

ECA Research Notes

OFFICE OF THE CHIEF ECONOMIST

EUROPE AND CENTRAL ASIA

Fighting COVID-19

April 2020



Hi Everyone,

Much has changed since our last newsletter and I hope each of you has been able to stay safe and well in these challenging times. We are all familiar by now with what we can do as individuals to help manage the COVID-19 pandemic – wash our hands, practice social distancing. Our Spring Economic Update, released last week, looks at what countries in the region can do to contain the spread of the virus and save lives, while also working to protect the vulnerable and cushion the economic downturn for a faster recovery after the pandemic. You can read more about our findings and recommendations below.

This is a unique shock and it is too soon to have rigorous empirical findings on its many implications. However, there is already quite a bit of thinking and relevant policy guidance, so we are providing a selected list below.

As we are all adjusting to working from home, we are also working to reschedule some events or present them virtually, so stay tuned for more.

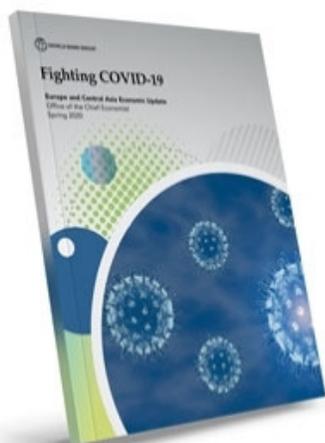
Stay safe, and happy reading!

Asli



Asli being interviewed by Turkish newspaper "Dunya"

FEATURE STORY



[Report](#) || [Press Release](#)

Fighting COVID-19 Europe and Central Asia Economic Update, Spring 2020

Given the rapidly evolving situation with coronavirus, this update summarizes the recent developments and growth outlook for the region under different scenarios regarding the outbreak. Although the magnitudes are uncertain, the pandemic is likely to derail the near-term outlook by interrupting daily activity, putting further downward pressure on commodity prices, disrupting tightly linked global and regional supply chains, reducing travel and tourist arrivals, and decreasing demand for exports from economies in the region. There are trade-offs between the health benefits of policies to slow down the spread of the disease and the economic costs of these actions. During these difficult times, it is important for policy makers to act decisively to save lives and invest in their public health systems; but also minimize the economic cost by strengthening the safety net for the most vulnerable; supporting the private sector through short-term credit, tax breaks, or subsidies; and being prepared to lower interest rates and inject liquidity to restore financial stability and boost confidence.

Fighting COVID-19 in Europe and Central Asia: saving lives versus protecting jobs?

Asli Demirguc-Kunt, April 5, 2020

In February 2020, the coronavirus outbreak interrupted the recovery that was underway in Europe and Central Asia earlier in the year. The impact of the pandemic on growth in the region will depend on how the outbreak evolves. The question is what measures we need to take in order to flatten the recession curve as well as the infection curve.

[Read the blog »](#)

Schools' readiness for digital learning in the eyes of principals. An analysis from PISA 2018 and its implications for the COVID19 (Coronavirus) crisis

Juan Manuel Moreno & Lucas Gortazar, April 8, 2020

Across more than 170 countries, some 1.5 billion students have seen schools close as part of their governments' response to the coronavirus. Ministries of education around the world try to ensure learning continuity for children and youth through distance learning using various digital platforms. While these technological solutions seem to be the best way to minimize huge learning losses during the crisis, they also risk further widening equity gaps in education.

[Read the blog »](#)

Remittances in times of the coronavirus – keep them flowing

Alfonso Garcia Mora & Michal Rutkowski, April 3, 2020

In better-off countries, a strong safety net of social programs, unemployment insurance and direct payments will make all the difference in the depth of the current downturn and the speed of economic recovery. For poor countries and regions, remittances are the most important buffer for unexpected life expenses and investments into a better future. Even small changes in remittance policy can have a big effect in financial systems in developing countries over time.

[Read the blog »](#)

Tax relief in a time of crisis: what countries are doing to sustain business and household liquidity

Simeon Djankov & Joanna Nasr, April 1, 2020

Governments around the world are offering tax relief to address the problem of liquidity for households and businesses and to brace for the economic slowdown precipitated by the coronavirus pandemic. The Paying Taxes indicator in Doing Business monitors tax reform trends across countries, with a view to keeping governments informed about fiscal reform efforts, and offers an overview of global efforts.

[Read the blog »](#)

Can technology help mitigate the impact of COVID-19 on education systems in Europe and Central Asia?

Harry A. Patrinos & Tigran Shmis, March 23, 2020

As the virus spreads around the world, we also need to understand what it means for the education systems of Europe and Central Asia. As the region's current education systems are designed for face-to-face teaching and learning, the lock-down and school closures may be accommodated if they happen in short periods of time. However, if the situation continues to last for months, it may need a dramatic change in delivery.

[Read the blog »](#)

What can low-income countries do to provide relief for the poor and the vulnerable during the COVID-19 pandemic?

Berk Özler, March 19, 2020

As countries like the United States pass temporary legislation to cushion the massive blow that is on the horizon that is about to hit many of their citizens – poor and not poor – it is important to think about the tools available to governments of low-income countries, what kind of preparations they might consider, and what type of fiscal burden they face for social protection programs that can be financed through their own budgets and grants from international development institutions.

[Read the blog »](#)

5 lessons for using universal basic income during a pandemic

Ugo Gentilini, March 13, 2020

When crises hit, cash transfers are a part of the package of policies that governments deploy to ameliorate their economic effects. Empirical evidence shows that cash transfers are generally spent judiciously, they can save lives and, if they are designed well, can help people get permanently out of poverty. Could cash transfers help offset some of the economic damage being wrought by COVID-19?

[Read the blog »](#)

RELATED RESEARCH

[Economics in the Time of COVID-19](#)

Richard Baldwin and Beatrice Weder di Mauro, March 2020

COVID-19 may be as contagious economically as it is medically. This eBook addresses some key questions: how, and how far and fast, will the economic damage spread? How bad will it get? How long will the damage last? What are the mechanisms of economic contagion? And, above all, what can governments do about it?

[Mitigating the COVID Economic Crisis: Act Fast and Do Whatever It Takes](#)

Richard Baldwin and Beatrice Weder di Mauro, March 2020

Leading economists from around the world are calling for swift policy action to mitigate the economic damage from the global pandemic. In this second eBook on the coronavirus from CEPR and Vox, the experts are unanimous that the case for decisive and coordinated fiscal stimulus is overwhelming.

[Pandemics Depress the Economy, Public Health Interventions Do Not: Evidence from the 1918 Flu](#)

Sergio Correia, Stephan Luck, and Emil Verner, SSRN - March 2020

What are the economic consequences of an influenza pandemic and the economic costs and benefits of non-pharmaceutical interventions (NPI) given the pandemic? Using geographic variation in mortality during the 1918 Flu Pandemic in the U.S., the authors find that more exposed areas experience a sharp and persistent decline in economic activity. While using variation in the timing and intensity of NPIs across cities, the findings show that cities that intervened earlier and more aggressively do not perform worse and even grow faster after the pandemic is over.

[The Macroeconomics of Epidemics](#)

Martin S. Eichenbaum, Sergio Rebelo, and Mathias Trabandt, NBER Working Paper 26882 - April 2020

This study extends the canonical epidemiology model to study the interaction between economic decisions and epidemics. This model implies that people's decision to cut back on consumption and work reduces the severity of the epidemic, as measured by total deaths. According to the benchmark model, the best simple containment policy increases the severity of the recession but saves roughly half a million lives in the U.S. "Smart containment".

[Macroeconomic Implications of COVID-19: Can Negative Supply Shocks Cause Demand Shortages?](#)

Veronica Guerrieri, Guido Lorenzoni, Ludwig Straub, and Iván Werning, NBER Working Paper 26918 - April 2020

This paper presents a theory of Keynesian supply shocks: supply shocks that trigger changes in aggregate demand larger than the shocks themselves. The authors argue that the economic shocks associated to the COVID-19 epidemic—shutdowns, layoffs, and firm exits—may have this feature.

[Using Mobile Phone Data to Reduce Spread of Disease](#)

Sveta Milusheva, Policy Research Working Paper 9198 - April 2020

This paper studies the effect of mobility on the spread of disease in a low-incidence setting when people do not internalize their risks to others. Using malaria as a case study and 15 billion mobile phone records across nine million SIM cards, this study estimates that an infected traveler contributes to 1.7 additional cases reported in the health facility at the traveler's destination.

[Macroeconomic Policy in the Time of COVID-19 : A Primer for Developing Countries](#)

Norman V. Loayza and Steven Pennings, Research and Policy Brief 28 - March 2020

COVID-19 not only represents a worldwide public health emergency but has become an international economic crisis that could surpass the global financial crisis of 2008–09. Critical times call for well-designed government action and

effective public service delivery—preserving, rather than ignoring, the practices for macroeconomic stability and proper governance that serve in good and bad times.

CALENDAR OF EVENTS

- **May 4, 2020 - 10AM EST:** ECA Talk "*Will COVID-19 reshape the global economy?*" with **Beata Javorcik**, EBRD Chief Economist, **Anabel Gonzalez**, Nonresident Senior Fellow at the PIIE and former Senior Director of the Trade & Competitiveness Global Practice at the World Bank, and **Somik Lall**, Lead Urban Economist at the World Bank
- **June 2020:** ECA Lecture "*Rising Debt*" with **Carmen Reinhart**, Minos A. Zombanakis Professor of the International Financial System at the Harvard Kennedy School.

Check [ECA Lectures](#) and [ECA Talks](#) to learn more about our events.

The ECA Research Notes newsletter is produced by the Europe and Central Asia (ECA) Chief Economist's Office. Please send comments, suggestions, and feedback to ECACEoffice@worldbank.org.

To learn more about us, click [here](#).

Read the ECA blog, [Eurasian Perspectives](#)

Follow us on [@WorldBankECA](#)  and [@ademirguckunt](#) 