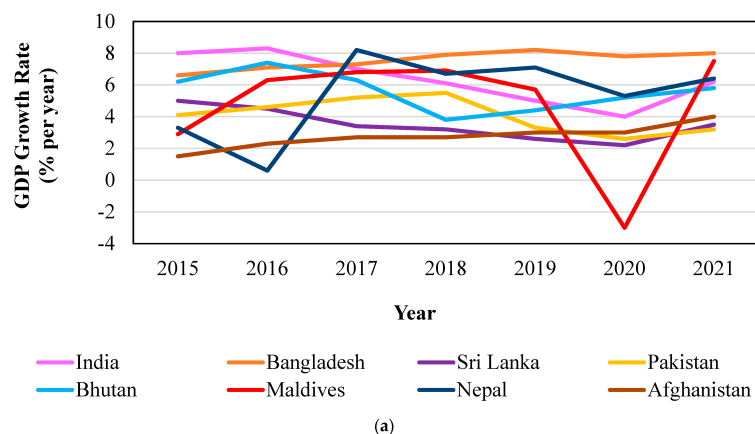


FORUM:	Economic and Social Council
ISSUE:	Promoting Sustainable Economic Growth and Job Creation in South Asia's Post-Pandemic Recovery
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Introduction

South Asia is known to be a region in the midst of development, and the huge impact of the COVID-19 pandemic has significantly affected growth rates of eight developing economies. Prior to the pandemic, South Asia did have vulnerabilities like the growing informal economy sector, and high levels of poverty and limited healthcare infrastructure, which COVID only exacerbated. These conditions have only made it harder for countries to rebound, making this socio-economic challenge in desperate need of resolution. This report will delve into the issues created by the pandemic for South Asia and will explore potential solutions to stimulate economic growth.



Graph indicating decline in GDP growth of South Asian countries during the height of the COVID-19 pandemic

Background

Lockdowns across South Asia

In early 2020, as the COVID pandemic was spreading globally, virtually all nations in South Asia entered stringent lockdowns as a means of curbing the spread of the virus. India's national lockdown in 2020 was one of the strictest, and other South Asia countries like Bangladesh, Nepal and Sri Lanka



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followed suit, but more lenient and region targeted. However, while the lockdowns did limit the spread of the virus, they significantly disrupted supply chains and disproportionately affected small businesses like hawkers and street vendors. In particular, the informal economic sector was affected, where around 80% of South Asia's work force was left with no steady source of income, and no social security net either to fall back on.

Downfall and collapse of informal economic sector

As lockdowns became more and more frequent, with no end to them in sight, people belonging to the informal economic sector suffered major losses due to no form of a daily wage being earned. With no forms of manual labor, street vending or even domestic labor being available, many migrant workers belonging to the sector were forced to return to their villages and rural homes due to mass job losses. As there was an increase in available labor in rural areas, this strained the agricultural sector, where workers were either paid less than before, or did not work enough hours given the new large work force.



Informal economic workers being left unemployed due to lockdowns and no other forms of physical work available

Disruptions to supply chains

COVID created more and more port delays, transport restrictions, and border closures, which negatively affected South Asia's trade with the rest of the world. For example, textile exports from Bangladesh considerably declined due to orders from Northern America and Europe cancelling, Maldives' largely dependent tourism GDP crashed, and Indian pharmaceutical exports were heavily delayed due to logistical difficulties. As no change was made, South Asia's vulnerability was made evident, and further disruptions ensued, thus affecting global markets.

Sri Lanka debt crisis of 2022



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Even before the COVID-19 pandemic, Sri Lanka was accumulating a significant amount of debt as a result of excessive borrowing to fund infrastructure projects and an increasing fiscal deficit. However, with the onset of the pandemic, Sri Lanka lost tourism as a sector that was a key revenue source for the nation, and in turn, the government lost vital foreign exchange earnings. Instead of thinking of ways to manage this debt or ways to boost the economy, the Sri Lankan government continued to heavily rely on imports like fuel and food, which again, only increased the already substantial debt. By 2022, Sri Lanka could not meet its debt obligations, meaning they defaulted on international loans, leading to the country dealing with high inflation rates, public unrest and fuel shortages.

Problems Raised

Rise in unemployment rates

With around 80% of South Asia's population being employed in the informal sector, lockdowns confined people to their homes and consequently led to widespread job losses. People who earned their living from professions such as hawkers, street vendors, small businesses or even the service industry ended up with no source of income due to operations either being reduced or completely closing down. In areas with major cities like Mumbai and Delhi, populated by migrant workers that send money back home, many laborers were forced to return to their villages, leading to a humanitarian crisis as well.



All potential forms of employment being closed, leaving mass numbers of people unemployed

Economic contraction

Given the large impact COVID had on industries like manufacturing, tourism, and construction predominantly, the GDP of virtually all nations within South Asia took a sudden downturn. India for instance, had its economy shrink by 7.3% in the financial year 2020-21, while Nepal's GDP declined for



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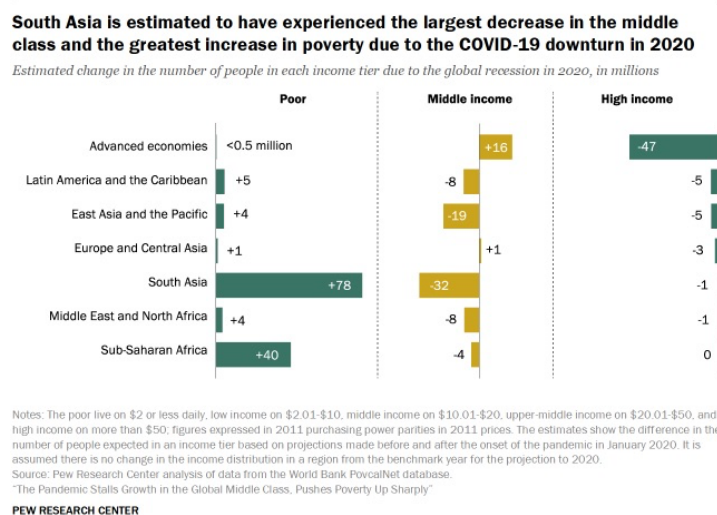
the first time in 40 years. The Maldives also recorded the largest GDP contraction within the South Asian region, experiencing a decline of 33% in 2020 towards the early onset of the pandemic.

Collapse of major economic sectors

A majority of countries in South Asia were and still are dependent on export revenue, and given the logistical issues that rose during COVID, sectors like tourism, manufacturing and agriculture were considerably impacted. With border closures and flight cancellations happening almost overnight, countries like Sri Lanka and the Maldives in particular lost major income streams. For Bangladesh, a textile industry hub, global brands cancelled over 2.4 billion pounds in orders, and thousands of factory workers were left unemployed as factories were forced to halt production. Additionally, with border closures and transport restrictions becoming increasingly stringent, large amounts of perishable products like fruits, vegetables, dairy and poultry were left unsold, causing massive losses each day.

Rising poverty and deepening societal inequalities

In recent years, South Asia has taken action to reduce poverty rates, but with the skyrocketing rates of unemployment, many households dependent on the informal economic sector for income were left penniless. The World Bank estimates that given the 40 million people forced into poverty in 2020, the pandemic has reversed around two decades of progress within the region. While informal workers suffered from mass job losses, sectors concerning digital markets and technology recovered quicker, only widening the wage gap within these countries.



South Asia is estimated to have the largest increase in poverty as a result of the pandemic

International Actions

International Monetary Fund (IMF) financial assistance

As the financial situation in South Asia only worsened with the pandemic continuing, three major financial institutions- the World Bank, International Monetary Fund (IMF), and Asian Development Bank (ADB) collaborated to mobilize billions as emergency funding for these countries. In 2022, the IMF approved a 2.9-billion-dollar loan as financial aid to help stabilize the Sri Lankan economy during their debt crisis. Later, in 2023, Bangladesh received a 4.7-billion-dollar loan to again, stabilize the economy and to improve their climate resilience. With this extra monetary assistance, it has helped to keep economies under control, but given the large amounts of money at stake, there are still concerns over these countries being able to completely repay such loans.

G20 Debt suspension

With the economy in shambles and no clear end to the pandemic in sight, the G20 temporarily suspended debt payments for certain low-income countries through the launching of the DSSI (2020-2021). The G20 comprises of two unions- namely the European Union and African Union, and an additional 19 member states being Argentina, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, and the United States. As there was no burden of a massive debt on developing nations like Nepal and Afghanistan for example, it allowed temporary relief for governments already struggling to bear pandemic related costs.

Health and vaccine initiatives

Slowly as vaccines and other health initiatives were being developed to slow and curb the spread of the virus, the COVAX initiative, collaboratively led by the World Health Organization (WHO), Gavi and CEPI, helped in providing accessible vaccines for South Asian people. Millions of either free or subsidized vaccines were sent to these nations, allowing for economies to gradually reopen in a safe manner. In addition to the COVAX initiative, both the WHO and UNICEF funded and coordinated digital health monitoring, healthcare worker training and cold-chain logistics to ease the burden on nations like India, Pakistan and Bangladesh. This aid considerably lessened the burden on the nations themselves to come up with pandemic preventive measures and helped in accelerating economic recovery.





The COVAX partnership with other organizations like Gavi, UNICEF, CEPI, and the WHO

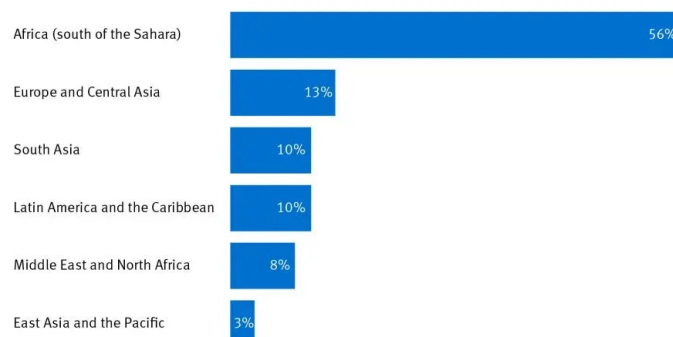
Key Players

International Monetary Fund (IMF)

During times of economic distress, the IMF was instrumental in providing struggling South Asian nations with the funds and bailout packages needed to stabilize their respective economies. Actions such as the 2.9-billion-dollar rescue package sent to Sri Lanka during their debt crisis in 2022, and other loans given to countries such as Bangladesh significantly eased financial strain. However, the IMF does have certain austerity requirements- essentially loan conditions to ensure that countries repay their debts. These requirements are quite rigid, and while they are technically necessary for debt repayment, their social impact is a point of contention. For example, in order to reduce government budget deficits, typical measures taken include cutting public spending like subsidies and salaries and tightening public investment programs. Therefore, while the loans and financial assistance have helped to boost economies, the later austerity requirements can considerably affect the lives of South Asian citizens, disproportionately affecting lower-income and vulnerable populations.

IMF Loan Programs by Region

Programs approved between March 2020 and March 2023



A list of loan programs done by the IMF to help countries and regions in need of financial aid



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World Health Organization (WHO)

As the primary global health authority, the WHO has provided healthcare advice and guidance to South Asian countries to help them facilitate containment measures, and other treatment and testing protocols. By co-leading the COVAX initiative with Gavi and CEPI, vaccines have equitably been distributed, which has accelerated immunization programs and reduced the severity of outbreaks. The WHO has also invested in capacity building programs to strengthen hospitals and laboratories through funding training programs for such institutions. These efforts have not only helped to combat the spread of the virus but have strengthened the healthcare sectors and have prepared nations for future health crises.

China

Through donating or subsidizing millions of doses of Sinovac and Sinopharm COVID-19 vaccines, China helped countries like Nepal, Bangladesh and Pakistan accelerate their immunization programs and provided support for countries with limited access to vaccine development. China's Belt and Road Initiative also meant that the nation continued to invest in infrastructure projects within South Asia, leading to the development of Sri Lanka's Hambantota Port and China-Pakistan Economic Corridor. Such development has provided more employment opportunities and has stimulated economic growth, helping in post-pandemic recovery.

Possible Solutions

Facilitating job creation and economic stimulation

COVID-19 has impacted multiple sectors, but most notably, tourism and manufacturing. Therefore, governments should aim to implement stimulus packages that especially target these two industries. Through engaging in public-private partnerships, more infrastructure and other development projects, more employment opportunities can be created, thus boosting the economy sustainably and allowing nations to repay their loans.



Boosting employment opportunities for South Asians



Economic diversification

A major reason as to why South Asia was so severely impacted by the COVID-19 pandemic was due to a majority of economies being reliant on very few sectors. This backfired as when these sectors (for e.g. tourism) were disproportionately affected, South Asia suffered the consequences. As a means of resolving this issue, it is crucial to diversify the economy through looking and considering other means of economic stimulation. Investing in green infrastructure projects could create job opportunities and mitigate environmental problems that many communities in South Asia suffer from. Alternatively, digitalizing the economy could help in taking advantage of an emerging sector- technology.

Glossary

Fiscal deficit

Happens when the government's expenditures (money spent) are more than the revenue (money earned) over a specific time period. When this occurs, governments may borrow money in various forms, which may temporarily help, but can add to the national debt level.

Climate resilience

The ability and capacity of a country to recover and adapt after different impacts of climate change. The more resilient a country is, the better their economy will be able to rebound, and this can be done through enhancing food security and protecting infrastructure that can withstand climate disasters.

Economic diversification

Developing a variety of resources, sectors and services as a means of boosting the economy. This limits reliance on a few sectors and can help countries be more resilient.



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