Organisation for Economic Co-operation and Development

DEV/GB(2020)8

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DEVELOPMENT CENTRE
GOVERNING BOARD OF THE DEVELOPMENT CENTRE

FIRST SESSION OF THE GOVERNING BOARD MEETING IN 2020

DEV Policy Brief

COVID-19 and developing countries: What policies and partnerships to respond, reset and rebuild?

27 April 2020, virtual meeting using Zoom online meeting tool

This document is submitted to the delegates for DISCUSSION.

This document focuses on the policy implications of COVID-19 in the developing world. It sheds light on the heterogeneous impact of COVID-19 in Africa, Asia, and Latin America and the Caribbean. It also provides a nuanced analysis of the policy responses by distinguishing them in immediate actions to tackle the health emergencies and provide economic relief- notably to the most vulnerable, and by identifying key aspects in the medium- and long-term strategies in order to attain economic recovery and social cohesion and build resilience. Finally, it examines what should be the priorities of an international response and puts forth five key considerations for governments. Building on these considerations, in the last section, the document proposes how the Development Centre can help its Members and the international community to address and overcome this unprecedented crisis.

Action for Delegates

Delegates are invited to:

- Provide comments and additional information on the approaches taken in their countries.
- Provide guidance on the further development of an observatory and analysis of national and international responses towards the outbreak and its short-, medium- and long-term socio-economic implications and impact.

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The developing world is preparing itself for coping with the unprecedented health and economic crisis of the COVID-19 pandemic. While the number of reported infections and fatalities are at the moment relatively low, and while there might be structural elements in some areas – such as younger population, and accumulated experience in facing previous pandemics– that might help weather the health crisis, the socio-economic impact is already being felt and will have long-lasting consequences.

Four main channels of transmission will affect developing countries' sustainable development as the crisis unfolds:

- ***Human life losses and increases in health expenditures related to COVID-19** including loss of medical personnel.*
- ***Confinement measures** to mitigate the spread of the disease, which will reduce the overall level of economic activity and negatively affect firms' and households' incomes, notably informal ones.*
- ***Slowdown in global economic activity and declining commodity prices**, sharp decline in exports, tourism and remittances; increased uncertainty and capital outflows (flight to safety), exchange rate depreciation/devaluation and possible negative impact on repayment of debt contracted in foreign currency; lower public revenues due to lower commodity prices.*
- ***Supply shortages for intermediary inputs, machinery and equipment and final goods, reduction of foreign direct investment (FDI).** In the short term, input shortages will disrupt supply-chains, with wide-range effects, including on food security. In the medium term, developing economies could also suffer from relocation of certain production activities and an overall shortening of global value chains, especially in automotive, electronics, food and textiles value chains, as advanced economies may -re-shore manufacturing capabilities.*

Governments in developing countries must confront the crisis while facing pre-existing vulnerabilities and development traps. Their ability to act might be lower than in the 2008-09 global economic and financial crisis, as they enter the COVID-19 crisis with limited or no fiscal buffers and higher levels of debt.

Governments in developing countries are taking actions to confront the crisis, including measures to help businesses and households cope with the economic shock. However, these efforts will likely fall short of the objective given the limited fiscal resources and structural weaknesses – notably in health systems. Support from the international community and advanced economies is urgently needed.

The international response must combine the immediate and co-ordinated help to confront the health crisis and protect the most vulnerable with a medium-term and long-term commitment through strengthening the local economic and industrial base and the national health and social protection systems to enhance resilience. Equally relevant in the long-term, will be to continue and promote a dialogue across countries at different levels of development to design a truly global and sustainable recovery. Such a dialogue should promote the exchange of experiences and effective policy responses on recovery strategies, underpin a reflection on the international architecture to cope with future pandemics, and more, in general, to be prepared in the face of future similar shocks and address global public goods, such as the response to climate change.

1 Introduction

The COVID-19 health crisis is causing massive human, economic and social disruption in countries where the virus has spread widely. As the pandemic spreads wider and brings the economy in many countries to a near standstill, it is having a global impact. As many advanced economies, developing countries are being as widely affected by the infection and its socio-economic consequences. Hundreds of cases have been confirmed in developing regions and the World Health Organization (WHO) warns governments should prepare accordingly. Some governments have already taken measures of social distancing and confinement and have announced financial packages to face the forthcoming scenarios of sizeable economic slowdown.

Several developing countries are particularly at risk from the crisis due to their pre-existing structural weaknesses. These vulnerabilities – limited fiscal space, high import dependence, widespread informality, just to name some – reduce governments' ability to tackle the health pandemic and deploy the range of policy measures necessary to cope with its economic consequences. Those structural features may even amplify the consequences of the pandemic. Flattening the curve of contagion with social distancing and lockdowns might not work in countries where an important share of the population earn their income on a daily basis through informal activities and have no safety net to fall back on. In addition, many developing countries have weak health infrastructure that may limit an effective response to the pandemic. Preliminary estimates suggest that global poverty may increase by as much as half a billion people, or 8% of the total human population. This would be the first time that poverty has increased globally in thirty years, since 1990 (Sumner, Hoy and Ortiz-Juarez, 2020[1]).

Developing countries have entered the current crisis at a moment when economic growth rates were already projected to be low and will be further curtailed by declining commodity prices and a global depression. To implement containment policies without aggravating poverty, governments should resort to fiscal packages to sustain vulnerable populations and the most affected economic sectors. Yet, the limited public revenues and constrained ability to borrow reduce the room for manoeuvre. Moreover, the high number of informal jobs and firms as well as weak automatic stabilizers hinder the impact of counter-cyclical policy responses.

Confronting and overcoming this crisis will not be easy. Heterogeneity across developing economies and high uncertainty regarding the length and depth of the COVID-19 effect to the world make it difficult to estimate the impact of the crisis. Different national characteristics across Africa, Asia and Latin America and the Caribbean (LAC) may determine how the crisis unfolds and its long-term consequences. Beyond the emergency response, governments and businesses need to respond to the short- and medium-term consequences of the crisis. The global slowdown and the shutdown of domestic economic activities can erase years of hard-won progress towards poverty reduction and worsen inequalities, compromising the already difficult trajectory to the Sustainable Development Goals (SDGs). While the situation is grave, this extraordinary context could also be an opportunity to rebuild social trust and implement the long-term policy reforms needed to strengthen fiscal capacities, increase resilience and promote a more inclusive recovery.

To make things more complicated, governments in developing countries are entering this crisis in a worse position than when the Global Financial Crisis struck in 2008. Financial buffers are lower or non-existent, as low fiscal revenues combined with rising levels of debt, declining terms of trade and the depreciation of exchange rates. International support of likely unprecedented magnitude is needed. Some government representatives from developing countries have voiced concerns that a failure to address the crisis in developing countries would have lasting global repercussions. Investing in developing countries to strengthen their resilience, productive capacities and job creation is a necessary condition to put the world on track to sustainable development. Developed and developing countries should not miss this opportunity to join hands and rethink, together, a multilateral cooperation framework that can underpin a truly global and sustainable recovery.

2 Potential global consequences of the pandemic

The pandemic will cause major changes in supply chains across the globe. The crisis is expected to cost global value chains about USD 50 billion in exports and lead to a reduction in FDI flows between 30% and 40% in 2020-2021 (UNCTAD, 2020a; UNCTAD, 2020b). Developing countries could lose at least USD 220 billion in income, which translates into closed factories, lost jobs and stretched governments in some of the world's poorest and most vulnerable nations (UNDP, 2020). Advanced countries may recognise the need to have a local manufacturing base closer to home to cover for emergency needs and relocate production, especially in critical areas such as electronics, mechanics and engineering. Relocation of production activities and shortening of supply chains could put at risk the developing economies that rely on FDI and special economic zones.

Considering the dependence of developing countries on the global economy, their exposure to global value chains (GVCs) and their reliance on foreign investment, the crisis will likely have large and lasting impacts on their economies. There are at least five channels of transmission of the crisis to developing countries.

First, through a lower global demand for goods and services. The overall containment measures, which will decrease consumption, will affect the private sector, especially Micro, Small and Medium size Enterprises (MSMEs). On the demand side, reduced consumption will lead to loss of revenues and liquidity shortages amongst enterprises. The reduced demand for raw materials will severely affect developing economies that rely on exporting natural resources. The global demand for raw materials will shrink as lock-down measures impose a supply shock to the economy and a consequent contraction in aggregate demand. On the supply side, enterprises will have to confront lack of labour because of illness and confinement measures, drop in capacity utilisation and shortages of parts and intermediate goods (OECD, 2020). Slower activity of and among enterprises and closure of many small businesses will lead to reduced wages, increased unemployment, and reduced household incomes. In fact, these supply shocks could trigger changes in aggregate demand larger than the shocks themselves (Guerrieri et al., 2020[2]). These economic shocks will entail a deterioration of social conditions and poverty and could erase years of progress.

Second, developing countries may suffer from reduced availability of and access to medical equipment and drugs. Dependency on medical tool imports increases vulnerability in times of epidemics. Large swaths of populations already faced major challenges accessing drugs and affordable and high quality healthcare. With the diffusion of the pandemic to their countries, these gaps may worsen. The COVID-19 pandemic is creating high and immediate needs in protective gear and critical medical equipment, such as ventilators. Even China estimated that its needs were beyond its manufacturing capacities. Lack of Personal Protective Equipment (PPE) put medical personnel and essential workers at risk and could reduce the capacity to face the crisis and aggravate its consequences.

Third, there is a risk that agricultural and food supply chains be disrupted with challenges occurring both at the level of production, manufacturing and marketing. The outbreak and spread of coronavirus, and some of its immediate administrative responses, such as large-scale confinement, transport restrictions and border closures, will inevitably affect the food economy. In turn, this situation may wreak havoc in the workforce, particularly in informal economy workers, which represent the vast majority of the labour force in agriculture and retail trade, live hand to mouth and face considerable occupational, health and safety risks.

Fourth, reduced global economic activity could also reduce remittances, a major source of income and foreign exchange in developing economies[1]. As an insurance mechanism for households, remittances tend to increase in times of crises – or at least be more resilient than other flows as private flows tend to leave for safer assets and ODA may be more difficult to administer. This was the case in 2008-2009. The present crisis, however, has hit the majority of the globe and migrants in advanced economies may be hit harder than in previous crises. This may cut off a vital lifeline for many households, who may need to rely on remittances when the pandemic cuts off other sources of income. On the other hand, major remittance sending countries, like the US and the Euro-zone countries, have seen their currencies appreciate since the outbreak spread outside of China – this alone may be triggering a rise in remittances to developing economies in the short-term.

Fifth, the COVID-19 pandemic has caused major disruptions to economic sectors that developing countries rely on for their revenues. This includes for example the extractive industries sector, which represents a major source of GDP for a large number of developing economies. Oil prices fell by more than 50% in the first quarter of 2020. While this drop was partly due to a breakdown of existing price-setting mechanisms, it has been exacerbated by the precipitous fall in demand resulting from the pandemic. A significant reduction of government revenues from resource extraction and sales will have a corresponding impact on public spending. For example, when the oil price fell between 2014 and 2016, the Nigerian government cut public spending by almost 50% and Angola cut expenditure by almost 60% (NRGI, 2020).

One important disruption relates to supply and demand shocks on national statistical systems (NSS). As many advanced economies have witnessed, being able to monitor and report timely can be decisive in how the pandemic unfolds. Limited statistical capacity and structural data deficits in administrative systems reinforce the need for well-governed data systems to strengthen flows of quality data and statistics to inform pandemic response and recovery (PARIS21, 2019). On the demand side, governments call for timely, ad hoc data to inform containment and mitigation in the short-term. Beyond administrative sources, policymakers and partners may call on national statistical offices (NSOs) and other NSS institutions to repackage available statistics on vulnerable populations, businesses and the labour market to identify and respond to the effects of the crisis. However, socio-economic statistics and price data may rapidly fall out of date due to evolving conditions on the ground. While demand is increasing, efforts to contain the spread of COVID-19 will also constrain operational space for NSSs, limiting the supply of official statistics. NSOs and other NSS institutions are now shifting to remote work arrangements, often without sufficient IT solutions in place to support effective teleworking, and thus the needed statistics might be at risk.

The combination of financial and economic shocks with social distancing will put a strain on societies. The experience of countries currently grappling with large-scale outbreaks demonstrates the critical importance of clear communication and social compliance with government instructions. In contexts where trust in governments or confidence in public health systems is low, enforcement might be problematic, misinformation can spread and protests might follow. The crisis might also shed a light on inequalities within society. Given the discontent that has been evident globally in recent times – and whose origins can often be traced to the global financial crisis – many societies are confronting this crisis from a position of weakness, where expert advice is questioned and trust in institutions very low. The adoption of exceptional measures to contain the crisis should not become an excuse for governments to impose greater restrictions intended to become permanent and limit civic liberties. At the same time, the crisis might bring citizens closer together to jointly overcome duress and rebuild a sense of national and transnational solidarity – an opportunity not to be lost.

[1] Remittances have steadily risen since 1990 from USD 66 billion to 637 billion in 2018 – most (77%) of it going to developing nations. In 2019, remittances consisted of at least 10% of GDP in 28 countries (WB, 2019).

3 A heterogeneous impact: Evidence from regions

Structural socioeconomic challenges within each developing region will affect and may deepen the crisis created by the pandemic. The particular structure of the economy, the financial system or the labour market conditions will affect how the crisis unfolds and what policy measures need to be taken in the immediate, short and medium term.

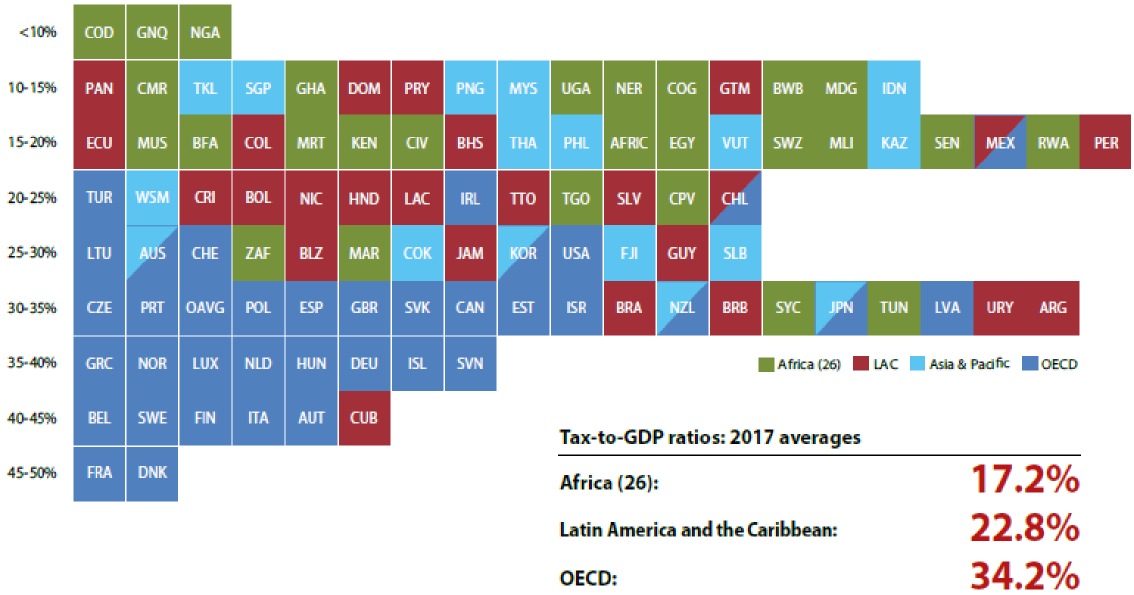
3.1. Africa: Coping with declining demand for commodities, exports and limited fiscal space

The potential pain inflicted on Africa by the dual shock may be more severe than currently experienced by advanced economies. Several factors contribute to this vulnerability: import dependence, weak substitution of input materials, single export commodity dependence, labour skills concentration, overstretched debt in certain countries, limited fiscal capacity, a large immuno-compromised population, and weak health infrastructure. On 13 March, economic growth was revised downwards from 3.2% to 1.8% (ECA, 2020). Given the rapidly changing situation and high uncertainty, estimates are constantly being updated – unfortunately downward. A recession in several African countries – the first in 25 years – is now a likely scenario. The African Union forecasts negative growth at -1.12% in 2020 if the health crisis lingers until August 2020, with major touristic destination countries recording a growth at -7% and the main oil exporting countries at -2% (AUC, 2020). This happens in a context where the number of low-income Sub-Saharan countries assessed by the IMF and the World Bank to be at high risk of debt distress rose from six to nine between 2012 and 2016[2] (IMF, 2019). Similarly, halving oil prices represents a major shock on Africa's oil producing countries. For comparison, the seven-month 2014 drop in oil prices caused GDP growth in sub-Saharan Africa to fall from 5.1% in 2014 to 1.4% in 2016. The oil prices drop occurred now in three months only and is likely to have stronger effects. Africa's non-renewable exports had already slumped from 25% of the continent's GDP in 2007 to 12% in 2017, and is expected to fall much lower (Coulibaly and Madden, 2020[3]).

The economic contraction will reduce already limited domestic revenues. The tax to GDP ratio of 26 African countries has stagnated at about 17.6% GDP since 2016. Out of the 26 African countries featured in the *Revenue Statistics in Africa 2019* report, ten had the tax-ratio to GDP lower than 15% (OECD/ATAF/AUC, 2019[4]) (Figure 3.1). Commodity dependent economies will experience a drastic fall in their fiscal resources owing to the slump in commodity prices. Given tax buoyancy estimates (Dudine and Jalles, 2017[5]), it is likely that the contraction in tax revenues will be more than proportional than the overall economic contraction.

[2] In 2019 nine African countries are at high risk of debt distress according to the IMF and the World Bank (Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Ethiopia, Ghana, Sierra Leone, and Zambia).

Figure 3.1. Tax-to-GDP ratios in 2017 vary across economies and within regions



Source: OECD (2020) Global Revenue Statistics Database (https://stats.oecd.org/Index.aspx?datasetcode=RS_GBL)

African countries will suffer either from reduced exports and commodity prices, or from reduced imports (stalled projects, higher import bills, higher consumers' good inflation). The largest disruption to trade will be for commodity-sensitive economies, with Algeria, Angola, Cameroon, Chad, Equatorial Guinea, Gabon, Ghana, Nigeria, and the Republic of the Congo among the most affected. Oil exports range from 3% of GDP in South Africa to as high as 40% in Equatorial Guinea and are a key source of foreign exchange earnings, and almost all exports for South Sudan. Furthermore, the shock comes at a particularly bad time for three of the largest economies—Angola, Nigeria, and South Africa—which already had weak growth outlooks, with South Africa already in recession.

Least Developed Countries such as Zambia, South Sudan, and Mauritania do not have alternatives to China as a buyer, nor do they have viable alternatives to their commodities for sources of growth. The slowdown in Chinese demand is already having rippling effects. Most Small Islands Developing States, and North African countries, as well as several West African economies depend on trade with the EU for at least 50% of the total (Coulibaly and Madden, 2020[3]). The shock from a halt in trade with the EU will take place through various channels, in particular the demand slump from the EU due to the lockdown and the halt on tourist arrivals. This may have a particularly high impact on these countries' population working in informality (tourism workers), which is without social and health protection.

Lastly, African countries can also be impacted by global prices for staples such as rice and wheat. If the COVID-19 outbreak were to last through 2020 and beyond, the price evolution of these products will become more pressing. This may increase the need for African governments to find additional reserves in foreign currencies to satisfy basic and strategic needs as net food importers and strategic importers of goods such as fuel.

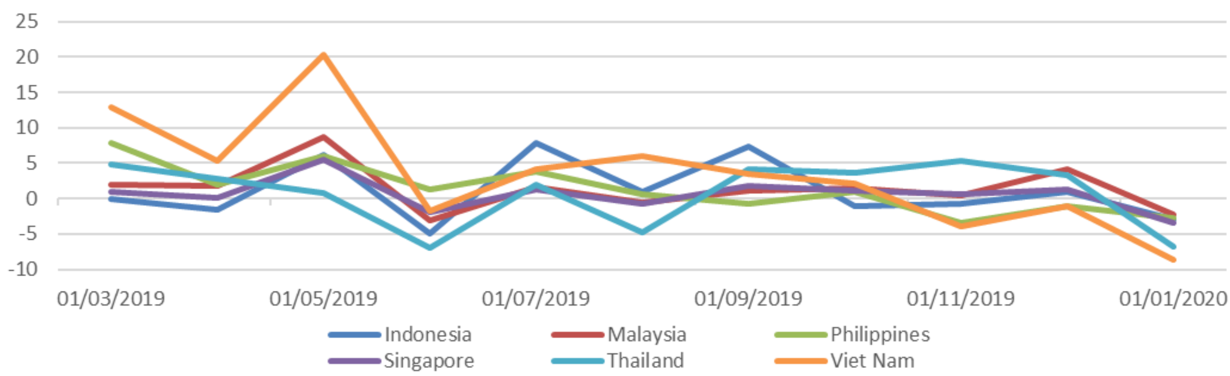
3.2 Asia: Facing the economic slowdown

Overall, growth prospects are slowing in the Asia region. Growth in 2020-24 in Emerging Asia was expected at 5.7% on average, according to the *Economic Outlook for Southeast Asia, China and India 2020* (OECD, 2019). However, growth prospects, increasingly subject to pressures in recent weeks as COVID-19 cases are increasing across the region, are expected to further deteriorate.[3] International organisations have projected growth slowdown in the region due to COVID-19. The World Bank projected a decline of growth in developing East Asia and Pacific to 2.1% in the baseline and -0.5% in the lower-case scenario in 2020, from 5.8% in 2019 (World Bank, 2020a).

COVID-19 exerted a significant impact on financial markets in the region. The sharp decline in oil prices added to the turmoil triggered by the COVID-19 outbreak. This combination of factors resulted in a severe downward adjustment of asset prices in both the equity and fixed income segments. For instance, equity markets in the Philippines and Indonesia posted some of the largest regional declines, prompting authorities in the two countries to take remedial action. At the same time, government bond yields were characterised by several episodes of high volatility. In foreign exchange markets, most Southeast Asian currencies weakened sharply vis-à-vis the US dollar since the beginning of the year against the background of slower economic growth prospects. Adjustments to the monetary policy stances in the US and the Emerging Asia region also contributed. The ongoing uncertainty regarding the capacity of Emerging Asia to rebound from the COVID-19 downturn is likely to drag asset prices further down in the coming months.

Moreover, exports continue to weaken. The start of the year saw a reduction in exports in some Southeast Asian economies (Figure 3.2). The contraction in exports came, particularly at a time when the COVID-19 outbreak started to cause disruptions in the manufacturing sector in China. This had repercussions on both demand and supply. The first signs of exports contraction were already visible in January. For instance, the value of Viet Nam's exported goods fell by nearly 19% month-on-month in January 2020. Thailand also recorded a double-digit decline (-11.4% MoM). Due to the timing of updates, the data currently available does not fully capture the impact of the virus outbreak. It is highly likely that the situation has further deteriorated.

Figure 3.2. Growth of goods exports in selected ASEAN economies
3-month moving average, month-on-month, percentage



Note: Only countries with monthly data available for January 2020 are included.
Source: CEIC

Some signs of deteriorating corporate sector performance are surfacing. The economic slowdown triggered by the COVID-19 will have a lasting impact on corporate activities. Many firms pointed to a stark contraction in both the manufacturing and services sector in February. The March results will very likely paint an even bleaker picture. Some signs of corporate funding stress are already visible in Emerging Asia. Yields on corporate bonds have tightened to a very high level, with the high-yield segment more severely impacted. Authorities in the region have announced several measures aimed at supporting their corporate sectors, ranging from the direct

[3] Update information will be provided in the forthcoming Update of the Outlook 2020, to be released in June/July.

provision of funding to corporate bond purchases.

Finally, travel restriction measures are in place and becoming stronger in many countries. Various travel restrictions are in place from all countries, targeting both inbound and outbound travellers. Visitors with travel history to countries with a large number of COVID-19 infections have either been denied entry into their destination country (Cambodia, India, Indonesia, Lao PDR, Malaysia, Myanmar, and Singapore) or were obliged to comply with the 14-day quarantine rule upon arrival (Thailand and Viet Nam). Several visa exemption programs have been suspended and pending visas cancelled. Cambodia has closed land borders. Brunei Darussalam has banned all entry, except for citizens. China temporarily suspended entry for foreigners, including visa and residential card holders with some exceptions such as diplomats and transit passengers. As a result of various travel bans, tourism arrivals and receipts in the region are expected to decline. The ADB estimated a loss of USD 15 to 35 billion in tourism receipts for China and USD 19 to 45 billion in tourism receipts for the rest of developing Asia (ADB, 2020).

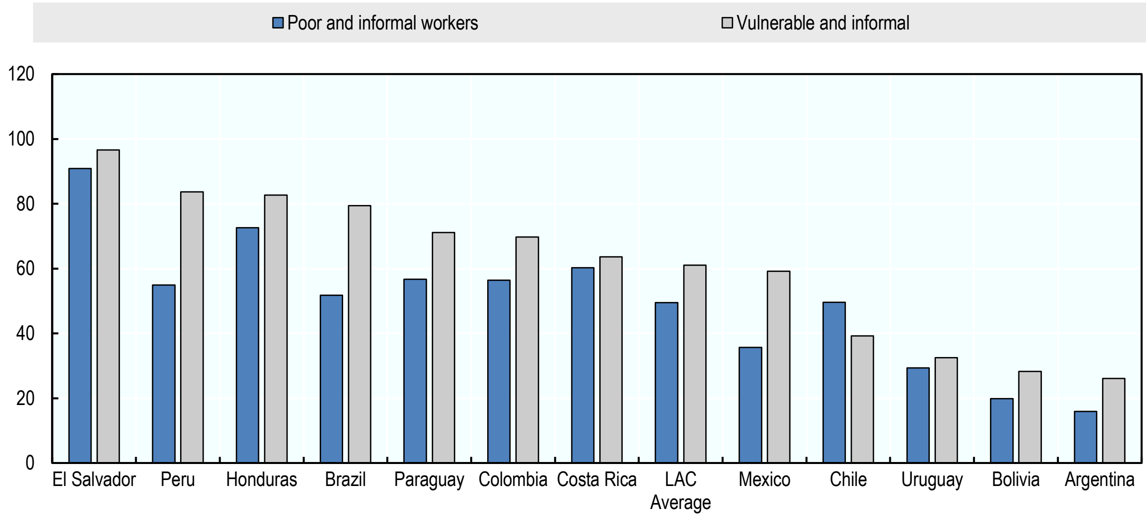
3.3 LAC: Coping with high vulnerability and social discontent

The mass protests of 2019 revealed the need to rebuild the social pact and restore citizens' trust to overcome the "institutional trap" that – together with sluggish productivity and social exclusion – is keeping the region in a low-growth sustainable dynamic. The COVID-19 could aggravate these pre-existing conditions.

The socioeconomic impact of the COVID-19 crisis can be hard on individuals, households and firms in the absence of ambitious public policy responses. Social conditions are already worsening as a result of the economic depression. Many companies may go bankrupt, particularly MSMEs, which represent 99% of total firms and account for almost 60% of formal employment in the region (OECD/CAF, 2019; OECD/UN ECLAC, 2012). The impact on jobs could be colossal, particularly hurting the *vulnerable middle-class* who make up 37% of the population living on USD 5.5-13 a day (PPP 2011) (CEDLAS and The World Bank, 2020).

Informal workers and their families will be particularly affected. Around 58% of workers are informally employed, and most of them (57%) live in vulnerability, as they are below the international monetary line of USD 13 a day (PPP 2011). Informal workers have limited access to social protection, and they lack economic security to take sick leave or cope with an unexpected emergency. While the region's main safety nets cover many among those most in need, across informal workers there are 61% of the vulnerable and 49.5% of the poor that are not covered by any form of social protection (Figure 3.3). Preventing the vulnerable population from falling into poverty, which already affects 25% of the population in Latin America, as well as averting the increase of poverty severity are among the main challenges of the war against COVID-19. First estimates project that poverty in Latin America could go from 185 million to 220 million people in 2020 (ECLAC, 2020).

Figure 3.3. Percentage of informal workers not covered by the largest social safety nets in the region



Source: Own calculations based on each country's latest available Household Surveys (preliminary estimations). Regional average is a simple average. Major social safety nets include poverty targeted cash transfers in the form of conditional cash transfers, unconditional cash transfers and social pensions. They do not include contributory pensions nor disability benefits or in-kind transfers. Labour informality is estimated using the methodology developed by ILO (2019) *Women and men in the informal economy*.

New tools are necessary to include the most affected into social protection systems. The response to the COVID-19 crisis will show that progress in extending safety nets has not been enough. Moving forward, governments must use the momentum created by the crisis to design more inclusive social protection systems that include expanded access to health services, sickness benefits, unemployment protection and social protection for the vulnerable and informal households (OECD/ILO, 2019).

From mid-March 2020, many LAC countries have moved from targeted assistance to more universal, yet temporary, policies that cover those usually outside existing social protection programmes. Argentina is offering a one-time lump sum transfer of ARS 10 000 to all informal and low-income own-account workers. Brazil approved a basic income scheme of BRL 1 200 for more than 25 million families. Colombia announced a temporary income programme for informal workers that will benefit 3 million households not covered by the existing transfer programmes. Peru expanded its "Bono de 380 Soles" to include vulnerable informal and own account workers that were not part of the initial programme. The vulnerable population may be forced to disobey social distancing measures to keep their subsistence economic activities going. Thoughtfully allocating limited resources to these groups is more relevant than ever, also from a public health perspective.

If the pandemic has a silver lining, it could be empowering governments to bring together all sectors of society and forge a new social contract. While the political capital to address these challenges was low before, with only 25% of the population trusting in their national government, the current crisis may present an opportunity to create consensus among citizens around major pending reforms that include better public services, a more inclusive social protection system and stronger public finances as well as to recover a sense of common values, such as intergenerational solidarity and social responsibility (OECD et al. 2019; OECD/CAF/ECLAC/UE, 2018). Similarly, the expansion of transfers to informal workers and firms may be an opportunity both to raise awareness about the value of formality, and to partially formalise some currently informal own-account workers and firms by including them in tax registries or fostering their inclusion in the banking system so that they can receive the transfers. Without the right policies in place to respond to COVID-19 related crisis, distrust and low satisfaction could deepen across countries.

4 Facing the crisis: Act fast, but think global and long-term

The COVID-19 pandemic poses an aggravated threat to developing countries, which will now have to take both short-term measures to absorb the shock and long-term ones to recover from its aftermath – in a likely more challenging global environment. While the emergency dictates that "first aid" decisions should focus on providing health supplies, imposing preventive measures and spending policies that will both safeguard the economy and protect the vulnerable, most developing countries face structural obstacles that may hamper such a response. Developing countries will have to focus long-term policies on structural reforms, aimed at building more resilient frameworks and productive capacities into their future development trajectories.

4.1 Immediate actions: Urgent health measures, economic relief and protecting the vulnerable

As the pandemic expands and developing countries' health systems are put under pressure, the first priority will be to promote preventive and other public health measures and ensure access to medical supplies, notably to protect health workers and patients at risk.

Governments worldwide imposed containment measures and travel restrictions, closed schools and universities and banned public gatherings in an attempt to curb the spread of the virus. Developing countries will also need to implement prevention policies. The way events have been unfolding shows that countries that are better responding to the crisis were able to do so through more early-on actions such as social distancing and the use of masks.

However, social distancing, quarantine measures and self-isolation are difficult to implement in countries where large sections of the population live in very densely populated conditions and work in the informal economy. In slums like Dharavi in Mumbai (2.77 square meters per person on average, M. Taneja, 2019) or in refugee camps like the ones in Cox's Bazaar in Bangladesh (one person per 5 to 10 square meters in camps 01W and 02W, ReliefWeb, 2019), it may be impossible for residents to socially distance themselves one from another. Similarly, as 91% of Africa's non-agricultural workforce depends on the informal economy (AUC/OECD, 2019[6]), many households might foresee more benefits than risks in not respecting lockdown and self-isolation measures if ways to earn a livelihood are still available despite the crisis.

Advanced economies have responded to the economic shock with fiscal and monetary policies of unprecedented magnitude. This response has combined tax and spending policies, including tax relief for firms and individuals, loans for SMEs and an expansion of social protection programmes. These will not be sufficient to avoid a severe economic contraction, however, they have provided financial markets with a degree of confidence and will bring relief to large sections of the population whose livelihoods have been abruptly upended.

Developing economies may have to engage in similar measures to protect their vulnerable households and business, but they enter this crisis with far more limited fiscal buffers than when the Global financial Crisis unfolded in 2008-09. Increasing health expenditures to enhance capacities and protect workers is one of the first priorities. As highlighted by the Ebola crisis in Africa, many of developing countries' public health systems entered the crisis under-equipped, thus making "a bad problem worse" (Oqubay, 2020). . However, limited and potentially shrinking fiscal space will reduce governments' ability to provide additional material and infrastructure, let alone large scale testing or masks. It will be vital to engage in spending, monetary and fiscal relief policies that will help developing economies cope with the crisis, protect the most vulnerable sections of the population and ensure businesses and productive capacities are not wiped-out. The International Monetary Fund already took steps on this direction: on 13 April, the institution Executive Board approved immediate debt relief for 25 member countries (Annex 2).

A number of developing countries have already scaled up cash transfer programmes and their experience could be useful reference for others. For instance, in Argentina, conditional cash transfers to poor families are boosted by a one-off bonus of USD 50 and households that live from informal activities or self-employment and have suffered income losses will receive a one-off bonus of USD 150 in April (OECD, 2020a). Although as of 2 April 2020 only three African countries, Nigeria (Nigerian Tribune, 2020), Tunisia (IMF, 2020) and Zimbabwe (Africa Centre for Strategic Studies, 2020), had implemented such programs, more countries will be launching similar initiatives as the health crisis broadens and its effects worsen. However, not all countries have mechanisms to promptly distribute cash transfers to households in need or the fiscal resources to underpin large-scale programmes. This weakness becomes all the more detrimental when individuals cannot leave their homes.

Similarly, ensuring support to local businesses and enabling them to navigate the potential crisis will also be of the utmost importance. International solidarity mechanisms will be needed, as many developing countries do not have the fiscal space to implement the highly costly economic saving packages that countries such as France, Italy or Spain have been implementing to ensure SMEs do not run into liquidity crises and to keep their employees occupied. Multinational corporations could play an important role in identifying ways to support their suppliers in the developing world and the international community should ensure that the same RBC measures apply through the whole value chain, thus avoiding a situation where the poorest suffer the most.

Despite some exceptions, very few developing countries, especially outside the LAC region, have the instruments or the resources at their disposal to replicate the most advanced economies' response package, even to a much lesser degree. As will be the case for priority health expenditure, already limited and potentially shrinking fiscal space, especially in commodity dependent economies, will reduce policy options for economic relief. Moreover, availability of reliable data will be critical to design and monitor the response. Structural weaknesses in national statistical systems may become a more binding constraint in times of crisis. However, there are some examples of how developing countries are acting timely in statistical measures as a step for facing the pandemic at early stages (Box 1). In this regard, mitigating the delays in data production by scaling teleworking arrangements, adapting data collection instruments, and accelerating adoption of new tools and technologies, and expanding effective communication and dissemination of statistics remains as well crucial in the immediate response of governments (PARIS21, 2020). Monitoring the evolution of the pandemic through statistical offices is a key tool for evidence-based policy making in the process of containing the pandemic.

Box 1: Examples of developing countries' efforts towards keeping statistical offices running

1. Sustaining activities under containment:
   - Colombia (DANE) took early steps to ensure staff connectivity such as VPN access, free antivirus licenses and increased data-processing capacities.
   - Paraguay (DGEEC) assured the continuity of an ongoing household survey by limiting its scope, reducing the survey questionnaire to 40% of its original length
   - Senegal (ANSD) is pursuing options to replace field operations with phone and web-based data collection.
2. Responding to demand:
   - Maldives (NBS) is collaborating with UNDP to undertake a rapid livelihood assessment of populations most at risk in the context of the epidemic.
   - Dominican Republic (ONE) has established a central data repository of all information related to COVID-19 in their country.
   - Niger (INS) produces a daily note on the evolving situation globally on COVID-19 for the Office of the President

Source: (PARIS21, 2020)

It is also worth pointing out that fiscal policy in developing countries is highly pro-cyclical, meaning that spending increases in the good times but falls in the bad. Furthermore, due to the already high levels of debt and debt-servicing costs in many emerging economies, little margin is left for further borrowing. Therefore, most will not be able to sustain their economies in the event of a shock such as the one that the COVID-19 crisis will induce. Financial support from the international community will be paramount, as will the mobilisation of private resources. Another option may be to draw on diaspora groups living in countries less affected by the crisis, as a way to mobilise financial resources through instruments like diaspora bonds (Mohieldin and Ratha, 2014[7]). Diaspora bonds have been leveraged successfully in the past by India and Nigeria to raise funds for specific development projects.

These structural problems might also impede the necessary implementation of measures that aim at protecting vulnerable sections of the population such as informal workers and international migrants. A large section of the developing world's workforce works in the informal economy. In LAC, 61% of informal workers living in vulnerability are not covered by any form of social protection (section 3.3). They are particularly at risk during the crisis and it is therefore crucial to rethink the way to extend social protection coverage to these workers. Low coverage of social insurance arrangements reflects a broader phenomenon that constrains developing countries' potential response in various ways: high levels of informality and small tax bases mean that tax relief for workers and SMEs will have little effect in supporting livelihoods or aggregate demand.

International migrants will probably feel the brunt of the medium-effects as a vulnerable group, as many migrants are in irregular status, work informally and are more easily dismissible. Vulnerability is what will keep this health-related crisis going. How a wide-spanning migrant crisis will be managed is a good question, and has direct implications for developing countries, as they receive substantial amounts of remittances. On the other hand, the COVID-19 crisis may be the impetus needed for governments to create opportunities for migrants to use their skills. Countries could create conditions for such skills by recognising certificates and diplomas and draw on skills that are in shortages yet already existing in their societies, such as health-related skills. Finally, an abrupt stoppage to international migration will likely have an effect on food security. Agricultural sectors around the developing world are heavily reliant on seasonal labour and countries such as Cote d'Ivoire and Costa Rica and Thailand will have to cope with constrained labour supplies if borders remain close.

4.2 Medium and long-term strategies to build resilience

The economic impact of the COVID-19 could be extremely high for developing economies and could bring about a major increase in poverty (Sumner, Hoy and Ortiz-Juarez, 2020[1]). In comparison to the 2008-09 financial crisis, the COVID-19 pandemic and its consequences expose structural weaknesses on a much larger scale, even more so in developing countries, where national development trajectories and reform agendas might be put on hold. The post COVID-19 world will make developing economies question their development objectives, while the crisis will have probably consumed reserves and buffers for public investment. The recovery will take place in a different context, where advanced economies will be implementing large stimulus packages and could implement industrial policy and reshoring measures with wide-ranging effects on GVCs. A discussion on long-term strategies to overcome this crisis and resume developing should therefore focus on fiscal, social and economic reforms that build greater structural resilience and how to implement them.

A well-endowed and performing state will be crucial to lay down effective responses to face this crisis – and possible similar ones in the future. The COVID-19 pandemic has triggered large-scale consequences and governments in developing countries will not have enough resources and capacities to deal with all of them at once. This means that any reform's objectives should be clearly defined and prioritised, in order to ensure that scarcer resources, higher costing efforts and limited execution capabilities are allocated to the most important issues developing countries will be facing. Furthermore, the all-encompassing effects of this crisis also call for effectiveness in the way such reforms should be coordinated across governments and sectors. Whether they are driven vertically by central delivery units or implemented through more horizontal institutional arrangements will depend on each context they will be operating in and should be defined beforehand.

Effective responses to the crisis also need to be adapted to sub-national levels. As regions such as Lombardy reach 8 905 deaths (Ministero della Salute, 5 April 2020), this crisis has shown that strategies need to be effectively implemented and supported at the local level. This is also applicable to developing countries, where subnational governments will be on the frontline of the coronavirus crisis: social protection and health are the primary areas of local spending[4]. It will therefore be crucial for any structural reform agenda to adopt a place-based approach. In order to improve local responsiveness to shocks, such an approach would imply enhancing subnational authorities' implementation capabilities, notably by expanding the share of raised revenue that can be allocated and spent by local authorities. In order to ensure the efficient implementation of such reforms, it will also be important to give central governments the tools to monitor progress and citizens the ability to hold their local representatives accountable.

On the road to recovery, it will be crucial for developing countries to build resilient fiscal frameworks by making them fairer, more sustainable and efficient. The health crisis will exacerbate the weaknesses of developing countries' fiscal systems and public services. While these were already well documented, the COVID-19 will expose another aspect: the necessity to build fiscal systems that will be resilient to future shocks. Besides the pandemic, other large-scale systemic risks such as climate change exist, and developing countries should be better prepared. Although counter-cyclicality and careful debt-management can make a country more resilient in the face of shocks, building resilient fiscal policy also implies making it fairer and more efficient. It means expanding tax bases, using technology to enhance taxes and social protection administration systems, as well as diversifying sources of revenue and reducing tax subsidies for

[4] Social protection and health expenditure accounts on average for roughly 20% of sub government expenditure in both low income and middle income countries (47% in OECD countries), for 1% of GDP in low-income countries and 2% of GDP in middle income countries (8% in OECD countries).

activities that might be detrimental to the environment. Building more resilient fiscal frameworks will also mean enhancing efficiency in spending. This requires allocations to be determined according to their impact on and their alignment to agreed national priorities, which could be driven through enhanced results-based management. Enhancing the balance between public sector employment and the public sector wage bill and fostering counter-cyclical fiscal policy could also lead to greater efficiency in spending (OECD Development Centre, forthcoming). Finally, building resilient fiscal systems might require risk-sharing at a regional level or ensuring that budgets set aside contingency reserves in case a crisis occurs.

Universal social protection (USP) will be key to ensure the majority of the world's population becomes resilient to global shocks. Not only can USP contribute to inclusive growth, it can also enhance people's resilience in the face of shocks and structural transformations (OECD, 2019a). As economic activity stops and jobs disappear, the gaps in social protection systems will be exposed. Unfortunately, the majority of the world's population is not covered by any form of social protection (ILO, 2017[8]). In developing countries, the coverage challenge is particularly acute, as most of the active population works in the informal economy and a disproportionately large share of children, elderly people and migrants live in informal households. It is therefore urgent for developing countries to support USP, in order to facilitate access to health care, protect people against poverty and job lost, and sustain investments in critical human capital.

The experience of several developing countries with universal health care (UHC) provides useful lessons as governments try to achieve USP (OECD, 2019a). No country can expand the coverage and depth of its social protection benefits without expanding the necessary financial resources. In that sense, while overall health represents a relatively small share of total Official Development Assistance (ODA)[5], many developing countries also face the double challenge of enhancing both domestic resource mobilisation as well as the allocation of these resources towards health in order to support equitable UHC. Insufficient levels of resource allocation towards health and social protection leads to higher levels of out-of-pocket (OOP payments), even amongst individuals who already live on limited resources.

However, raising resource mobilisation in tax systems that do not tend to be progressive could place additional burdens on the poor and vulnerable. A more progressive mechanism to increase financing for health and social protection would be to combine tax financing with contributions, with variable contribution rates according to different income groups' or types of workers' capacity to pay, along with implicit government subsidies for low-income groups that start at 100% for the most in need. One common financing challenge between UHC and USP in developing countries would therefore be to engage private employers to commit to enrolling in and contributing to social protection for their employees. The study also raised the question of private providers' potential role in helping to address equity issues in terms of supply, especially in countries with lower capacities to monitor and regulate access. (Rim, J. and C. Tassot, 2019).

Future resilience will also come from economic growth and production transformation. In the aftermath of the pandemic, investing to strengthen the local scientific, technological and industrial capabilities will be of the utmost importance for developing countries to kick-start growth and generate employment opportunities. At present, there is major uncertainty with respect to how the post-COVID-19 industrial landscape will look like. This is why engaging into scenario exercises and keeping the attention towards screening global trends will remain a high priority for developing economies. At the same time, it will also be important to remain focused on pending structural reforms agendas, such as improving digital infrastructure and closing the digital gap in terms of quality and coverage. Governments will need to develop new channels

[5] In 2009-18, aid to health averaged 6.3% of total aid and 8.5% of total sector allocable aid provided by Official Donors reporting to the OECD according to https://stats.oecd.org/Index.aspx?DataSetCode=TABLE5 (Table DAC5: Aid (ODA) by sector and donor).

and rely on intermediary organisations such as business associations and chambers of commerce, to identify what existing businesses need and how to get failed entrepreneurs back on the market. There will also be a need for local, regional and international development banks to step in vigorously to ensure finance for seed-stage and for subsequent scaling up. Given that potential tensions might rise due to relocations and operations being dismissed in some production fields, developing countries might also have to strengthen economic diplomacy capacities. Finally, the post COVID-19 era could leave some positive elements to leverage on: if things go as expected, this crisis could give rise to new global partnerships within which firms could share knowledge and enable local initiatives such as manufacturing of medical devices. These new partnerships will leave developing countries with capabilities, relations and know-how, which could be then be transformed into innovations for the local and the global market.

The social contract between citizens and the state must be renewed for any medium to long-term structural reform to be effective. Announcements that are not followed up and poorly committed leadership may frustrate citizens. This is especially true in communities that have been hardly hit by the virus or in areas where new epidemics-related sources of economic and social distress intertwine with existing ones. Frustration may easily turn into mistrust in institutions, and push countries down a vicious circle that could in turn impede further development. Only clear commitment, effective communication, delivery and evidence-based policy will ensure citizens' necessary support to the structural reforms that will build countries' resilience and conditions for future development.

Current national development strategies are not future proof and often overlook implementation. An analysis of nearly 40 national development strategies from developing countries demonstrated that they are often focused on economic growth and diversity, and less on long-term strategic concerns and general well-being (OECD, 2018). Their short time frames and lack of strategic foresight may hamper resilience. Few plans seem aware of megatrends and the associated challenges and opportunities for development, or consider the uncertainty of how these trends may evolve. Yet, countries should take this uncertainty into account in developing their plans. Their economies need greater flexibility and resilience to adjust to rapidly changing conditions. In addition to a short timeframe, the plans tend to lack contingencies for significant changes. The gap is large between planning and implementation. Only five of the plans assessed discuss any explicit implementation strategy and only two discuss the budget necessary to execute such strategies. And none are any longer relevant given the likely impact of the current pandemic.

Shocks and disruptions can derail implementation plans without contingency plans. Successful implementation requires contingency planning for shocks and disruptions, such as pandemics. Dealing with shocks and disruptions requires building more resilience and flexibility in the economy at both macro and structural levels (OECD, 2018).

5 What should an international response prioritise?

Health pandemics are not limited to national borders. Strengthening the multilateral system should remain a priority as pandemics affect all countries across the globe. Acting independently and in sectoral silos in such a context could have unintended consequences that a coordinated response could help prevent. National governments and international institutions need to put in place collective measures to attenuate the immediate health effects of the COVID-19 crisis but also the inevitable negative consequences for jobs and incomes, in particular of the most vulnerable countries and populations. Ensuring international policy coherence and avoiding negative spill over effects of nationally driven actions should also be a priority as governments design their responses.

Globally coordinated responses should address the short-, medium and long-term effects of the crisis. In the short term, a coordinated global action need to take swift action to counter the spread of infection and address the public health crisis, to avoid major humanitarian crisis, and to protect the most vulnerable from the socio-economic impact of COVID-19. At the same time, a coordinated global action needs to incorporate the medium and long-term socio-economic consequences, with a view to mitigate impacts and build resilience. Finally, the international cooperation system needs to rethink its focus, upscale its tools and frameworks in order to be prepared in the face of future similar shocks and address global public goods such as the response to climate change.

5.1. Aligning a short-term international response to the COVID-19 crisis

Major outbreaks of COVID-19 in developing countries could cause the collapse of weak health systems. In the immediate future, a humanitarian crisis may be in the making: travel restrictions and lockdowns in OECD countries may affect the delivery of humanitarian assistance, and infections in refugee camps – largely hosted in developing countries – will be difficult to fight, notably in countries where protracted crises have already severely affected or undermined the capacity to respond[6]. Limitations to trade in goods may also put food security at risk in many parts of the planet[7]. Finally, the COVID-19 crisis will expose gaps in fiscal policies and social protection programmes, especially in Africa, where so many schemes rely on official development assistance (ODA). A number of urgent measures can facilitate a coordinated response and prevent the shock from being deeper.

First, avoiding an exacerbation of existing humanitarian crisis and the creation of new ones. COVID-19 is now reaching countries that were already facing humanitarian crises because of conflict, natural disasters or climate change. Moreover, humanitarian needs may also occur in other countries because of excessive pressure on health systems and the overall delivery of essential goods and services, as well as secondary effects on employment, the rule of law,

[6] The International Rescue Committee **Invalid source specified.** highlights that while COVID-19 is still “in the early stages of spreading to less developed and fragile countries, which means there is still time to mount a coordinated response […] Protracted economic, political and security crises have rendered many countries ill-equipped to respond to the disease”.

[7] See the Joint Statement by QU Dongyu, Tedros Adhanom Ghebreyesus and Roberto Azevedo, Directors-General of FAO, WHO and WTO on “Mitigating impacts of COVID-19 on food trade and markets,” http://www.fao.org/news/story/en/item/1268719/icode/

protection of human rights, and possible social discontent and unrest.

The United Nations COVID-19 Global Humanitarian Response Plan (Global HRP) is an important step in this direction, although its implementation depends on countries' upcoming support (Annex 2). The Global HRP enables the international community to fight the virus in the world's poorest countries and vulnerable people, especially women and children, elderly, and those with disabilities or chronic illness. More concretely, it will support countries in their immediate response, on one hand in the health related response, including through public information campaigns on how to protect yourself and others, and by establishing air-bridges and hubs across Africa, Asia and Latin America to move humanitarian workers and supplies to where they are needed most (UN, 2020).

Second, avoiding protectionism and facilitating the continuous flow of goods and services, including food, drugs and medical supplies. There are increasing concerns that as COVID-19 will continue spreading across the globe, potential trade restrictions could affect badly needed medical supplies and generate supply-chain disruptions in food or other essential goods and services. Under national health emergencies, countries tend to put in place safeguards measures to ensure serving the domestic market first, and this exacerbates the vulnerability of countries already highly relying on imports and with limited local manufacturing capacities, which could be converted to address emergency needs. Africa faces a large trade deficit in medical devices, with imports accounting for 92% of total trade in medical devices on the continent (OECD, forthcoming).

On a broader scale, more than 174 countries have enacted nationwide travel restrictions and border closures already as of 23 March 2020 (DTM, 2020), which may soon affect the availability of food, fuel and other essential goods. For many countries, the economic damage will be considerable, but for poor countries that rely on imported food, it could be devastating. The Sahel and West Africa region is a case in point, as it is currently preparing for a looming food crisis. In fact, 14.4 million people are expected to be in need of food and nutrition assistance for the lean season of June-August 2020 (Food Crisis Prevention Network, 2019) and COVID-19 can exacerbate this situation – particularly as many seasonal agricultural workers come from other countries and may not be able to travel for seasonal work.

Third, avoiding uncoordinated trade and travel restrictions, which could actually also increase the risks of the outbreak, as well as of a deeper and longer-lasting recession. A co-ordinated, multilateral approach to trade and trade facilitation, as well as to travel restrictions can reduce the economic costs of the disruption needs to be a priority for the international community in the short-term. However, at present many better-off countries affected by COVID-19 are far from acknowledging the result of uncoordinated national trade restrictions. Some OECD countries, for instance, are implementing restrictions on the export of medical equipment (European Commission, 2020). Other countries have announced they will curb exports of food, despite no evidence of supply shortages.

Fourth, getting up to date information about COVID-19 to local communities to stem the spread of the virus. The UN system, including the WHO, are already engaged in providing information on COVID-19 to facilitate protection. Innovative partnerships are underway with the private sector. For instance, WHO, UNICEF and UNDP partner with WhatsApp to get real time health information to billions of people around the world. Their "WhatsApp Coronavirus Information Hub" provides simple, actionable guidance for health workers, educators, community leaders, non-profits, local governments and local businesses that rely on WhatsApp to communicate. The site also offers general tips and resources for users around the world to reduce the spread of rumours and connect with accurate health information.

Fifth, implementing the call for debt relief. The World Bank Group and the International Monetary Fund released a joint Statement with a call to action on the debt of IDA countries, which are home to a quarter of the world's population and two-thirds of the world's population living in extreme poverty in March 2020 (World Bank, 2020b). Both institutions called on all official bilateral creditors to suspend debt payments from IDA countries that request forbearance. This would help with IDA countries' immediate liquidity needs to tackle challenges posed by the coronavirus outbreak and allow time for an assessment of the crisis impact and financing needs for each country. The IMF Executive Board approved immediate debt service relief for 25 countries – 19 of which in Africa – on 13 April. On 14 April, African and European leaders signed a call for action for an urgent debt moratorium and unprecedented health and economic aid packages, emphasising the need for solidarity between the two continents for facing the crisis (FT, 2020). G20 Finance Ministers approved a G20 Action Plan – Supporting the Global Economy Through the COVID-19 Pandemic on 15 April, including a Debt Service Suspension Initiative for Poorest Countries. The Initiative provides a suspension of interest payments from G20 and other bilateral creditors until end-2020. The G20 also calls private creditors (representiong a increasing share of developing countries' public external debt) to participate in the Initiative on comparable terms, while multilateral development banks were asked to explore the options for the suspension of debt service payments over the suspension period, while maintaining their current rating and low cost of funding.

Finally, responding to the immediate health and socio-economic impacts of COVID-19 in developing countries. In a response to the spread of COVID-19, the IMF and multilateral development bank system—the World Bank and the regional development banks—are providing support to countries both to counteract the immediate effects of the heath crisis and to smooth the economic impacts. The latest includes health spending increases, tax relief, increased cash transfers, and business continuity support in developing countries (Annex 2). These initiatives are welcome steps in the right direction and will require full coordination of implementation. G20 Leadership will be crucial too. During the global financial crisis, the G20 had a crucial role in setting a countercyclical lending target of USD 100 billion for MDBs. The amount of resources necessary to overcome this crisis is likely to be very large.

5.2. Looking ahead: international medium and longer term priorities

Beyond the short-term and immediate response to the COVID-19 crisis, the international community must address some structural deficiencies in the global system and come together to craft a longer-term strategy. Coordinated global action is fundamental to counter the crisis' socio-economic consequences in the medium and long term, but also to support stronger national, regional and global resilience. The international system should devote its efforts into building better preparedness and resilience as future shocks of this kind may certainly loom in the future.

The crisis has exposed shortcomings and unfinished business on global governance reform in facing today's major global challenges. These include financial, social and international migration challenges.

On the financial challenges, the crisis is exposing the weaknesses and lack of resilience of fiscal systems and the gaps in investment in developing countries (section 4). Major financing efforts – both on the domestic and external front – will be needed. Timely international coordination on longer-term financial packages to invest in developing countries will be essential. These efforts should target the full spectrum of external financing – official assistance, foreign investment, facilitation of remittances, international taxation and the fight against illicit financial flows. All countries, but in particular OECD and G20 ones, will have to think and go beyond their domestic needs and challenges, to include global considerations as they design and implement their stimulus packages. At a minimum, this means that national responses should be coherent with universal sustainable development objectives and not generate negative consequences in developing countries. More ambitiously, national responses should be designed with a global perspective in mind and ensure that developing countries are part and parcel of the global sustainable recovery. This means aligning fiscal and monetary measures with long-term sustainable development goals, such as poverty and inequality reduction and job creation, but also with the provision of global public goods, such as the environment and the transition to a low-carbon future. The OECD Development Centre, as a forum for policy dialogue between OECD and non-OECD countries, can facilitate exchanges on coherent fiscal responses.

The crisis can also be an opportunity to discuss the role, priorities and modalities of official development finance and accelerate the on-going transformation from a paradigm of traditional donor–recipient aid towards a model of international cooperation on an equal footing among all countries. In particular, the response to global issues such as COVID-19 underscores the need for the international community to promote coordinated actions from various policy communities. ODA and official finance from non-traditional actors can be in this scenario a catalyser that promotes broader investment efforts.

Another area of insufficient global coordination is on social protection and health to achieve greater resilience. The current pandemic highlights that reducing vulnerabilities in developing countries is in the interest of all countries. But developing countries lack the resources or the instruments to support and protect their populations in the same way more developed economies are able to. The international community will need to push and provide more support to health systems by scaling up existing financing in the health sector and helping countries expand universal social protection and universal health coverage. The existing USP2030 and UHC initiatives provide a solid basis for scaling up. Moving forward, the international community should consider how to implement new initiatives such as the *Global Health Security Challenge Fund* or provide greater resources and expand the mandate of existing initiatives such as the Global Fund or GAVI.

A final piece of unfinished business and possible international cooperation reform is on human mobility, a cornerstone of the global economy. Today's global economy is heavily reliant on the mobility of skills. What impact will a reduced (domestic) labour market have on the economy, especially for skills that are hard to find? There is a risk that countries recoil on progress made in the recent past, notably through two Global Compacts on Migration (GCM) and Refugees (GCR). Support for such processes is fundamental, as without it the onus of refugee crises turns back towards developing economies, where most refugees are located, contrary to the objectives of the GCR, but also because migrants may have the skills that are most needed in such pandemics, including health-related ones. Support on international migration processes is also important as international remittances are an effective way for households to insure themselves from shocks such as the current crisis (IPPMD, 2018). Moreover, integrated and established diasporas are key vectors in mobilising financial, social and human capital to countries in need (OECD, 2018). The international community should therefore continue supporting the objectives of the two compacts, and increase their support for refugee resettlement and economic and social integration in their host countries, by reinforcing actors like the UNHCR and IOM, without which pandemics, such as this one, may continue to develop.

This crisis may provide the necessary impetus to reshape multilateral co-operation and to put more emphasis on social and economic well-being outcomes. Greater global co-operation could emerge from the momentum created by the crisis. New global co-operation actors are calling for such change and the door for them to play a greater role in structural and long-term global policy has swung open wider.

Amongst global coordination actors, the G20 has been vocal on reform, calling for global solidarity in responding to the crisis, committing to do whatever it takes and use all available policy tools to "minimise the economic and social damage from the pandemic, restore global growth, maintain market stability, and strengthen resilience". This has included addressing issues in developing countries, despite the fact that the crisis there has yet to reach the proportions it has in more developed economies. The statement from the Extraordinary Virtual G20 Leaders' Summit convened on 26 March 2020 delivers messages that allude to long-term thinking, including restoring confidence, preserving financial stability, reviving growth and coordinating on public health and financial measures. The G20 Action Plan approved on 15 April is an important starting point in realising this vision, as it sets out key principles and actionable commitments covering immediate measures (economic, financial and health), actions to attain a robust and sustained global economic recovery, and international support to countries in need and preparedness for future crisis.

6 Conclusions and possible implications for the Development Centre

Governments in developing countries need to act swiftly to contain the COVID-19 pandemic while planning ahead for smooth recovery and resilience. In this light, five key considerations emerge, which governments should reflect upon fast and hard.

1. **Considering the potential trade-off between citizens' health and economic recovery.** The first stage of the pandemic has already reached a large number of developing countries. Although it is still too early to assess the impact, there is a certain consensus on the devastating effects it will have in these countries through both people's health and depressing the economy. Therefore, apart from moving fast in the design and the implementation of policy responses to protect citizen's health and sustain basic economic activities, the exit strategy from the confinement and the selection of the timing to do so require careful consideration.

2. **Implementing policy measures in contexts with high population density, informality and in the absence of economic stabilisers.** Many of the measures that have been taken in advanced countries - both for the short-, medium- and long- term - will be difficult to implement in developing countries, and even if they are, may have limited effects. While the virus is spreading, strictly following confinement and basic hygiene measures remains difficult in areas with high population density and clean water scarcity. Beyond the health dimension, the impact of confinement in areas with high levels of informal employment combined with the absence of economic stabilisers, such as transfer systems, will be lifted more heavily by the ones most at risk. Developing countries face the need to act timely- but more importantly- in a way that responds to their specific conditions. Finding new channels to reach the most vulnerable households with economic relief and financial facilities that allow them to endure the first months of the shock is crucial.

3. **Reinforcing and refining data collection efforts.** In order to design and implement targeted policy response measures, developing countries and the international community need to grasp more precisely the speed of transmission and the mortality rates related to COVID-19. The underlying assumption has been so far that COVID-19 behaves similarly everywhere. However, the different approaches among countries regarding testing and collecting data on deaths questions this assumption. Better data can shed light on the specificity of the different contexts and would help government and the international community not only to provide more nuanced advice and support, but also to assess more rigorously the effectiveness of the policy response measures to tackle COVID-19.

4. **Providing integrated and well-coordinated international support.** International and bilateral financial support -including debt relief- will be instrumental in keeping developing countries from financial distress, but will not suffice in the long-term. This crisis highlights the value of the integrated international support based on knowledge exchange and peer-learning among OECD and non-OECD countries on an equal footing. This includes ensuring access to scientific knowledge, notably on effective protocols that could be implemented in the face of a new virus. Observatories of policy measures and platforms for sharing good practices, evidence-based policies and tools aiming to attain increased policy impact are more important than ever in that respect.

5. **Re-founding multilateralism and international cooperation.** The COVID-19 pandemic is calling to re-think the role of the state in the economy and the relationship between national

and international community. Globalisation as we have known it so far has not been able to deliver on its promise for everybody: working non-stop all over the globe and making goods and services available anywhere, quickly and cheaply. Although it is too soon to identify how the global economy will change after COVID-19, it is highly likely that it will not be the same as before. More international co-operation and more effective multilateral dialogue will be needed to ensure an efficient and sustainable system of trade and investment. A probable rebalancing of manufacturing powers could go hand in hand with increased global co-operation on science, technology, innovation and knowledge, making the world economy safer and more resilient. To conclude, there is still a lot to learn from how we will face this crisis. The COVID-19 pandemic will give us the opportunity to clarify the way towards creating a renewed international cooperation to face global challenges.

Building on these five considerations, what could be the contribution from the Development Centre to support its Members and the international community at large address this unprecedented crisis? Taking into account the Centre's expertise and value-added, as illustrated in its Results Framework, PWB and recent HLM outcome documents, the following could be particularly relevant contributions:

A. **Strengthening the evidence to inform effective policy responses**: there still is a need to understand fully what is happening or about to happen both in developing and developed countries. The Development Centre can help identifying the socio-economic impacts of the crisis and the related policy responses (e.g. building on the OECD Policy Tracker and the Governing Board Survey and using its regional economic reports).

B. **Assessing implementation challenges of measures to support the most vulnerable:** As governments will strive to design and finance measures to offset the economic and social costs of the crisis, notably for the most vulnerable, the Centre can identify specific challenges of implementation and share good practices in relevant areas, to adapt the response to specific contexts (e.g. where informality is high) and inform a stronger and more coordinated responses at the national and international level.

C. **Mutual learning on the medium-term recovery**: the immediate response must go hand-in-hand with the strategy for economic recovery. Thanks to its diverse membership and broad expertise, the Centre can use the Governing Board and Mutual Learning Group to exchange on the medium and long-term measures or policies at national and international levels. Specific examples could include measures linked to building fiscal space, extending universal social protection and health, building production capacities, transitioning towards a low-carbon economy, ensuring a "gendered" recovery.

D. **Supporting a reinvigorated international architecture**: the crisis might be an opportunity to rethink and reinvigorate international cooperation. The COVID-19 crisis is showing that it is crucial to build resilience in all countries, and this requires breaking down silos and take account of interconnected realities. Cooperation must include countries at all level of development as peers, must ensure a right combination of different policy communities to face complex issues, and must promote greater knowledge sharing and engagement of different actors (public and private). Thanks to its membership and work on Development in Transition, the Centre can support a reflection on reinvigorated and renewed multilateral cooperation.

Overall, the analyses in points A-D will contribute to:

- Influence the international debate and agenda, for example to ensure that the specific concerns of developing countries are heard and addressed;
- Identify effective approaches and policies that work in the specific contexts of developing countries, across regions;

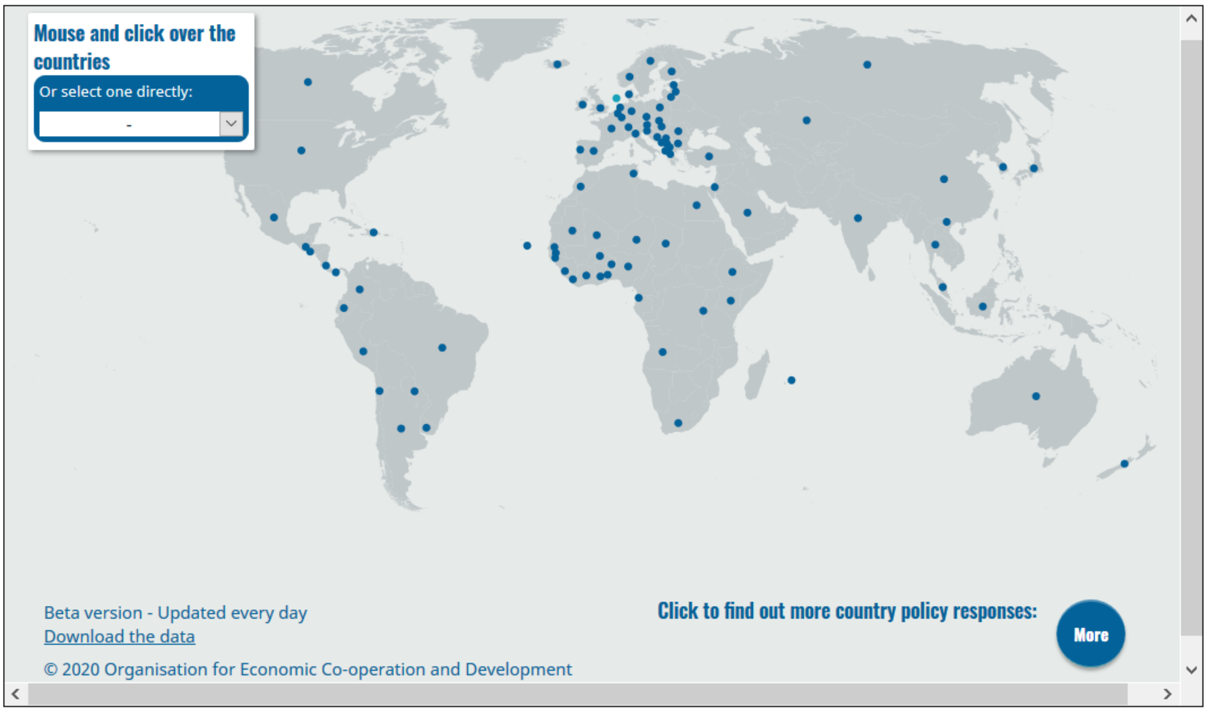
- Support DEV member countries in the design and implementation of national and international support measures;
- Promote a stronger and inclusive multilateral system for sustainable development.

7 Annex 1. Country measures for tackling the coronavirus outbreak

DEV is contributing to the OECD Country Policy Tracker by monitoring the policy responses of 40 countries across Africa, Asia and LAC (in collaboration with SWAC for the Sahel and West-African countries).

Country Policy Tracker

What are countries doing to contain the spread of the coronavirus? How are countries helping people, small businesses and the e weather the crisis and beyond? This ***Country Policy Tracker*** helps you to navigate the global response.



8 Annex 2. Short-Medium terms responses from the international community

Institution	Description	Type of response
African Development Bank (AfDB)	It has raised $3 billion in a three-year bond to help alleviate the economic and social impact the Covid-19 pandemic will have on livelihoods and Africa's economies. The Fight Covid-19 Social bond is the largest Social Bond ever launched in international capital markets to date, and the largest US Dollar benchmark ever issued by the Bank.	Social bonds
African Development Bank (AfDB)	$5.5 billion for sovereign operations in African Development Bank countries, and $3.1 billion for sovereign and regional operations for countries under the African Development Fund, the Bank Group's concessional arm that caters to fragile countries. An additional $1.35 billion will be devoted to private sector operations.	Concessional loans, private sector operations, operations in member countries
African Union	The African Union published the Joint Continental Strategy for COVID-19 Outbreak where it stresses the goals, objectives and operations of African governments to fight the outbreak. Response activities include finance, justice, education, trade and agriculture.	Continental Strategy
African Union	The AU published guidelines on: i) Assessment, monitoring and movement restrictions of people at risk for COVID-19; ii) Africa CDC Policy Recommendations for African Union meetings and travel during COVID-19, iii) Guidance on community social distancing during COVID-19 outbreak.	Guidelines
Asian Development Bank (ADB)	ADB tripled the size of its response to the COVID-19 pandemic to $20 billion and approved measures to streamline its operations for quicker and more flexible delivery of assistance.	Financial
Asian Infrastructure Investment Bank (AIIB)	The Asian Infrastructure Investment Bank (AIIB) is working to scale up infrastructure investment—including in public health, healthcare and information and communications technology (ICT)—to better serve members impacted by COVID-19.	Infrastructure investment
CAF (Investment Bank of Latin America)	CAF makes available an Emergency Credit Line of rapid disbursement of up to USD 2.5 billion, which will allow authorities to offer a rapid and timely response to mitigate the effects of COVID-19's expansion, and contribute to the continuity of business operations and the recovery of economic growth.	Financial
European Commission	Providing liquidity to small businesses and the health care sector; providing a coherent set of guidelines to Member States on border measures to protect citizens' health while allowing the free flow of essential goods	Financial
European Union	Supporting healthcare measures, stepping up testing and research and working on a vaccine; providing crucial support to governments for the delivery of essential social services and providing loan guarantees to boost economic activity and safeguard livelihoods.	Financial
Food and Agricultural Organization of the United Nations (FAO)	The FAO, along with the WHO and the WTO, has urged international leaders to ensure that global food value chains are not disrupted during COVID-19 pandemic, highlighting the world and especially the developing world's dependency on them. The FAO and the Agricultural Market Information System (AMIS), which was launched by the G20 in 2011, will continue to monitor food markets and provide timely information, so that everyone can make informed decisions. The FAO currently provides three policy monitoring tools: Food and Agriculture Policy Decision Analysis, FAO policy platform: Analyses and solutions in a period of crises, Food Price Monitoring and Analysis (FPMA).	Analysis and monitoring on global food supply

Institution	Description	Type of response
G20	Leaders from the G20 asked Finance Ministers to prepare an Action Plan in response to COVID-19 and work closely with international organizations to swiftly deliver the appropriate international financial assistance.	Statement
G7	On 16 March 2020, G7 leaders issued a joint statement in which they committed to “doing whatever is necessary to ensure a strong global response through closer cooperation and enhanced coordination” on public health, global growth and trade, protecting jobs, technology and science.	Statement
International Financial Institution (IFC)	As part of the financial package ($ 14 billion in E13), the IFC a member of the World Bank Group, will increase its COVID-19 related financing availability to $8 billion to help private companies affected by the pandemic and preserve jobs. IFC is already working to rapidly deploy a pipeline of approximately 300 companies across emerging markets to shore up private sector activity.	Financial
International Fund for Agricultural Development (IFAD)	Remittances observatory for COVID-19-affected households.	Monitoring on remittances towards agriculture-dependent households.
International Labour Organization (ILO)	The ILO has published a manual to protect health workers (with WHO) as well as guidelines to help employers support families during the crisis (with UNICEF).	Guidelines, analysis and monitoring on the consequences of the crisis for workers.
International Monetary Fund (IMF)	The IMF announced it was mobilising $1 trillion in lending capacity in order to help member countries. The organisation also urged immediate debt relief for the world’s poorest nations	Financial (loans)
International Monetary Fund (IMF)	IMF Executive Board Approves Immediate Debt Relief for 25 Countries: The countries that will receive debt service relief today are: Afghanistan, Benin, Burkina Faso, Central African Republic, Chad, Comoros, Congo, D.R., The Gambia, Guinea, Guinea-Bissau, Haiti, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, São Tomé and Príncipe, Sierra Leone, Solomon Islands, Tajikistan, Togo, and Yemen.	Debt relief
The Inter-American Development Bank (IDB)	It has up to $2 billion in resources that can be programmed to countries requesting support. Support devoted to disease monitoring, testing and public health services. It also work with countries that have undisbursed loan balances to redirect resources to pandemic-response efforts.	Financial
UN-ECA	The ECA published the report "Trade Policies for Africa to Tackle Covid-19" with policy recommendations in the short medium and longer term on how trade policy actions can fuel the African response to the Covid-19 pandemic.	Report
UN-ECLAC	The ECLAC launched the Latin America and the Caribbean observatory on COVID-19 outbreak, which includes with a policy tracker by country and an analysis on the social and economic impacts and the national and sectoral levels.	Monitoring tool
UN-ESCAP	The ESCAP published the report "Impact and Policy Responses for COVID-19 in Asia and the Pacific" summarising the key impacts of COVID-19 in the Asia-Pacific region and suggests short- and medium-term recommendations for consideration by member States to shape responses for a sustainable future.	Report

Institution	Description	Type of response
United Nations (UN)	The UN launched a US$2 billion coordinated global humanitarian response plan to fight COVID-19 in some of the world's most vulnerable countries. The COVID-19 Global Humanitarian Response Plan (Global HRP). The financing requirements for the Global HRP over a period of nine months (April–December 2020) are estimated at US$2.012 billion. It will support countries in their immediate health response, through the delivery of essential laboratory equipment to test for the virus, and medical supplies to treat people, the instalment of handwashing stations in camps and settlements; and through the launch public information campaigns on how to protect yourself and others from the virus. It will also establish air-bridges and hubs across Africa, Asia and Latin America to move humanitarian workers and supplies.	Humanitarian aid
World Bank	The WBG committed to fast tracking $14 billion of immediate Support for COVID-19. Support to country-based responses will serve to assist them coping with the health and economic impacts of COVID-19. The financial package will draw from IDA (with grants and low interest loans provided to low income countries), IBRD (with loans to middle income countries) and IFC – which will work with commercial bank clients to enable them to continue to offer trade financing, working-capital support and medium-term financing to private companies struggling with disruptions in supply chains)	Strengthening health systems.
World Bank	$1.9 billion, will assist 25 countries, including: Ethiopia, Democratic Republic of Congo, Mongolia, Cambodia, Tajikistan, Kyrgyz Republic, Haiti, Ecuador, Yemen, Djibouti, Afghanistan and India.	Financial
World Bank	Operations for COVID-19 (Coronavirus) Emergency Health Support. The first group of projects, amounting to $1.9 billion, will assist 25 countries, and new operations are moving forward in over 40 countries using the fast-track process. In addition, the World Bank is working worldwide to redeploy resources in existing World Bank financed projects worth up to $1.7 billion.	Financial
World Health Organization (WHO)	Deploying public advice and country technical guidance. Development of the WHO WhatsApp health alert to diffuse official information on the coronavirus outbreak. On 30 March, the WHO updated operational planning guidelines to help countries balance the demands of responding directly to COVID-19.	Official information diffusion

Note: This is a non-exhaustive table. It aims at showing the policy responses by multilateral organisations and regional institutions.
Source: Own elaboration based on media research *(information up to 13 April 2020).*

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