of the other South Asian countries are estimated to be at increased risk of severe COVID-19, potentially translating into a higher need for hospitalisation (Clark et al. 2020).

Figure 1. New confirmed cases (weekly average) per million people in South Asia



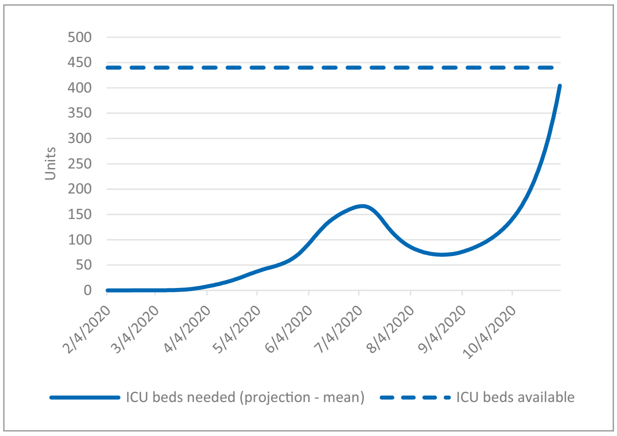
Source: Beltekian et al. (2020).

Table 1. Health and pandemic indicators in South Asia

	Total confirmed deaths per million people (31 July)—*Beltekian et al*	Tests per million people (31 July)—*Worldometer*	All beds available (30 July)—*IHME*	All ICU beds available (30 July)—*IHME*
Afghanistan	32.65	2,292	5,286	440
Bangladesh	18.72	7,241	17,365	197
Bhutan	0	66,215	NA	NA
India	25.9	14,627	NA	NA
Sri Lanka	0.51	7,567	20,769	295
Maldives	29.6	147,442	350	6
Nepal	1.79	24,376	1,012	115
Pakistan	26.94	9,086	22,582	711

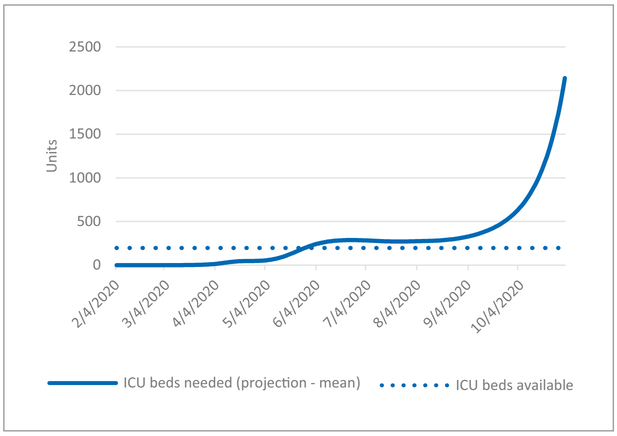
Source: Beltekian et al. (2020); Worldometer (2020); IHME (2020).

Figure 2. Available and needed ICU beds—Afghanistan



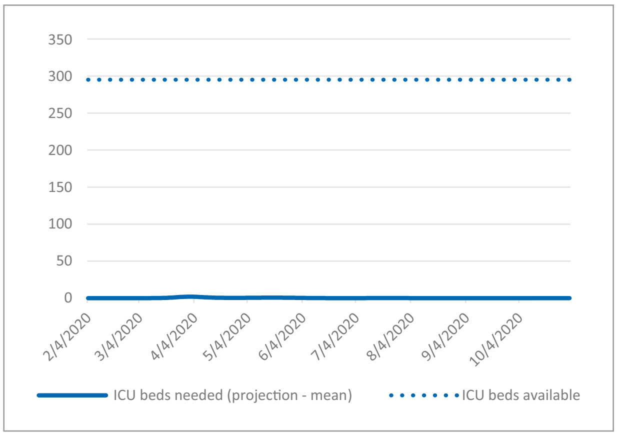
Source: Authors' elaboration.

Figure 3. Available and needed ICU beds—Bangladesh



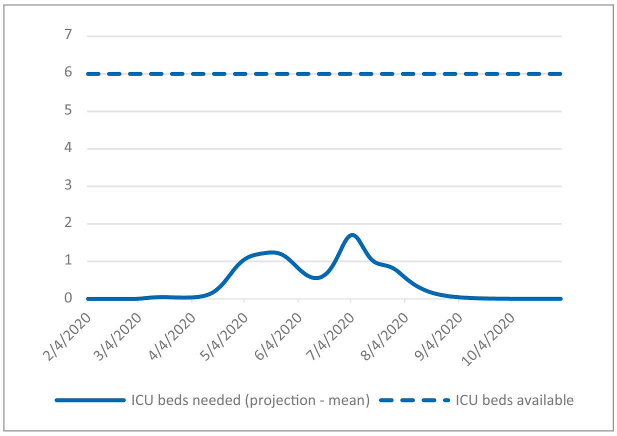
Source: Authors' elaboration.

Figure 4. Available and needed ICU beds—Sri Lanka



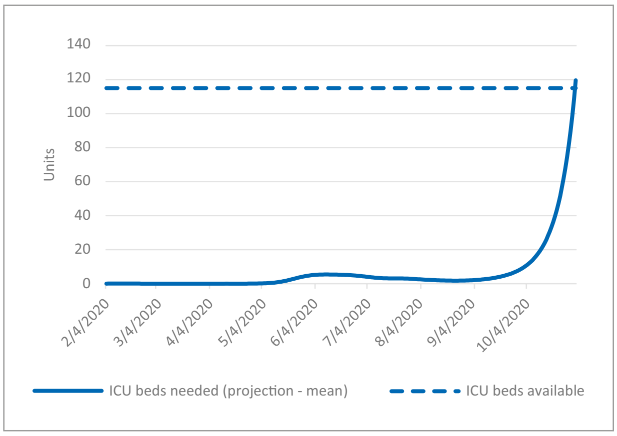
Source: Authors' elaboration.

Figure 5. Available and needed ICU beds—Maldives



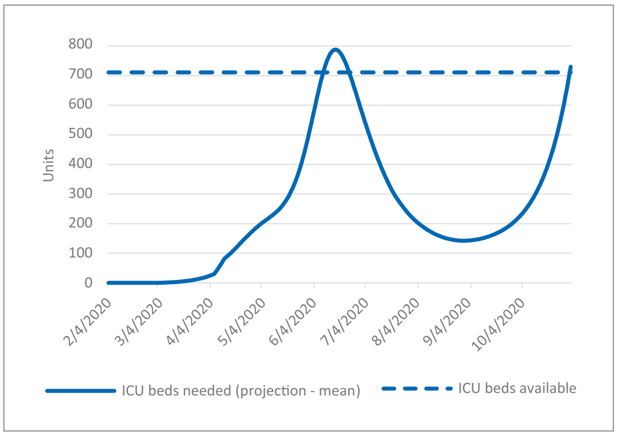
Source: Authors' elaboration.

Figure 6. Availabe and needed ICU beds—Nepal



Source: Authors' elaboration.

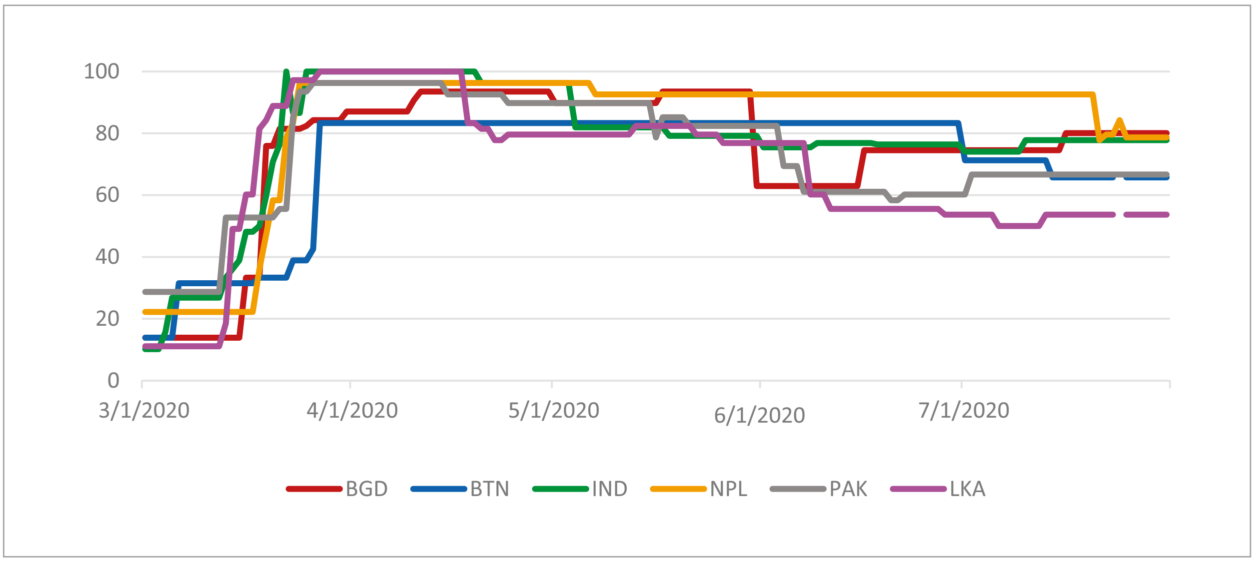
Figure 7. Available and needed ICU beds—Pakistan



Source: Authors' elaboration.

The IHME projections suggest that ICU capacity may be exceeded in at least four South Asian countries (Bangladesh, Nepal, Pakistan and Afghanistan). To avoid the collapse of their health systems and to prevent a second wave of contamination, as there is still no vaccine for COVID-19, governments in the region still have to foster the adoption of social distancing measures to contain the spread of the disease. Since the onset of the pandemic, the adopted containment measures have varied in terms of stringency and duration, however all countries have cancelled large events, ordered the closure of schools and restricted the functioning of workspaces (Hale et al. 2020). Figure 8 depicts the evolution of the Oxford Stringency Index[3] between 1 March and 31 July 2020 for six South Asian countries. It shows how containment measures were quickly scaled up from mid-March until early April, particularly in India, Pakistan, and Sri Lanka, which adopted strict lockdown measures early on. Compared to similar countries with a high Stringency Index in the region, Nepal started its lockdown at a later date, but in June it became the most stringent country, before being overtaken by Bangladesh in July. Bangladesh had eased some of the containment measures in early June at a faster pace than other countries and was forced to change course later, as the number of cases increased. Bhutan has not adopted a nationwide strict lockdown, but schools were closed in mid-March as a preventive measure and international flights were stopped from mid-April to early May. In Maldives, schools and public spaces were closed, and travel to and from resorts on inhabited islands was suspended. The first phase of easing containment measures began on 29 May (Shaany 2020; President's Office 2020). In Afghanistan, country-wide lockdowns were implemented on 28 March and extended twice, only allowing for so-called 'essential movements'. The lockdown was lifted on 28 May, but reinstated on 6 June, followed by the gradual reopening of the economy, which persists to this day (IMF 2020).

Figure 8. Oxford Stringency Index in South Asia between 1 March and 31 July 2020



Source: Hale et al. (2020).

The high Stringency Index in India, Pakistan, Sri Lanka, Nepal, Bangladesh, and the strict containment measures in Maldives had immediate impacts on the economy and livelihoods. Pressure to reopen the economy has led countries to take gradual steps loosening lockdown measures since mid-April. Countries that adopted strict measures early on were that same countries that started gradually easing lockdown measures first, namely, Pakistan, Sri Lanka and India. Although there is an overall trend in relaxing some of the containment measures, some are still in place to foster social distancing and to avoid additional waves of infection, particularly in Nepal, Bangladesh and India.

3. The Oxford Stringency Index combines policy measures related to containment and closures only. It includes the following indicators: school closures, workplace closures, cancellation of public events, restrictions on the size of gatherings, closure of public transport, stay-at-home requirements, restrictions on internal movements, restrictions on international travel and public information campaigns (Hale et al. 2020).

Responses to the pandemic at the country, regional and global levels are producing different impacts across countries, but also across sectors within countries. The COVID-19 crisis will have major consequences for South Asian economies and people's livelihoods, particularly among those engaged in the hardest-hit sectors and who lack social protection coverage. The next section analyses the channels through which the economy and livelihoods are affected and the policy implications of the crisis.

1.2 Economic consequences of COVID-19

COVID-19 as an economic shock

On top of the toll placed by the pandemic on health systems and the casualties in its wake, the crisis also leads to (and will continue to cause) economic ramifications that burden all South Asian economies. In this section, we briefly discuss the ways in which the COVID-19 crisis is affecting the region's economy.

When discussing the economic impacts of the pandemic, it is important to discern between the economic impacts of the public health crisis (e.g. decreases in labour force and demand due to death and illness) and the impacts of containment measures on the economy. While the former are direct products of the severity of the health crisis and the national health capacity to treat those who are sick (see Section 1.1), the latter is shaped by the timing and mix of policy responses to the crisis. As the primary goal of this report is to contemplate immediate, medium-, and long-term policy action in response to the pandemic, we provide a short discussion of the channels through which COVID-19 is impacting South Asian economies.

Essentially, COVID-19 impinges on economic activity in three main ways (Hevia and Neumeyer 2020). First, national containment measures directly affect economic activity, particularly in those sectors that can hardly operate under lockdown measures, generating a negative **supply shock.** Moreover, social distancing measures and other restrictions impinge on productivity across sectors. This is particularly the case for the services sector, which is of paramount importance in several countries across the region. For example, activities in the Maldivian and Bhutanese tourism sectors have essentially been completely halted (Zalif 2020; UNDP Bhutan 2020). The tourism sector is a particularly severe example of the impacts of the crisis, as it is affected on both the supply and demand sides: lockdown measures mean that hotels, restaurants, etc. need to stop their activities during the period or struggle to procure important inputs (such as food). The pandemic also resulted in a steep decrease in tourist streams.

The slump in inward tourism is likely to endure past the national containment measures in response to the pandemic, which leads to the second major way in which South Asian economies are hit: the **demand shock** will likely multiply over time, as other economies that are crucial importers and buyers of goods and services struggle under the crisis. For example, commodity producers such as the Indian oil industry, which accounts for over 13 per cent of national exports (Workman 2020) are hit by plummeting export prices. The manufacturing sector, most notably the Bangladeshi garment industry which employs millions of people, has already seen entire factories close due to decreased demand from resellers abroad (Wright and Saeed 2020). Tourist flows will presumably remain low as incomes are affected across the globe.[4]

Third, one can expect a **global financial shock** of uncertain size to follow the crisis, potentially leading to capital withdrawals from emerging markets, increases in interest rates and currency devaluations. These shocks may vary in duration and might overlap, with an added risk of accumulation. For example, the negative supply shock was sudden and immediate as countries moved into lockdown and overlapped with the demand shock. The ramifications of this bifurcated shock that quickly manifested itself will continue to send ripples through the economy and might be exacerbated further by a potential global financial shock, which would lead to a protracted economic slump.

4. In essence, the impact from this third channel will thus come from a deterioration in countries' terms of trade.

It is therefore important to note that these shocks are not isolated, but rather interconnected: lockdown measures, which accounted for the initial shock in supply, also affect demand and might even change its structure in the long term. At the same time, lowered demand might have lasting implications for supply, as evidenced by impending bankruptcies in the most heavily affected industries. Moreover, both affect the performance of loans granted by banks, hence creating a spillover to a global financial shock. As these shocks do not occur in isolation, policy responses must also not be carried out in isolation, but rather consider all three channels.

While the size of the effect through the demand and financial channels is still difficult to gauge, such 'second-round effects' imply significant consequences for the economic outlook of the region. Specifically, second-round effects and spillovers from other economies' performances (e.g. through trade relations) might mean that the ensuing recession is not limited to the economic consequences of (domestic) containment measures, but might develop into a protracted recession requiring an ongoing policy response, including a strong social protection response, not only to support the population in complying with containment measures, but also in the aftermath of the pandemic. This inter-country dependence is well-reflected in global supply chains, which rely on policy action to be coordinated across borders to prevent current disruptions from spreading to the global economy. In addition to the uncertain duration of containment measures and severity of the respective domestic outbreaks, the scenarios we present below contain another element of considerable uncertainty relating to the global economic situation and the ensuing demand shock in the aftermath of the crisis. Therefore, the current economic climate is characterised by overlapping shocks of uncertain lengths that are interrelated and amplify each other across industries and borders.

The COVID-19 shock and the informal economy

While the shocks described above affect livelihoods across the economy and different sectors, they hit the informal sector particularly hard. In South Asian economies, the informal sector contributes, on average, with over a quarter of GDP, with values ranging from 18.5 per cent in India to 35.5 per cent in Sri Lanka (Medina and Schneider 2019).[5] Furthermore, informal jobs constitute 88 per cent of total employment in the region (ILO 2020d). The importance and size of the informal sector are especially problematic during the crisis as its impact "is likely to be worse in EMDEs [Emerging Markets and Developing Economies] with widespread informality, as it is expected to intensify the pandemic's adverse health and economic consequences while weakening the effect of policies" (World Bank 2020e, 39).

On top of the crisis' economy-wide adverse effects and regardless of the formality status of a business or job, the crisis poses a particular threat to the informal economy for three core reasons: 1) firms in the informal sector are hit particularly hard; 2) informal workers are especially vulnerable to the economic and health consequences of the crisis; and 3) informal workers and firms alike are harder to reach through policy measures aimed at alleviating the crisis' ramifications. We will now briefly explore each of these reasons in the South Asian context.

Informal firms tend to be labour-intensive and are especially prevalent in the services sector (World Bank 2020e). The former characteristic makes them particularly susceptible to the supply shock discussed previously, whereas the latter represents a considerable vulnerability regarding the demand shock. Furthermore, informal firms are typically small or even one-person-enterprises without the resources necessary to withstand adversity given the breadth of the current crisis. Given the considerable revenue losses currently experienced by firms, informal workers are among the first to lose their jobs and livelihoods. Additionally, they are not typically protected by labour laws or government policy against layoffs. These points are well reflected in the experiences of the labour-intensive manufacturing sector in Bangladesh and the heavily affected tourism industry in Maldives and Bhutan, which we discussed earlier.

5. Medina and Schneider (2019) put this figure at 26 per cent (on average) in 2017 for South Asian countries and about 25 per cent from 2010 to 2017 (see also Alexander (2019)). The World Bank (2020e) reports that the informal economy contributes, on average, with about 29 per cent of GDP in South Asia.

Informal workers are particularly vulnerable to the pandemic as they are less educated,[6] low-paid,[7] and often live in precarious circumstances, such as urban slums.[8] Especially in India, they often also work away from their home provinces, states, and cities, meaning that they will go back to the big cities as lockdowns fade out and employment opportunities pick up again. This might stand in the way of a rapid and sustainable containment of the pandemic. Furthermore, informal workers lack the institutionalised protection enjoyed by formal workers during the crisis. In particular, those working in the informal sector often belong to a 'missing middle': their jobs do not provide access to social insurance, while their socio-economic position often places them among the (marginally) non-poor, thus leaving them outside the common target group of social assistance. Therefore, these workers, in addition to being heavily affected by lockdowns, are typically hard to reach and fall through the net of the mainstream social protection landscape. This has two implications: informal workers are affected harder by lockdown measures impinging on their livelihoods, since they do not have access to social protection *and* they are less likely to adhere to social distancing in the first place, because they can hardly afford it. Thus, these factors make them more vulnerable from both an economic as well as a health perspective.

Apart from being a characteristic of particular *vulnerability* to the crisis, informality is also commonly associated with challenges that hinder an adequate response to the crisis.[9] For example, large informal economies are associated with weaker economic, fiscal, institutional, and development outcomes. This manifests itself in pre-existing challenges to their health systems, low fiscal capacity to combat the crisis (or raise revenue to make up for temporary deficit spending during a crisis), lower government effectiveness, and lacking financial inclusion (World Bank 2020e). This last point is relevant for informal firms and workers alike, as it poses an additional difficulty to quickly and effectively providing relief during a crisis. Given that access to credit for those in the informal economy was already limited before the crisis, a financial shock as described previously might exacerbate their financial marginalisation even further.[10] As a consequence, firms and individuals might find it harder to access credit when they need it the most, as lending to the informal sector likely ranks among the first adjustments made by lending institutions in the face of increased financial risks. In addition, informal workers and firms are often not part of social or tax registries in South Asia, which has led the ILO to call them "invisible" (ILO n.d.). Finally, large informal sectors might render monetary policy responses to the crisis less effective (Alberola-Ila and Urrutia 2019).

1.3 Impact estimates of the crisis on growth, poverty, and employment

Section 1.2 highlighted the difficulty of making accurate predictions in the current environment and the large number of unknowns that are part of any estimate of the economic consequences. Branko Milanovic, a former lead economist in the World Bank's Research Department, cautions that, owing to the uncertainty of the development of the pandemic, the global economic situation, and future political environment, any estimates are speculative at best (Milanovic 2020). On the other hand, the need to quantify the economic impact of the current crisis—even if cautiously—is a pertinent one among policymakers and an important factor supporting a provident crisis response. In this section, we thus complement our earlier discussion of the shock that COVID-19 represents for the South Asian economies with some forecasts of macroeconomic impacts of the crisis, placing special emphasis on the qualifiers that should accompany any estimates at this point.

6. In developing and emerging Asia and the Pacific, over 60 per cent of informal workers have no or only primary education, compared to only 10 per cent of formal workers (ILO 2018).

7. A study in Pakistan (ADB 2016) found that less than half of informal workers are even paid a minimum wage, and most are not even aware of its existence.

8. People living in slums accounted for almost a third of the urban population in South Asia in 2014 (World Bank n.d.).

9. Informal workers thus face a dual threat during the pandemic: they are more vulnerable because they live under precarious circumstances and lack institutionalised social protection coverage (pre-existing threat), and they make designing effective measures to combat the crisis more intricate and are often less protected by them (during-crisis threat).

10. On the other hand, the *Ehsaas* Emergency Cash programme in Pakistan also demonstrates that the crisis can be a chance for improved financial inclusion of informal workers by providing those covered by a vertical expansion of an existing programme with bank accounts in the future (see the mapping of Pakistan's social protection response in the Annex for more detail).

GDP growth rates

To consider fairly both the need to quantify the amount of damage that the crisis might inflict on South Asian economies and the dynamic with which projections change in the current environment, we present estimates of the crisis' impact on GDP growth as it has changed over the course of the pandemic. Specifically, we demonstrate what seems to have been an optimistic bias of estimates while the pandemic was still in its early stages in South Asia and illustrate how rising case numbers and the grim realities under the ensuing lockdowns have led to the economic outlook becoming progressively bleaker.

Figure 9 summarises projections of economic growth for 2020 and 2021 at different points of the pandemic in South Asia. The forecast from the World Bank's *Global Economic Prospects* in January 2020, when COVID-19 was still 2 months away from being declared a pandemic by the WHO and had yet to reach South Asia, acts as our baseline for what growth rates would have been expected in the absence of the crisis. In March, the ADB's *Asian Development Outlook* was released at a time when it became evident that COVID-19 was going to have global impacts and acted as a first, tentative indication of the expected impact of the crisis. Notably, no countries in South Asia had yet gone into lockdown by that point and impacts were rather based on a global economic slowdown in the wake of the pandemic than major domestic outbreaks in local economies. The first estimates of the impact of extensive lockdowns in South Asia emerged in April, with the publication of the World Bank's South Asia Economic Focus, followed by the June update of the Global Economic Prospects report, which was released in a scenario of nearly two months of lockdown in most of South Asia and during ongoing efforts to return to normal economic activity, despite rising case numbers.

Figure 9. Projected GDP growth rates over the course of the COVID-19 pandemic

World Bank January

Country	2019	2020	2021
AFG	2.9	3	3.5
BAN	8.2	7.2	7.3
BHU	3.9	5.6	7.6
IND	4.2	5.8	6.1
MLD	5.2	5.5	5.6
NEP	7	6.4	6.5
PAK	1.9	2.4	3
SLK	2.3	3.3	3.7
South Asia	4.7	5.5	5.9

Asian Development Bank March

Country	2020	2021
AFG	3.0	4.0
BAN		
BHU	5.2	5.8
IND	4.0	6.2
MLD	-3.0	7.5
NEP	5.3	6.4
PAK	2.6	3.2
SLK	2.2	3.5
South Asia	4.1	6.0

World Bank Apil

Country	2020	2021
AFG	-4.9	3.6
BAN	2.5	2.1
BHU	2.6	2.3
IND	2.2	4.5
MLD	-10.8	6.8
NEP	2.2	2.2
PAK	-1.8	0.6
SLK	-1.8	0.7
South Asia	2.3	3.6

World Bank June

Country	2020	2021
AFG	-5.5	1.0
BAN	1.6	1.0
BHU	1.5	1.8
IND	-3.2	3.1
MLD	-13.0	8.5
NEP	1.8	2.1
PAK	-2.6	-0.2
SLK	-3.2	0.0
South Asia	-2.7	2.8

Note: Estimates of GDP growth for 2019 are taken from the World Bank's Global Economic Prospects, June edition as these present the most accurate estimates for pre-crisis growth rates. Forecast growth rates reported in the World Bank's April data represent midpoints of the range provided in the publication. The 2020 column refers to the financial year beginning in April 2020 for India and July 2019 for Bangladesh, Bhutan, Nepal, and Pakistan.

Source: January: *World Bank, Global Economic Prospects, January 2020*; March: *Asian Development Bank, Asian Development Outlook 2020*; April: *World Bank, South Asia Economic Focus, Spring 2020*; June: *World Bank, Global Economic Prospects, June 2020*.

All the estimates presented below, particularly those early in the crisis, are marked by considerable uncertainty. Consistent with the discussion of the channels through which COVID-19 affects economies in Section 1.2, neither the full extent of the national outbreak nor of those in other countries is known so far, and the effectiveness of macroeconomic measures in combating the crisis, as well as the state of the global economy after the pandemic, are still largely unknown. As Figure 9 highlights, especially early estimates were made under assumptions about the extent of the pandemic and the economic disruptions that proved too optimistic in hindsight. For example, the marked recovery that had been previously predicted for 2021 relied on a 'V-shaped' recession, which presupposed a rapid and rather steep recovery. However, this rested on the assumption that there would be no further major outbreaks requiring (partial) lockdowns once the pandemic had been contained in a country, and that there would be an effective policy response (see Chapter 2) mitigating the economic fallout of the crisis. However, countries such as Pakistan, which ended their lockdowns when the number of infections was yet to reach its peak, are now facing substantial criticism and a debate has ensued over a potential return to lockdown (Farooq and Peshimam 2020). Together with the experience of major economies that recorded their first cases long before South Asian countries still being under duress, this renders any assumption of a swift return to economic recovery unlikely. Furthermore, none of the figures we present can account for any social or political contingencies arising from the crisis, such as unrest hindering the economies' return to a growth trajectory.

For consistency reasons, we report World Bank figures wherever possible.[11] Specifically, we have opted for the World Bank's April estimates instead of those presented in the IMF's *World Economic Outlook* in the same month.[12]

In 2019, South Asia remained one of the fastest growing regions in the world. Compared to global growth rates of, on average, 2.4 per cent and 3.5 per cent among emerging markets and developing economies (EMDEs), 2019 saw the region grow markedly faster than other part of the world, spurred by rapid growth in Bangladesh, India and Nepal. Conversely, Afghanistan, Pakistan, and Sri Lanka noted rather subdued growth, below the EMDE average. South Asia was forecast to register increased growth of 5.5 per cent in 2020 and a slightly more homogenous picture across the eight countries, with 2021 continuing the trend of accelerated economic growth (World Bank 2020a). In general, prospects were already dampened in the figures released by the ADB in March. Notably, downward corrections are particularly strong where the crisis was expected to leave a lasting mark irrespective of the size of the domestic outbreak. This is most obviously the case with tourism in Maldives. Nonetheless, these figures did not take into account any major financial or supply disruptions, as well as the slump in remittances which now seems to be likely. This latter phenomenon in particular posed a major caveat for the figures presented in March, since remittances comprise a significant share of GDP in several countries in the region. Therefore, the ADB expected a sharp recovery in 2021 to around or above pre-crisis values (ADB 2020).[13] The updated estimates released by the World Bank in April present a change in the perception of the crisis. Given that nearly all South Asian countries adopted strict lockdowns measures, the figures paint a far bleaker picture with downward revisions almost across the board (World Bank 2020d). As global tourism came to a halt, the outlook was especially dire for Maldives, whose dependency on the tourism and travel industry (more than two thirds of GDP in total (World Bank 2020e)

11. This is important as some countries report data from national accounts in fiscal years, as opposed to calendar years: Bangladesh, Bhutan, and Pakistan (FY July 1 – June 30), Nepal (FY July 16 – July 15), and India (April 1 – March 30). This has significant implications for the interpretation of the estimates in Figure 9. Consistent with World Bank (2020e) and ADB (2020), the figures reported in the 2020 column refer to FY 2020/21 for India, as this presents the greatest overlap with countries that report their figures in calendar years. For the remaining countries that report figures in financial years, 2020 refers to FY 2019/20 (i.e. the FY ending in 2020). For these countries, the main impact of the pandemic is spread out over two columns, 2020 and 2021, and it is therefore essential to regard both when comparing figures against other countries. As definitions of financial years were not consistently adopted across sources, we opted for World Bank data in all but one case in order to have consistent definitions across the different points in time in Figure 9. For March, we had to rely on ADB data, which reports figures in cycles consistent with the World Bank figures. Regional estimates of growth are calculated on a calendar year basis.

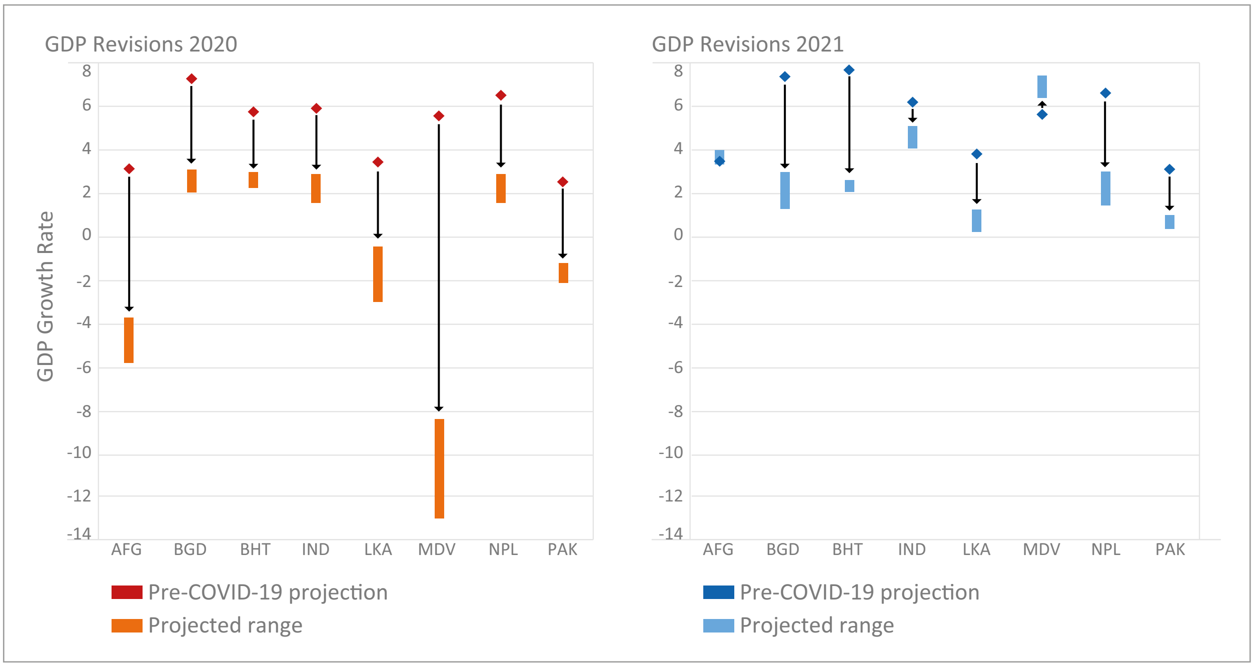
12. Sandefur and Subramanian (2020) consider the IMF's April figures too optimistic for the developing world and especially India. Hence, it is not surprising that the June update of the IMF's World Economic Outlook provides major corrections to the April figures. For India, it forecasts a 4.5 per cent contraction in FY 2020/21, a more pessimistic outlook than the World Bank figures from earlier in the month that we presented in Figure 3, but a 6 per cent expansion in the following fiscal year. This highlights an assumption of much faster economic recovery from the pandemic than what is presumed in the World Bank's June Global Economic Prospects.

13. We do not report growth projections from ADB (2020) for Bangladesh as these explicitly do not take into account the effect of COVID-19 and would thus be misleading.

drove growth rates deep into negative territory. In April, half the countries in South Asia were forecast to contract in 2020, with figures for Bangladesh, Bhutan, Nepal, and Pakistan being somewhat attenuated by the accounting method, since the effect of the pandemic is spread over two fiscal years.

Acknowledging the uncertainty of the current economic climate, the World Bank (2020d) offered a range with an "upper and lower boundary", within which GDP growth was expected to fall in their April update. To visualise the forecast impact of the COVID-19 pandemic, we contrast the forecast range of GDP growth in light of the crisis against pre-crisis estimates in Figure 10. This demonstrates how all countries have seen a major downward revision to their forecast GDP growth rates due to the crisis. Arrows illustrate the magnitude of the revision from the last pre-COVID-19 projections, with bars depicting the range in which GDP growth was estimated to fall in April. While most countries saw adjustments of previous estimates ranging from four to six percentage points, Maldives stands out for the unprecedented shock the crisis poses to its economy. This is because the country was projected to see strong growth driven by international tourism in 2020 and was particularly vulnerable to the shock caused by the pandemic. As previously noted, some countries report national accounting data in financial years ending in mid-2020 and the pandemic's immediate economic impacts are thus 'smoothed' over two financial years. Therefore, the economic impacts of the pandemic pertaining to the second half of 2020 are reflected in marked downward revisions for the financial year 2020/21 in Bangladesh, Bhutan, Nepal, and Pakistan.

Figure 10. Projected pre-crisis GDP growth rates and revised ranges in the April update



Source: World Bank (2020b).

The most recent estimates of economic growth rates at the time of writing this report were released in June by the World Bank. In the meantime, the pandemic had become a health emergency not just outside the region but also across South Asia and hopes for rapid containment of the pandemic through lockdown measures had dissipated. As a result, the economic outlook for 2020 and 2021 is much less sanguine, with the pandemic expected to present a lasting damper to growth in the region. A particularly striking example is perhaps Maldives, with the strongest GDP contraction in 2020 and sharpest forecast recovery in 2021. This can be explained by expectations of so-called 'catch-up' effects when the world economy recovers: tourists will travel more to make up for lost travel time due to lockdown measures in 2020. Comparing the recent projections displayed in Figure 9 with the forecast ranges from April in Figure 10 further illustrates the pace at which growth expectations have been adjusted downward during the crisis.

A mere two months passed between the publication of the World Bank's *South Asia Economic Focus* (in April) and the *Global Economic Prospects* (in June), yet the latter forecasts lie at or even below the lower boundary of the April estimates. At a regional level, growth rates are now projected at around -2.7 per cent in 2020 and 2.8 per cent in 2021, constituting a whole 6 and 0.8 percentage point revision, respectively, to forecasts from just two months prior. The most striking example here is the adjustment of estimates for India's financial year 2020-21, which began in April, with the country now expected to experience a large contraction in GDP.

As mentioned above, even the latest World Bank figures come with significant downside risks. For example, they cannot yet take fully into account the additional negative spillovers from global (financial) markets and expect lockdowns to be sustainably lifted over the next few months. On the other hand, the effects of the large-scale fiscal and monetary stimuli bills that were enacted by many countries are also not yet fully accounted for and present an upside possibility (see Section 2.2). For South Asia in particular, additional downside risks exist due to large populations with underdeveloped health systems, high inequality and particularly large informality (World Bank 2020e). The latter factor, together with low levels of financial inclusion, might prove an additional hindrance to the effectiveness of policy stimulus (see Section 1.2 and Alberola-Ila and Urrutia (2019). Furthermore, financial sector balance sheets were already under stress in the region even before the crisis and the threat of non-performing loans is looming over banks. This might prove problematic for South Asian governments as bailouts would threaten the sustainability of public debt levels in the region (World Bank 2020e). Acknowledging these risks, the World Bank (ibid.) also discusses a more pessimistic scenario, assuming a prolonged outbreak with lockdown measures remaining in place or being reintroduced for three additional months. This would increase the stress on businesses' balance sheets, raise interest rates and lead to defaults across the economy, thus causing a global recession of almost 8 per cent and over 4 per cent (compared to the baseline reduction of 2.7 per cent) in South Asia. Finally, evidence from new research on past pandemics suggests that the economic ramifications of the crisis might endure long past what is currently foreseeable and the outlook presented here is therefore uncertain (Jordà, Singh, and Taylor 2020).

Poverty

In the wake of the crisis, prior growth estimates have given rise to a number of revamped poverty estimates for the region in general and its countries in particular.[14] These estimates assume that reductions in economic growth will translate into reductions in consumption on a per capita basis and thus cause an increased number of people to fall below different poverty lines.[15] Furthermore, estimates differ in presumed pre-COVID-19 poverty levels and the size of the economic impact on a global scale. In Table 2, we report estimates of the change in extreme poverty (below USD1.90/day) in South Asia from four different sources. The reason for using the extreme poverty line is that it provides the most adequate picture of the region as a whole, since a higher threshold (such as the World Bank's USD3.20 middle-income country threshold and USD5.50 high-income country threshold) does not fully capture the crisis' impacts on the marginally non-(extreme)-poor in the income distribution, who are at increased risk of falling

14. A general caveat here is a lack of reliable and recent data on poverty in South Asia. The World Bank reports its most recent regional estimates as stemming from 2013, with the last poverty figures for India, for example, dating as far back as 2011-12 (Mahler et al. 2020).

15. The rate at which changes in GDP per capita also lead to changes in observed consumption levels in household surveys is known as the 'pass-through coefficient'. Valensisi (2020) assumes a pass-through coefficient of 1 (i.e. reductions in GDP per capita during the crisis lead to equivalent changes in consumption) for the baseline scenario and 0.65 in a sensitivity analysis. In a simple ordinary least squares regression, the World Bank (2020f) estimates this to be 0.85, assuming homogeneous pass-through coefficients across countries. As this is not always necessarily the case, Lakner et al. (2020) also employ a machine learning algorithm to allow for varying coefficients between countries. Using this specification, they find lower pass-through coefficients for a number of countries, leading the increase in global extreme poverty to a total of 60 million people in the baseline scenario, instead of the 71 million we report in Table 2. The IFPRI's consumption estimates post-COVID-19 are model-based (see main text). Note that the poverty estimates of Valensisi (2020) and World Bank (2020f) use estimates of changes in GDP per capita, which yields a similar—but not equivalent—picture to the figures we previously reported for GDP growth.

into poverty due to lost livelihoods.[16] Valensisi (2020) uses the IMF estimates of growth rates from April, which have been criticised for their apparent optimistic bias in South Asia (see Sandefuhr and Subramanian (2020) and our previous discussion). We therefore report his 'pessimistic' scenario of actual growth rates ending up 2 percentage points below the IMF forecast, which yields similar growth estimates as in the recent World Bank (2020e) update.[17] For the latter source, we report baseline estimates and a more conservative downside scenario.[18] The methodology underlying estimates reported in Sumner, Ortiz-Juarez, and Hoy (2020) resembles the one in World Bank (2020f), but the authors simulate shocks to consumption of 5 per cent, 10 per cent, and 20 per cent due to COVID-19 in their data. We report projected increases in extreme poverty for a 5 per cent shock to consumption as this is most in line with current estimates of the economic impact of the crisis in South Asia (see Growth section).[19] For an in-depth discussion of the methodological differences underlying the sources used in this section, refer to Section 2.2 of Sumner, Ortiz-Juarez, and Hoy (2020).

Table 2. Estimated change in regional extreme poverty

Source	Change in extreme poverty		South Asian share in world poverty increase
	Relative (percentage point)	Absolute (millions of people)	
Valensisi [±]	1.86	34.6	34%
World Bank (baseline)*	1.76	32	45%
World Bank (downside)*	2.31	42	42%
Laborde et al.	2.32	42.1	29%
Sumner et al. (5%)	2.3	40.5	51%

Note: *Data for pessimistic scenario from Figures 9 and 10; *Relative changes for World Bank estimates based on own calculations.

Source: Valensisi (2020), World Bank (2020), Laborde et al. (2020), Sumner, Ortiz-Juarez, and Hoy (2020).

In general, the poverty impacts of the COVID-19 crisis are estimated to range between increases of 1.8 to 2.3 percentage points in poverty headcount ratios, with between 32 and 42 million previously non-poor people falling into poverty. This is consistent with our earlier discussion of significant shares of the population, specifically in the informal sector, being at risk of losing their livelihoods during the crisis and facing increased adversity for the foreseeable future. These figures would be accompanied by increases in extreme poverty across the developing world and would represent the first increase in extreme poverty worldwide since 1998. In other words, on a global scale, they would be commensurate with a nullification of any progress made in the reduction of extreme poverty since 2017 (World Bank 2020f), or approximately since the first half of the 2010s in South Asia (Sumner, Ortiz-Juarez, and Hoy 2020). Regardless of the source, South Asia is projected to account for a significant share of this increase in global extreme

16. This is because much of the population at risk of falling into poverty in South Asia is clustering in the lower ends of the income distribution, with pre-crisis income levels that were already below the World Bank's upper thresholds. Informal workers, for example, tend to earn low incomes that might put them only marginally above the extreme poverty threshold, but below higher thresholds, in regular times. If these individuals lose their livelihoods during the crisis (see Section 1.2), increases in poverty will only be registered at the USD1.90 threshold for extreme poverty.

17. Specifically, our preferred scenario in Valensisi (2020) assumes a global recession of 5 per cent in 2020, whereas Laborde, Martin, and Vos (2020) and World Bank (2020f) both assume, in their baseline scenario, the global economy to contract by 5.2 per cent.

18. For a more detailed discussion of the different scenarios, refer to the Growth section above.

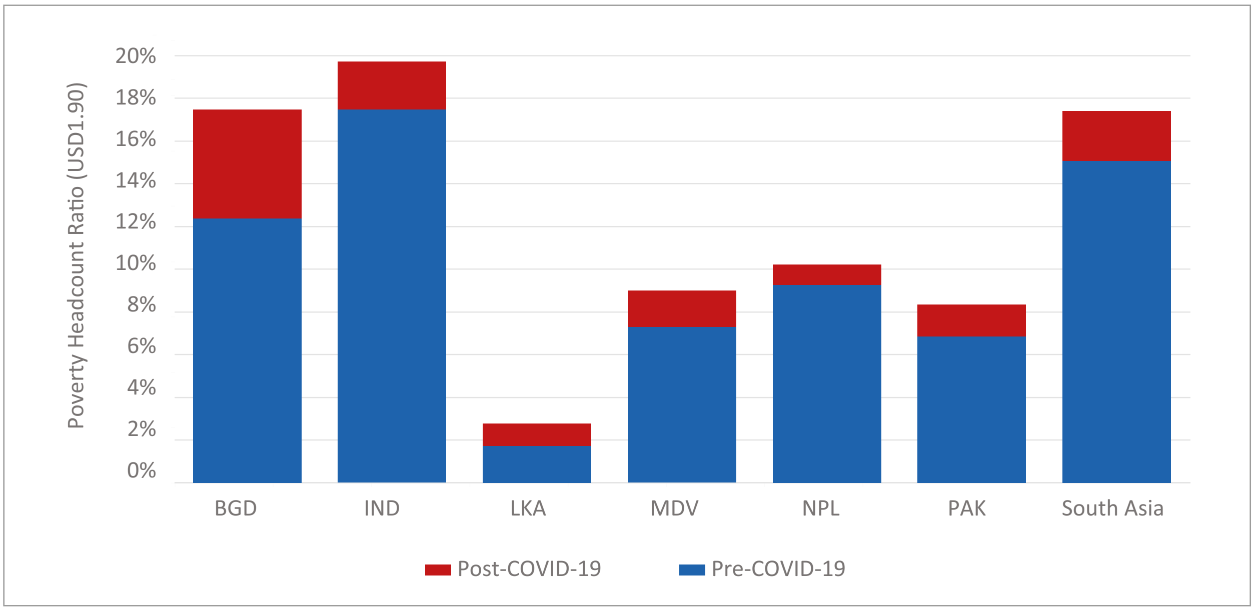
19. As a precaution, poverty estimates for South Asia should not be used without some disclaimers. First, the latest available World Bank estimates of poverty in the region date back to 2013, with more recent rounds of estimation not yielding reliable results in due to insufficient survey data coverage (World Bank n.d.). As a consequence of the lack of a consolidated, recent figure of poverty in the region, baseline estimates of poverty in South Asia employed by different authors in this section vary (Sumner, Ortiz-Juarez, and Hoy 2020). In particular, the latest reliable poverty estimates for India, which comprises most of the poverty in the region, date back to 2011-12 and no extreme poverty numbers exist for Afghanistan, according to the monitoring of progress towards SDG 1.1.1. To calculate relative changes in extreme poverty for the World Bank estimates in Table 2, we use an approximation relying on the latest poverty headcount ratio of 16.14 per cent from 2013 and the most up-to-date population estimates from World Bank data. In light of missing data on Afghanistan, figures reported correspond to the regional average effect.

poverty. High numbers of people at risk in the region and large populations mean that poverty increases in South Asia will account for between about 30 per cent and 50 per cent of the global increase in extreme poverty. Notably, there is a further downside risk to these figures stemming from uncertain economic prospects (see Growth section) and the potential for the crisis to exacerbate inequality.[20] What is more, these estimates are expected to not just represent short-lived increases, but also feared to constitute somewhat persistent changes in extreme poverty past 2020 (World Bank 2020f). This is consistent with the notion of economic recovery taking time and livelihoods not being simply restored as lockdowns end.

In the following paragraphs, we focus on a discussion of the estimates by Laborde, Martin, and Vos (2020) at the International Food Policy Research Institute (IFPRI). As presented above, they tend to pertain to the more pessimistic end of poverty effects of the crisis. In addition, we contrast their figures against new estimates by Lakner et al. (2020).

Figure 11 presents some simulations run by a team of researchers at the IFPRI, which compare pre-crisis poverty headcount rates across the region with the estimated impacts of COVID-19 on more people falling into extreme poverty (living on less than USD1.90/day). Their projections are based on a general equilibrium model (known as the MIRAGRODEP model) and, unlike the IMF, suggest that poorest countries will face greater adversity. The projected recession in developed countries (-6.2 per cent) is due to spill over to the rest of the world through lower demand and lower commodity prices, even considering the stimulus package adopted by the rich countries. In addition, the model assumes that developing countries will be internally hurt by their own social distancing measures (see Section 1) and increased morbidity affecting the family labour supply for farming and other activities and enterprises (IFPRI 2020).

Figure 11. Changes in poverty headcount rates due to COVID-19 and extreme poverty headcount post-crisis



Source: Laborde et al. (2020). Total poverty headcounts are reported above bars.

In general, South Asia displays considerable heterogeneity in the prevalence of poverty before the crisis, as well as regarding the pandemic's impacts on poverty. The impact of COVID-19 on poverty is large, although South Asian countries see impacts ranging from around less than a percentage point (10 per cent) increase in Nepal

20. Importantly, these estimates assume distribution-neutral shocks—i.e. the shock does not change the distribution of incomes among the population. However, if the crisis led to increases in inequality, those at the lower end of the income distribution would bear the brunt of the economic slump, further aggravating the adverse poverty effects. The World Bank (2020f) thus also provides scenario estimates for increases in Gini coefficients due to the crisis, with a 1 per cent increase leading to a further 19 million people falling into poverty in the global baseline scenario. Evidence from past pandemics suggest that inequality increases in their wake by around 0.2 per cent in the following year (Furceri, Loungani, and Ostry 2020).

and a 13 per cent increase in India to a staggering 62 per cent in Sri Lanka.[21] However, given the already high rates of poverty in Nepal and India before the crisis, these increases mean that a considerable number of non-poor people are projected to fall into poverty. The same goes for Bangladesh, where both pre-crisis levels of poverty and the impact of the crisis are significant. At a regional level, the crisis is projected to increase extreme poverty so that it will reach 316 million people, or 17 per cent of the South Asian population, with the highest absolute numbers in India (266 million), Bangladesh (28 million), and Pakistan (17 million) (Laborde, Martin, and Vos 2020). However, for these figures, it is important to bear in mind that projections do not take into account government stimulus in developing countries and social protection measures that might attenuate the fall in incomes. Accordingly, these figures, in their full magnitude, should not be interpreted as inevitable consequences of the COVID-19 shock, but rather a call for action to provide large-scale and lasting stimulus and protection, as already carried out by many countries (see Section 2).

Figure 12 depicts another set of country-level projections of the increase in extreme poverty in South Asia based on Lakner et al. (2020).Their estimates correspond to a disaggregation of the regional poverty impacts discussed in (World Bank 2020f) which we also report in Table 2. Using the growth rates predicted by the *World Economic Outlook* in April and the subsequent June updates based on the World Bank's *Global Economic Prospects*, they find increases in poverty totalling 32 million people under the current baseline scenario and up to 42 million under a downside scenario for South Asia. A few observations come to mind when considering the country-level estimates in more detail. While the downside estimate for South Asia is similar to the one reached by Laborde, Martin, and Vos (2020), country-specific estimates differ. Although the vast majority of those at risk are still living in India, with over 35 million predicted to fall below the USD1.90 poverty line, estimates differ in magnitude—especially for Bangladesh, Maldives (no change projected by Lakner et al. (2020), and Sri Lanka.[22] Over 2 million individuals are furthermore predicted to face extreme poverty due to the current crisis in Bangladesh and Pakistan. Another interesting comparison can be drawn between the poorest and richest countries in the region. While extreme poverty is projected to increase by a comparatively moderate 65,000 people in Sri Lanka in the downside scenario, and not at all in Maldives, as many as 350,000 people might fall into poverty in Nepal, markedly more than would be expected proportionally due to its larger population (Lakner et al. 2020).[23] This is because a large number of households are clustered just above the USD1.90 poverty line in Nepal, whereas the incidence of households is less dense in the extremely low income tails for richer countries.[24]

Moreover, Figure 12 highlights how changes in economic prospects in just the two months (between April and June) have given rise to significant increases in poverty projections in many countries. This is especially true for India and Pakistan, which saw April estimates approximately double in June under the baseline scenario. Finally, in line with our previous discussion in the *Growth* section, there is a significant downside risk to these estimates and most countries could see their poverty rates jump again if growth in the coming months follows the pessimistic scenario.

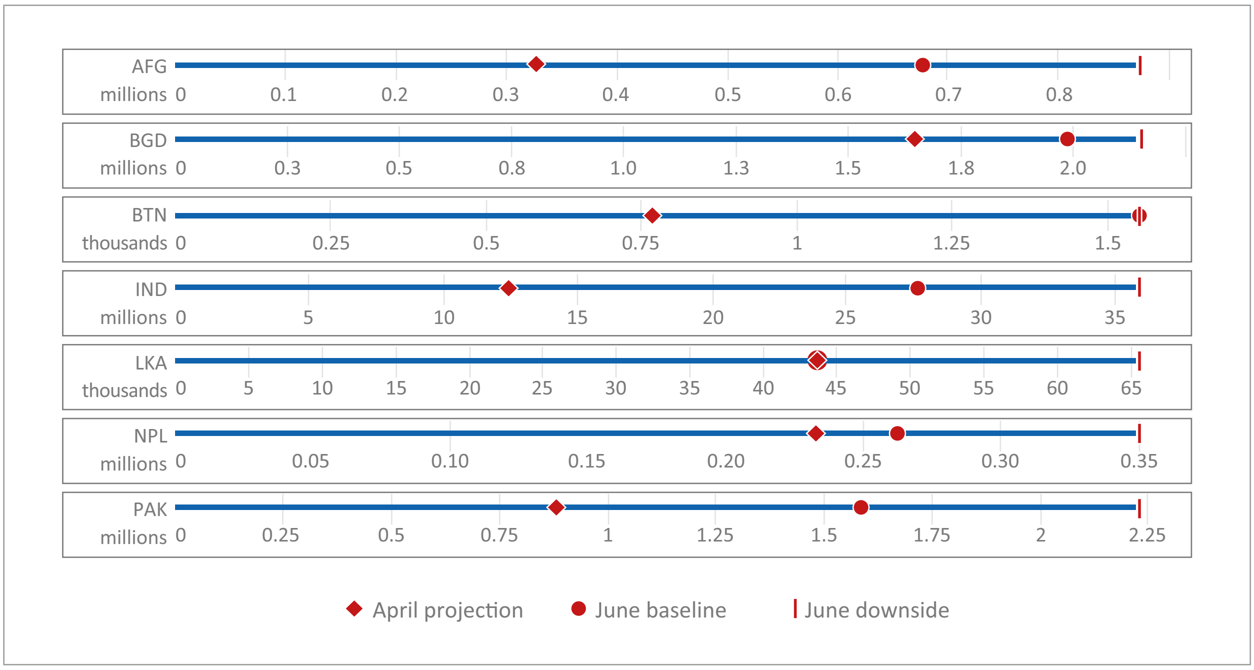
21. It should be noted that Sri Lanka is coming from relatively low levels of extreme poverty.

22. The reasons for this can be manifold and a comprehensive discussion of methodological differences is given in Section 2.2 of Sumner, Ortiz-Juarez, and Hoy (2020). For now, it should at least be noted that pre-crisis estimates of poverty (absolute and headcount ratios) vary between sources, sometimes substantially. Equally important, Laborde, Martin, and Vos (2020) do not yet take into account any stimulus or social protection interventions put into place by South Asian countries. (Lakner et al. 2020), rather basing their projections on recent World Bank growth figures that factor in policy responses to the extent possible.

23. As mentioned before, estimates for Afghanistan correspond to regional average effects and we thus refrain from an explicit discussion. The latest Humanitarian Response Plan for Afghanistan from June 2020 puts the poverty headcount ratio, at a USD2 (2011 PPP) poverty line (roughly double the national poverty line and in the vicinity of the international poverty line), at 93 per cent (UN OCHA 2020).

24. For Maldives and Sri Lanka, it is therefore illuminating to also regard increases in poverty at the lower-middle income and upper-middle income poverty lines of USD3.20 and USD5.50. In these cases, Maldives is projected to see increases in poverty of about 1,600 (USD3.20) and 20,000 (USD5.50) under the baseline scenario, and Sri Lanka would record increases of 437,000 and 896,000 individuals falling into poverty, respectively. Across South Asia, there is a danger of an additional 115 million people and 85 million more people falling into poverty at the USD3.20 and USD5.50 poverty lines, respectively, in the baseline scenario, and up to 138 million and 102 million more people falling into poverty at these lines under the downside scenario.

Figure 12. Changes in extreme poverty due to COVID-19



Source: Lakner et al. (2020).

The magnitude of the effects presented here is contingent on several factors, including: (i) the nature of the crisis; (ii) the measures taken by the countries as COVID-19 and the ensuing public health responses affect labour incomes across the board; and (iii) the dependency of countries on the global economy through tourism, manufacturing or commodity exports, and remittances. Additionally, one must consider the mix of employment types in each country as well as their different population groups to understand the impacts on poverty. Those living in poverty before the crisis are already captured by pre-crisis figures. Among those who were not poor before the crisis, there are those that are employed in the formal sector, often covered by existing social insurance or other social protection measures put in place specifically to combat the crisis (see Chapter 2) and those in the informal sector, who are neither covered by social insurance nor by poverty-targeted (social assistance) programmes.

Consistent with widespread informality, suggestive evidence that the missing middle reaches far up the income distribution in South Asia, and a rights-based notion of social protection, our concerns should furthermore not be limited to those falling into extreme poverty. In fact, social protection systems should have provisions to cover people across the income distribution *as need arises*. Thus, our focus on extreme poverty in this section should not imply that only this group will need an extension of social protection to be adequately covered. While the population falling into extreme poverty due to the crisis *and* which is not covered by social protection needs our attention most immediately, the very definition of 'missing middle' implies that countries need to look past the bottom income quintile. This will be integral to correcting gaps in social protection coverage that have the potential to further depress the welfare of people, as the economic consequences of the COVID-19 shock linger and new shocks arise, whether idiosyncratic or covariate in nature.

Employment

The COVID-19 outbreak has affected certain economic sectors more than others. In the context of national lockdowns and restrictions to international trade, workers that are employed in sectors particularly at-risk face greater vulnerabilities. Table 3 shows total employment across at-risk economic sectors for available countries across South Asia, based on the categories defined in the 3rd edition of the ILO Monitor on COVID-19 and the world of work.

Economic sectors at **high risk** include **wholesale and retail trade, manufacturing, real estate and business and administrative activities, accommodation and food services, wholesale and retail trade.** Meanwhile, **arts, entertainment and recreation,** and **transport and communication** are **medium-high risk sectors**; and **construction, financial and insurance services**, and **mining and quarrying are medium risk; agriculture** makes up the **medium-low risk** category; finally, **utilities, public administration and defence, health** and **education** comprise the **low risk** economic sectors.

Table 3. Total employment by economic sector in South Asia (in thousands)

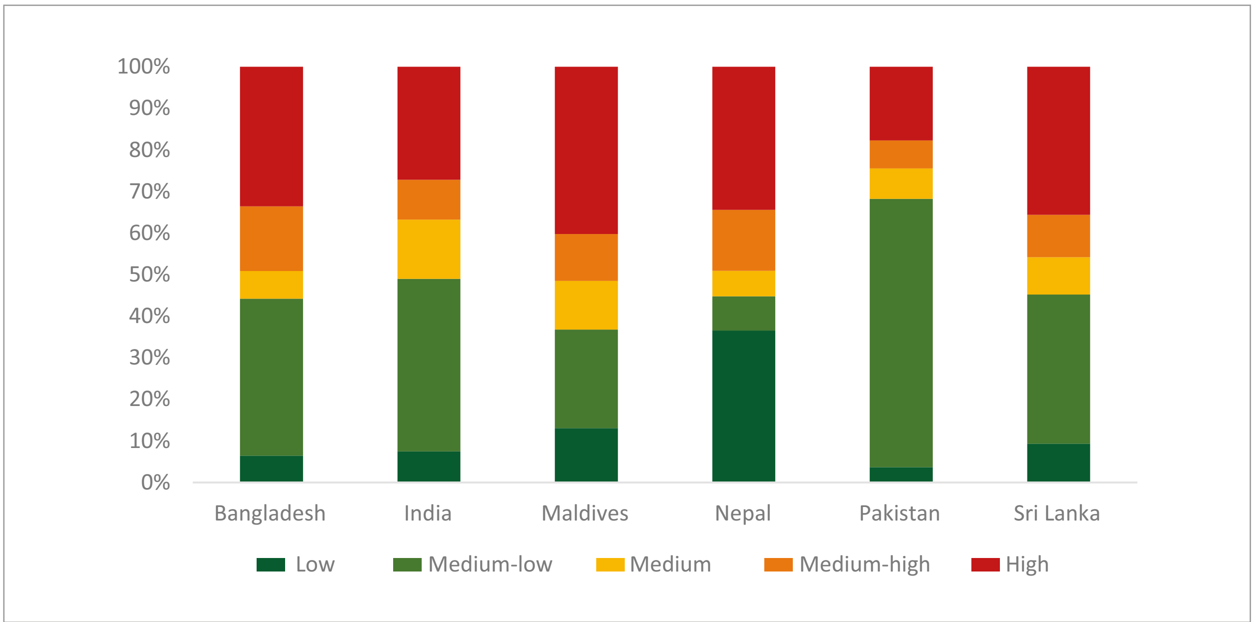
Economic sector	Impact of crisis on economic output	Bangladesh	India	Sri Lanka	Maldives	Nepal	Pakistan
High risk sectors (total)	**High**	**22,913**	**128,944**	**3,383**	**99**	**3,037**	**25,830**
Wholesale and retail trade; repair of motor vehicles and motorcycles	High	9,816	48,430	1,194	36	1,081	11,116
Manufacturing	High	10,605	59,049	1,694	30	1,359	12,037
Real estate; business and administrative activities	High	1,009	12,001	262	14	190	1,184
Accommodation and food services	High	1,483	9,465	233	19	407	1,492
Medium-high risk sectors (total)	**Medium-High**	**10,606**	**45,420**	**946**	**42**	**1,156**	**7,380**
Transport and communication	Medium-High	6,374	29,352	616	32	426	4,682
Arts, entertainment and recreation, and other services	Medium-High	4,232	16,068	330	10	730	2,698
Medium risk sectors (total)	**Medium**	**4,541**	**67,504**	**985**	**18**	**1,256**	**6,505**
Mining	Medium	101	1,964	65	<1	20	168
Financial and Insurance Services	Medium	516	5,234	171	3	60	403
Construction	Medium	3,924	60,306	749	14	1,176	5,934
Low-medium risk sectors (total)	**Low-Medium**	**25,754**	**196,641**	**1,994**	**24**	**11,070**	**26,019**
Agriculture	Low-Medium	25,754	196,641	1,994	24	11,070	26,019
Low risk sectors (total)	**Low**	**4,412**	**35,443**	**1,098**	**105**	**634**	**6,756**
Utilities	Low	138	2,779	46	9	71	557
Public administration & defence; compulsory social security	Low	1,068	7,778	515	42	133	1,882
Health	Low	567	5,955	152	18	72	1,203
Education	Low	2,639	18,931	386	37	358	3,113
Total employment (all sectors)	-	**68,227**	**473,952**	**8,406**	**287**	**17,153**	**72,490**

Source: Background data from ILO (2020d).

Figure 13 shows the shares of total employment by at-risk category based on the data from Table 3. The Figure shows considerable discrepancies across countries: for example, approximately 63 per cent of employment in Maldives takes place in high, medium-high and medium risk sectors, while the figure in Pakistan is 31 per cent, mainly due to larger role of agriculture (medium-low risk) in the Pakistani economy.

It is important for economic and social policy responses to the ongoing crisis to consider, as best as possible, the reality that some economic sectors are more affected and face more significant risks than others in terms of both temporary and permanent losses to employment.

Figure 13. Composition of employment according to at-risk economic sector in South Asia



Source: Authors' elaboration, based on data from Table 2 and ILO (2020d).

Informal workers

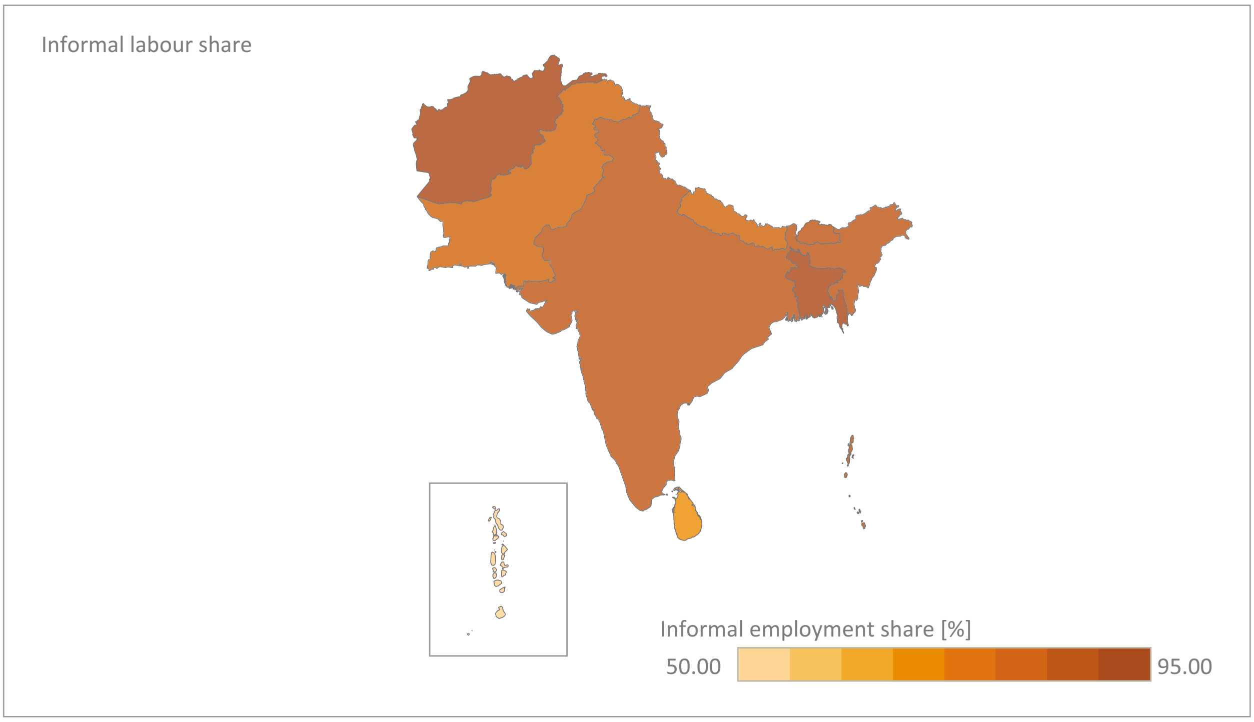
In the context of a general lockdown, informal workers constitute a group at increased risk (as we argued in Section 1.2). At the same time, they are not (immediately) reachable by standard social protection mechanisms (e.g. unemployment benefits, poverty-targeted cash transfers, etc.). This section therefore analyses the consequences of the crisis for those in informal employment in South Asia to further substantiate the claim for adequate coverage of this group.[25] We start by looking at the share of informal labour among total employment in South Asian countries (Figure 14), and subsequently move on to consider what share of them are *significantly affected* by the crisis (Figure 15). We then analyse country examples to grasp the sectors in which significantly affected workers are employed (Figure 16), the income losses incurred by informal workers (Figure 17) and what these mean for the share of informal workers earning less than half of median income (Figure 18).

As mentioned in Section 1.2, the informal labour sector comprises most of the employment across countries in South Asia (Figure 14). The share of informal labour in total employment ranges from 50 per cent in Maldives to 70 per cent in Sri Lanka, to almost 95 per cent in Afghanistan and Bangladesh, therefore underlining the extent of the population likely to be at risk of losing their livelihoods due to the crisis. In line with our previous discussion of the particular vulnerability of the informal sector to the crisis, these figures reveal a significant number of additional people at risk of falling into poverty beyond the already large increases described in Section 1.2. This is because the economic impacts

25. Informal employment is defined according to ILO (2018): "In the case of own-account workers and employers, the informal employment status of the job is determined by the informal sector nature of the enterprise. Thus, own-account workers (without hired workers) operating an informal enterprise are classified as in informal employment. Similarly, employers (with hired workers) operating an informal enterprise are classified as in informal employment. All contributing family workers are classified in informal employment, irrespective of whether they work in formal or informal sector enterprises."

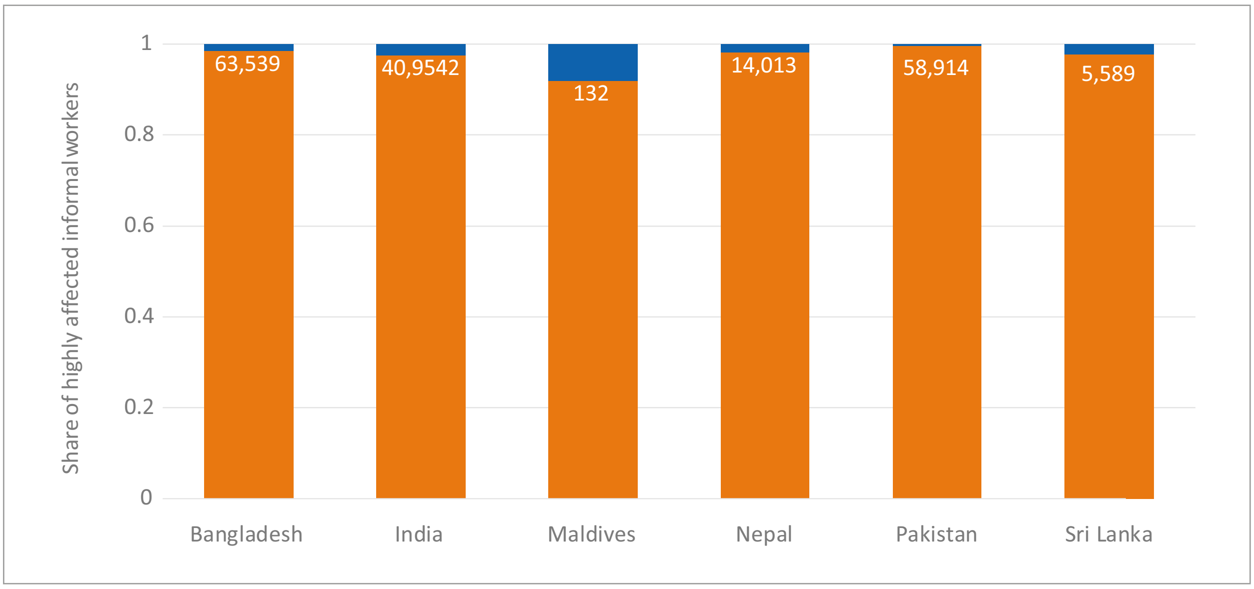
of the crisis will likely endure for months, while most of the current responses that provide some coverage to informal workers are temporary, hence inadequately covering the risks that will face these workers for the foreseeable future. Furthermore, this highlights an important lesson for after the crisis: there is a need for social protection measures that include informal workers to seep into the mainstream social protection landscape to prevent large numbers of the population remaining vulnerable to future shocks (see Section 3).

Figure 14. Share of informal employment in total employment



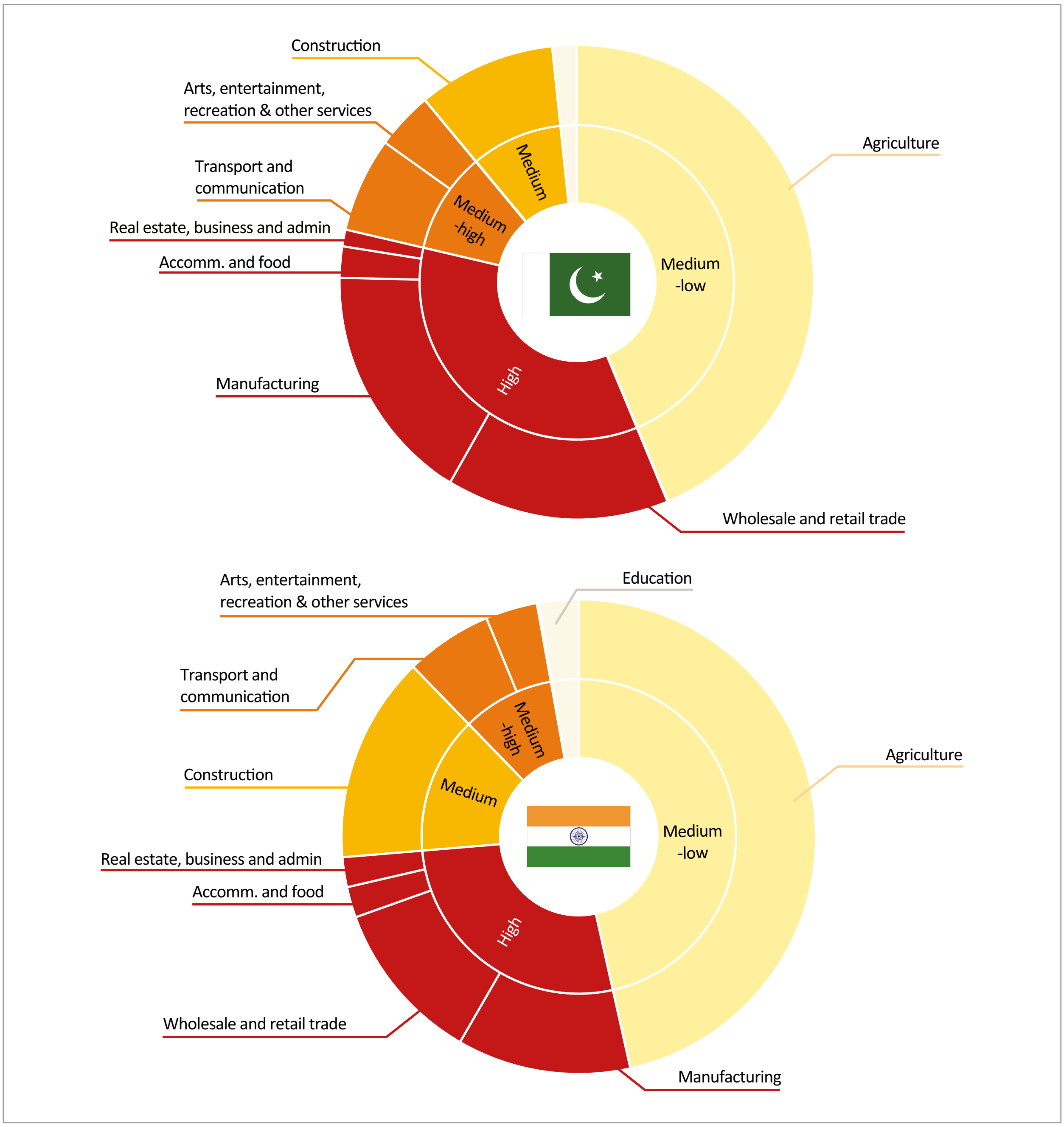
Source: ILO (2020d).

Figure 15. Share of significantly affected labour in total informal labour (absolute values under bars)



Source: (ILO 2020d).

Figure 16. Significantly impacted informal workers by sector in Pakistan and India



Source: Authors' elaboration based on data from ILO (2020d).

Figure 15 illustrates the number of highly affected informal workers by the crisis as a share of total informal labour in South Asia, based on ILO data (ILO 2020d).[26] It is expected that over 90 per cent of informal workers in all countries of the region will be significantly affected. This is both a testament to the increased risk faced by workers in the

26. Highly affected informal labour is calculated based on three criteria. First, sectors are grouped into five risk categories based on their economic exposure to three different degrees of stringency of domestic lockdown policies (weak, partial or full). Next, it is stipulated that the threat the crisis poses to the livelihood of any individual worker is determined by two factors: the risk group of the sector the informal worker is employed in and the size of the enterprise they work in. Based on this categorisation, data on the stringency of lockdown measures is used to ascertain the share of significantly impacted workers based on lockdown stringency, sectoral exposure, and enterprise size. As such, it is important to note that working in a high-risk sector is distinct from being 'highly' or 'significantly' affected. For more details, refer to the Technical Annex of ILO (2020).

informal sector and a concern for the coverage of social protection measures if considerable numbers of those workers belong to the missing middle (see Section 1.2). Maldives has a slightly lower share of significantly affected workers because informal workers tend to work in larger enterprises, mainly resorts or other establishments related to the tourism and hospitality sector. As discussed previously, larger enterprises with significant numbers of workers might avail of labour retention measures enacted by governments and therefore provide somewhat more security than employment in microenterprises. However, as pointed out earlier, the COVID-19 crisis might continue to ripple through the (tourism) economy even past the duration of temporary social protection measures carried out for (informal) workers. Therefore, these figures point not only to an immediate need for action while lockdown measures are in place, but also to a systemic issue that calls for a long-term strategy to include the informal economy in the mainstream social protection landscape. Consistent with population sizes, India harbours most of the region's heavily affected informal population, with over 400 million livelihoods at risk. Substantial numbers of people are also affected in Bangladesh and Pakistan, where around 60 million informal workers face significant impacts.

Figure 16 captures the sectoral distribution of significantly affected informal workers in two of the most affected countries, Pakistan and India.[27] A few points become clear. Agriculture, manufacturing, wholesale and retail trade, and construction are the sectors with the largest numbers of significantly affected workers in both countries. This is consistent with our discussion of vulnerability within the informal sector in Section 1.2. Agriculture is somewhat of an outlier as it employs large numbers of people across the region and features a high degree of fragmentation into microenterprises, family farms and own-account work, leading to high levels of significantly impacted workers in the ILO data. It therefore exemplifies a trade-off in our data between a sector that is less impacted by lockdowns, but which features high employment figures spread over many small enterprises

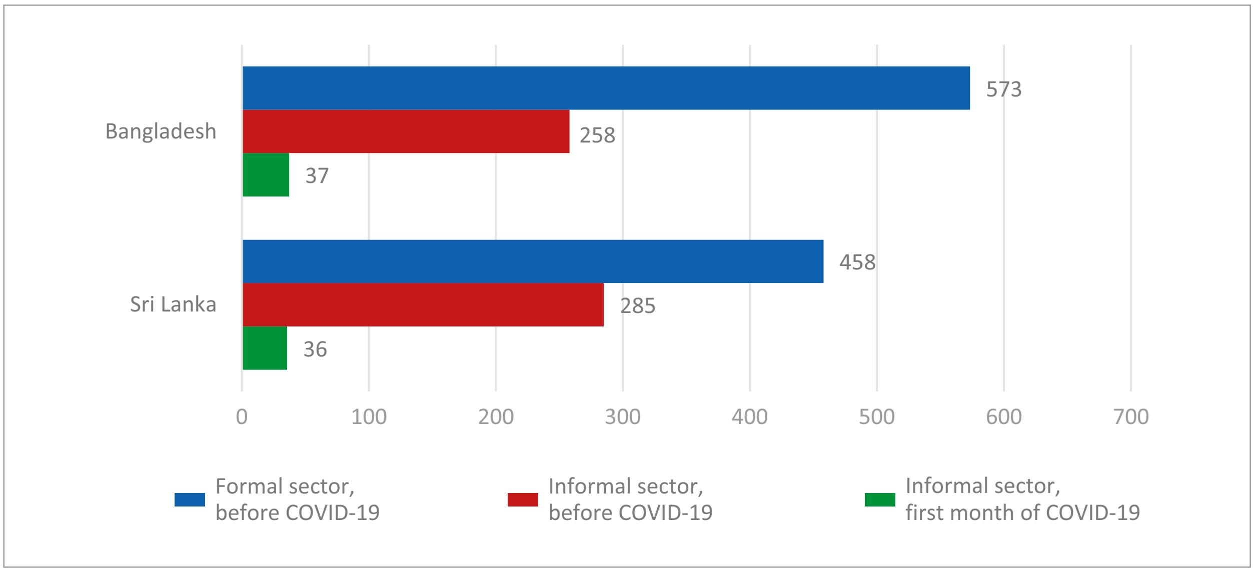
Figure 16 depicts important information about social protection initiatives which aim at protecting livelihoods in the short term, re-integrating those who have been laid off into the labour market after the end of the lockdown and building more resilient and crisis-responsive social protection measures for informal workers in the future. While a reduction in fragmentation, for example through risk-sharing collectives, is specifically an option for the alleviation of idiosyncratic shocks rather than covariate shocks such as the current pandemic, it could increase visibility for informal workers and facilitate targeting with crisis-responsive measures even in the event of a shock such as the current pandemic. Furthermore, manufacturing, construction, and agriculture all employ large numbers of manual workers, opening possibilities for income generation through public works schemes during periods with heavy layoffs.[28]

At the national level, lockdown measures significantly impact the livelihoods of workers, particularly those working in informal sectors. Figure 17 displays ILO data for median incomes of the formal and informal sectors prior to COVID-19, and estimated impacts on informal income for the first month after the outbreak for Bangladesh and Sri Lanka. While incomes in the formal sector were considerably larger at the start, the Figure shows a dramatic decrease in informal worker wages during the first month of the pandemic. While it should be noted that these decreases represent estimates right after lockdowns were adopted, it remains unclear how long it will take for incomes in the informal sector to revert to pre-crisis levels, given economic and health-related risks faced by worker as countries gradually reopen.

27. An important point to highlight here again is the distinction between working in a high-risk sector and being "highly" or "significantly" affected. (ILO 2020b) reserves the latter terms for those informal workers among the total employed population that are at considerable risk of losing their livelihoods because of 1) the stringency of lockdown measures in their country; 2) the sector they work in; 3) the size of the enterprise they work in. Consequentially, agriculture, a medium-low risk sector, hosts the majority of significantly affected workers in Figure 16 because India and Pakistan both established full lockdowns and agriculture features large numbers of employment in small enterprises.

28. Evidently, this will only become an option after the lockdown, once economic activity resumes but demand is still low—leaving excess labour supply in manual trades.

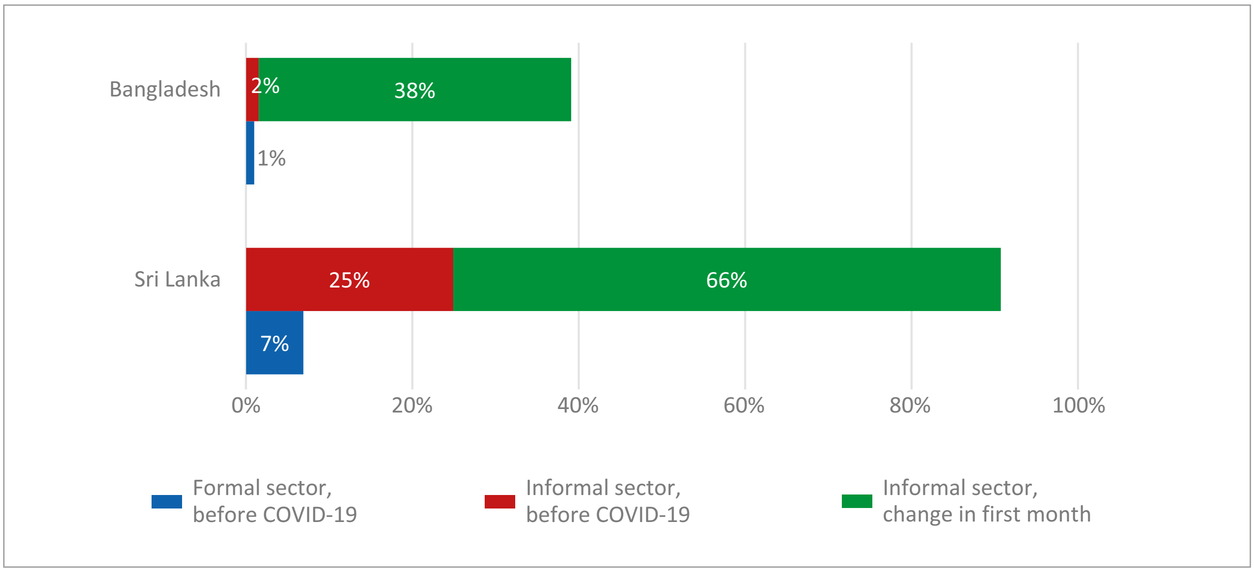
Figure 17. Median income before COVID-19 and in the following month, informal and formal sectors (constant 2016 PPP USD)



Source: ILO (2020d).

Figure 18 shows ILO estimates for the relative poverty rate—defined as the percentage of workers earning less than 50 percent of the median income—for Bangladesh and Sri Lanka. The Figure shows pre-COVID-19 poverty estimates and additional impacts in the month following the outbreak. Prior to COVID-19, relative poverty was larger in the informal sector than in the formal sector in both countries. However, the impact of the virus and the ensuing lockdown significantly affects the informal sector, with relative poverty rates among informal workers increasing to 40 per cent and Bangladesh and 91 per cent in Sri Lanka. Conversely, the ILO data finds no additional impact on poverty for formal workers, which might hold somewhat true in the very short term; however, this estimate is also likely to eventually increase once formal sector workers are laid off and no longer covered by social insurance.

Figure 18. Relative poverty (50 per cent below median income) before COVID-19 and in the following month (formal and informal sectors)



Source: ILO (2020d).

In summary, informal workers comprise the majority of employment in South Asia (Figure 14), of whom over 90 per cent are significantly affected by the crisis (Figure 15). Most of the significantly impacted informal workers tend to work in either manual labour or the wholesale and retail sector (Figure 16). Furthermore, informal workers not only already earned lower wages than those in the formal sector before the crisis, but are now seeing significant reductions in their income due to high exposure to the economic impacts of the COVID-19 pandemic (Figure 17). This leads to considerable increases in relative poverty among informal workers and widens the gap between informal and formal workers even further (Figure 18).

2. MONETARY AND FISCAL RESPONSES TO COVID-19 IN SOUTH ASIA

2.1 The importance of macroeconomic policy during the crisis

The COVID-19 pandemic presents a unique shock to economies, combining supply, demand and financial shocks and thus requiring a policy answer that exceeds the standard repertoire of shock-responsive monetary, fiscal, and social protection measures. This Section analyses the value of these different types of policies in mitigating the economic fallout of the crisis discussed in the last chapter and map the existing monetary, fiscal, and social protection responses to COVID-19 in South Asia.

Most notably, the economic shock resulting from COVID-19 hits services the hardest—rather than manufacturing; there is little consumption smoothing as consumption falls parallel to GDP; and the crisis is driven by supply, hence rendering macroeconomic policies aimed at stimulating demand ineffective (World Bank 2020e). What is more, some of the standard macroeconomic policies might even be counterproductive to the containment of the crisis, at least in the short term, as demand-steering interventions might disincentivise social distancing (IADB 2020). It is thus evident that the policy response to the crisis must involve more than the mere textbook response of economic policy.

An important issue policymakers face in the current crisis is an apparent dilemma between more stringent containment measures—to prevent the disease from wreaking further havoc among the population— and their economic costs. However, in the context of South Asian economies this ‘lives vs. economy’ debate appears to be more of a ‘lives vs. livelihoods’ (and thus ‘lives vs. lives’) debate (Debraj, Subramanian, and Vandewalle 2020). A topic of contention here is an apparent trade-off between the pandemic’s curve shape and the recession’s curve shape.[29] In this regard, a few observations are in order regarding macroeconomic policy in South Asia.

First, a recession in South Asia will be inevitable. However, the shape and area under the curve of the unfolding recession lies within the realm of policymakers’ control. This means that the policy toolkit has the potential to determine how the crisis plays out, from both a public health as well as an economic perspective. Importantly, the severity of the economic shock is determined by several factors, including, but not limited to, public health measures taken to contain the virus. Specifically, other important factors influencing the economic fallout of the crisis are national macroeconomic policy responses, the size of the pandemic’s shocks abroad and the state of the world economy, determined by the reactions of other countries to the crisis. As policymakers in South Asia have limited scope to influence the latter two factors, the macroeconomic policy response adopted is of paramount importance.

29. The basic argument hinges on the assumption that stronger and longer lockdown measures will impose higher economic costs, hence deepening the ensuing recession and rendering the recovery more protracted. Vice-versa, limiting adverse economic impacts through containment measures would lead to a more severe public health crisis.

The role of macroeconomic policy in the crisis should not rival public health response, but it needs to be complementary and mitigate adverse economic impacts (Hausmann 2020; IADB 2020). To that end, policies must aim precisely at overcoming the conundrum between saving lives and protecting livelihoods: their goal needs to be to protect jobs and incomes by preventing layoffs and helping firms facing liquidity problems, and to allow those who have lost their income (entirely or partially) to still be able to sustain themselves.[30] As such, their role in the immediate response to the crisis is to provide relief, rather than stimulus, and mitigate the economic costs of containment measures (IADB 2020; Gourinchas 2020).[31]

2.2 Policy Responses to COVID-19

Monetary and macro-financial policies

In the context of COVID-19, it is important for central banks and financial institutions to adopt tools and mechanisms necessary to provide liquidity and financial relief to both firms—helping them avoid going out of business and shedding their workforce—and households and families at risk in terms of their health and livelihoods. A key challenge presented by the health crisis is making sure that monetary and micro-financial policies are effective in reaching the economy, particularly small- and medium-sized enterprises (SMEs) and households most in need of support.[32] As an example to illustrate ensuring that financial policy has a real impact, governments around the world have intervened more strongly to guarantee commercial banks' emergency business loans, so as to reduce risk in market rates.[33]

Table 4 provides an update on the range of monetary and macro-financial tools adopted across South Asian countries, based on information from external resources, including the IMF's Policy Responses to COVID-19 and the ILO's Country Policy Responses. The most common and conventional monetary policy tool has been to reduce policy interest rates. Table 4 shows that six out of eight Central Banks in South Asian countries have adopted measures to lower policy interest rates. Interventions in the foreign exchange market serve to stabilise the exchange rate, especially for countries suffering from severe shocks to net exports (e.g. tourism in Maldives). Increased liquidity through swap lines is a tool for Central Banks from different countries to provide liquidity by accessing foreign currency.[34] Central Banks can play a more active role in promoting liquidity by purchasing private and public securities from banks, increasing their reserves (for example, in Bangladesh and India).

In addition to monetary policies, governments in the region—with occasional support from Central Banks—have introduced polices to enhance credit and liquidity in the economy through alternative channels. These include temporary flexibilisation to loans,[35] increased liquidity and credit to SMEs and businesses in affected sectors, and increased liquidity or lower reserve requirements to allow for a higher volume of lending in the economy. Table 4 shows that South Asian countries have adopted a range of policies to enhance the credit and liquidity of their financial sectors.

30. Another policy goal, regarding financial stability as opposed to livelihoods, is to prevent an accumulation of non-performing loans leading to a contagion of the financial sector, thus causing a financial crisis on top of the health and economic crisis (Gourinchas 2020).

31. This, of course, does not take away from the need for a medium to long-term response that addresses all three, gaps in safety nets to adequately cover ongoing issues and future risks, a slump in demand, and supply-side constraints.

32. As mentioned in Section 1.2, there are concerns that monetary policy might be less effective.

33. Some examples of these measures include: the creation of refinancing schemes and funds (Bangladesh, India, Nepal); the introduction of new loan facility systems and emergency loans (Bangladesh, Bhutan, the Maldives, Nepal); a reduction in interest rates to enable domestic financial institutions to expand credits to businesses and individuals (Sri Lanka); and the introduction of regulatory measures to promote credit flow (India, Pakistan) or ensuring available working capitals—difference between assets and liabilities—to businesses (Bhutan, Maldives, Nepal, Sri Lanka).

34. Swap lines are generally a tool used by Central Banks in larger countries (e.g. India), however, the Maldives Monetary Authority has been able to access swap lines in US dollars through a swap agreement with the Reserve Bank of India.

35. Policies include a temporary mortarium on loans, non-performing loan classification delay, and lower capital conservation buffer requirements.

Table 4. Monetary policies by central banks and macro-financial policies adopted by countries in South Asia (updated 12/05/20)

	Monetary policies adopted by central banks				Policy actions taken to enhance credit and liquidity		
Countries	Reduction in policy interest rate	Intervention in the foreign exchange market	Liquidity in dollars through swap lines	Purchase of public or private securities	Temporary flexibilisation of loans	Increased liquidity/ credit to SMEs	liquidity or lower reserve requirements
Afghanistan		X			X		
Bangladesh	X			X	X	X	X
Bhutan	X				X	X	X
India	X		X	X	X	X	X
Maldives		X	X		X	X	X
Nepal	X				X	X	X
Pakistan	X				X	X	X
Sri Lanka	X			X*	X	X	X

Note: * Purchase of treasury (public) securities by state-owned institutions.

Source: Authors' elaboration based on IADB (2020, Tables 2.1 and 3.1).

Fiscal policies (excluding social protection)

In addition to monetary and financial policies, governments have adopted fiscal measures in response to the COVID-19 outbreak. Table 5 provides a mapping of fiscal policies—excluding social protection interventions—adopted by governments in South Asia. The first and predominant fiscal response has been to increase public health budgets to equip health care systems with more and better-quality resources to face the pandemic. Table 5 shows that all countries in South Asia have increased their spending on health.

Governments have also introduced programmes to provide economic relief to individuals and businesses, including reductions or deferrals of other taxes and submission deadlines (including personal or corporate), and debt service deferrals or waivers. Note that these measures result in higher budget deficits and may lead to an increased short-term need for borrowing, increasing government debt and potentially putting governments at risk of having to service unsustainable levels of future debt. Higher debt could lead to a situation in which future fiscal space for social protection is reduced to service emergency borrowing in response to COVID-19, which in turn could lead to a downward spiral of unsustainable debt. However, it is important to bear in mind that these measures can increase individuals' liquidity and stimulate businesses during the health and economic crisis and facilitate recovery, and that deferrals imply that governments will be 'repaid' later (IMF 2020b). In addition, following IMF (2020) recommendations, a reform of the tax system based on increasing higher rates of income tax/higher end property/ wealth taxes through a 'solidarity surcharge' could help to foster social protection coverage post-COVID-19, contributing to achieve SDG target 1.3 (implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable), as well as SDG 10 (reduce inequality within and among countries).

Some of the fiscal measures adopted aim at supporting businesses to keep their employees and pay their salaries (Bangladesh and Maldives) in the face of uncertainty regarding the crisis. While debt service and waivers were not very widely implemented in the region, six out of the eight countries analysed have implemented some form of tax reduction or deferral. Most initiatives included extensions of tax filing deadlines (Afghanistan, Sri Lanka, Nepal and India) and tax cuts to key businesses or industries (Afghanistan, Pakistan and Bangladesh). Key businesses included those responsible for what were deemed to be basic necessities, such as cooking oil in Afghanistan, or those from exporting industries, such as in Bangladesh (IMF 2020a; World Bank 2020d).

The fiscal space available for these measures is linked to pre-pandemic economic conditions in the region. In the year prior to the onset of the pandemic, the region was already seeing rising levels of public debt. Exports and investment were already weak or in decline in 2019 (except for investments in Nepal and Bangladesh). India and Bangladesh in particular were seeing a decrease in loanable funds. With the outbreak of COVID-19 and the resulting economic recession, remittances—a major source for external income and foreign exchange in the region—are expected to decline. All of this implies that governments will be limited in terms of fiscal space, which may constrain their responses to the pandemic and the recession (World Bank 2020d).[36]

Table 5. Fiscal policies adopted by South Asian countries, excluding social protection (updated as of 12/05/20)

Countries	Increase to public health spending	Reduction/deferral of other taxes	Debt service deferrals/waivers
Afghanistan	X	X	
Bangladesh	X		X
Bhutan	X	X	X
India	X	X	
Maldives	X		X
Nepal	X	X	X
Pakistan	X	X	
Sri Lanka	X	X	

Source: Authors' elaboration, based on IADB (2020, Table 4.1).

Social protection responses

As part of the fiscal response to the pandemic and the resulting economic crisis, governments have also adopted a variety of social protection measures to foster compliance with social distancing measures and to alleviate negative effects of COVID-19 on livelihoods and incomes. Innovative social protection measures have played a key role in incentivising individuals' compliance with containment measures by directly addressing the trade-off between precautionary measures (such as staying at home) and earning their living. In addition, social protection has supported workers and households in coping with the negative economic effects of the pandemic, such as increased unemployment and decreased incomes both in the short and medium term. Due to the nature of the COVID-19 shock—namely, covariate and large-scale, the coverage and benefit levels of pre-pandemic social protection programmes were not enough to address it. Therefore, all countries in the region have scaled up social protection horizontally, increasing social protection coverage monthly through temporary programmes, as well as vertically, increasing the value and duration of the benefits or complementing them with additional interventions to help families to cope with the shock. These adaptations have been implemented either through existing programmes, adapting them to the new context, or through new schemes enacted to fill in coverage gaps, most often using part of the

36. Four countries in South Asia (Afghanistan, Maldives, Nepal and Pakistan) had access to extra credit from the IMF to support their response to COVID-19 in the absence of fiscal space and growing macroeconomic difficulties. Afghanistan (USD33.8 million) and Nepal (USD33.9 million) had access to the Catastrophe Containment and Relief Trust (CCRT), which provides grants to poor countries to cover their IMF debt obligations for an initial phase over six months, to help them channel more of their scarce financial resources towards vital emergency medical services and other relief efforts. Afghanistan had access to USD220 million and Nepal to USD 214 million under the Rapid Credit Facility (RCF), to support urgent fiscal needs and balance of payments stemming from the pandemic. Maldives also had access to the RCF (USD28.9 million) to finance its fiscal adjustment. Pakistan had access to the Rapid Financing Instrument (RFI), with a disbursement of USD11.386 billion, in support of the authorities' emergency policy response, preserving fiscal space for essential health spending, shoring up confidence, and catalysing additional donor support. The ADB approved loans for Bangladesh (USD500 million), Bhutan (USD20 million), India (USD11.5 billion) and Pakistan (50 million) together with grants for technical assistance to support countries' responses in the health sector and their provision of social protection for poor and vulnerable people. Finally, the World Bank has approved resources to support emergency response and health preparedness, including a USD104.4 million grant for Afghanistan, and loans of USD100 million for Bangladesh, USD5 million for Bhutan, USD 11 billion for India, USD77.3 million for Maldives, USD29 million for Nepal, USD200 million for Pakistan, and USD128 million for Sri Lanka.

infrastructure put in place by existing programmes. A challenge faced by most countries during the crisis response regards increasing coverage to the missing middle, mostly informal workers, who in theory are not protected by social insurance mechanisms or social assistance programmes (ILO 2020c).

Table 6 summarises the types of social protection interventions implemented in all 8 countries in South Asia. Dark Blue, in the table, refers to new temporary schemes that do not rely on existing programmes and green illustrates measures that involve existing programmes. As previously discussed, social protection measures implemented in response to the COVID-19 crisis can be classified into: 1) horizontal expansion with temporary increase of coverage; 2) vertical expansion through temporary top-ups or extending the duration of benefits; and 3) adaptation of existing programmes (for example, changing payment methods; changing delivery methods—school meals converted into take-home rations, or anticipation of payments) to the context of the pandemic and to social distancing constraints.

Table 6. Social protection policies adopted by governments in South Asia

	Social insurance and labour market			Social assistance				
Country	Employment protection	Contributory pensions	Support to self-employed workers	In-kind transfers	Cash transfer	Subsidies	Public works	Social support services
Afghanistan								
Bangladesh								
Bhutan								
India								
Maldives								
Nepal								
Pakistan								
Sri Lanka								

Note: The blue colour denotes a new temporary scheme and green a temporary expansion or adaptation of existing schemes. Employment protection wage subsidy (in the context of contract suspension, reduction in working hours and/or sick leave); and waivers/deferrals of rents/loans, subsidised credit for payroll including lowering or deferral of social security contributions. Contributory pensions include old age pensions or other insurance schemes. Support to self-employed workers includes lowering or deferral of social security contribution; subsidised credit; waiving/deferring rent payment, deferring loan payments; cash support to keep business afloat; and income tax deferrals. In-kind transfers include emergency, unconditional or conditional in-kind transfers. Cash transfers include emergency, unconditional and conditional cash transfers. Subsidies here are for food, housing, utilities bill, loan and credit. Public works initiatives may be implemented as cash-for-work or food-for-work initiatives. Finally, shelter services are the most common type of social support service identified. (See the Annex for a detailed classification of the type of intervention for each country.

Source: Authors' elaboration based on a mapping conducted by the IPC-IG (see Annex).

All countries have combined labour market policies—particularly employment protection through subsidised credit for payroll payment and support to self-employed workers (mostly subsidised loans)—with a variety of social assistance measures. Both emergency cash and in-kind transfers—mostly food transfers—have been used extensively, together with food and public utility subsidies. At least two of these measures have been adopted in all countries to alleviate the loss of livelihoods and income. These new schemes often use existing programmes, either through scaling up or adaptation, to allow for the inclusion of new temporary beneficiaries or the maintenance of existing support (for example, through adapting school feeding measures). Most of the emergency in-kind and cash transfers that used existing programmes to identify potential beneficiaries were constrained by the specific nature of the targeting of these programmes and their adequacy in terms of benefit amount. Not surprisingly, despite using social or beneficiary registries, many emergency cash transfer initiatives have also allowed individuals affected by the crisis, particularly informal workers, to apply through on-demand mechanisms, setting a benefit value higher than the regular cash transfer programmes to compensate for the loss of incomes and livelihoods due to the pandemic and response measures.

Social insurance and labour market responses

All countries in South Asia have implemented employment protection interventions to protect workers from being laid-off and/or compensate them for the loss of income. Some countries (such as India) have also adapted existing social insurance schemes to advance payment and facilitate withdrawal from provident funds. However, these schemes are restricted to formal sector workers. Not surprisingly, very few social insurance interventions were mapped compared to the labour market ones, with Afghanistan, Bangladesh, Bhutan Pakistan and Nepal not having introduced any social insurance responses to COVID-19 whatsoever.[37] Contributory pensions were expanded or adapted as of 31 July 2020 (India, Maldives and Sri Lanka). Maldives has modified pension delivery due to the pandemic, Sri Lanka has topped-up the Farmers' Insurance Scheme, which provides emergency transfers to registered farmers, and India has allowed workers to withdraw up to 75 per cent of their funds or three months' worth of their salaries from previous contributions (whichever is less) into the Employee Provident Fund. Note that the latter programme has been extended an additional three months and, despite being a temporary measure, may have lasting negative effects on retirement premia. Furthermore, to expand access to social insurance and ease the financial impact of the crisis on firms and on self-employed workers, India and Nepal have adopted measures to lower social security contributions. In India, for example, social security contributions for workers earning less than INR15,000 and for those employed at companies with no more than 100 employees were waived. The contributions of remaining workers were reduced by 10 to 12 per cent over the reference wage (see mapping in the Annex).

Employment protection measures have been implemented in all countries.[38] The most common measure can be classified as subsidised credit for payrolls (implemented in all countries, except for Afghanistan). These initiatives are meant to support businesses in paying employees' salaries and protect jobs, sometimes targeting specific industries, such as tourism in Bhutan and export-oriented businesses in Bangladesh. Other measures providing employment protection included Sri Lanka's wage subsidies in the form of loan payment deductions targeting public sector employees; interest-capped loans and temporary layoff benefits for those laid off due to COVID-19 in the Maldives;[39] and the State Bank of Pakistan Refinance Scheme to prevent layoffs (see mapping in the Annex).

Bangladesh, Maldives and Sri Lanka have created new initiatives to support self-employed workers. The most common measures targeting this group are subsidised credits, adopted in Bangladesh (refinancing scheme for micro entrepreneurs, farmers and professionals in the lower income quintiles) and in Maldives (interest capped loans for freelancers and self-employed workers). Note that those working in the informal sector may be eligible for these initiatives, as they may classify as 'self-employed'. Other measures include Sri Lanka's moratorium on lease instalments for self-employed workers, including motorists and certain vehicle owners (see mapping in the Annex).

Social assistance responses

Social assistance initiatives can be created, expanded or adapted to cover those who are unable to contribute to social insurance schemes. Note that, before the pandemic, groups who were not deemed to be poor or vulnerable enough would not be targeted by social assistance—the 'missing middle' (ILO 2020c). All countries included in this analysis have implemented new schemes or expanded or adapted existing social assistance initiatives to respond to the COVID-19 pandemic. Most of these measures are currently planned to be temporary. Sri Lanka, India, Pakistan and Bangladesh have introduced temporary cash transfers that are expansions or adaptations of existing social assistance programmes, implying both vertical and horizontal expansions (see mapping in the Annex).

37. Many countries have introduced health insurance for health workers as a response and as an incentive for health personnel directly involved in the fight against the pandemic. In Afghanistan, a cash transfer was introduced to cover the descendants of public health care workers.

38. Note that the information on employment protection in Afghanistan was often based on announcements and sometimes not transparent enough for a clear distinction between employment protection and public works programmes in the country.

39. Note that these layoff benefits should not be regarded as unemployment benefits. For more details on Maldives, see the Annex.

Cash-transfers, subsidies and in-kind transfers were the most widely-implemented initiatives and most cash and in-kind transfers could be classified as emergency transfers.[40] India was the only country that has modified a **conditional** in-kind transfer, notably by vertically expanding the UJAWALA (PMUY) programme to also deliver free LPG cylinders to eligible women with no gas connection, forest and river island dwellers, certain tribes and other vulnerable groups. An example of an in-kind transfer that is not paid for—but facilitated—by the government is Pakistan's *Ehsaas Rashan* portal, a donor-beneficiary linking system that is used for the distribution of ration packages (see mapping in the Annex).

The groups targeted by the main social assistance interventions vary according to national priorities. **Cash transfers** mainly target informal workers (Pakistan and Sri Lanka), formal workers (Maldives and Bhutan), poor people (Bangladesh, Pakistan, Sri Lanka and Afghanistan), and other vulnerable groups depending on national priorities, such as internally-displaced persons (IDPs) (Afghanistan) and the elderly (Sri Lanka and India). **In-kind transfers** currently target informal workers (Nepal), poor people (Afghanistan and Sri Lanka) among other groups which vary by country (such as refugees in Bangladesh and IDPs in Afghanistan). Children are targeted through the adaptation of school feeding or nutrition programmes (Bangladesh, Bhutan, India and Sri Lanka). All countries have made use of **subsidies**, mostly related to food and/or public utilities, but there has also been waivers of interest payments and debt moratoriums. Subsidies were either universal or employed some level of targeting based on consumption levels. **Public works programmes** targeted informal workers (Afghanistan and Pakistan), formal workers (Afghanistan and Bhutan) and poor people (Pakistan). Finally, **social services** were often provided as housing services for homeless people (Afghanistan and Maldives) (see mapping in the Annex).

Implementing the social protection response: targeting, coverage and adequacy

As part of the social protection response to the pandemic, countries in the region have had not only to adapt existing eligibility criteria, but also adopt new targeting mechanisms and registration instruments (ILO 2020c). Table 7 presents the target groups of social protection responses to COVID-19. As illustrated in Figure 19, emergency enrolment campaigns—whether in person or remotely, using some form of information and communication technology (ICT)—have been used to register beneficiaries during the pandemic. Considerable efforts have been made in the region to target the informal sector, as all countries include at least one social protection response targeting this group. Initiatives that seem to have been planned to target informal workers—whether through explicit targeting or programmes aimed at the entire labour force, the self-employed or the poor—predominantly employed in-person or remote emergency enrolment campaigns, social registries, and other datasets from existing programmes (see mapping in the Annex). Note that, given the lack of mechanisms to reach informal workers and other groups within the 'missing middle' before COVID-19, initiatives building on existing social registries may encounter similar coverage issues. However, the social protection response does attempt to address this problem, which will be further discussed in Chapter 3.

Furthermore, while all countries have spent some effort into expanding social protection coverage during the COVID-19 outbreak, the estimated coverage of individual programmes varies considerably depending on the nature of the response. Price subsidies tend to be implemented on a larger scale, reaching significant parts of the population when designed to be universal. Estimates of price subsidy coverage range from 49.7 per cent (electricity discount to households in Nepal) to over 95 per cent in Maldives (price subsidies for water and electricity) and near 100 per cent in Sri Lanka (price ceilings for essential food products). Regarding other types of initiatives, cash and in-kind transfers are vary considerably in terms of coverage, mainly depending on the scope of the initiative (e.g. regional or national focus, narrow or broader targeting criteria). National cash transfer coverage estimates vary from less than one per

40. We regard emergency transfers as temporary measures due to the COVID-19 pandemic.

cent (financial assistance to returnees in Afghanistan)[41] to over 50 per cent (*Ehsaas* Emergency Cash Scheme in Pakistan) of the country population. *Ehsaas* coverage represents both pre-existing beneficiaries (5 million households) and new temporary, 'horizontal' beneficiaries (up to 11.9 million additional households).

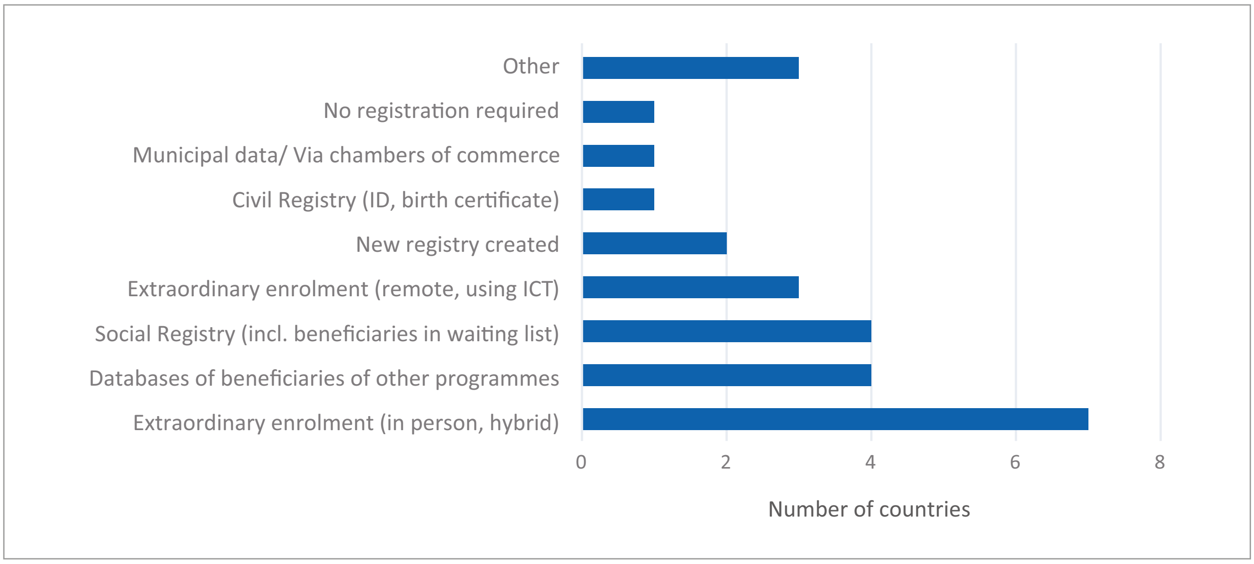
Table 7. Main target groups of social protection responses to the pandemic in South Asia

Countries	Informal workers	Formal workers[42]	Poor people	Children	Women	Elderly people
Afghanistan	X	X	X			
Bangladesh	X	X	X	X		
Bhutan	X	X		X		
India	X	X	X	X	X	X
Maldives	X	X	X			X
Nepal	X	X	X			
Pakistan	X	X	X			
Sri Lanka	X	X	X	X	X	X

Note: These target groups do not imply that other groups cannot indirectly benefit from the social protection response to the pandemic, even if they are not targeted explicitly.

Source: Authors' elaboration based on mapping in the Annex.

Figure 19. Most common application and registration mechanisms



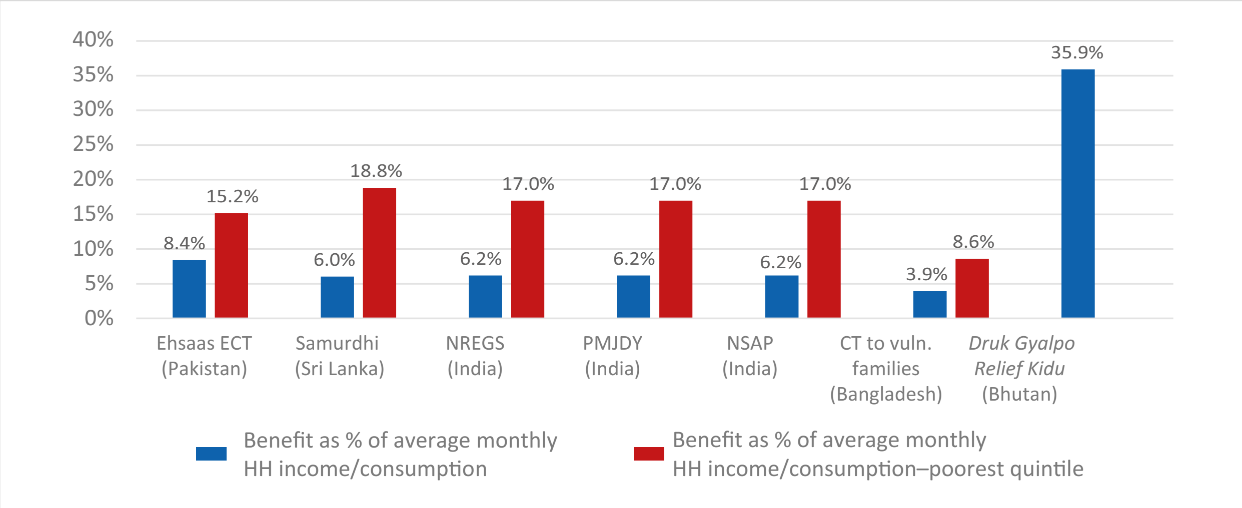
Note: 'Other' includes the creation of an online portal to match donors and potential beneficiaries (Pakistan) and registration through water and electricity providers (Afghanistan).

Source: Authors' elaboration based on mapping in the Annex.

41. Note that this may change with the recent introduction of the REACH programme and the vertical expansion of the Citizens' Charter Afghanistan Project (CCAP) (World Bank 2020c; World Bank 2020b).

42. This does not imply that all types of workers in the formal sector are targeted.

Figure 20. Benefit values of the main social assistance and emergency cash transfer programmes in response to COVID-19 in South Asia



Source: Arruda et al. (2020). Results obtained using income data, with the exception of India, Nepal and the poorest quintiles in Bangladesh and Bhutan, where consumption data was used instead.

Emergency cash transfers and social assistance schemes that were expanded in light of COVID-19 that were identified in the mapping offered benefit values that varied according to household income in the region.[43] Figure 20 highlights some of the main large-scale cash transfer programmes in South Asia at the centre of the COVID-19 response, and estimates the average monthly values of the different programmes as both i) a fraction of average monthly household income and ii) a fraction of the average monthly income of households in the poorest income quintiles. Most assistance interventions provide benefit values comprising less than 10 per cent of the average monthly income, and less than 20 per cent of the average monthly income of the poorest income quintile, except for the *Druk Gyalpo Relief Kidu* programme in Bhutan. Overall, the figure highlights the rather low monetary values of benefits introduced in South Asia as part of the COVID-19 policy response.

3. CHALLENGES AND POLICY RESPONSES FOR SOCIAL PROTECTION

3.1 Social protection before COVID-19: social assistance, social insurance and the 'missing middle'

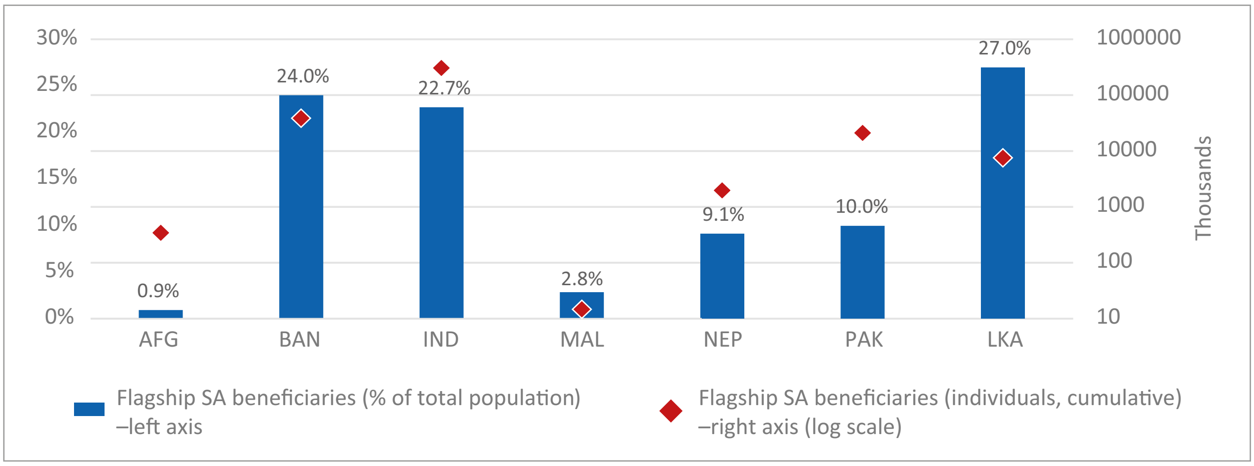
Much of the social protection policy response to the COVID-pandemic 19 has revealed the difficulties faced by policymakers in reaching households and individuals that had no prior access to (or coverage from) either social assistance or social insurance programmes. As reported by UNICEF ROSA (2020), targeting mechanisms of social protection responses to the health crisis are likely to exclude informal workers and other middle-income households in vulnerable working conditions, with responses that build on existing programmes being particularly ill-suited to adequately reach households that were previously excluded from social protection systems. In addition to coverage gaps, there are also issues related to the accuracy of poverty targeting of different flagship social protection initiatives in South Asia, with certain programmes from before the outbreak having have exclusion errors as high as 73 per cent (ibid.). In this section, we look at social protection coverage prior to COVID-19 to better understand existing gaps in social protection systems.

43. In calculating the percentages of average national household income and average wage income of the poorest quintiles in each country, one-off benefits were divided by four to obtain a monthly value over a four-month period, unless specified otherwise by a national source.

Social assistance

Non-contributory social protection programmes (or social assistance) are the main government policies supporting the broadest scope of households in South Asia and, in the context of programmes targeting poverty, such policies reach the poorest and most vulnerable people. Figure 21 presents estimates of the sum of individual beneficiaries of the flagship social assistance programmes that support households and are not contingency-specific (Arruda et al. 2020). Programmes depicted include cash and in-kind transfers, (non-school) food delivery schemes, cash-for-work programmes and non-contributory old age pensions. Total individual beneficiaries are presented both in absolute terms (right axis) and as a percentage of the total population (left). The estimated number of individual beneficiaries ranges significantly, from 0.9 per cent of the population in Afghanistan to 27 per cent in Sri Lanka (ibid.). There are two caveats to be mindful of when analysing these data. First, since most estimates are based on individuals covered, in practice the actual coverage will be higher once other household members indirectly benefitting from the programme are also factored in.[44] For example, coverage of the main cash-for-work (NREGS) and food delivery (TPDS) programmes in India are calculated based on individual workers and cardholders, respectively, comprising an estimated 70.8 million and 190 million individuals, respectively. However, these programmes will mostly likely also benefit other household members, which means that the total number of beneficiaries is probably significantly larger. Furthermore, because the estimated number of beneficiaries is the sum of different programmes, estimates do not consider that some beneficiaries will receive more than one programme.[45] More detailed data and analysis are needed regarding the prevalence of households that benefit from multiple social assistance programmes in countries of the region. Still, information on total individual beneficiaries provides a useful overview of the extent of coverage of social assistance and safety nets.

Figure 21. Total individual beneficiaries of flagship social assistance programmes in South Asia



Source: Arruda et al. (2020). Flagship social assistance includes large scale (national) cash transfers, in-kind, (non-school) food delivery and cash for work programmes, and non-contributory old age pensions.

Social insurance

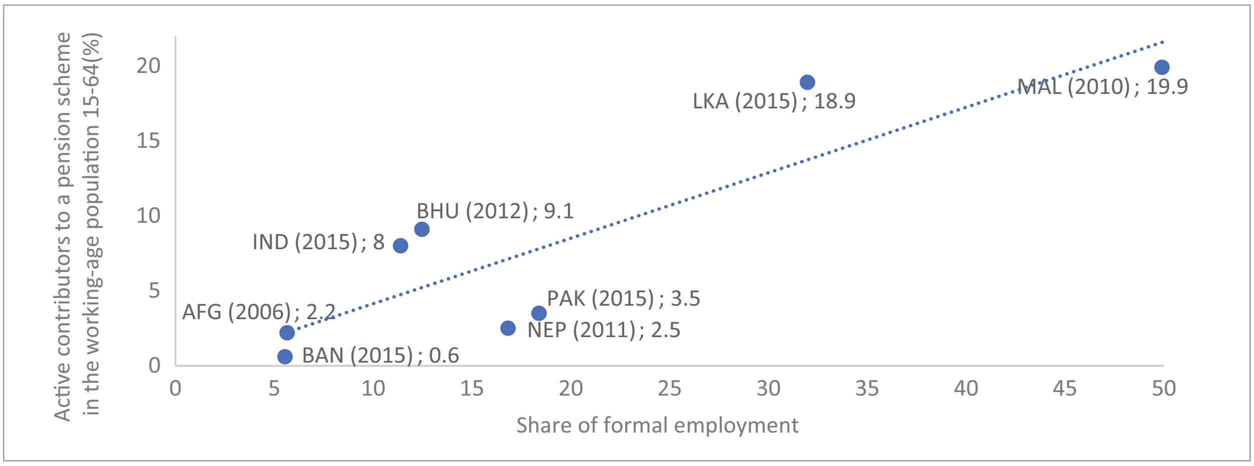
While many poor and vulnerable households rely on targeted social assistance and safety net programmes, these often provide insufficient coverage, especially for workers who are marginally non-poor and thus excluded

44. While most programmes are measured according to the number of individual beneficiaries, there are two exceptions: *Ehsaas Kafaalat* in Pakistan (4.5 million households) and *Divineguma* (Samurdhi) in Sri Lanka (1.7 million households). For these two programmes, the estimation of individual beneficiaries was obtained by multiplying the total number of households by average household size.

45. Because of these two opposing reasons, the direction of the net bias is unclear.

from poverty targeting criteria. Besides limited coverage, the benefit values of social assistance programmes are generally not large enough to support and sustain households in the advent of larger shocks. Contributory and semi-contributory social insurance schemes have the potential to improve both coverage and adequacy dimensions to strengthen social protection frameworks. Before the outbreak of COVID-19, the social protection landscape in South Asia was broadly characterised by low levels of access and coverage to social insurance schemes. Figure 22 shows the estimated percentage of the working-age population (15-64) who contribute to pension schemes for the latest available year. Contribution rates range from 0.6 per cent in Bangladesh to 19.9 per cent in the Maldives, while pension contribution is strongly correlated with the estimated share of formal employment in the different countries.

Figure 22. Active contributors to pension schemes as a share of the working-age population (15-64 years old)



Source. ILO Social Security Indicators and ILO (2017).

Low levels of social insurance contribution in South Asia, particularly among informal and self-employed workers, is a challenge for the majority of the population who lack access to insurance programmes that are available either to public sector workers and/or to high-income earners in the formal private sector. Governments in the region should consider innovative ways to incentivise gradual formalisation in South Asian countries to increase social insurance coverage among workers from low- and middle-income households.[46] Other tools that are largely missing in South Asia include voluntary and semi-contributory insurance schemes open to informal and self-employed workers.

Insurance schemes for informal and self-employed workers in South Asia

This sub-section provides an overview of some of the main (semi-)contributory insurance schemes available to informal and self-employed workers in South Asian countries. While such schemes are very sparse, there are however relevant examples documented in India and Sri Lanka. Sri Lanka has three different voluntary schemes: the Farmers' Pension and Social Security Benefit Scheme (FMPS), with 959,254 contributory members and 90,573 pensioners in 2011-12; the Fishermen's Pension and Social Security Benefit Scheme (FSHPS) with 68,054 contributors and 2,185 pensioners (2012); and the Pension and Social Security Benefit Scheme for Self-Employed Persons (SPPS), with 443,393 contributors and 13,323 pensioners in 2012 (ILO 2016). While the first two schemes are targeted at farmers and fishermen, the SPPS has a broader scope and targets low-income, self-employed workers who by default fall

46. One of the few initiatives recently introduced in South Asia to incentivise increased formalisation and social insurance, the *Pradhan Mantri Rojgar Protsahan Yojana* (PMRPY) was a programme that ran between 2016 and 2019, through which the Indian Government temporarily subsidised employers' social insurance contributions to low-income employees who were not previously enrolled in social security. Over 10 million workers were enrolled under the PMRPY into the Employee's Provident Fund Organisation (EPFO) (Government of India 2019).

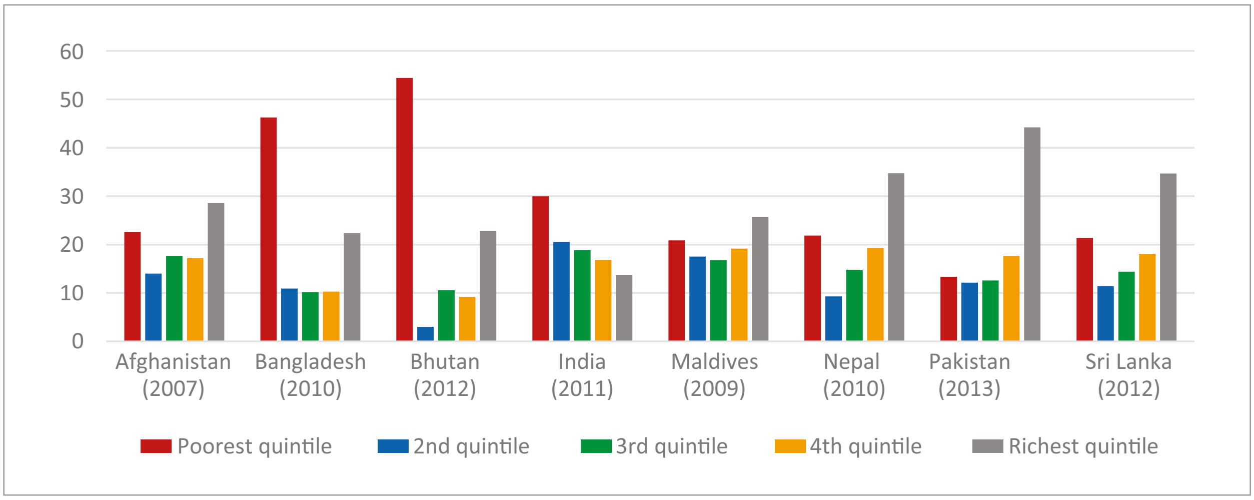
in the informal sector. Upon reaching the age of 60, members of the different schemes become entitled to receive a pension, whose amount depends on the age of the contributor, the period of contribution and the total amount contributed (ibid).

India has recently implemented voluntary pension schemes for informal and self-employed workers. In 2015, the Government launched the *Atal Pension Yojana* (APY), a pension scheme for largely uncovered workers in the informal sector, which explicitly excludes contributors to statutory social security schemes and income taxes. Under the APY, the central government co-contributes with 50 per cent of the subscriber's contribution, while state governments can also co-contribute to individual accounts. The subscribers of APY would receive a minimum pension of between INR1000 and INR5000 per month at the age of 60, according to their contribution history (Ahsan 2016). Another programme offered by the Government of India is the Public Provident Fund (PPF), a saving scheme which aims to provide social security during retirement for workers in the unorganised sector and for self-employed individuals. Unlike the APY, the PPF is also open to employees that contribute to other compulsory schemes (Pension and Development Network n.d.).

Reaching the missing middle

A key challenge faced by policymakers while devising responses to COVID-19 has been reaching households that had not been previously covered by social protection schemes. One group that is particularly vulnerable to the economic ramifications of the crisis is the 'missing middle'. Providing estimates of social protection coverage of the 'missing middle' is difficult without access to quality household data, with good information on both informal workers/ employment and social protection distribution as per household per capita income or expenditure. Available data for South Asia indicate that households in the middle of the income distribution tend to be excluded from overall social protection coverage. Figure 23 presents the benefits incidence of all social protection and labour market polices, according to pre-transfer income quintiles from the World Bank's ASPIRE database. It shows that across most South Asian countries, social protection and labour market programmes tend to have a relatively larger incidence among the poorest and richest quintiles compared to households in the middle three quintiles, which means that households in the middle of the income distribution tend to be less likely to access, or benefit from, social protection schemes. This pattern is clearest in Afghanistan, Bangladesh, Bhutan, Nepal and Sri Lanka, but less so in the data from India (smoother progressive incidence) and Pakistan (smoother regressive incidence).

Figure 23. Benefit incidence (quintiles) for all social protection and labour market polices, by pre-transfer income



Source: World Bank ASPIRE Database.

Despite data constraints, there are strong signs that the 'missing middle' across South Asian countries is a stylised fact. Households in the 'missing middle' engage mostly in informal employment, which is why they are particularly difficult to reach through initiatives put in place to support livelihoods during the crisis using only existing programmes, since these programmes offer protection to the extremes of the income distribution. Such households are therefore particularly vulnerable to the COVID-19 shock: in addition to being disproportionally affected by lockdown measures, informal workers in the 'missing middle' are often inadequately supported by existing social protection responses (see the discussion in Section 1.2), despite all countries making deliberate efforts to reach this group, as portrayed in Table 7.

3.2 Policy strategies to strengthen social protection systems

Considering these reflections on South Asia's 'missing middle', this section proposes key policy strategies to strengthen social protection systems to better equip households with social protection frameworks, shielding as many as possible from future risks.

Strategy 1: Providing emergency social assistance and expanding social protection floors

The COVID-19 pandemic has underscored the increased urgency for countries to implement broad-coverage social protection floors to mitigate country-wide shocks, so as to quickly and efficiently provide assistance to households in need. Policies such as universal child grants and extending social assistance to non-poor, unprotected informal workers have gained traction among policymakers in light of the crisis, given their potential to effectively cover broader segments of the population and reach the 'missing middle'.

Focusing on workers in the informal economy, the ILO has emphasised the troubling consequences of insufficient coverage and efficiency gaps in social protection (ILO 2020a). The crisis has accelerated the need for reform, and has compelled many governments to temporarily extend social protection to uncovered groups by introducing extraordinary measures and legislation, particularly in the areas of (paid) sick leave, unemployment, and social assistance benefits, including cash transfers and food support. Moving forward, countries should carefully consider converting temporary emergency measures into long-term components of social protection floors.

For emergency social protection to be effective and cover as many people as possible in low- and middle-income countries, complementary steps need to be taken to allow for effective policy responses, such as expanding universal IDs, unifying social registries, and improving the access of poor and vulnerable populations to finance and bank services. The response of many countries to the COVID-19 outbreak and the rapid establishment of online registration platforms and innovative payment schemes have demonstrated that the technology to increase coverage (and efficiency) of social protection programmes is available and does not need to be overly complicated. Cross-checking databases and improving their interoperability can be more effective as a replacement for proxy means testing methods, which are insensitive to shocks—whether idiosyncratic or covariate—and which generate exclusion errors by the very nature of the probabilistic model that underpins them.

Strategy 2: Extending social insurance to informal and self-employed workers

In the current crisis, the provision of social insurance and employment protection to workers employed in sectors negatively affected by COVID-19 has been a crucial channel through which social protection policies have effectively reached workers that have been laid-off or unable to work after lockdown measures were adopted. However, in countries with large informal sectors, employment protection schemes often fail to reach those in need, as they are predominantly reserved for workers in the formal sector. As noted in by the ILO, the health crisis has "laid bare the vulnerabilities of the millions who earn a livelihood in the informal economy, and serves as a reminder of the crucial need to make the transition from the informal to the formal economy a priority area in national policies" (ILO 2020a).

An important concern for policymakers in the aftermath of the pandemic is to promote formalisation to reduce the risks of future conjectures and employment shocks. One way this can be accomplished is through social insurance schemes for self-employed workers that are neither covered by social assistance nor contribute towards social insurance schemes. Although there are many challenges in covering self-employed workers with social insurance schemes, various steps can be taken to increase coverage. One example is opening contributory social insurance accounts to self-employed workers, which can be supported through public financing.

Another possible improvement would be for employers to contribute towards the social insurance of 'fake' self-employed workers who are actually hired under informal employment arrangements. Yeyati and Sartorio (2020) note that a large proportion of independent (own account) work involves cases in which firms or employers misclassify what should otherwise be an employment relationship as a relationship between a firm and an independent contractor, to avoid taxes and regulations. To address this loophole, high-income countries have increasingly expanded social protection to individuals in this situation. To that end, employers that hire workers on a semi-dependent basis—denoting a situation in which a certain minimum percentage of the worker's annual income comes from a single client, e.g. over 50 or 80 per cent—would have to pay (employer) social insurance contributions to the worker.

There are many challenges involved in extending greater social insurance coverage to informal workers, particularly in low- and middle-income countries.[47] These are essential steps for the protection of vulnerable workers from future risks and the preservation of their households' livelihoods. Expanding social insurance to informal workers can play a key role in building social safety nets that are resilient to future shocks, especially in developing countries.

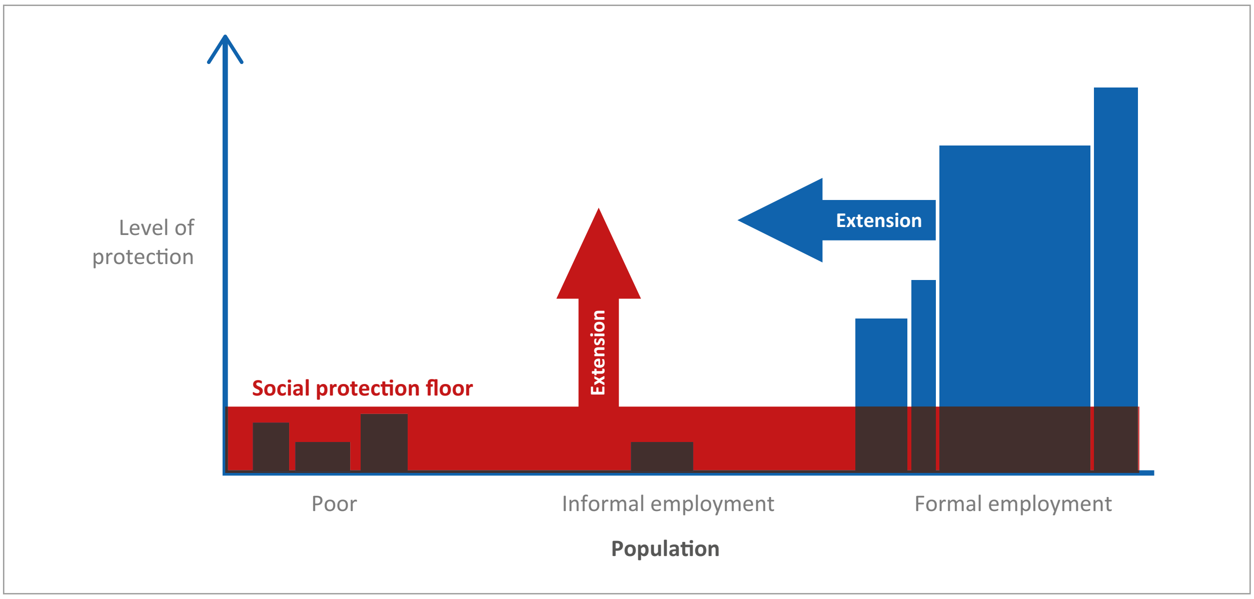
CONCLUSION: Combining social protection floors with the expansion of (semi-) contributory social insurance schemes

Strategies 1 and 2 highlight the double approach that is needed to build broader and more resilient social protection systems that are able to mitigate the impacts of future shocks and crises, which are most likely to disproportionately affect vulnerable and informal workers. The ILO has been advocating a two-track social protection strategy based on extending social protection, independently of employment status, through social protection floors—relying on general tax revenue—and extending social protection through formalisation, i.e. by shifting workers and firms from informal towards formal employment arrangements. In both cases, the objective is twofold: increase the level and quality of protection for the missing middle and avoid exclusion errors typical of narrow poverty-targeted programmes. Figure 24 depicts how both non-contributory and contributory social protection need to expand their levels of protection for informal workers in the missing middle and their families. (Semi) contributory schemes need to be adapted to the reality of informal workers and develop ways to diversify the collection of contributions, as well as improve their coverage of contingencies so that (potential) contributors, particularly women, will have the right incentives to contribute.

The importance of universal or quasi-universal programmes—including child grants—cannot be minimised, even when different strategies are available to include informal workers into (subsidised) contributory schemes. In particular, the packages proposed to these workers tend to cover fewer branches (and related contingencies) of the minimum social security guarantees as defined in the ILO Convention 102 on Social Security. Family/child allowances are rarely part of the 'simplified' packages for informal workers, which reveals their inadequacy in protecting women and children, from an income security viewpoint. Moving forward, policymakers should consider solutions to expand social protection floors and extend social insurance schemes, and, in doing so, assess how social assistance and social insurance programmes can operate in unison to reach uncovered and vulnerable groups, while providing adequate support for different contingences in a complementary manner.

47. Central issues for policymakers include: lack of knowledge of social insurance and pensions among the population; strict criteria in terms of contribution requirements, vesting policies and requirements on governance structures; low financial affordability and financial savings; high default rates; administrative costs, particularly costs of collection in rural or remote areas can be very high; and fragmentation of existing programmes, which only cover a fraction of the informal population (Ahsan 2016).

Figure 24. Strategies for the expansion of social protection coverage for workers in the informal economy



Source: ILO (2019, Box 1.11).

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ANNEX—MAPPING OF SOCIAL PROTECTION MEASURES IN RESPONSE TO COVID-19, BY COUNTRY

	Social insurance and labour market measures		
Country	Employment protection	Contributory pensions	Support to self-employed workers
Afghanistan	Tax exemptions on jobs and small business		
Bangladesh	Subsidised loans to pay salaries (export-oriented firms)		Subsidised loans/refinancing schemes for low-income self-employed workers and small businesses
Bhutan	Subsidised loans to finance working capital, including payroll (tourism-related firms)		
India	Deferring and/or subsidising payment of provident funds	Allowing anticipated withdrawal from provident fund	
Maldives	Subsidised loans to finance working capital, including payroll	Use of digital means (e.g. live chat, direct message on Facebook and twitter, e-mail, Viber) to provide information, assistance, and submission of documents	Subsidised loans to support self-employed workers and freelancers
Nepal	Deferring and/or subsidising payment of several provident funds Subsidised (refinancing and new) loans to finance working capital, including payroll. For most affected sectors (tourism)		
Pakistan	Subsidised loans to pay salaries (support employment and avoid layoffs)		
Sri Lanka	Subsidised (refinancing and new) loans to finance working capital, including payroll. For exported-related business and SMEs	Top up for Farmers and Fishermen's Insurance Scheme	(i) Moratorium on lease instalments for self-employed workers, including owners of three-wheelers, trucks, school buses and vans, and self-employed motorists; (ii) subsidised (refinancing and new) loans to self-employed workers, businesses and individuals who have lost their jobs or incomes due to the pandemic.

Country	In-kind transfers		Cash transfer		Subsidies	Public works programmes	Social support services
	Social assistance						
Afghanistan	Food transfers to households under the CCAP	Food aid distribution to poor people, IDPs and returnee migrants	Cash transfers to households under the CCAP	Emergency cash transfers for IDP and returnees	Temporary waiver for electricity and water bills	Employment opportunities	Shelter for homeless drug addicts
Bangladesh	(1) Adaptation of the school feeding programme, with home delivery of fortified biscuits to most deprived children; (2) food distribution in urban areas (LIUPCP); (3) food assistance for refugees; (4) coverage expansion of existing food distribution programmes		(1) cash-for-food in urban areas (LIUPCP); (2) increased coverage of existing cash transfers for elderly and disabled people	Emergency cash transfers to families whose livelihoods were affected by the pandemic	Increasing the number of families with access to subsidised food prices (mostly rice)		
Bhutan	Adaptation of the school feeding programme, allocating take-home rations collected by parents from schools to the 10,000 most vulnerable students		Emergency cash transfers for those placed on unpaid leave, under reduced hours/pay, self-employed workers who lost earnings, and returnees		Waiver of interest on all personal loans.	Employment support scheme for employees in the tourism and hospitality sector, but also for other sectors: temporary jobs during the pandemic	
India	(1) Adaptation of the school feeding programme with home delivery of food baskets; (2) free gas cylinders (PMUY)	Free meals for the homeless, beggars and destitutes	(1) Emergency cash transfers for PMJDY beneficiaries; (2) anticipation and top-up of National Social Assistance Programme benefits; (3) anticipation and top-up of PM-Kisan cash transfer programme to marginal farmers		Increasing the number of families with access to subsidised food prices, particularly in urban areas, through PDS and AAY	Increase in MGNREGA minimum wage	
Maldives			Emergency cash transfers (income support allowance) for workers that have been laid-off, under reduced hours/pay, earnings affected (self-employed/freelancers)		(1) Electricity and water bill subsidies, (2) diesel price reduction, (3) food price control, (4) debt moratorium		Temporary shelters for homeless people

	Social assistance							
Country	In-kind transfers		Cash transfer		Subsidies		Public works programmes	Social support services
Nepal	Food aid distributed to informal workers				(1) Electricity and internet and data package discounts, (2) waiver for payments in arrears for public utilities, (3) discount on food prices			
Pakistan	(1) Distribution of cooked meals, (2) food assistance through the local administrative infrastructure of the National Rural Support Programme (NRSP)	*Ehsaas* Ration Platform, connecting donors to beneficiaries of food rations	(1) Emergency cash transfers (top up) for *Ehsaas Kafaalat* beneficiaries; (2) cash assistance through the local administrative infrastructure of the NRSP	Emergency cash transfers for vulnerable households and/or those who have lost their livelihoods and do not benefit from *Ehsaas Kafaalat*	Food subsidy through utility stores	(1) Electricity and fuel price subsidies, (2) deferral in the payment of public utilities	Daily wage earners earn money by planting trees	
Sri Lanka	(1) Adaptation of the Thriposha programme from take-home of nutritious food packs to home delivery; (2) essential food item transfers to *Samurdhi* beneficiaries	Essential food item transfers to vulnerable households	Emergency cash transfers for those in the waiting list of all cash transfer programmes: *Samurdhi*, senior citizens' allowance, disability allowance, kidney diseases allowance—and temporary top up for *Samurdhi* and senior citizens' allowance beneficiaries	Emergency cash transfer for self-employed workers, unemployed graduates and pre-school teachers	Food subsidy through price ceilings			

Afghanistan

Current pandemic situation

Afghanistan reported its first case of COVID-19 on 24 February 2020 (Qadir Sediqi and Karimi 2020). As of 31 July, Afghanistan had 36,542 confirmed cases and 1,271 confirmed deaths from COVID-19 (Beltekian et al. 2020). As of 9 July, 10 per cent of confirmed cases were among health care professionals (Relief Web 2020). Obstacles that the Government of Afghanistan currently faces in addition to the pandemic include ongoing armed conflict, a fragile health care system, internal displacement, lower inflow of remittances due to migrants' job losses abroad and the large influx of returnees, and the impacts of the flood season, which coincided with the onset of the health crisis (World Bank 2020a). Further, given a pre-COVID-19 estimate that about half of the national population was already below the national poverty line (UNICEF Afghanistan, MoLSA, and IPC-IG (2020, forthcoming), it is no surprise that the humanitarian sector currently estimates that 34 per cent of the national population will be food insecure between June and November 2020 and that 93 per cent are currently living below the poverty line of USD2 per day (IPC 2020; UN OCHA 2020).[48]

The response of the Government of Afghanistan to COVID-19 included imposing several social distancing measures, including a lockdown in several cities, such as Kabul and Herat, urging people to pray at home and avoid gatherings, and closing education facilities and all services not deemed essential (Relief Web 2020). An Emergency Committee for the Prevention of COVID-19 was also created to discuss and coordinate the response to the pandemic. While social distancing measures were eased on 28 May, the government announced on 6 June that the lockdown would be reinstated for an additional three months, although the economy is slowly reopening nevertheless (UN OCHA and WHO 2020b; IMF 2020).

To fund the response of Afghanistan's health system, the World Bank approved a USD100.4 million grant in April (World Bank 2020). An additional USD400 million was granted by the World Bank in May to support Afghanistan's economic reforms and to mitigate the impacts of the pandemic on the country (World Bank 2020b). Additional financial support from the international community includes over USD18 million from the United States for certain types of health expenditures, USD220 million under the IMF's Rapid Credit Facility and a total of around USD300 million that ought to be spent via the UN and NGOs, donated by the World Bank (USD100 million), Asian Development Bank (USD40 million) and the European Union (USD129 million) (UNDP Afghanistan 2020).

At the onset of the crisis, President Ghani emphasised that the Government of Afghanistan should take a leading role in coordinating efforts domestically and together with international institutions (Islamic Republic of Afghanistan 2020g). The government response so far has included draft budget amendments submitted to the legislative branch to allocate around AFN21 billion—or 1.4 per cent of GDP—for social policies mitigating the impact of COVID-19. The current plan is to spend two per cent of GDP on the emergency response: one-third of this expenditure will be dedicated to health care (IMF 2020). Part of the government's response also entailed delegating authority to provincial governors by transferring funds and giving them autonomy over the province-level responses to COVID-19. The funds allocated to each province vary between AFN500 and AFN20 million, as reported by various sources (Mahboobi 2020; Haidari 2020; BBC News 2020a; Bakhtar News 2020; Islamic Republic of Afghanistan 2020; 2020b; 2020c; 2020d; 2020e).

Mapping of social protection responses

As of 29 July 2020, the Government of Afghanistan announced and implemented a variety of social protection initiatives to respond to the socioeconomic consequences of the COVID-19 pandemic. Nonetheless, next to the State,

48. Note that the poverty estimates used in this report for Afghanistan before and after the onset of the pandemic are based on the regional average for South Asia and we refrain from explicitly discussing the different estimates for this country (see Section 1.3).

the humanitarian sector also plays a major role in the country's social protection response, with a variety of additional initiatives that are not included in this mapping (UN OCHA 2020). Further, the international organisations that form part of the Humanitarian Cluster have reviewed Afghanistan's Humanitarian Response Plan in June, establishing the need to gather USD1.1 billion to fund a social safety net for 11.1 million Afghan citizens found to be below the poverty line of USD2 PPP (2011) per capita per day and suffering from food insecurity (UN OCHA 2020).

Prior to the easing of lockdowns and other social distancing measures, the pandemic had also influenced access to existing social protection programmes. The circulation of UN agencies and NGOs, as well as the working hours of public workers and banks have been reduced, and the services provided by the website necessary for pension applications were temporarily interrupted (UN OCHA and WHO 2020a; UNICEF Afghanistan, MoLSA, and IPC-IG 2020, forthcoming). Note that this interruption was quickly resolved before the lockdown ended (communication with UNICEF Afghanistan) and that the working hours of government and NGO staff were adjusted to maintain social distancing.

Social assistance

A variety of government-led initiatives were created to serve as the social protection response to the pandemic. In coordination with the humanitarian and private sectors, the Government of Afghanistan provided emergency in-kind transfers (mostly food items) to different vulnerable groups in Afghanistan. Under the National Plan for the Distribution of Baked Bread, poor families receive bread through bakeries and civil society (Islamic Republic of Afghanistan 2020g). Beneficiary families were granted a card to receive up to ten loafs of bread (Ministry of Refugees and Repatriations 2020). The president has also announced the creation of a database to better monitor bread distribution (Islamic Republic of Afghanistan 2020h). Different sources suggest different coverage numbers for this project, ranging from 106,116 families to 1,115,000 individuals and more than 311,000 families in Kabul alone during the programme's first 40 days (Islamic Republic of Afghanistan 2020f; Ministry of Refugees and Repatriations 2020; Ansar 2020). Further, UNDP Afghanistan (2020) estimates that over 100 million loafs of bread have been distributed.

The REACH programme, supported by the World Bank, has recently been announced. Building on existing community and institutional structures for its implementation, this programme relies on both the World Bank and the Government of Afghanistan to provide temporary relief to around 2.7 million households. Benefits will include in-kind transfers, although cash transfers may be introduced at a later stage. Most households below the USD2 poverty line are described as the target group (World Bank 2020d). Furthermore, the World Bank is also repurposing USD100 million from its Citizens' Charter Afghanistan Project (CCAP) to provide cash transfers to about 90 per cent of households under the project (World Bank 2020c). The REACH programme, on the other hand, is planned to target households currently not covered by the CCAP (World Bank 2020d).

Other emergency in-kind transfers have targeted the poor, but also IDPs and returnees (Ministry of Refugees and Repatriations 2020). These included the distribution of wheat to poor families, based on an emergency enrolment campaign and the identification of those in need through the COVID-19 Emergency Committee. This Committee identifies beneficiaries through local communities, namely Community Development Councils, community leaders and other representatives. This does not require IDs or Tazkira (based on communication with UNICEF Afghanistan). Different sources suggest that some of the in-kind transfers were delivered to elected officials or community representatives to then be distributed to eligible families, while others state that in-kind transfers were delivered through pick-up points (based on communication with UNICEF; Ministry of Refugees and Repatriations 2020). Benefits mainly included wheat grain or flour, cooking oil and rice (BBC News 2020b; Ministry of Refugees and Repatriations 2020). Note that the BBC reported complaints from beneficiaries that these in-kind transfers were not enough to feed an entire family and that the wheat in particular was inadequate for consumption (BBC News 2020b). Further, Emergency in-kind transfers to IDPs and returnees were recorded by the Ministry of Refugees and Repatriation (MoRR). The Department of Immigration Affairs, as well as international organisations such as the World

Food Programme (WFP) led the distribution of these transfers. Beneficiaries were probably identified via on-demand registration, often facilitated by these international organisations, and received the in-kind transfers through pick-up points. Some of these transfers were distributed under the umbrella of the United Nations High Commissioner for Refugees (UNHCR)'s Programme for People with Specific Needs (Ministry of Refugees and Repatriations 2020). Altogether, these in-kind transfers to poor people, IDPs and returnees reached around 290,000 families (BBC News 2020b; Ministry of Refugees and Repatriations 2020).

Emergency cash transfers were also implemented by a variety of actors, mainly the MoRR, including its Department of Immigration, and international organisations such as the Danish Refugee Council (DRC), WFP and International Organisation for Migration (IOM). These transfers targeted primarily IDPs and returnees from Iran and, added together, they did not cover even one per cent of the Afghan population (Ministry of Refugees and Repatriations 2020). In addition, the Martyrs and Disabled Pensions Programme (MDPP) was expanded horizontally to provide an unconditional cash transfer to more beneficiaries: It was announced in April that health care workers from public hospitals would receive emergency incentives, namely hazard pay and eligibility for their descendants to benefits under the MDPP in case they died from COVID-19 (Islamic Republic of Afghanistan 2020; ILO 2020; UNICEF Afghanistan, MoLSA, and IPC-IG 2020, forthcoming; communication with UNICEF Afghanistan).

Other measures that have been identified include temporary exemptions of drinking water and electricity bills for lower ranking officials and service workers, peddlers, certain businesses and small guilds, as well as the government take-over of utility bills for half of Kabul's population and waiving them entirely if under AFN1,000 in Kabul (Kabul Governor Office 2020; IMF 2020). According to the UNDP Afghanistan (2020). These measures imply that the COVID-19 Emergency Committee has received the order to cover these bills for an estimated 350,000 Kabul families in Kabul. An employment programme was also announced, to be funded through part of the AFN 21 billion allocated to the COVID-19 response, although more information on its coverage is still needed. Finally, social support services are offered to shelter homeless people that suffer from drug addiction (Ministry of Public Health 2020).

Social insurance and labour market policies

No social insurance measures in response to COVID-19 had been identified as of 14 June. The information currently available highlights that labour market programmes, such as skill-building activities, might be negatively impacted by the pandemic response. A vocational training centre was handed over by the Ministry of Labour and Social Affairs (MoLSA) to the Ministry of Public Health (MoPH) for six months, so that the facility can house homeless people in Kabul suffering from drug addiction (Ministry of Public Health 2020). Further, it is likely that social distancing measures have prevented such programmes from continuing normally. On the other hand, the government has taken measures to secure employment opportunities, such as tax exemptions for certain businesses to prevent job cuts (Islamic Republic of Afghanistan 2020f).

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Bangladesh

Current pandemic situation

As of 31 July, Bangladesh had 234,889 total registered cases of COVID-19 and 3,083 confirmed deaths (Beltekian et al. 2020). In response to the outbreak, the government imposed a nationwide lockdown on 26 March, which was only lifted at the end of May. However, lockdown measures have been gradually reinstituted since mid-June, as a reaction to the increase in new confirmed cases (Hale et al. 2020). The pandemic places additional strain on the health care sector, as the country only has 0.7 critical care beds available per 100,000 individuals—the lowest ratio in the region. Bangladesh also has the lowest share of GDP (2.4 per cent) dedicated to health spending out of all countries in South Asia.

In addition to the pressures on the health sector, the COVID-19 crisis also leads to economic tensions due to the containment measures, which creates both demand and supply shocks. In the Bangladeshi case, the main economic impacts are likely to be felt in foreign remittances to the country, as a result of the reduced incomes of emigrant workers, and in decreasing exports of ready-made garments (RMG), which represent around 80 per cent of Bangladesh's sales to the foreign market (IMF 2020a). As a result, the IMF has projected a GDP growth of 2 per cent for 2020, which represents a 5.9 percentage point decrease in comparison to 2019 (IMF 2020b).

In this scenario, the Government of Bangladesh has implemented a mix of fiscal, monetary and other macro-financial actions in response to the COVID-19 pandemic. To increase the liquidity in the system, the Bangladeshi Bank (BB) announced that it would buy treasury bonds and bills from banks and the repurchase rate was decreased. The BB has also taken further measures to incentivise credit to the private sector, especially to exporters and farmers. These policies include a temporary easing of loans, through a delay in the classification for non-performing loans and a suspension of loan interest payments (IMF 2020a). By early May, 18 stimulus packages worth BDT956.19 billion (3.3 per cent of GDP) were prepared by government agencies and banks. Their implementation was to be carried out under the supervision of the BB and the Ministry of Finance (Byron and Uddin 2020).

Mapping of social protection responses

Social assistance

Bangladesh has also expanded its social protection system to provide additional coverage to vulnerable population groups who are suffering damage to their livelihoods due to the pandemic.

The government has increased in-kind transfers to mitigate food insecurity during the crisis. Shah Kamal, senior secretary at the Disaster Management and Relief Ministry, declared in April 2020 that 10.25 million people would receive cash and food assistance. Among these, five million would be granted free food, while the rest would be assisted through the government's flagship Special Open Market Sales programme (Sakib 2020). This programme targets low-income individuals and sells food grains at subsidised prices during high-price season. Lower income families are allowed to purchase up to 5kg of rice per day (FAO 2018). The government launched the scheme in April to allow for the acquisition of rice at BDT10/kg by vulnerable and jobless people (up to 20kg per month) during the lockdown, which had benefited around 1.3 million people by May. The Food Friendly Programme (FFP) consists of the sale of up to 30kg of rice at BDT10/kg to each family per month and is granted to 5 million families (Star Online Report 2020). It is usually active during two time slots per year (from September to November and from March to April), but it was extended to provide further assistance during the lockdown. Beneficiaries include poor and unemployed people (Shawon 2020; Adhikary 2020).

Additionally, the Ministry of Primary and Mass Education, in partnership with the WFP, are distributing fortified biscuits to around 3 million children in primary-school who were not receiving their regular school meals due to social distancing measures. The first round of deliveries was concluded in May, but the initiative should persist for as long as schools remain closed (WFP 2020; Alamgir 2020).

To improve the distribution of rice and other aid initiatives to poor and low-income families, the government was working on a database comprising around 12.5 million families at the end of April. The goal was to provide a 'Quick Response' card for each beneficiary, which should be used to improve the distribution of aid to poor and low-income families facing hardships due to the lockdown measures. The database should include 4.9 million families who are receiving Gratuitous Relief from the disaster management ministry, 5 million beneficiary from the food ministry's FFP, 1.25 million recipients from the special OMS programme, 1.04 million beneficiaries of the government's Vulnerable Group Development programme, run by Ministry of Women and Children's Affairs, and 300,000 fishermen who receive rice under the Vulnerable Group Feeding programme (Islam and Parvez 2020).

The coverage of cash transfers has also increased by 163 per cent, from 15 million to 39.8 million people (Gentilini et al. 2020). One of the interventions that contributed to this expansion was the implementation in May of a cash benefit to five million households who have suffered livelihood losses due to the lockdown. Each household was due to receive BDT2,500, funded by a combination of public (0.6 per cent), postal division and private resources (Islam 2020).

In April, the Government of Bangladesh also announced stimulus packages for the expansion of assistance for elderly people, widows, and women oppressed by their husbands in the 100 most poverty-prone *upazilas* (administrative units) (The Daily Star 2020).

On 10 June, the Ministry of Finance announced the allocation of BDT955.7 billion to the social security sector for the 2020-21 fiscal year, which represents 16.8 per cent of the total budget and 3.0 per cent of GDP (Ministry of Finance 2020). In the 100 most poverty-prone *upazilas*, the government has pledged to support:

- All poor senior citizens, as they will be included in the old age allowance as per existing policy. This will add 500,000 new beneficiaries, and an additional allocation of BDT3 billion will be provided to this programme.

- All widows and women deserted by their husbands, who will now be covered under the allowance programme for this group as per the existing policy. This will add 350,000 new beneficiaries, and an additional allocation of BDT 2.1 billion will be provided to this programme.

- Insolvent persons with disabilities, as 255,000 new beneficiaries will be eligible for the allowance designated to this group, raising the number of beneficiaries to 1.8 million according to the latest disability identification survey. This will translate into an additional allocation of BDT2.3 billion for this benefit.

Social insurance and labour market policies

In March 2020, the government announced a BDT50 billion stimulus package to mitigate the impacts of COVID-19 on employment in export-oriented industries (TBS Report 2020). According to the package, firms that export at least 80 per cent of their production are eligible to access interest-free loans to pay wages and allowances for their workers for April, May and June. The loans under this scheme entail a repayment period of two years, with a six-month grace period starting in July 2020 (Hasan 2020).

Moreover, the BB has also implemented a BDT30 million refinancing scheme for low-income groups, farmers, and marginal and small businesses through microcredit entities for income-driven activities. The interest rate ceiling is 9 per cent, while the borrowing limit ranges from BDT75,000 for individuals and BDT3 million for joint projects comprising at least five people (Newage Business 2020).

Finally, the Prime Minister announced in April a health insurance of BDT0.5-BDT1 million for health workers, bankers and bank employees who contract the virus and BDT 2.5-BDT5 million in case of death (KPMG 2020). The health insurance is only available to bankers and bank employees if they contracted the disease while physically attending work during the General Holidays declared by the government to decrease the spread of infection (BB 2020).

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Bhutan

Current pandemic situation

Bhutan had its first confirmed case of COVID-19 on 6 March. As of 31 July, there had been 101 confirmed cases and no confirmed deaths due to the virus (Beltekian et al. 2020). The government-established quarantine period for people entering the country is of 21 days and people entering from high risk countries remain an additional week under medical surveillance. Fifty-eight hotels were used as quarantine centres (Drukpa 2020a), down from 121 government quarantine facilities (Drukpa 2020b). Bhutan sealed its land border with India on 22 March as a precautionary measure, which was followed up with a ban on select food product imports from that country (IMF 2020). Import and export of goods was reestablished. Illegal border crossings are closely monitored (Pem 2020). As of 31 July, Bhutan had a COVID-19 Oxford Stringency Index government response tracker of 65.74 out of 100 (Hale et al. 2020).

Tourism is a very important sector for Bhutan's economy and has been contributing to the economic growth experienced in recent years. A tourism ban was enacted on 6 March. In April 2020, UNDP and Bhutan's National Statistics Bureau carried out a rapid assessment survey covering tourism and related sectors. The estimates show that more than 50,000 people, which represent six per cent of the country's population and 16 per cent of the working population, are employed in the tourism sector. Moreover, this estimate does not include workers in the informal sector (porter and pony services, trinket sellers, etc.) or related businesses, such as entertainment, clothing retail and street vendors who have also been heavily affected by the decline in tourism. Due to the COVID-19 pandemic, 92 per cent of the guides working as casual employees for tour firms (without access to the Provident Fund) have been laid off. As of late April and early May, over half of all hotel workers were still receiving salaries, 28 per cent were receiving partial salaries, 17 per cent were placed on unpaid leave and some had already lost their jobs (many hotels in Thimphu, Paro and Phuntsholing were transformed into quarantine facilities). As for restaurant employees, half were still receiving full salaries, 36 per cent were placed on non-paid leave, and yet others were receiving partial salaries, had been laid off or quit. Restaurants (about 4,200) were open but had little business due to the travel ban. Among tour operation companies, 65 per cent of employees were still receiving their salaries, 18 per cent were on partial pay and 12 per cent were sent to non-pay leave. However, two-thirds of all tour companies were completely shut down (UNDP 2020).

Mapping of social protection responses

To ease constraints supply-side constraints, the government has instructed the Food Corporation of Bhutan to stock up on essential food items such as rice, salt, oil and pulses. Additionally, eight major wholesalers have been mandated to stock up on other essential household items; to assist with this task, they have been granted working capital loans at low interest rates from banks. These measures were expected to guarantee 6 months' worth of supplies (Lamsang 2020b).

Furthermore, the UN in Bhutan mobilised USD9,310,741 to directly respond to the Royal Government of Bhutan's priorities under the COVID-19 response. The UN contribution is to help support the needs of the quarantine facilities (BBS 2020b). On 27 April, the Royal Government of Bhutan received USD5 million from the World Bank under the COVID-19 Emergency Response and Health Systems Preparedness Project to help the country prevent, detect, and respond to the pandemic, and strengthen its public health preparedness (World Bank 2020). The ADB also approved a USD20 million loan for Bhutan to stimulate the economy and deal with the health emergency (ADB 2020). There have been many other donations and aid, such as Royal Civil Service Commission voluntary contributions, setting aside 5-10 per cent of the wages of civil servants towards a COVID-19 relief fund (Lamsang 2020a). There has also been significant support from various organisations, which are making voluntary contributions to the COVID-19 fund (Business Bhutan 2020).

Social assistance

The main social protection measure adopted by the government is *Druk Gyalpo's Relief Kidu*. It is a social assistance measure that has so far (as of June 29) aided 23,000 people with a total value of BTN700 million, of which BTN 7.2 million were allocated to children (Kuensel 2020a). Overall, 31,476 people have applied for *Kidu*, 22,225 of whom were deemed eligible. The tourism sector was responsible for 11,023 applications, the transport and communications sectors had 4,671 applicants, and 5,298 were from others, including restaurants, food services, personal and recreational sectors. Unemployed and unpaid applicants totalled 775. Most applicants (67 per cent) are in the 25-34 age group (Yuden 2020).

The full benefit amount of the *Kidu* is BTN12,000 per person per month (employees of affected businesses who were laid-off, had reduced pay or were placed on unpaid leave; self-employed individuals in the tourism sector who lost their earnings; Bhutanese workers who returned from abroad because of the pandemic and have no other source of income), while the partial benefit is BTN8,000 per month (self-employed individuals in tourism-linked businesses and others affected by social distancing measures, mandatory closures and lockdowns). An additional monthly benefit of BTN800 per child is granted to beneficiaries with children (disbursed in the first half of May after additional verification) (Druk Gyalpo's Relief *Kidu* 2020). If the crisis continues past three months, the *Kidu* amount will be reduced to BTN10,000, and every three months thereafter the programme amount benefit shall be reduced by a further BTN2,000 until it is completely phased out (Yuden 2020). As part of the *Kidu* Relief support, the government granted a full waiver of interest rates across the board from April to September 2020. This waiver is expected to benefit 112,024 individuals with personal and business loan accounts across the country's 20 districts, including those listed as non-performing loans. The waiver is estimated to cost the government around BTN7.5 billion (The Bhutanese 2020a).

All Bhutanese schools were shut down in 18 March until further notice (The Bhutanese 2020b). Bhutan's school feeding programme (supported by the WFP) covers about half of all school-age children in the country (74,726 students enrolled in 2019) (WFP 2020). As of 28 May, the government had identified the most vulnerable 10,000 students ("economically backward and displaced students, single parent, those with disabilities, landless farmers, and divorced parents, including students depending on *Kidu*") and is providing them with take-home food rations unkgder the Take-Home Ration programme. Each student's rations include 12kg of rice, 1.5l of cooking oil, 0.5kg of chickpeas, and 2kg of pulses, amounting to BTN905. The National School Feeding Programme is spending around BTN9 million on this project. These children are also provided toiletries and menstrual hygiene supplies through UNICEF funding. If schools remain closed after June, the programme will continue (Rinzin 2020a).

With significant numbers of people under quarantine in Bhutan, the government is paying for quarantine-related expenses at tourist facilities, including food and other necessities (Xinhua 2020). On 13 June, the average amount spent per person per day under quarantine was BTN1,000. Around BTN 159.6 million have been spent on food and lodging on quarantine (Drukpa 2020c).

Social insurance and labour market policies

To ease budget constraints and prevent layoffs, the deadline for the payment of business income tax (BIT) and corporate income tax (CIT) for the 2019 income year was extended until December 2020 for tourism and related sectors. Other sectors have the option to pay the applicable corporate CIT and BIT in instalments by September if they cannot afford the payment of a single lump sum (Kuensel 2020b).

There is also the availability of working capital at a 5 per cent interest rate to finance operational costs, especially payrolls, for a period of three months for tourism-related companies/businesses to maintain employment (Kuensel 2020b), which is usually a short-term working capital available for tour operators whose usual interest rates vary between 11 and 12 per cent (Subba 2020). Tourism-related company/businesses (hotels and restaurants, tour operators, travel agents and airlines) must submit a proposal based largely on salary bills, rent and utilities, and sign a commitment that these special conditions will be used to honour operational costs, including payroll (RMA 2020).

The Association of Bhutan Tour Operators (ABTO) has proposed providing gainful employment for those people who have been laid off due to the pandemic. Furthermore, the Tourism Council of Bhutan (TCB) has released a proposal to (re-)train those affected to facilitate their (re-)integration into the job market after the crisis (Chhetri 2020). The TCB initiative is an employment support scheme for full-time workers in the tourism and hospitality sector. Any jobless Bhutanese citizen can apply to be matched with temporary jobs and other engagement projects during the travel restriction period and until tourism returns to normal (BBS 2020a). As of 17 April, 2,436 individuals were expected to benefit from the tourism stimulus package containing four different projects. Of those, 49 per cent opted for training and re-skilling with the payment of BTN6,000 a month. The overall expected budget for the stimulus plan is BTN286 million (Rinzin 2020b).

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India

Current pandemic situation

As of 31 July, there had been 1,638,870 registered cases of COVID-19 and 35,747 confirmed deaths due the disease in India, representing the third and sixth largest values in the world, respectively (Belketian et al. 2020). Since early May, the government has started gradually loosening its (initially strong) national lockdown, originally put in place on 24 March. Since mid-June, India has experienced a significant increase in confirmed cases, from approximately 33,000 on 15 June to over 1.5 million by the end of July. The country registered 55,078 new cases between 30 and 31 July, and the daily infection rate continues its upward trend. The country's stringency index as of 31 July was 77.78 out of 100 (Hale et al. 2020).

This case increase adds further strain on the Indian health care system, which only had 2.3 ICU beds per 100,000 people prior to the outbreak. In response, the cities of Delhi and Mumbai are adopting further measures to quickly expand their health care capacity, while the country as a whole has significantly increased testing for COVID-19 since March. The Government of India has also placed a strong focus on the national production of testing kits (Our World in Data 2020; Sharma 2020; Krishnan 2020).

India has suffered and continues to suffer with the socio-economic impacts caused by the pandemic. The country had already experienced a slowdown in its GDP growth rate in the 2019/2020 fiscal year, which was attributed by the IMF chief to circumstantial factors that led the economy's output projection to expand by 4.2 per cent in the period, the lowest rate since 2008 (The Economic Times 2020). Nonetheless, the expectation is for a deeper economic slowdown in the 2020/21 fiscal year, when the impacts of the pandemic will have fully materialised. The output growth is expected to fall by 3.2 per cent over the period, which corresponds to a negative variation of 9 percentage points when compared to January 2020 projections (World Bank 2020c).

Informal sector workers are more vulnerable than their counterparts in the formal sector to the economic and social impacts of the pandemic and containment measures. Informal employment stands at around 90 per cent in India and about 400 million people working in this sector are at risk of falling deeper into poverty due to the COVID-19 crisis (ILO 2020b). To mitigate these effects, the government has adopted a mix of financial and fiscal measures. In March, the Reserve Bank of India decreased interest rates to improve the economy's liquidity. Moreover, measures to ease the funding costs of retail loans were also adopted. A three-month moratorium on loan repayments was granted to companies and the regulation on debt default was also relaxed. India has also implemented measures to facilitate credit for SMEs, among other macroeconomic interventions. Foremost, the country increased public spending on health, comprising measures aiming at improving health infrastructure, testing facilities, and ICU beds. The government has furthermore relieved the tax compliance burden of several sectors to create a more favourable economic environment (IMF 2020a).

Mapping of social protection responses

India has both implemented new social protection interventions and adapted existing benefits to deal with the socio-economic impacts caused by the COVID-19 pandemic. On 26 March 2020, the Finance Minister announced a INR1.70 trillion relief package under the *Pradhan Mantri Garib Kalyan Yojana* (PMGKY) to provide support to poor and vulnerable people and ensure they are able to meet their basic needs during the crisis. The package comprises both supplementary assistance through existing programmes and additional interventions, while more measures might be added to the ones already announced (PIB 2020). The PGMKY includes benefits adaptations of the from the *Pradhan Mantri Kisan Samman Nidhi* (PM-Kisan), *Pradhan Mantri Jan Dhan Yojana* (PMDJY), National Social Assistance Programme (NSAP), Indian Food Security system, *Pradhan Mantri Uijwala Yojana* (PMUY), Mahatma Gandhi National Rural Employment Act (MGNREGA), Employees' Provident Fund Regulations, Building and Other

Construction Workers Welfare Fund and the implementation of a special health insurance for health care workers, among other social protection interventions. As of 3 June, around 420 million people had already received financial support from the Government of India under the PMGKY (PIB 2020b). Some of the interventions under the PGMKY package are explained in further detail below. The country has adopted additional measures, including the implementation of state-level initiatives to ensure support to vulnerable sectors of the population.

Social assistance

- PM-Kisan: The *Pradhan Mantri Kisan Samman Nidhi* was implemented in 2019 and is run by the Department of Agriculture, Cooperation and Farmers' Welfare (Ministry of Agriculture and Farmers' Welfare). It is a central sector scheme, wholly funded by the Government of India and aiming at supplementing the income of farmers and enhancing their capacity to meet agriculture-related expenses, covering farmers who do not meet certain criteria related to higher income status. Under the PM-Kisan, farmers receive a direct payment of INR6,000 per year, divided into three equal instalments of INR2,000 every four months. The payment is made into the Aadhar, a twelve-digit identification number issued by the Unique Identification Authority of India to residents after they satisfy a verification process by linking to a bank account (Government of India 2018). By the end of March 2020, 97 million farmers had already enrolled (Press Information Bureau 2020). To mitigate the farmers' income losses caused by the measures in response to COVID-19, the Indian government decided to both advance PM-Kisan payment and provide a top-up of INR2,000 for beneficiaries. Thus, the scheme's benefit amount should be increased to INR12,000 per year through the central government and additional equal contributions by states (Gentilini, Almenfi, and Orton 2020; FE Bureau 2020).

- PMJDY: The beneficiaries of *Pradhan Mantri Jan Dhan Yojana*, a national programme that promotes financial inclusion, are receiving additional support. It is run by the Ministry of Finance and aims at ensuring access to banking services, financial literacy, credit, insurance and pensions. There were 383.3 million beneficiaries in total by March 2020 and beneficiaries of other governmental schemes receive direct benefit transfers through these accounts (Department of Financial Services n.d.). An ex gratia payment of INR500 was granted to women Jan Dhan account holders for three months, starting from April, as part of the COVID-19 response. According to the latest estimates, the programme has benefited 206.3 million women (PIB 2020b). To ensure compliance with social distancing norms, the withdrawal of the cash benefit from banks was scheduled based on the last digit of the accounts (PTI 2020).

- NSAP: The elderly, widows and *Divyang* (people with disabilities) beneficiaries of the National Social Assistance Programme (NSAP) were entitled receive an additional INR1,000 as income support for three months, in addition to receiving three months of pension in advance due to the pandemic (PIB 2020). The NSAP comprises five schemes—the Indira Gandhi National Old Pension Scheme (IGNOAPS), the Indira Gandhi National Widow Pension Scheme (IGNWPS), the Indira Gandhi National Disability Pension Scheme (IGNDPS), the National Family Benefit Scheme (NFBS) and the Annapurna Scheme—and aims at ensuring a minimum national standard for social assistance by introducing a national policy for social assistance to poor people. It provides unconditional cash and in-kind (food) transfers for people living below the poverty line, targeting elderly people, widows, people with disabilities and households without a breadwinner (socialprotection.org n.d.). Furthermore, people who are eligible for subsidies and in-kind transfers are also covered by the PMGKY COVID-19 package to enhance the protection of those most vulnerable.

- PDS: The Indian food security system distributes food and non-food items (usually wheat, sugar, rice and kerosene, though some states offer additional items) to poor people and those in need at subsidised rates, through a network of fair price shops (also known as ration shops). The operation of the Public Distribution System (PDS) is a joint responsibility between central and state governments. Under the PDS, there is the Targeted Public Distribution System (TPDS), which focuses on poor people, and the *Antyodaya Anna Yojana* (AAY), which focuses on the poorest section of the population (Drishtiias 2019). For three months, prior PDS allocations to AAY households will be complemented with an additional 5kg of wheat or rice per individual and 1kg of the preferred pulses, free of charge. This PMGKY measure should benefit around 80 million people (Gentilini, Almenfi, and Orton 2020; PIB 2020).

- Additional food security intervention: It should be noted that although it is an important initiative to mitigate food insecurity, PDS coverage in urban areas is not exhaustive (around 50 per cent), so it is important to develop other means through which poor and vulnerable urban households can also receive support. Furthermore, the amount of food provided is relatively small, and could become even less as commodity prices rise (IFPRI 2020). As a partial response, the Government of India has directed the Food Corporation of India to provide 5kg of food grains per person for three months at subsidised rates to people who have ration cards issued by their states, but are not covered by the NSPA. This initiative could help cover part of the gap resulting from the low urban coverage of the PDS. The FCI has also been mandated to provide wheat at INR21 per kg and rice at INR22 per kg to NGOs and charitable organisations involved in relief operations (Ministry of Consumer Affairs, Food and Public Distribution 2020). The government also decided to provide food grains free of cost, at the rate of 5kg per month, for two months (May and June 2020) to about 80 million migrant workers not covered under NFSA/PDS cards (PIB 2020a).

- PMUY: Beneficiaries of the *Pradhan Mantri Uijwala Yojana* (UJAWALA or PMUY) programme are receiving additional assistance. It was launched in May 2016 to provide liquid petroleum gas cylinders to families below the poverty line, although it was later expanded to cover vulnerable people above the poverty line as well.

- MGNREGA: The wages of the Mahatma Gandhi National Rural Employment Act workers was increased by INR20 (from INR180 to 200), which means an additional income of INR2000 per worker per year. This is expected to benefit 136.2 million families (PIB 2020).

Other interventions are also being adapted to provide support to poor people and those most in need during the COVID-19 crisis. For example, the Ministry of Human Resource Development asked states and territories to ensure that the Mid Day Meal (MDM) scheme—which provides free lunches for children enrolled in lower primary and upper primary education—continues to operate by proposing delivering packed meals to children's homes, depositing cash to the parents' bank accounts, or delivering the equivalent amount of food grains directly to students' homes. To expand this programme, the Minster determined that in the wake of COVID-19, the annual central allocation of cooking costs under MDM would be increased from INR7,300 to INR8,100 crore (an increase of 10.99 per cent). The increase in spending is also considering the provision of MDMs during the summer school holidays (PIB 2020c).

Social insurance and labour market

- Employee's Provident Fund: The Employee´s Provident Fund Regulations has been amended by the Government of India to include the pandemic as a justification to allow workers access to a non-refundable advance of 75 per cent of the total amount or the value of three months' pay (whichever is lower) from their accounts. Around 40 million workers can benefit from this initiative (PIB 2020). For three months, the government will pay all provident fund contributions for workers who earn below the threshold of INR15,000 per month in companies with less than 100 employees, and where 90 per cent of employees' wages are below that same threshold. In total, this is equal to 24 per cent of basic pay (12 per cent from the employer and 12 per cent from the employee). This intervention covered 8 million workers and 400,000 firms, costing around INR5,000 crore to the government (Government of India n.d.).

- Building and Construction Workers' Fund: 23 million construction workers received financial support from the Building and Construction Workers' Fund managed by state governments, with a one-time cash benefit ranging between INR1,000 and INR5,000 (PIB 2020b).

- Special health insurance for health care workers: the Government of India has also provided a special health insurance for health care workers (including *Safai karamcharis*, hospital assistants, nurses, ASHA workers, paramedics, technicians, doctors and specialists, among others) involved in the frontline response to COVID-19. Under this scheme, health professionals who suffer any accident while treating patients suffering from the virus are entitled to receive up to INR5 million in compensation. The scheme encompasses health centres, wellness centres and central hospitals, as well as states, covering approximately 2.2 million health care workers (PIB 2020).

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Maldives

Situation and Vulnerability Analysis

As of 31 July, there had been 3,719 confirmed cases and 16 confirmed deaths due to COVID-19 in the Maldives (Beltekian et al. 2020). There is no Oxford Stringency Index available for the country, but it meets many of the policy indicators. On 12 March a public health emergency was declared for a period of 30 days. This emergency has since been extended until 6 September (Sun 2020). Initial measures included banning flights from high risk countries and requiring a two-week quarantine period for people returning from abroad (Corporate Maldives 2020). Travel was restricted amid resorts and inhabited islands; cruise ships were prohibited from entering and docking; and since 17 March, guest houses and city hotels have not been allowed to check-in tourists. Schools were closed on 12 March (Mohamed 2020a). Maldives stopped issuing on-arrival visas on 27 March (Shaahunaz 2020a). Since then, only Maldivian nationals on special repatriation flights were able to enter the country.

When community transmission started on 15 April in Malé City (Sun 2020), the government prohibited inter-island travel nationwide and strictly enforced lockdown rules in the Greater Malé Area (according to 2014 census projection for 2020, about 40 per cent of the country's population lives in the Greater Malé area [islands of Male, Hulhumale, and Vilimale], 38 per cent of whom in Malé City's 2 square kilometres) (May and Riyaza 2020; NBR 2020). All retail services (except for grocery stores and pharmacies), public transport, government offices, public gatherings, ceremonies, private offices, mosques, parks and domestic airports were immediately closed (Malvides Net 2020). If a case was found In Malé City, buildings and apartments were placed under monitoring and those who were potentially infected were taken to National Emergency Operation Centre (NEOC) isolation facilities. However, on 15 July the country reopened its borders to tourists (Malsa 2020c).

Maldives is particularly vulnerable to second-round effects once the global economy enters a severe recession. The country imports almost 100 per cent of its goods (Rajje 2020a) and is heavily dependent on tourism. The tourism sector contributes with 60 per cent of Maldives' GDP (Abiad et al. 2020), representing nearly a USD5 billion economic sector. This makes Maldives, with its nearly 400,000 people living on 198 of its 1,190 islands, the country that is vulnerable the most to lost tourism streams in the entire region. New estimates from the World Bank suggest that Maldivian GDP will shrink sharply, between 13 and 17.5 per cent. The sharp downfall in tourism the reason for the fall in GDP according to the World Bank, as Maldives is heavily reliant on tourism, especially from China and Western Europe (Blum and Yoong 2020). The Ministry of Finance predicts that the state deficit will amount to MVR13 billion this year, instead of the MVR5.9 billion initially foreseen in the 2020 State Budget (Shaahunaz 2020d).

If tourism returns in time for high season by the end of the year, real GDP is anticipated to contract 13 per cent in 2020, which is 18.5 percentage-points lower than the pre-COVID-19 reference point (Blum and Yoong 2020).

Mapping of social protection responses

To combat the negative fallout of the pandemic, Maldives is implementing an MVR2.5 billion Economic Recovery Plan (about 2.8 per cent of GDP), partially financed by a reduction of MVR1 billion in recurrent government expenditure (1.1 per cent). Funds are also being channelled into several different sectors to provide emergency relief and save jobs. Furthermore, businesses are being supported through easily accessible working capital and oil price subsidies (Mohamed 2020b). In addition, USD7.3 million was approved by the World Bank for Maldives' COVID-19 Emergency Response and Health System Preparedness Project to strengthen its public health preparedness. This is in addition to the USD10 million availed contingency financing, under Disaster Risk Management Development Policy Financing with a Catastrophe Deferred Drawdown Option (CAT DDO), signed in 2019. The USD7.3 million is used by the Ministry of Health to "provide optimum care to patients, procure personal protective equipment and medical supplies, support hospitals to maintain essential services, strengthen intensive care and cope with a potential surge in demand, strengthen the capacity of laboratories in the capital Malé and the atolls to diagnose the coronavirus, train medical staff to manage COVID-19 cases […] risk communication, community engagement and behaviour change" (World Bank 2020).

Importantly, on 9 June the WB approved a USD12.8 million COVID-19 Emergency Income Support Project (half grant, half credit) to Maldives to curb the negative impacts of the pandemic on the poor and vulnerable workers and their families. The resources are meant to help Maldives make its social protection framework more shock responsive by strengthening its administrative system through local councils, which will allow people spread across the archipelago better access to social protection support (World Bank 2020b).

Further funding has been provided by the European Union, including EUR1,000,000 for the health sector and EUR2,000,000 for the tourism industry (Zalif 2020). On the supply side, the State Trading Organisation (STO) had stockpiled a 10-month supply of rice and sugar and a 5-month supply of flour by mid-April and was also securing fuel stocks (ILO 2020). China, the US, Japan, the United Arab Emirates (UAE)s, Singapore, India, Bangladesh, the South Asian Association for Regional Cooperation (SAARC), the WHO, the UNDP, the Maldivian Red Crescent, the ADB, the Organization of the Petroleum Exporting Countries (OPEC) (Aiham 2020c; 2020d; Shareef 2020; Avas 2020) and numerous other private companies and individuals have provided financial, food and equipment aid and grants to Maldives. A currency swap deal between Maldives and India and the IMF also helped the country secure USD178.9 million (Shaahunaz 2020e).

Social assistance

The government's Economic Recovery Plan in response to the pandemic includes several interventions to relieve the burden of COVID-19 on the population. Benefits include utility subsidies (40 per cent of electricity and 30 per cent of water bills during April and May). By 23 May, 46,417 households had received water bill discounts (MVR 235 on average), while 92,588 households had received discounts on electricity bills (MVR500 on average). The companies responsible for the provision of utilities do not carry out physical visits to take meter readings, but they have established virtual platforms where customers can send pictures of their meters (Hussain 2020b).

Another critical issue is posed by undocumented workers. While approximately 325,387 Maldivian citizens (as of 2016) enjoyed coverage by the universal non-contributory health insurance scheme *Husnuvaa Aasandha*, introduced in 2012 (Arruda et al., 2020), and migrant workers must enrol in a mandatory health insurance plan offered by Allied Insurance Company (a Maldivian firm), undocumented workers have no access to either health insurance or health care. However, even the mandatory health insurance is basic and does not provide migrants with everyday treatment options, only covering them when hospitalisation is required or the body needs to be repatriated in case of death overseas (IOM 2018), Bangladeshi nationals (around 144,600) are the majority of the expatriate population in Maldives, an estimated 63,000 of whom are undocumented. According to reports, this is due to the common practice of employers taking workers' documentation without informing them of their right to health insurance (Gossman 2020).

Expatriates also often live in congested areas in Malé City, and due to lack of health insurance coverage face greater risks should the virus would spread across the archipelago. Since September 2019, there has been an initiative to re-register undocumented immigrants, and 32,000 immigrants had been registered as a result of the initiative by February 2020 (Shaahunaz 2020b). The government started investigating the living conditions of these residents in March (primarily in Malé), as they live in crowded quarters (Shaahunaz 2020b) and cannot comply with social distancing measures (Gossman 2020). To address the threats facing undocumented migrants face during the crisis, on 11 March the government established a COVID-19 clinic close to Malé (Hulhumale island), waiving the need for any documentation (Gossman 2020). Since then, the government has ensured that all expatriates living in crowded conditions have been relocated to safer accommodations within and outside of Malé City to facilities allocated by the NEOC (Aiham 2020b). However, migrant workers continued to be disproportionately affected by COVID-19:

of the 2,137 confirmed cases, 1,124 of the patients are Bangladeshi nationals and 200 are Indian nationals. Maldivians represent 34.5 per cent of confirmed cases (Ministry of Health 2020). Many of the undocumented and documented migrant workers have been stuck in Maldives since March, as flights were grounded. Since then, however, 1,935 Bangladeshi nationals (Shaahunaz 2020b) and over 4,000 Indian nationals have been repatriated from Maldives (Malsa 2020a), sometimes without having been paid their outstanding salaries and in violation of other migrants' rights (HRW 2020).

In addition, the government has carried out several administrative adjustments and executive actions to support those suffering from the impacts of the pandemic. Starting on 11 March, the Pension Office, among others responsible for the non-contributory Old Age Basic Pension covering 16,321 beneficiaries (in 2016), moved its services to online platforms (live chat, direct message on Facebook and Twitter, e-mail, Viber) to provide information, assistance and facilitate the submission of documents during the crisis (Shaahunaz 2020b). There is also a student loan repayment scheme deferral for six months, which started in March 2020 (TTM 2020) and was granted to 4,000 individuals. Five temporary homeless shelters have been set up and 400 people in the Greater Malé area were provided with home and shelter by the Ministry of Gender, Family and Social Services (Hussain 2020c).

Additionally, up to 50 per cent cheaper rates for internet connections have been enacted, as the majority of the population is stuck at home (One Online 2020; Dhiraagu 2020). Price controls were set for onions, dahl, potatoes and eggs, starting on 6 April 2020 (ILO 2020). Moreover, the government provided financial aid to Maldivians studying abroad (Munavvar 2020) and provided shelter to local travellers who got stuck in Malé City during transit while travelling to other local islands, helping to repatriate them to their local islands at a later date (Aiham 2020a). Finally, it is worth highlighting that the government also introduced measures to safeguard the basic availability of food and essential medicines to citizens abroad: up to 600 Maldivian nationals in Malaysia and Sri Lanka can submit a form to the foreign ministry to receive care packages from home via chartered cargo flights (Shaany 2020b).

Social insurance and labour market policies

All resorts across Maldives had to close as a result of the lockdown as no new tourists were allowed to enter the country (Shaahunaz 2020a). The Tourism Employees Association of Maldives (TEAM) reported that over 11,000 employees had been asked to go on unpaid leave (Mohamed 2020b). More recently, a UNDP rapid assessment of the tourism sector reported that over 45,000 resort employees were directly impacted by the pandemic, including about 22,000 Maldivian nationals, who have retained their jobs. However, numbers indicated that about 50 per cent have been placed on no-pay leaves and others have had their salaries reduced by 60 per cent on average. This figure does not include work that is affiliated with the tourism-sector—freelancers, seasonal workers and local vendors. For the most part, employees retained their jobs until June 2020, while those on probation contracts and younger people lost their jobs. July brought uncertainty for many of the resort employees, despite predictions that resorts would be reopened (UNDP and Ministry of Economic Development 2020).

Issues regarding employment can be brought to a JobCenter complaint page specifically created for COVID-19 (ILO 2020; LRA 2020). Under the economic relief package, a three-month Income Support Allowance was provided, dedicated to Individuals that were laid off, forced to take no-pay leave and subjected to salary deductions due to the pandemic. It is also available for freelancers. Applicants must be Maldivian nationals (Ministry of Finance 2020). The benefit started being paid on 20 May and was originally expected to last for three months (April, May and June). The application for the April benefit ended on 30 May. Only those that register on the government's JobCenter portal (reporting pay cuts, no-pay leaves, suspensions, etc) and apply every month will be eligible to receive the benefit. On 16 June 2020 there were 6,868 applicants (JobCenter 2020) and as of 27 July, 6,638 applicants had been paid their support allowance, for a total value of MVR27.2 million (Ministry of Finance 2020). The allowance is available to those that are earning less than MVR5,000 per month during the specified months (Hussain 2020a). The June 2020 World Bank loan to Maldives is in large part allocated to finance the government's COVID-19 Income Support

Allowance scheme. Relatedly, and linked to the World Bank loan packages, an unemployment insurance programme will be developed to bolster the resilience of the social protection system to future shocks (World Bank 2020b).

There are two SME Development Finance Corporation (SDFC) loans capped at a six percent interest rate. The first is for businesses that generate more than MVR10 million in revenue per year and that have not enforced no-pay leaves, cut salaries or laid off workers or businesses that have reversed employment act violations. Employers are required to reinstate these individuals with a minimum salary of MVR5,000. MVR109.6 million had already been disbursed to 83 individuals as of 16 May (Malsa 2020b). The second SDFC loan (*Viyafaari Ehee*) is meant to assist freelancers/self-employed workers and SMEs in meeting their current operational costs (paying salaries, utilities and rent). Annual sales turnover for the previous year must not exceed MVR10 million, and businesses must also not have laid off any local employees due to the outbreak of COVID-19 during the funding period (SDFC 2020). By 16 May, MVR6.2 million had been disbursed to 76 individuals. This loan amount was also increased from MVR18,000 to MVR30,000 (Malsa 2020b).

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Nepal

Current pandemic situation

As of 31 July, there were 19,547 confirmed cases of COVID-19 in Nepal and 52 confirmed deaths due to the disease. The outbreak has been considerable since the end of May, when confirmed cases amounted to 1,572 (Beltekian et al. 2020). As of 31 July, the COVID-19 Stringency Index remained quite high, at 78.7 out of 100 (Hale et al. 2020). On 23 March, Nepal closed its land borders with India and China to all traffic, except for cargo trucks (Jakarta Post 2020). On 6 April, the Government of Nepal extended the ongoing nationwide lockdown, which started on 24 March, until 15 April to curb the spread of the pandemic. The government has grounded all domestic flights, and all private and public vehicles are to stay off the streets during the lockdown (Jakarta Post 2020). However, since 15 June, the government has been taking very gradual steps to ease the national lockdown. Commercial establishments such as malls and movie theatres remain closed, but restaurants are open for take-out and traffic by private vehicles in now allowed (U.S. Embassy in Nepal 2020).

Despite the limited outbreak and significant containment measures taken to limit the outbreak of the virus, the impacts of COVID-19 on the Nepalese economy are likely to be significant, given the reliance of the country on international tourism and migrant workers. The border closure has affected Nepalese workers abroad, who are now stranded overseas with little aid from their host countries' governments. Research from the World Bank estimates that international remittances will decrease by 14 per cent in a country where they are responsible for 25 per cent of GDP (WEF 2020). Meanwhile, Nepal's high dependence on tourism is likely to lead to severe economic impacts in a country where most people live on less than USD1,000 a year (Budhathoki, 2020).

On 7 April, the World Bank fast tracked a USD29 million COVID-19 Emergency Response and Health Systems Preparedness Project. Its goal is to help Nepal prevent, detect and respond to the ongoing pandemic, enhancing the country's capacity to carry out prompt contact tracing and setting up new ICUs, beds and isolation facilities. In addition, it shall strengthen public bodies across all three government levels to better coordinate and manage and response efforts (World Bank 2020). Next, on 6 May, the IMF approved a USD124 million disbursement for Nepal to address its balance of payments, negatively affected by the recent economic losses (IMF 2020a). Furthermore, on 26 May, the ADB approved a USD250 million concessional loan to support Nepal in strengthening its public health system and mitigating the adverse socioeconomic impacts of the pandemic, particularly on the poor— by, for example, extending the ongoing distribution of relief packages and providing employment support (ADB 2020). Although not all grants listed in this paragraph were thought to fund social protection initiatives, it is likely that they will represent a fiscal relief for the Government of Nepal.

Moreover, financial contributions to the COVID-19 Relief Fund established by central or provincial governments were made tax-free. Municipalities are allowed to divert resources from programmes and other purchases to their own funds. When local governments are unable to allocate enough resources towards relief funds for workers, the central government will arrange additional financial resources (IMF 2020b; ILO 2020).

Mapping of social protection responses

As the COVID-19 crisis continues to develop, the Government of Nepal has adopted new social protection measures. However, unlike the 2015 earthquake crisis, all actions so far have been provisional rather than extensions or adaptations of existing programmes. On 29 March, the Nepalese Council of Ministers approved immediate measures to support the livelihoods of workers and the working poor, as well as provide support to industries and businesses affected by the lockdown (ILO 2020).

In addition, the Nepal Rastra Bank (the Nepalese Central Bank) announced measures to assist borrowers going through cashflow difficulties and to facilitate access to credit for businesses operating in the most affected sectors. For these, loan deadlines will be extended from mid-April to mid-July 2020. Likewise, the Nepal Rastra Bank announced that it will provide interest subsidies and allow banks to reschedule loan payments for firms affected by the pandemic (IMF 2020; ILO 2020).

New measures were announced on 28 May, during the budget speech for the 2020/21 fiscal year, in the areas of health care (establishment of additional hospital facilities), support to businesses (lending for cottages, small and medium-sized enterprises and those in the tourism sector), and job creation (in the construction sector, and training for work in manufacturing and services sectors) (IMF, 2020).

Social assistance

To respond to the ongoing crisis, the Nepalese government instituted in-kind transfer schemes (Gentilini, Almenfi, and Orton 2020). Ward committees at the local level are tasked with distributing food aid packages to informal labourers, as well as to others in need of assistance. The in-kind transfers consist of relief packages, composed of rice, lentils, oil, salt, potatoes, pulses, sugar and soap (the exact composition and the quantity offered varies by province) (Government of Nepal and WFP 2020), amounting to approximately NPR2,750 (UNICEF Nepal 2020). Local and provincial governments are the primary funders of this initiative, but the central government can top up the budget if necessary (Gentilini, Almenfi, and Orton 2020).

Local authorities are responsible for deciding who is entitled to the benefit, according to the following general criteria: wage workers working in informal sectors, including construction, agriculture, transport services, porters in tourism and other sectors, the garment industry, small traders, baby caretakers and deprived people with no caretakers (elderly people, people with disabilities, pregnant, orphan, and people taking refuge in elderly homes, monasteries, churches, templees, etc.) (Government of Nepal and WFP 2020). By 6 May, between 70 and 95 per cent of households identified as 'most-affected' in each province had received the relief package (ibid).

The Food Management and Trading Company Limited and the Salt Trading Corporation Limited (both government companies) were requested to offer a 10 per cent discount on rice, flour, sugar, cooking oil and salt. Furthermore, aiming to ensure essential food products to poor and vulnerable people, the former company is planning to open fair-price shops in certain food-insecure districts, and also to sell food items online. This measure should stabilise the prices of essential food commodities (Government of Nepal 2020b; Onlinekhabar 2020; Government of Nepal and WFP 2020).

Expense waivers and postponements were established, contributing to ease the financial hardships faced by the Nepalese population. Households will receive: (i) a 25 per cent discount on electricity bills (below 150 units), (ii) a 25 per cent discount on internet and data packages; and (iii) a waiver of late fees concerning all public utilities (water, phone, electricity, etc.) (Gentilini, Almenfi, and Orton 2020; ILO 2020).

According to UNICEF Nepal (2020) the distribution of the in-kind relief package has been the major social protection response in the country so far. On the one hand, it relieves immediate food needs, but on the other, a cash-based assistance could potentially cover other needs, preventing people from falling (further) into poverty due to the crisis (ibid.).

It should be noted that, in Nepal, the dependency ratio tends to be higher within poorer groups when compared to richer groups—i.e. the dependency ratio is 100 for the poorest consumption quintile against 43 for the richest consumption quintile (Government of Nepal, 2017). This suggests that the wellbeing of children—who are dependent of their caretakers—has been severely impacted by the crisis. It is estimated that COVID-19 and the response to the pandemic have decreased the income of around 40 per cent of Nepalese households with children.

These households are mostly in the second and third poorest quintiles, and their providers tend to work in sectors such as agriculture, construction, manufacturing and tourism, which suffered substantial job losses (UNICEF Nepal 2020).

Social insurance and labour market

Overall, social insurance and labour market measures seem to reach primarily formal sector workers. In April, the Social Security Fund fee—which is a contributory social insurance programme—was to be paid by the Nepalese government. Usually, it is paid by both employees and employers, and the contribution corresponds to 31 per cent of each employee's salary (Gentilini, Almenfi, and Orton 2020). However, as noted by ILO (2020), the government would make this payment only for enterprises that are completely closed due to lockdown, and not for all businesses. ILO (2020) also stated that an insurance of NPR2.5 million will be provided to health care workers directly involved in treating patients with COVID-19.

The government has determined a one-month extension for paying (i) loans against provident funds and citizen funds, (ii) life insurance premiums, (iii) value-added taxes, excise duty and income taxes; and (iv) renewal and annual reporting or registered enterprises. Moreover, the government is planning to grant a 30-50 per cent discount on the electricity bills of selected industries (Gentilini, Almenfi, and Orton 2020), which may help to preserve employment.

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Pakistan

Current pandemic situation

As many other countries in the region, Pakistan has been severely by the COVID-19 crisis on both public health and economic ends. While its population is comparatively young, a potential boon in curbing death rates during the pandemic, the already limited capacity of Pakistan's health system capacity has been critically strained by the pandemic and crowded dwellings in urban slums have evolved into hotbeds of the disease. As of 31 July, the country recorded 278,305 confirmed cases of COVID-19 and 5,951 deaths—a mortality rate of 2.1 per cent (Beltekian et al. 2020). While there was initially little testing, there has been a marked increase in recent weeks, which partially explains the constantly rising numbers of daily new cases. Since the beginning of the July, both active and new cases have seen consistent decline, with daily new cases at the end of the month reaching a mere quarter of what they had been at the start. (Government of Pakistan 2020f).

Economically, Pakistan—as practically all countries in the region—features high rates of informality among its working population and the crisis has added strain to an already tenuous fiscal position, which was the subject of an IMF Extended Funding Facility mandating structural reforms as recently as 2019 (Rana 2020). Rapid spread of the disease required the country to go into full lockdown in late March, a costly trade-off between a potential containment of the pandemic against millions of livelihoods endangered by lockdown measures. This trade-off eventually led to a gradual lifting of lockdown measures starting on 9 May, with an announcement on 1 June that no new general lockdowns will be imposed despite surging case numbers (Greenfield and Farooq 2020). National public transport, including aviation, is gradually restarting operations, but the reopening of schools has recently been pushed back to mid-September (IMF 2020; Dawn 2020b). The timing of the decision to reopen the economy has come under criticism from national and international actors, and provinces have started re-imposing 'smart lockdowns' of initially two weeks in major cities, based on local infection hotspots (Farooq and Peshimam 2020; Dawn 2020a).

Mapping of social protection responses

In response to the crisis, Pakistan's central and local governments have carried out large-scale actions to contain the negative ramifications of the economic costs imposed by the health crisis on the poor and vulnerable population. Concretely, a fiscal relief package worth PKR1.2 trillion (USD7.2 billion), an amount corresponding to 3.5 per cent of the country's GDP, has been committed (IMF 2020). Of this amount, the main component relevant to social protection is a PKR203 billion investment meant to benefit the families of daily wage workers hit hard by the lockdown imposed by the government to slow the spread of the virus (IMF 2020; Nishtar 2020; Gulrez 2020b). This measure is part of the *Ehsaas* Emergency Cash initiative, described in detail below. USD588 million of the total package are funded by the ADB and the World Bank (Kiani 2020).

In the wider policy sphere, Pakistan has launched numerous initiatives targeted at the supply side, primarily benefitting small- and medium-sized enterprises to maintain economic activity. This package includes tax breaks, subsidies for utility, fuel and transport costs, and tax refunds. To protect employment, small- and medium-sized enterprises can count on a package amounting to PKR100 billion, as they constitute 90 per cent of the country's firms and generate 40 per cent of its non-agricultural employment (Shaikh 2020). Furthermore, the manufacturing sector will receive subsidised loans and there have been considerable cuts in interest rates (The News 2020).

Social assistance

Key to the government's social protection response is the flagship *Ehsaas* initiative introduced in 2019, which aims to provide a strategy and framework for a comprehensive national social protection system. As such, social protection measures taken in response to the COVID-19 crisis are situated under the *Ehsaas* framework and rely on the existing capacity of its programmes. Most importantly, targeting efforts rely on the *Ehsaas Kafaalat* (EK) transfer, established in January 2020, and the social registry (NSER) established by its predecessor, the *Benazir* Income Support Programme (BISP), Pakistan's flagship unconditional cash transfer, in 2010-11.

The centrepiece of the Pakistani efforts to immediately alleviate the additional burden imposed by the crisis on poor people is a substantial investment in social assistance, the *Ehsaas* Emergency Cash (EEC) programme. It aims to provide relief for the 16.9 million most vulnerable households during the pandemic and has earmarked a budget of PKR203 billion, to be distributed as lump-sum transfers of PKR12,000 per beneficiary households. This total, up from the initially envisioned coverage of 12 million households, has been reached through several expansions, most recently through the abolition of population-based quotas for province allocations. Most EEC beneficiaries belong to the most vulnerable segments of society; however, the programme is also reaching to those who are not typically covered by national social safety nets, but who have nonetheless been heavily affected by the crisis. As such, EEC disbursements mainly benefit (the wives of) daily wage workers who have seen their livelihoods fall into distress during the pandemic and ensuing lockdown (Nishtar 2020a; 2020).

An SMS campaign was the entry point for EEC beneficiaries. Households could request enrolment by sending a text message containing the national ID (computerised national identity card—CNIC) number of the intended benefit recipient to a dedicated government number. Their claim was then backchecked against the NSER and, in case no matching entry in the database was found, they were referred to their village council secretary or Tehsil office (AC office) for verification. For those that were registered in the database, eligibility was verified through an assessment of the applicant's consumption behaviour and other data available in the registry. Those who are not eligible include those who do not have a valid CNIC, those who have a travel history abroad travel, those who own a property or who have utility bills of over IRR10,000, those owning a passport or having applied for one and their spouses, those who are already registered in any of the federal government's other relief schemes, current or former government (provincial or federal) employees and their spouses, those who submit mobile phone bills that are equal to or over IRR1,000, and households where three or more family members obtained their CNIC with executive fees (Nishtar 2020b). Having a higher income profile and duplicate applications from multiple members of the same family/household were the most common reasons for the rejection of applications (Nishtar 2020).

Depending on the individual outcome of the SMS registration campaign, the programme initially divided beneficiary households into three different categories. The first comprises five million households already receiving the *Ehsaas Kafaalat* monthly cash transfer.[49] Under EEC, these beneficiaries have seen a 50 per cent increase in their benefits, from PKR 2,000 to PKR 3,000, during four months. This amount is paid up front, so that eligible women receive the full PKR 12,000 in a single instalment. In regular times, *Ehsaas Kafaalat* is paid to women beneficiaries who belong to households with a poverty score lower than 16.7. Extending coverage past this core group of the poorest households, the second category under EEC is composed of those with a poverty score in the NSER of up to 38 (Nishtar 2020). The programme therefore aims to cover four million households that either lacked eligible women beneficiaries or who were considered marginally non-poor. The NSER is based on a survey conducted in 2010, which covered only about 85 per cent of the population and had no provisions for desk-based updating. Furthermore, it is only now receiving a comprehensive update. As a result, not all households in need are already included in Pakistan's social registry. In case no match for the CNIC sent via SMS is found in the social registry, lists of these households are sent to provincial authorities, who then use allocated enrolment quotas for each district to determine a list of eligible beneficiaries among those not registered in the NSER, by applying data analytics and the abovementioned profiling criteria (Nishtar 2020c). Beneficiary households determined in this manner are enrolled under Category 3 of EEC and comprise 3.5 million households. Both groups, Category 2 and 3 households, receive a one-off PKR12,000 cash transfer that is meant to safeguard subsistence/food security for four months (Government of Pakistan 2020b; Nishtar 2020d).

49. This figure includes roughly 138,000 households along the Line of Control in the Azad Jammu and Kashmir (AJK) province, which were added as part of the recently announced universal coverage of EK (and therefore EEC) in the region (Nishtar 2020).

In response to livelihoods lost during the lockdown in Pakistan, EEC later added a fourth category, called *Ehsaas* Labour, to the initiative. This category provides coverage to 1.3 million beneficiaries who lost their livelihoods during the lockdown. Registration for this category is carried out through a web portal. The remaining eligibility checks for the first three categories are still applicable, however this category does not apply provincial quotas and does not cover anyone with a self-declared monthly income of over PKR30,000 (Nishtar 2020). Funding for Category 4 is in addition to the budget initially earmarked by the government and partly financed by donors. Funds are drawn from the Prime Minister's COVID-19 Relief Fund, which matches each rupee donated with a four rupee contribution by the government (Gulrez 2020b). As in the first three categories, benefits amount to a PKR12,000 lump-sum transfer meant to last for four months, or about eight per cent of Pakistan's average monthly household income, or about 15 per cent of the average monthly income of households in the poorest quintile.

Initially, funds for EEC were allocated to provinces according to population quotas, effectively placing a cap on the number of potential beneficiaries that could be covered in each province. This mechanism was abolished on 17 June and it was decided that any eligible applicant, irrespective of provincial quotas, would receive assistance (Ahmed 2020). This step increased the number of beneficiaries to receive EEC by a third to 16.9 million households. Furthermore, provinces were given the option to merge their provincial relief packages with EEC, effectively availing of the same programme infrastructure as the federal initiative but providing funds from the provincial budget. This option was adopted by the Punjab government, and an additional 700,000 beneficiaries could be enrolled as a result (Nishtar 2020).

Upon successful enrolment in EEC, beneficiaries under Categories 2-5 need to be biometrically registered to use the same biometric payment infrastructure as established under EK for Category 1 recipients. To facilitate this process, mobile registration vans have been deployed. Once registration is complete, CNIC numbers are passed on to *Ehsaas* partner banks and the details of the nearest pickup station are shared with beneficiaries via SMS. To avoid crowding at pickup points, an additional 17,000 (biometric) payment points were established across the country, allowing beneficiaries to withdraw their benefit at over 18,000 retail shops and ATMs of two partner banks. These have special provisions in place to avoid contagion, including the use of handwash/disinfectants at cash disbursement sites, distancing in queues and the use of new bills. In response to some beneficiaries experiencing difficulties in biometric registration, a recent amendment to EEC now allows for pick-up without biometric verification for select beneficiaries (Government of Pakistan 2020e). In the future, administrators plan to leverage the list of newly-identified beneficiaries to further the financial inclusion campaign, starting with the establishment of savings accounts, which was initially planned under *Ehsaas Kafaalat* (Nishtar 2020e).

Applications for the first three EEC categories closed on 19 April and the programme is currently in the distribution stage, carrying out the disbursement of benefits. According to the latest available figures from 30 July, 13,384,763 beneficiaries were served in total. These are spread over the different categories as follows: 4,618,784 under Category 1, 3,574,508 under Category 2, 3,048,021 under Category 3, 542,365 under Category 3-A, 1,143,668 under Category 4, and 457,417 beneficiaries under Category 5 (Government of Pakistan 2020a).

In addition to EEC, Pakistan has enacted several measures to safeguard food security. To facilitate food sharing, the government launched the *Ehsaas* Ration Platform, a type of 'institutionally assisted informal social protection measure' that connects voluntary food donors with people in need. The government has provided guidelines for standard ration packs to feed a family of six to seven people for 15 days. Alternatively, donors can disburse cash in the equivalent amount of PKR3,000. Donors can specify a particular group among the vulnerable population, for example gender or area of residence, that they would like their contribution to benefit. The respective beneficiaries are then identified among the registered population with matching characteristics on a first-come, first-served basis (Government of Pakistan 2020c). As of 2 April, over 600 donors and more than 35,000 potential beneficiary families had registered (Properties SarfrazHamid 2020).

Government-run utility stores providing food at subsidised prices saw a PKR50 billion additional investment by the government, which benefited four million people (The Nation 2020). Furthermore, to avoid crowding at pickup stations, the functions of food distribution stations under the *Ehsaas* Saylani programme are now being carried out by mobile units (so called 'Langars on Wheels') serving strategic points, including COVID-19 quarantine centres in Lahore and Islamabad (Gulrez 2020a). Moreover, an expansion of this scheme to provide two cooked meals a day at various distribution points across major Pakistani cities is being planned (Government of Pakistan 2020d).

Additionally, to alleviate the strain on household budgets, PKR110 billion will be invested in electricity bill payment relief, with a further PKR70 billion in fuel price subsidies. Households whose utility bills fall below a certain threshold may defer paying their utility bills for three months (IMF 2020; Shaikh 2020).

A somewhat more 'grassroots' approach to combating the fallout of the crisis is employed in select districts of Pakistan by the National Rural Support Programme (NRSP). It is relying on local philanthropy and its community infrastructure to provide cash and in-kind assistance (such as essential food items, soap and hand sanitizers). As of 5 June, 14,091 poor households had received cash grants of, on average, PKR 10,800, while 65,154 had received in-kind assistance worth, on average, PKR1,100. Furthermore, the NRSP has leveraged its community infrastructure to sew 67,546 masks, raised awareness regarding adequate handling of the pandemic and assisted over 140,000 households with EEC sign-up (NRSP 2020).

Finally, several subnational social assistance initiatives were announced during the early weeks of COVID-19 in Pakistan. However, the information available for many of these is sparse and often does not go beyond the initial announcements. We therefore only mention them here, but are not able to go into further detail regarding their implementation or current status:

- The government of Sindh announced the distribution of one-time rations of essential commodities, mostly food, to poor and vulnerable households. Beneficiaries can register their claim through the Sindh Relief Initiative mobile application and their eligibility is verified by the National Database and Registration Authority (NADRA), the SBP (ensuring that prospective beneficiaries have less than PKR10,000 in savings), the Federal Board of Revenue (verifying that the beneficiary was not on their taxpayers roster), and the Pakistan Telecommunication Authority (to verify the location from which the claim has been filed). Alternatively, beneficiaries are identified by DC offices drawing on lists of those registered with the Zakat department and the help of union council members, NGOs and on-demand claims. Two million ration packages worth over PKR3,000 would then be distributed from door to door (Ferozi 2020; Imran 2020). In a related initiative, the government of Sindh announced the disbursement of one-off cash transfers through mobile money of PKR3,000 per eligible household. Cash and ration distributions reportedly have a budget of PKR1.1 billion (About.com.pk 2020; Ary News 2020).

- The government of Sindh ordered private schools to waive 20 per cent of their April and May fees and has installed a complaints hotline to report non-compliance by schools (Express Tribune 2020).

- The government of Punjab announced that it would pay PKR12,000 to up to 2.5 million households not covered by EEC. Money would be distributed after biometric verification at 6,000 cash collection centres, Habib Bank Limited (HBL) ATMs and the HBL mobile application (Government of Punjab 2020). This initiative was later merged with EEC, constituting Category 3-A, which ended up benefitting 0.7 million households (Nishtar 2020).

- The government of Punjab announced that it would pay an additional month of salary to medical staff involved in the treatment of COVID-19 patients. They also announced that the heirs of frontline medical workers who died due to COVID-19 would qualify for assistance under the martyr's package (Pakistan Today 2020).

- The government of Khyber Pakhtunkhwa announced it would top up EEC with PKR6,000 for 1.9 million households, as part of the Wazir-e-Ala Insaf Imdad programme (Geo News 2020; Bangash 2020).

- The government of Balochistan is partnering with the non-profit Akhuwat to award interest-free loans ranging from PKR10,000 to PKR20,000 to 7,670 beneficiaries without a criminal record (Akhuwat 2020; Government of Balochistan 2020).

Social insurance and labour market

In the realm of labour market interventions safeguarding livelihoods in danger during the crisis, Pakistan has introduced two initiatives. The main initiative is the State Bank of Pakistan Refinance Scheme to Support Employment and Prevent Layoff of Workers (also known as the *Rozgar* scheme). Through this measure, the State Bank of Pakistan is providing cheap credit to businesses to finance their payroll costs between April and June if they, in turn, commit to not laying off workers (except for disciplinary reasons) during the period (State Bank of Pakistan 2020a).

Announced on 10 April and amended in May, firms can approach their bank to avail financing under the *Rozgar* scheme, with preference given to labour-intensive and/or highly affected sectors. The amount they can receive in loans under the scheme depends on the size of the respective enterprise's 3-month payroll costs:

- Firms with payroll costs of up to PKR500 million between April and June receive 100 per cent of their costs

- Firms with payroll costs of over PKR500 million in salaries and wage bills over the three-month period get PKR500 million or 75 per cent of the wage bill, whichever is higher, up to a cap of PKR1 billion (State Bank of Pakistan 2020a).

Upon confirmation of the financing agreement between the firm and the bank, the scheme pays workers' salaries in full or in part, directly into their bank accounts. Consistent with this classification of firms according to their payroll costs, workers receive varying shares of their salaries through the scheme:

- Those in firms with payroll costs of up to PKR500 million receive 100 per cent of their salaries relative to the 3-month period between April and June.

- Workers in firms with payroll costs between PKR500 million and PKR1.33 billion receive between 99 per cent and 75 per cent of their salaries.

- Those working in the largest firms, with payroll costs exceeding PKR1.33 billion in three months, receive less than 75 per cent of their salary through Rozgar scheme payments. The exact amount depends on the share of the overall wage bill served by the maximum loan amount of PKR1 billion (State Bank of Pakistan 2020a).

Repayment of the loans will start in January 2021, after a 6-month grace period. Until then, only interest is due every three months, at a rate of five per cent per year for those firms not on the active taxpayers list under the Income 2001 Tax Ordinance, and a subsidised rate of three per cent per year for those borrowers who are on the list. Repayment is then spread out over two years in monthly or quarterly instalments. As a precautionary measure, in case some of the loans do not perform—a real risk given the additional burden on firms caused by the pandemic—the government is putting PKR30 billion in a credit risk sharing facility for the banks involved over a four-year period. In case any of the firms who received assistance under the *Rozgar* scheme go insolvent, 40 per cent of the principal lost would be borne through this money. In addition to mitigating risk, the idea behind this arrangement is to incentivise banks to also award loans to SMEs and other enterprises that might not be able to offer adequate collateral for the loan sizes they would be entitled to (State Bank of Pakistan 2020a).

As of June, 2,227 businesses with over 1.3 million employees had made use of the scheme and financing has been approved for over 1,500 additional businesses, covering over a million employees. Cumulatively, businesses have received a total of PKR107 billion in loans so far (State Bank of Pakistan 2020b). On 30 June, the initiative was extended until September 2020, with similar provisions (State Bank of Pakistan 2020a).

The labour market intervention enacted by the Government of Pakistan is an example of ‘green stimulus’ during the crisis. Daily wage workers who lost their livelihoods during the lockdown are paid between PKR500 and PKR800 a day to plant trees, thus contributing to the government’s five-year ‘10 Billion Tree Tsunami’ programme, which was launched in 2018 with a budget of PKR7.5 billion. By extending the planting season until the end of June, the government hoped to create over 63,600 jobs, predominantly benefitting those whose livelihoods were taken away due to the crisis (Khan 2020).

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Sri Lanka

Situation and vulnerability analysis

As of 31 July, there had been 2,814 confirmed cases of COVID-19 in Sri Lanka and 11 confirmed deaths due to the virus. At the time of writing, there are strong signs that the curve of the pandemic is being flattened, as the estimated number of active cases is decreasing (Beltekian et al. 2020). As of 31 July, the Covid-19 Response Stringency Index for Sri Lanka was 53.7 (out of 100), the lowest value in the south Asia region at the time of publication (Hale et al. 2020). This relatively low value reflects the gradual easing of lockdown measures by the Government of Sri Lanka.

The government allocated 0.1 per cent of GDP to the containment of the health crisis, including quarantine measures. It also granted USD5 million (0.01 percent of the country's GDP) to the South Asian Association for Regional Cooperation (SAARC) Covid-19 Emergency Fund. On 2 April, the World Bank approved the Sri Lanka COVID-19 Emergency Response and Health Systems Preparedness Project, which will cost USD128.6 million. This will be implemented by the Ministry of Health and Indigenous Medical Services, with the support of UN agencies and other stakeholders. Although the project's primordial goal is helping Sri Lanka to slow down and eventually stop the spread of the virus, it is likely that this grant will represent a fiscal relief for the government (World Bank 2020). Finally, the President announced a special fund, *Tikaltana* (which has its own website) appealing to local and foreign tax-free donations (IMF 2020).

Mapping of social protection responses

Social assistance

On 30 March, the Government of Sri Lanka announced a package of relief measures to be implemented using the infrastructure of existing social programmes. The non-contributory programmes adjusted under this initiative were: *Samurdhi, Thriposha*, the Senior Citizen Allowance, the Disability Allowance and the Kidney Disease Allowance. The adjustment of the Farmers and Fishermen's Insurance Scheme—also part of this package—will be discussed further in the following subsection.

The government adjusted its largest cash-transfer programme—*Samurdhi*, which targets poor households, aiming to alleviate poverty. The programme's coverage was increased by automatically providing an additional emergency cash-transfer of LKR5,000 to all the beneficiary households, plus those in the waiting-list (totalling 600,339 households). The programme's regular monthly cash transfer is paid through the *Samurdhi* Bank. However, due to the COVID-19 crisis, the government announced that officials would deliver the benefit directly to beneficiaries' houses, to avoid crowding at bank branches. Furthermore, *Samurdhi* was expanded to serve as an in-kind transfer, with its beneficiaries and other vulnerable households receiving rice, lentils, onions, and pumpkins through vouchers. Although these reformulations were supposed to work as a one-time transfer, the government is considering making a second LKR5,000 payment in light of its positive impacts (ILO 2020).

In addition to the *Samurdhi* in-kind transfer, the government has also expanded the Thriposha programme. Under this programme, Thriposha (pre-cooked food) and other nutritional supplements will be delivered directly to the homes of expectant mothers and households with malnourished children. Previously, beneficiaries had to pick up the food and supplements at health facilities. Groups eligible for this programme include pregnant mothers, lactating mothers (during the first six months), and undernourished children (from six months to five years old) (Government of Sri Lanka 2016).

Other programmes have been expanded to ensure that social protection reaches the most vulnerable people. The Senior Citizens Allowance, for example, which supports elderly people (70 years old and older) in low-income households who have been receiving the Samurdhi subsidy or the monthly public assistance allowance, has also extended its existing benefit (of LKR5,000) to all elderly people in its waiting list. The same happened to people with disabilities who were enrolled in the Disability Allowance and to patients with chronic kidney disease who were enrolled in the Kidney Disease Allowance. Those who were in the waiting list were also admitted into the programme and received the LKR5,000 benefit (Government of Sri Lanka 2020).

Social insurance and labour market

Regarding social insurance schemes, it is important to consider the adjustment of the Farmers and Fishermen's Insurance Scheme. The 160,675 farmers and 4,600 fishermen enrolled will receive an LKR5,000 emergency withdrawal (Government of Sri Lanka 2020, UNICEF Sri Lanka 2020b). UNICEF Sri Lanka estimates that over 60 per cent of the population are covered by the social assistance initiatives described above, plus the ones covered by the adjustment of the Farmers and Fishermen's Insurance Scheme (IPC-IG 2020). The coverage is estimated to be quite high, particularly for the poorest decile—namely 97 per cent. However, as a consequence of the regular set-up of the Sri Lankan social protection system, a considerable share of the population remain excluded: (i) 31 per cent of the households in the third poorest decile; (ii) 31 per cent of the households in the middle income deciles; (iii) over 30 per cent of children under 10 years old; and (iv) 30 per cent of those aged 70 and older. Finally, considering a one-off emergency transfer only, the increase in consumption is very limited (based on communication with UNICEF Sri Lanka).

In addition, the Government of Sri Lanka plans to deliver pensions to 645,179 recipients in the public sector, as well as double the benefits provided by the National Insurance Trust Fund (an agency subordinated to the Ministry of Finance) for key workers—i.e. health care, police and public security professionals (Gentilini, Almenfi and Orton 2020; ILO 2020).

Regarding employment protection, the government has pledged to support 1.5 million self-employed workers affected by containment measures, such as owners of three-wheelers, school buses and other vehicles used for self-employment through a six-month moratorium on loan repayments (Gentilini, Almenfi, and Orton 2020; ILO 2020; IMF 2020). Likewise, the government has instituted a six-month moratorium on bank loans for tourism, garment, plantation and IT sectors, related logistics providers and small and medium industries. There will also be a three-month moratorium on low-value personal banking and leasing loans; and a cap on credit card interest rates, accompanied by a reduction in the minimum monthly repayment value (IMF 2020).

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