

# WORLD BANK'S EAP REGION RESPONSE TO COVID-19



VICTORIA KWAKWA, REGIONAL VICE PRESIDENT

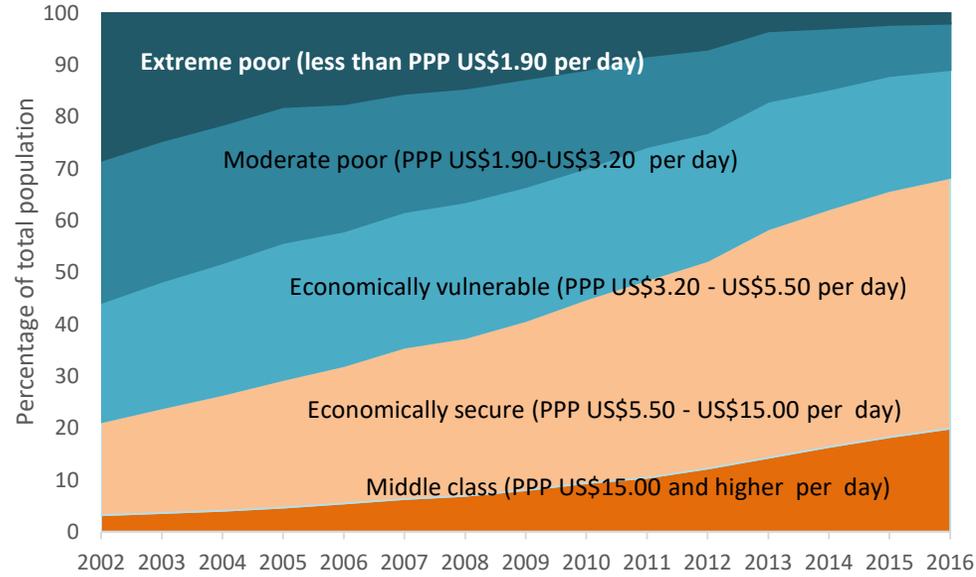
JULY 22, 2020

# IMPACT OF COVID-19 IN EAP

- Growth
- Jobs
- Poverty
- Financial Sector
- Human Capital

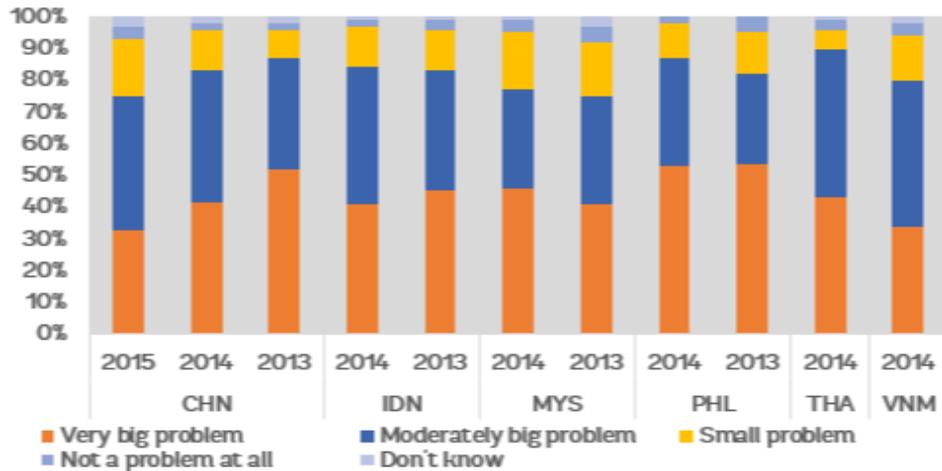
# Before the COVID-19 outbreak, strong progress on twin goals, but multi-dimensional poverty and inequality remained as concerns

## Poverty has declined rapidly in EAP...



Source: World Bank 2018: *A Resurgent East Asia: Navigating a Changing World*

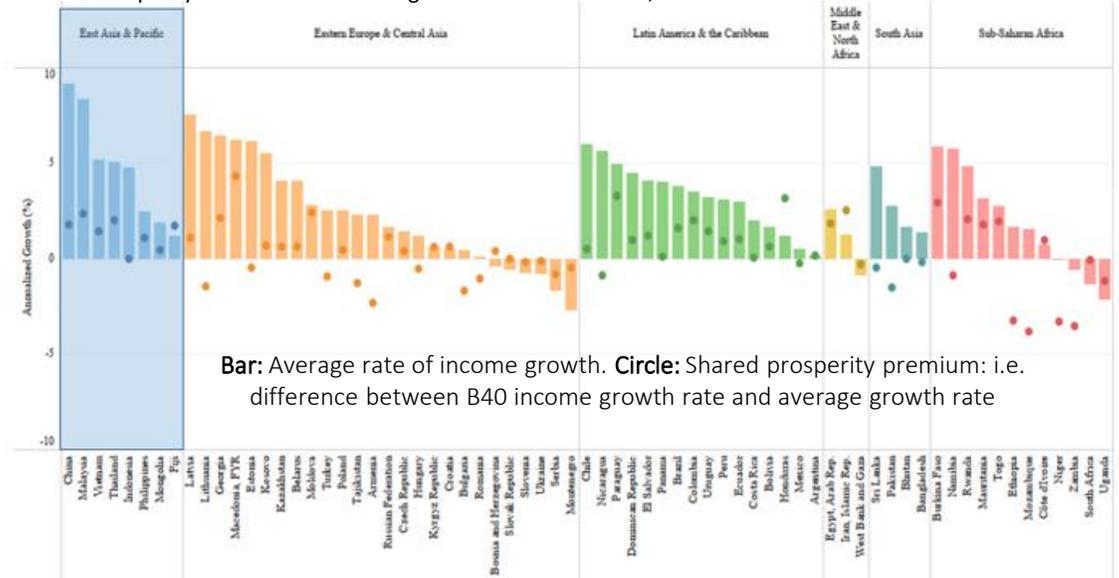
## ...but concerns about inequality remains quite high...



Source: Pew Research Center

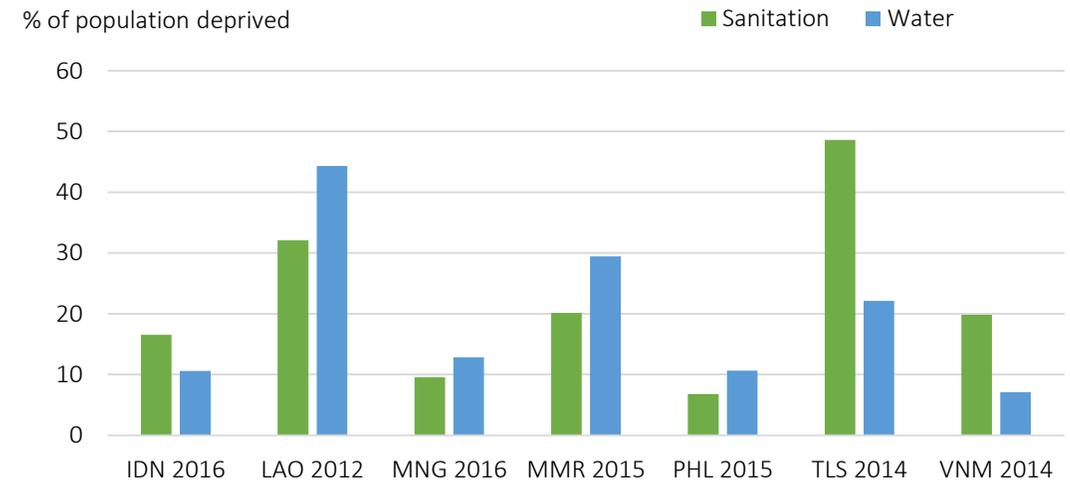
## ...and bottom 40 income growth exceeds average income growth...

Shared Prosperity – Annualized income growth of the bottom 40, ca. 2010-15



Source: World Bank: Global Database of Shared Prosperity (Fall 2018)

## ...and many still lack access to basic services.

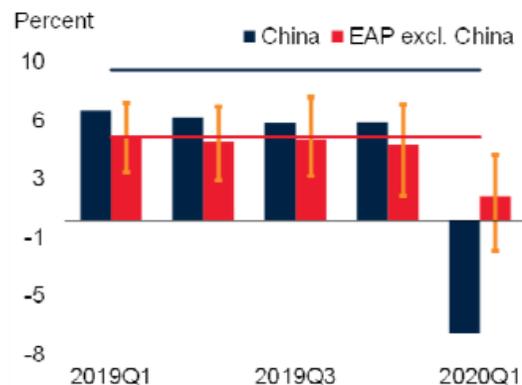


Source: World Bank.

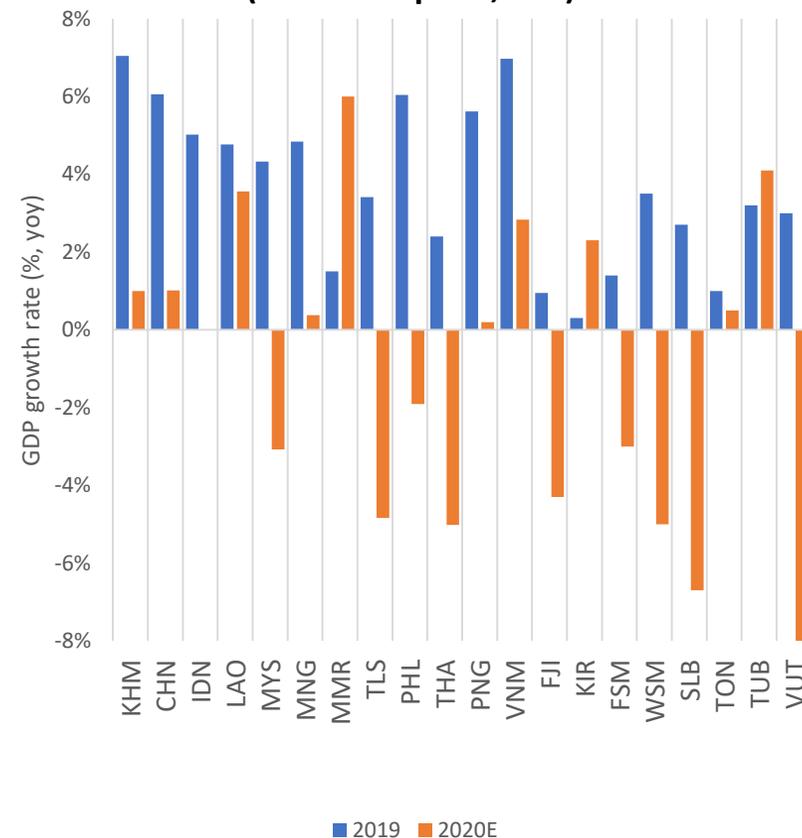
# COVID-19 Impact: Regional GDP growth is projected to fall to 0.5 percent in 2020 —5.2 percentage points below previous forecasts, and the lowest rate since 1967

- Growth in EAP excluding China is projected to contract by 1.2 percent in 2020, and then rebound to 5.4 percent in 2021 as the effects of the virus dissipate.
- Growth in China is projected to slow to 1 percent in 2020 reflecting the significant disruptions caused by COVID-19, and then rebound above its trend pace, to 6.9 percent in 2021, as lockdowns are lifted around the world.

GDP growth:  
China, EAP

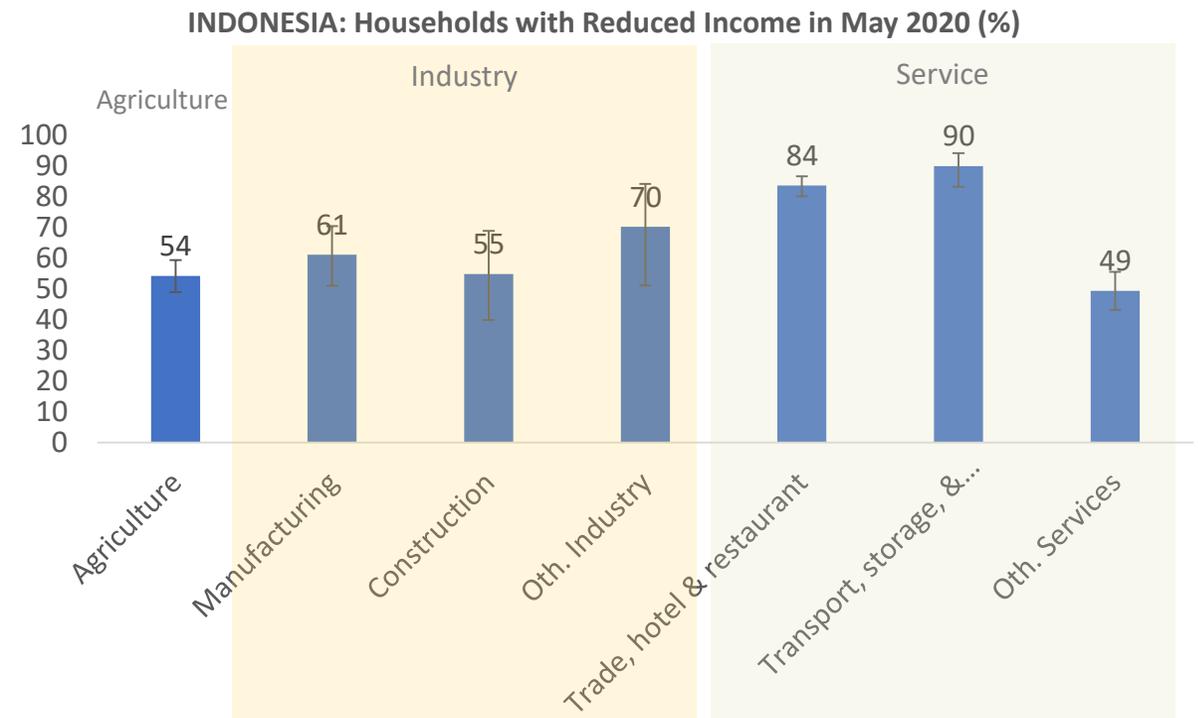
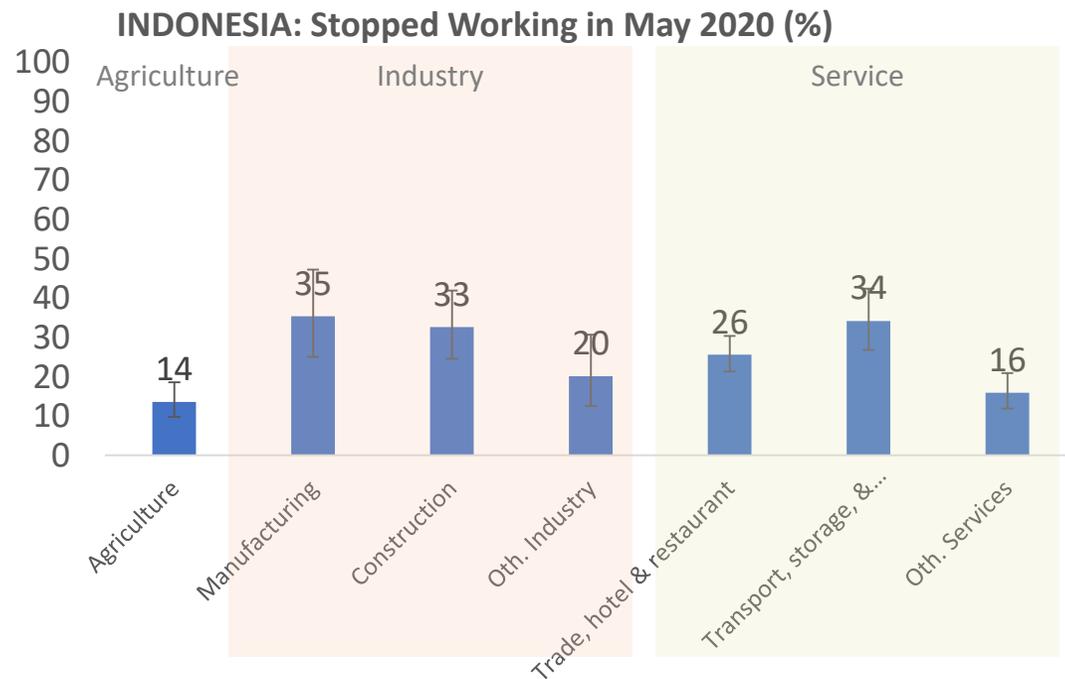


2019 and 2020 GDP growth rate  
(at market price, YoY)



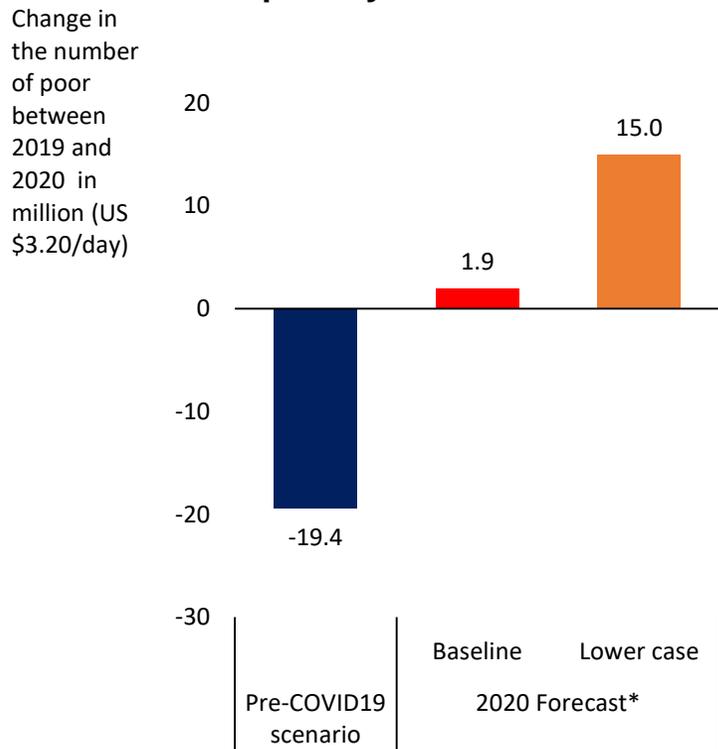
# Employment impacts are significant, extending beyond the traditional poor

- Widespread job losses and reduced incomes raise difficult policy questions about the breadth and depth of social assistance, and the adequacy of delivery systems and program mix to respond flexibly as countries move into recovery.

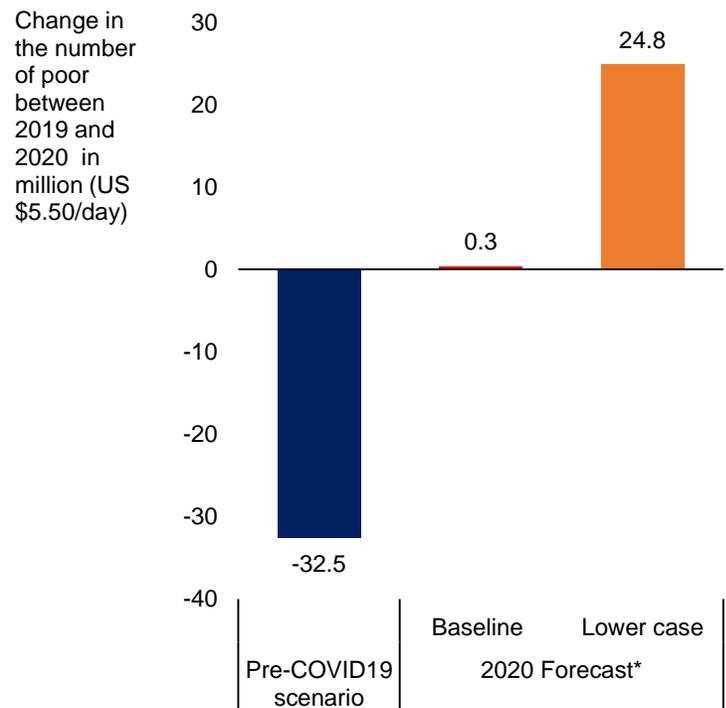


# There is a concern that COVID-19 will reverse progress against poverty in EAP

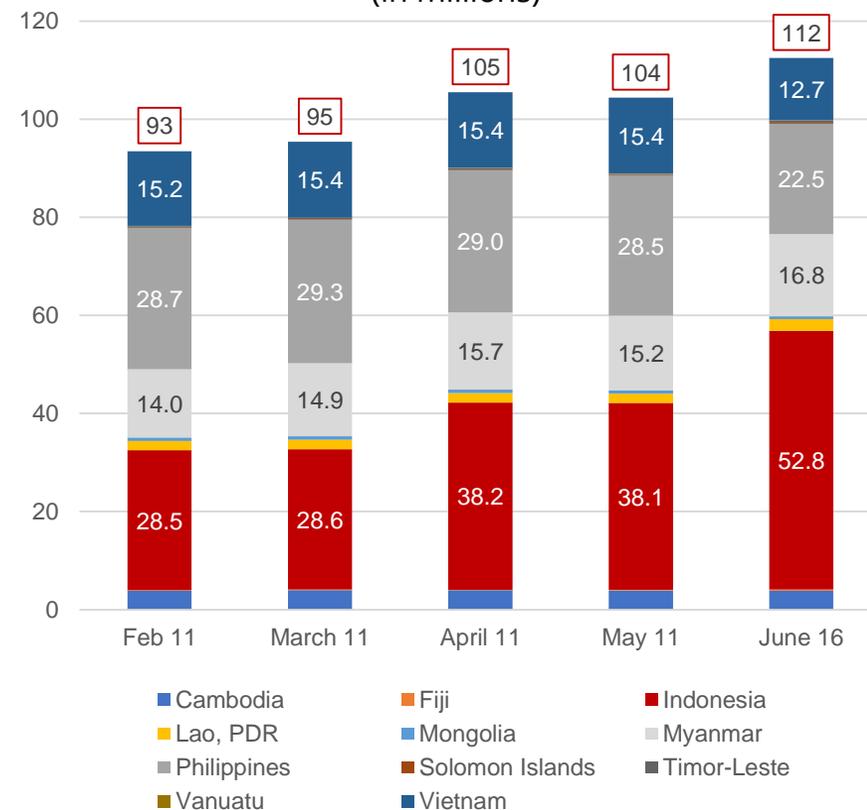
## Over 34 million people under \$3.20/day could remain in poverty or fall into poverty due to COVID-19



## More than 57 million people under \$5.50/day could remain in poverty or fall into poverty due to COVID-19



## Over 110 million people have insufficient food in EAP (in millions)



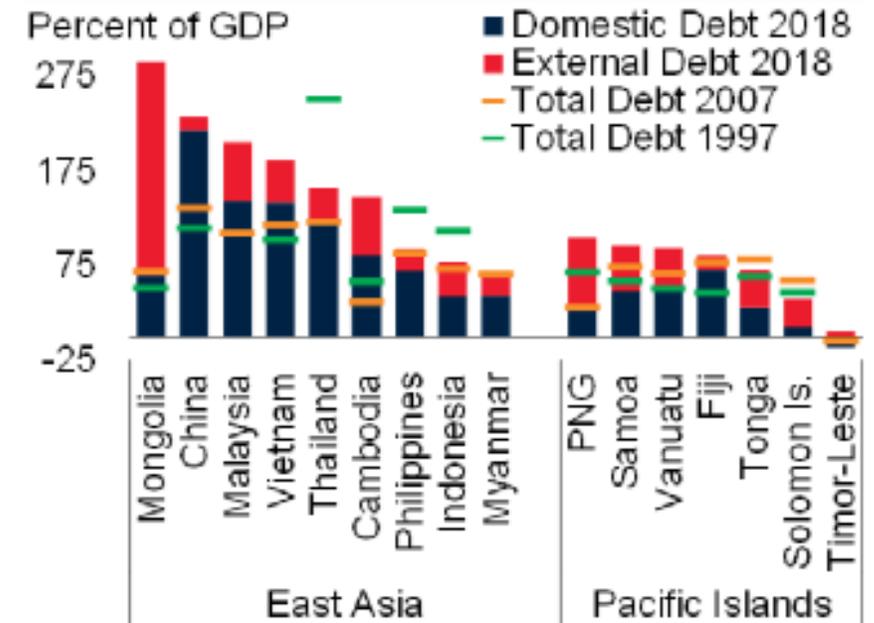
Source : EAPSDT. \* The baseline forecasts are as of June 17 (GEP GDP projections) and lower-case forecasts are as of May 20, 2020.

Source : WFP (<https://hungermap.wfp.org/>)

# Debt levels are rising, exacerbating pre-existing vulnerabilities in some countries

- COVID-19 related spending and revenue loss will lead to wider fiscal deficits in 2020 and 2021.
- Vulnerabilities in some countries in the region – elevated debt, sizeable fiscal deficits, heavy reliance on volatile capital flows, and considerable foreign holdings of domestic debt.
- EAP doesn't feature in the list of IBRD 'watch' countries (MTI debt paper) due to generally prudent fiscal/debt approach.
- However, it does have high debt IDA countries (Kiribati, Samoa, Tonga, Tuvalu and Laos).

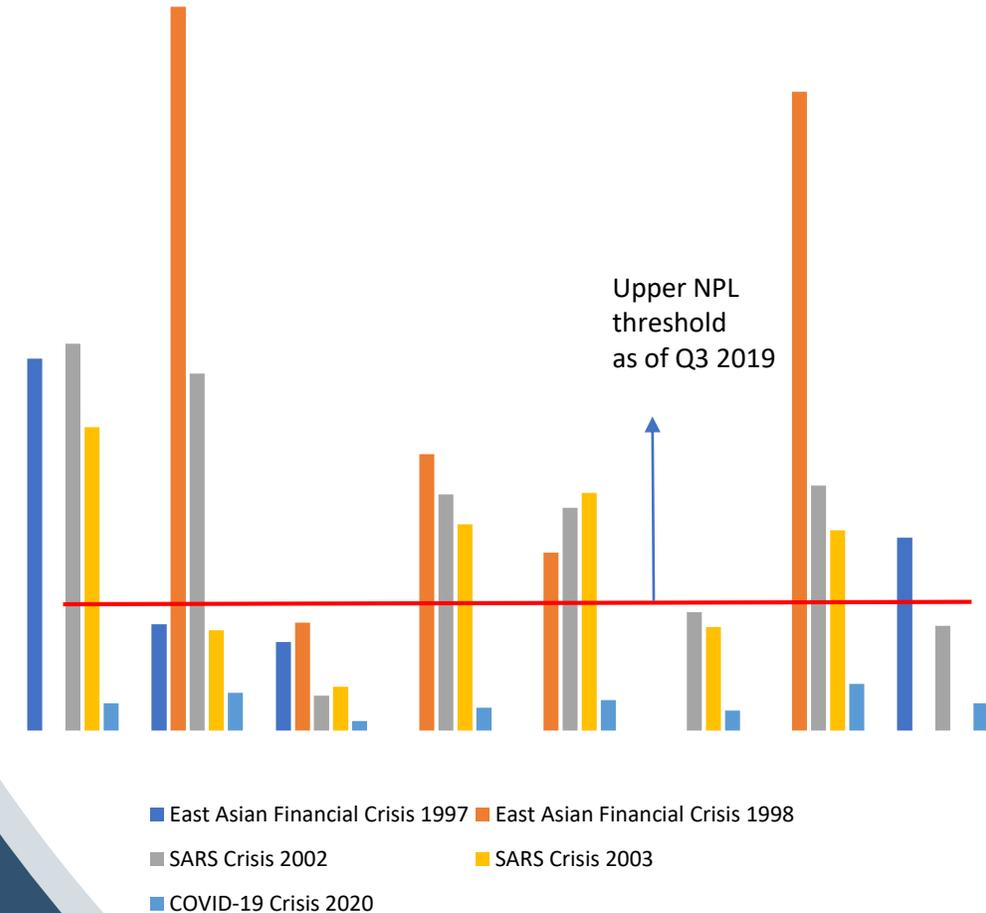
Total debt, EAP countries



## EAP financial sector on a more solid footing compared to GFC but COVID-19 related risks require close monitoring

- The largest and more sophisticated financial systems across the region appear stronger and with larger buffers than in previous crises
- Financial sectors in the region seem to be *better capitalized, more profitable, with better quality assets and with higher liquidity*
- However COVID-19 forbearance measures and elevated hh/corporate debt are risks

## NPL Ratios in Large EAP Economies Are Significantly Lower Today than during Past Crises



# Impact on human capital

## Health Services

- Countries are reporting **significant drops in essential health services** – immunizations, institutional deliveries, TB treatment completion and management of non-communicable diseases (NCDs).
  - **DPT coverage** has dropped by 56% in Indonesia and polio campaigns have been suspended in Malaysia and Philippines.
  - **Setbacks of 5-8 years in the fight against TB** among high burden countries (Indonesia, Vietnam, China, Myanmar, Philippines, Thailand, Cambodia, PNG)
  - Two-thirds of countries reported **disruption of NCD services** to the WHO.
- EAP faces significant long-term **food and nutrition security challenges**, which could worsen stunting levels in many countries. As of July 5<sup>th</sup>, **nearly 100 million people** are estimated to have **insufficient food consumption** in EAP.

## Education

- At the peak of the crisis, 22 EAP countries had closed their schools. By mid-June, schools were closed in 9 countries affecting 20% of the student population at all levels.  
**Distance learning is not having the same learning outcomes as learning in school**
  - A recent survey on home learning during COVID-19 organized by the Ministry of Education and Culture in Indonesia found that **only 18 percent** of teachers use interactive learning techniques. A similar survey in Indonesia implemented by the Ministry of Religious Affairs on its schools found that while **35 percent of students** reported being able to understand subject matter through online learning, 44 percent said they understood “some” of the subject matter, and 20 percent said “they did not understand”.
  - In Cambodia it was reported that about **37 percent of children** aged 6-17 did not engage in learning activities as a result of COVID-19 (even though the majority attended school before COVID). The percentage is significantly higher among the poorest quintile.

# WORLD BANK GROUP CRISIS RESPONSE APPROACH

**Saving Lives**

**Protecting the Poor & Vulnerable**

**Ensuring Sustainable Business  
Growth & Job Creation**

**Strengthening Policies, Institutions and  
Investments for Rebuilding Better**

**Speed,  
Scale,  
Selectivity**

## **Objective**

To assist countries to face a dual challenge: (i) address health threat, and pandemic's social and economic impacts and (ii) maintain line of sight to clients' long-term development vision

## **Ambition**

To restore momentum on the SDGs in two years.

# While meeting urgent crisis needs, WBG Approach keeps a long-term perspective



# Across four pillars, overall WBG approach is comprehensive and adaptive

## Pillar 1: Saving lives

To help countries prevent, detect and respond to the health threat posed by COVID-19 and strengthen national systems for public health preparedness.

## Pillar 2 - Protecting Poor and Vulnerable People

To help countries protect poor and vulnerable households and communities from the economic and social shocks of the crisis, restore human capital and promote job creation in the recovery.

## Pillar 3 – Ensuring Sustainable Business Growth and Job Creation

To promote sustainable business growth & job creation by assisting countries to help firms survive the initial crisis shock, restructure, and become more resilient in the recovery.

## Pillar 4 – Strengthening Policies, Institutions and Investments for Rebuilding Better

To help countries achieve resilient, inclusive and sustainable recovery by strengthening policies, institutions and investments for Rebuilding Better based on transparent, sustainable debt and investments.



# COVID-19 RESPONSE IN EAP

# Phase 1 - Saving lives

- Emergency financing to help countries manage the immediate health crisis and achieve a flattening of the disease curve. (eg financing for purchase of medical and laboratory supplies, training of medical staff, and strengthening national public health systems). Each country-level operation is tailored to the specific context and epidemic status of the country.
- In EAP, 11 COVID-19 health emergency response operations have been approved for **\$500.15 mln** for Cambodia, Lao PDR, Mongolia, Marshall Islands, Myanmar, Philippines, PNG, Samoa, Indonesia, Fiji, and Kiribati.
- 4 projects (about \$75m) are in fragile and conflict countries (Myanmar, PNG, Marshall Islands, Kiribati).



# Saving lives - Health emergency support



## Cambodia

Financing isolation and treatment centers, increasing the diagnostic capacity of labs, purchasing medical supplies; strengthening National Public Health Emergency Operation Center; establishing provincial-level emergency operations centers.



## Fiji

Improving connectivity for 35 health facilities throughout Fiji; supporting other health sector ICT innovations; providing additional medical supplies.



## Indonesia

Equipping COVID-19 referral facilities under MOH, improving capacity for intensive care and availability of PPE, strengthening laboratory network and surveillance system, supporting development and use of protocols to ensure quality of care.



## The Philippines

Providing PPEs, drugs and essential medicines, medical supplies (intensive care unit equipment), devices (ventilators, cardiac monitors, portable x-ray machines); lab equipment and test kits; supporting logistics and supply chains to ensure the equipment will reach frontline health facilities without delays.



## Mongolia

Training emergency care doctors, nurses and paramedical staff; purchasing medical and lab equipment and supplies, building COVID-19 diagnostic capacity; rehabilitating health facilities, institute infection control measures and training across health facilities

# Using and adapting existing and future projects



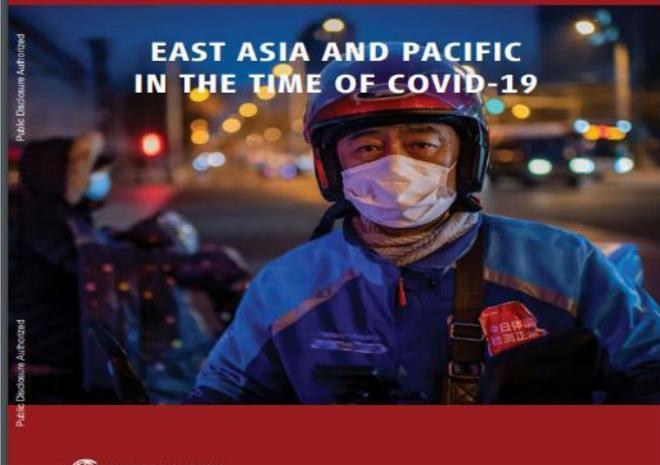
- In addition to the new financial resource, about **\$34.9 mln** have been disbursed from Contingent Emergency Response Component (CERCs), Catastrophe Risk Deferred Drawdown Option (CAT-DDOs) and reallocations in existing portfolio for Cambodia, Mongolia, the Philippines, Samoa, and Vanuatu.
- A comprehensive portfolio review was carried out to make sure that upcoming WB projects are COVID sensitive

# Phase 2 - Protecting the Poor & Vulnerable, supporting businesses, strengthening policies & institutions



- The second phase of the COVID-19 response focuses on the remaining three pillars of the approach, helping countries address the anticipated severe economic, social and poverty impacts and launch a resilient recovery. This phase will continue for the entire fiscal year 2021.
- To June 30, 2020, we have provided financing of **\$1.12 bln** Two Development Policy Financing (DPF) for Indonesia and Philippines
  - ✓ A new investment project financing (IPF) Agriculture and Food in Myanmar
  - ✓ A top up of \$100 for Social Assistance in Indonesia, and
  - ✓ An additional financing (AF) for Mongolia Employment Support, and restructuring of \$15m to for a new component that provides temporary relief to eligible workers in response to C-19
  - ✓ More operations are planned all through FY21

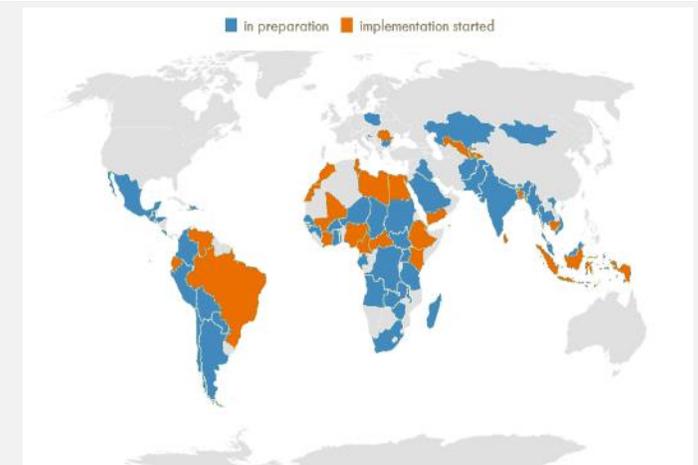
# Policy advice, experience sharing, impact monitoring



- Regular Regional and Country Economic Updates with special focus on COVID-19 impacts and policy responses
- COVID-19 Policy Response Notes and Policy Briefs



- Sharing experience from Korea on COVID response
- Sharing Indonesia's experience on coping with COVID-19
- Sharing country experiences on social protection response



- High-Frequency monitoring of COVID-19 impact
- Country economic monitoring reports



THANK YOU