

Priorities for a fair recovery from COVID-19 in South Asia

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Key messages



A fair recovery, which seeks to ameliorate both the health and socio-economic impacts of the pandemic, is central for South Asia to achieve the 2030 Agenda. Therefore, it is critical policymakers choose the right priorities and effectively implement them at an early stage of recovery from the COVID-19 pandemic.



To sustain poverty reduction, restore employment, create new opportunities, and improve overall welfare, South Asian countries need to focus on providing universal health care, mainstreaming gender into social protection systems, and reducing the digital divide in education.



Vaccination policy is economic policy. The region must ensure that vaccination expenditures are prioritised; distribution is equitable; hesitancy is addressed, and incentives are provided to increase vaccinations.



For a fair recovery, a progressive taxation system, which will shift the burden from the poor to the rich, is necessary. This can be achieved through simplifying and digitising the tax process, reducing compliance costs, and investing in track and trace capacities.



Accelerating financial inclusion is a regional priority. Countries should focus on expanding access to financial services, improving digital and financial literacy levels, and increasing women's inclusion in financial systems to promote a fair recovery from the COVID-19 pandemic.

■ Introduction

This study identifies a set of priorities that South Asia must focus on to ensure a fair recovery from the COVID-19 pandemic. Undoubtedly, the socio-economic fallout from the pandemic has been considerably great¹. The pandemic has, however, also opened a window of opportunity for the world to 'build back better'. A key pillar of this is the concept of 'fair recovery'—a recovery, which will help put the Sustainable Development Goals (SDGs) 'back on track', is equitable, and leaves no one behind. Developing countries and regions, such as South Asia, that have been plagued with deep-rooted structural inequities, poor social protection systems, lower fiscal space, and institutional capacity constraints, will face challenges in designing and implementing policies for a fair recovery.

■ The facts

South Asia is home to around 25% of the world's population (Worldometer, 2021). Despite the instances of higher growth seen in Bangladesh and India, the region is generally known for a low gross domestic product (GDP) per capita, inadequate infrastructure, inequitable access to public services, high income and structural inequalities, low female labour force participation, and poor social protection systems.

During the first wave of the pandemic, around a quarter of women in the labour force lost their jobs in Pakistan (Quresh, 2020). Similarly, 17 million women lost their jobs in India, and female unemployment rose to 15% (Berkhout et al., 2021). The pandemic also caused higher job losses for vulnerable sectors. In Pakistan, for instance, job and income losses were greater for daily wagers and contractual labourers (Subohi, 2021). Similarly, in India, around 75% of those in the informal sector lost their jobs, accounting for approximately 92 million jobs (The Wire, 2021). "According to the World Bank, as many as 115 million additional people are at risk of being pushed into extreme poverty" (Mehta & Kedia, 2021), while the largest share of the 'new poor' is estimated to have been created in South Asia, as a result of the pandemic.

■ **The region's existing fiscal policies remain inadequate to improve wellbeing. On average, countries in South Asia spend less on their social sectors than those in any other region.**

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Choosing the right priorities and effectively implementing them will be critical in shaping the nature of economic and social recovery from the pandemic, thereby ensuring that it is fair, sustainable, and equitable.

¹ See Raihan et al. (2020) and Javed (2021a) for details.

This study attempts to identify these priorities for South Asia based on a synthesis of three processes: i) an assessment of policy responses across the region to identify current priorities, referred to as revealed priorities², ii) priorities based on an expert opinion survey among Southern Voice members, and iii) priorities emerging from a consultation with Southern Voice experts from South Asia.

■ Assessment of policy responses to COVID-19

Policy responses to the COVID-19 pandemic were assessed to identify the priorities of the region. Conversely, this helped to further identify the priorities that earned a lower focus or remained neglected, which can weaken fair recovery. Priorities obtained from the review of policy responses to the pandemic are divided into the following three categories.

The priorities that support a fair recovery, and need to be continued and expanded are:

- Investing in people, which includes providing healthcare packages, social protection, emergency cash transfers, and skills development.
- Supporting businesses, particularly micro, small and medium enterprises (SMEs), to avoid lay-offs and provide liquidity. These measures include concessionary loans, extension of repayment schedules, mark-up concessions, and suspension of electricity bills and rents. However, to ensure a fair recovery, the region needs a well-structured plan for 'investing in jobs for all'.

The priorities, which are good but currently lack the concept of fair recovery are:

- Getting back to higher growth (pre-pandemic estimates)³. However, the focus of associated policies tends to lean towards achieving growth rates at any and all costs, ignoring the distributional impacts. For example, policies such as revenue maximisation through indirect taxation, not only place a disproportionate tax burden on the poor, but also lead to higher inflation.

² We mainly focused on the IMF's Policy Tracker, as it provides comprehensive real-time access to policy measures. To clearly identify the policies and subsequent priorities that can help promote fair recovery, policy responses have been divided into four major categories, namely i) Healthcare packages, ii) Firm liquidity supports, iii) Employment retention measures, and iv) Transfers targeting lower income households. Remaining measures are clubbed under ('any other'). This not only helps to assess the element of fair recovery, but also enables cross-country comparisons.

³ Prospects of an economic rebound in South Asia are firming up as growth is set to increase by 7.2% in 2021 and 4.4% in 2022 (World Bank, 2021).

The policies, which are considerably missing the fair recovery component are:

- Neglecting policy formulation for COVID-19 vaccinations; almost no country in the region has rolled out a vaccination policy. This may result in serious social and economic losses.
- There appears to be a lower focus on digital infrastructure, supply chain resilience and regional cooperation, which can lower the chances of a fair recovery.

■ Regional consultation and expert opinion survey results

An assessment of policy responses to COVID-19 highlights the need for South Asia to reconsider its priority agenda and policies for economic recovery. Otherwise, the region may end up with a recovery, which is not inclusive, resulting in an increase in existing inequalities. The information on what priorities South Asia must focus on for a fair recovery was collected through a regional consultation meeting and an expert survey.

Findings from the regional consultation meeting

A consultative meeting of experts and thought leaders from the development sector was organised in May 2021, to obtain a qualitative assessment of the priorities that South Asia must consider to ensure a fair recovery⁴. The overall priority focus areas for inclusive recovery in each respective country, as suggested by the experts during the meeting, are given in Table 1.

■ **Table 1. Priorities suggested by experts for fair recovery in their respective countries**

Country	Suggested priorities
Pakistan	<ul style="list-style-type: none"> - Policy intervention for informal workers protection - Improving collaboration between provincial and federal government for implementing recovery policies through better coordination
Bangladesh	<ul style="list-style-type: none"> - Increasing health sector investments - Policy intervention for ensuring social protection - Establishment of a public employment facility

⁴ A full list of participants is provided in the Acknowledgements section.

India	<ul style="list-style-type: none"> - Strengthening public health infrastructure - Improving decentralised distributed energy leading to local employment generation - Better approach to lockdowns, thereby reducing social and economic stress on the poor - Strengthen data systems that provide accurate real-time data to make the right decisions - Macro-analytical capabilities for timely economic analysis
Nepal	<ul style="list-style-type: none"> - Increase in vaccination rate - Availability of an adequate number of beds and oxygen supply
Sri Lanka	<ul style="list-style-type: none"> - Inoculation programme should be continued - Investing in generating jobs in the informal sector

Findings from the regional consultation meeting

Southern Voice administered an expert survey in April 2021, to assess the major impacts of the COVID-19 pandemic and policy priorities for a fair recovery in South Asia. Given the nature of the issue and scope of work, experts from different countries in the region were selected through convenient sampling. A structured questionnaire was emailed to respondents (N=32), who were asked to identify

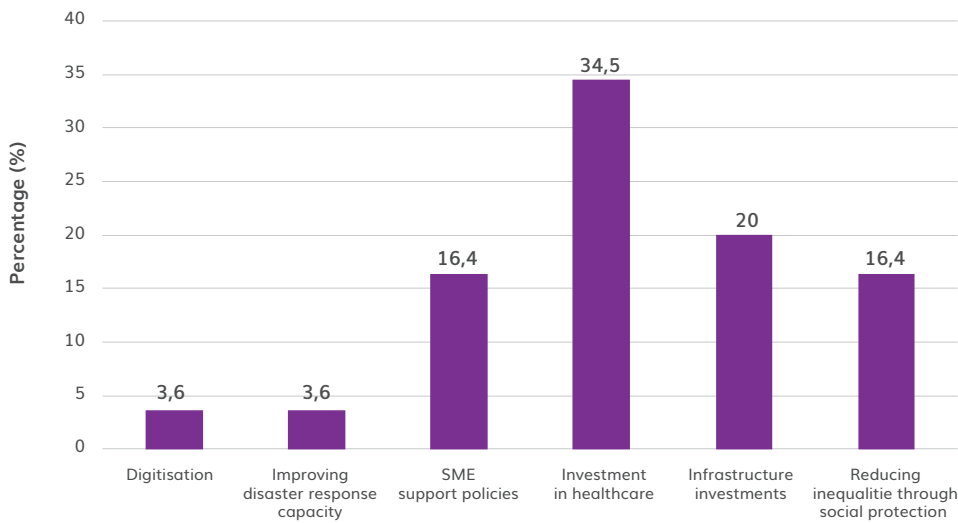
the major impacts of COVID-19, policy responses so far, and the priorities that they think their respective countries must focus on to ensure a fair recovery. Figure 1 presents the top four priorities identified by the respondents, which are: i) investment in healthcare, including investment in public healthcare systems, improvement in public health information access, and development of tele-health infrastructure, ii) infrastructure investments, iii) SME support policies, such as reviving inclusive economic growth for SMEs support, private sector recovery, employment policies, availability of information about how to access credit and incentives to improve economic activity, and improved trade and export capacity, and iv) reducing inequalities through social protection by reducing social inequalities, promoting broad-based economic development, improving housing and urban development, providing direct cash-transfer to marginalised groups, making public investment in nutrition for women and children, strengthening pension systems, and improving social protection systems.



Affordable, universal, and accessible social protection must be provided to all citizens. Furthermore, systematic barriers faced by vulnerable segments in accessing social welfare must be effectively removed.



■ **Figure 1. Priorities obtained from the expert opinion survey (% of respondents)**



Note. N= 55 (due to multiple options).

■ **Priorities for South Asia to ensure fair recovery**

After a triangulation of the priorities emerging from the assessment of the way various national governments in South Asia responded to the pandemic, expert opinion survey, and expert consultative meeting, a set of priorities were selected. Priorities with a higher expected yield for fair recovery, which are currently being ignored or are given a relatively lower consideration in formulating recovery policies, were preferred. The expert consultative meeting provided the basic groundwork for setting up these priorities. Expert opinion was further acquired to pick five major priorities that had a higher fair recovery yield. The final priorities selected have been presented in the following sub-sections.

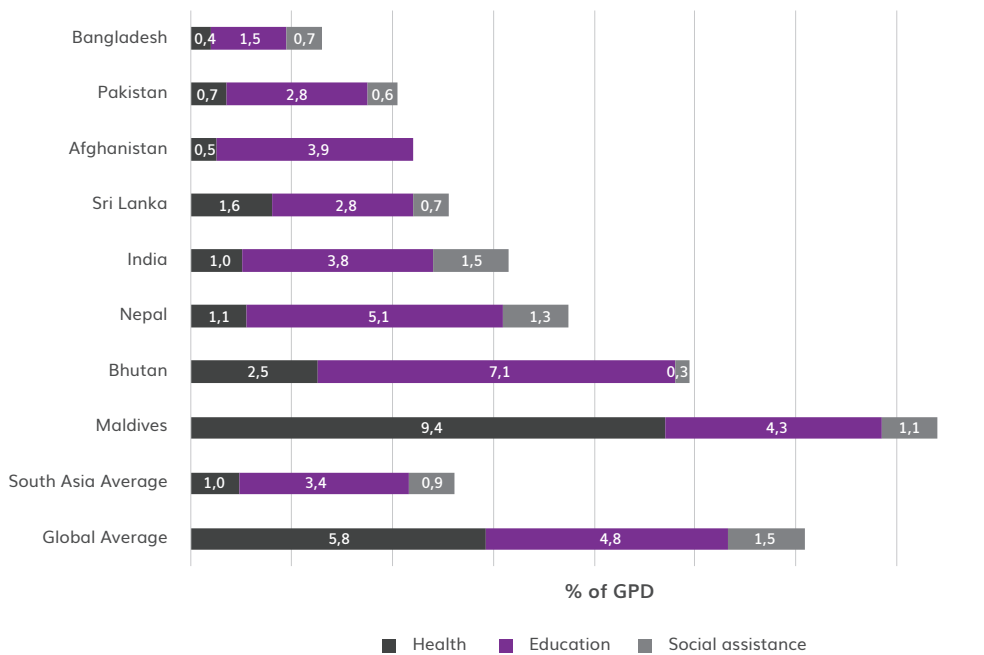
A significant increase in social spending and social protection expansion

Investing in people, through improvements in health, education, social protection, and skills development is key to improving welfare, unlocking economic growth, and paving the way for an inclusive recovery. Moreover, as the poorest and the most vulnerable face the greatest impacts of this crisis, strengthening human capital among these segments can prevent more people from falling deeper into poverty, improve equity, and promote social cohesion in a post-pandemic world (World Bank, 2021a).

The region's existing fiscal policies remain inadequate to improve wellbeing. On average, countries in South Asia spend less on their

social sectors than those in any other region. In 2019, the region spent an average of 5% of its GDP on social expenditure (Figure 2), which was less than half of the global social spending average of 12%. Within the region, Maldives has the highest social expenditure, while Bangladesh spends the lowest (Bloch, 2020)⁵.

■ **Figure 2. Social expenditure by country (% of GDP) in 2019**



Note. Reconstructed from 'Social spending in South Asia—an overview of government expenditure on health, education and social assistance' by Bloch (2020).

Chronic underinvestment over the years has resulted in inadequate social protection, weak health facilities, and high poverty rates in the region. In 2020, 41% (530 million) of the world's multidimensionally poor lived in South Asia, of which 204 million were extremely poor, and 465 million were rural inhabitants (United Nations Development Programme [UNDP] & Oxford Poverty and Human Development Initiative [OPHI], 2020). While many improvements have been made in the region over the last decade, the pandemic has jeopardised much of this momentum. With millions laid-off and businesses closed, high unemployment will likely produce a negative multiplier effect on livelihoods, food intake, and nutrition, affecting the poor and women more than others (Rasul et al., 2021).

⁵ The relatively higher social spending (% of GDP) reported for Nepal, Bhutan and Maldives may be more an outcome of smaller GDP size.

In response to the health emergency, many South Asian countries ramped up action to reduce the fallout from the pandemic. Social protection policies were one of the main strategies put forward by countries. Pakistan, for instance, implemented a fiscal stimulus of USD 7.58 billion (PKR 1.2 trillion)⁶, consisting of various liquidity support and employment retention measures (Javed, 2021a). These included direct cash transfers worth USD 1.28 billion (PKR 203 billion) to 15 million people (Government of Pakistan, 2020). Similarly, India spent USD 4.71 billion (INR 350 billion) on healthcare and vaccinations, while Bangladesh spent approximately USD 141.19 million (BDT 12 billion) on cash transfers to disadvantaged groups and USD 250.63 million (BDT 21.3 billion) on housing for the homeless (International Monetary Fund [IMF], 2021). Nepal provided informal workers with a subsistence wage to participate in public projects. However, these packages have not been enough (IMF, 2021).

Affordable, universal, and accessible social protection must be provided to all citizens. Furthermore, systematic barriers faced by vulnerable segments in accessing social welfare must be effectively removed (United Nations Department of Economic and Social Affairs, Social Inclusion [UNDESA], 2018). Many a times, the poor do not have access to existing social protection and welfare systems, either due to a lack of awareness about the available programmes, low literacy, unavailability of social welfare facilities in the local areas, a lack of social auditing in the provision of social welfare schemes to the needy, administrative hurdles, lack of transparency, incoherent eligibility criteria, or stringent application processes and regulations. Such barriers result in the structural exclusion of those who need these schemes the most. This, in turn, weakens the equity impact of social welfare schemes.

The overwhelming informal structure of economies and labour markets poses a serious challenge to social protection schemes as well. More than 80% of workers in Bangladesh, India, and Pakistan are informal. Informal workers remain highly vulnerable to pandemic-induced shocks, leaving them without income, access to healthcare or any form of social protection such as job accident insurance or post-retirement pensions due to insufficient or no coverage at all (UNDESA, 2021).

Social exclusion is also experienced by various groups, like women, children, those with disabilities, etc. Providing access to such disadvantaged and socially excluded groups is a crucial step in ensuring that social protection programmes remain equitable and benefit everyone. Doing so will undoubtedly require addressing many of the barriers stated above.

⁶ Currency rates for 7 July 2021 are used throughout the paper to convert local currency into United States Dollar (USD).

Affordable and high-quality healthcare must be provided to all citizens (United Nations Economic and Social Commission for Asia and the Pacific [ESCAP], 2021). This includes increasing health spending to raise the sector's capacity in dealing with COVID-19 and all future health emergencies, as well as augmenting domestic testing capacity against infectious diseases. Most importantly, it will require ensuring equitable access to healthcare services. Doing so will, first and foremost, require greater public investment in healthcare in the region, which over the years has remained stagnant, giving private and extremely expensive medical practices the opportunity to flourish and dominate the healthcare sector. This has significantly hampered the region's ability to provide universal health coverage (Sengupta et al., 2017). Furthermore, minimising out-of-pocket expenses, subsidising and regulating medicine costs, addressing the socio-economic determinants of health, and removing other such barriers in accessing healthcare will be crucial for guaranteeing universal health coverage for all (Beattie et al., 2016).

This region continues to face significant gender disparities across employment, food security, nutrition, and education. To reduce these, countries must mainstream gender into social protection systems and ensure gender-sensitive social spending. The focus should be on ensuring that women and young girls are not excluded from social welfare by improving target mechanisms of programmes and ingraining a better understanding of local gender norms. This will, in turn, aid in advancing gender equality in the region. For example, in countries or localities where women and girls do not exercise much financial control, it may be preferred to provide social assistance through in-kind transfers. Likewise, registration processes should account for existing gender inequalities (Tebaldi & Bilo, 2019). For example, expecting women to apply for welfare schemes through SMS-based systems may not be effective in areas where women's access to mobile phones is disproportionately limited.

As lockdowns across South Asia resulted in school closures, learning was interrupted for millions of children. Virtual learning provides a solution for the learning losses they face. However, the existing digital divide in education must be bridged through investments in digital infrastructure and digital literacy programmes, and by minimising pre-existing inequities in remote learning. This will give the region the ability to lift regional literacy levels. For example, while 88% of school-age children in South Asia do not possess an internet connection at home (United Nations Children's Fund [UNICEF], 2020), many of these children belong to lower-income groups and reside in rural areas. Therefore, the expansion of digital infrastructure should be directed at reducing such inequalities by bringing more rural and remote areas online.

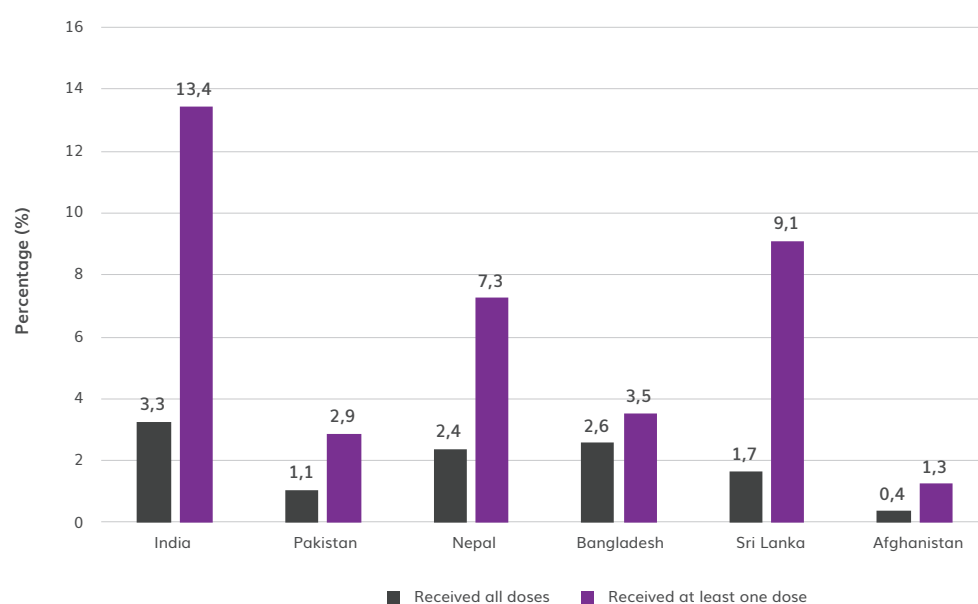
Likewise, South Asia has one of the widest gender gaps in mobile internet use, with women being 51% less likely to use mobile internet (Rowntree &

Shanahan, 2020). Without access to the internet, women and young girls will not be able to participate in most e-learning or distance-learning initiatives, thereby exacerbating existing gender gaps. Therefore, efforts to generate a digital transformation in the region must explicitly promote gender equality in every step of the way.

South Asia must lay out a coherent policy for mass vaccination

Though small, South Asia's existing vaccination campaign can alone prevent a cumulative loss of 10% of the GDP in the year 2022 and beyond, while costing only 0.55% of the region's GDP (World Bank, 2021b). As of 8 June 2021, South Asia has had 31.7 million confirmed cases and a little under 400,000 deaths. Despite this, vaccination drives have been quite sluggish. Bangladesh and Pakistan, for instance, have until now merely administered approximately 10 million and 8.85 million total doses, respectively (World Health Organization [WHO], 2021), with 2.56% and 1.05% of people fully vaccinated in both countries, respectively (Figure 3) (Ritchie et al., 2020).

■ **Figure 3. Share of population (%) vaccinated against COVID-19 by June 2021**



Note. Reconstructed from 'Coronavirus pandemic (COVID-19)' by Ritchie et al. (2020).

Vaccine inequity can lead to economic inequity, compromising fair recovery. Failing to persuade high-risk groups to get vaccinated can limit their safe access to livelihoods, education, and other opportunities that will arise from a COVID-19 recovery. Such groups may be subjected to prolonged lockdowns and restrictions, limiting their participation in economic activity. In relative terms, this may further widen the existing

inequality gap in the region. Inequitable vaccinations at the regional level may also increase the risk of different variants of the virus continuing to spread, such as the current Delta variant, and may also prolong restrictions on air travel and trade bans in the region. Therefore, vaccine inequity can delay economic recovery in the region, while broadening existing inequalities further.

Additionally, vaccine drives in the region have also exposed major distributional inequities. For instance, in India, significant residential and gender disparities in vaccine administration were found, with urban inhabitants receiving doses far more rapidly than those in rural areas, despite the latter constituting over 65% of the population (Das et al., 2021). Similarly, 17% more men have been vaccinated than women (Jain & Mishra, 2021). Similar trends can be witnessed in other South Asian countries as well. In Pakistan, almost 3 million unregistered refugees and migrants without national identity cards are likely to be excluded from vaccinations (Latif, 2021). A concerted and planned effort is required in the region to ensure that no one is left behind in getting vaccinated.

Vaccination policy must remain an economic policy. Vaccine expenditures must be prioritised if South Asia hopes to ultimately prevent future pandemic waves and fully commit to its recovery process, with each country laying out a clear national plan for a mass vaccine rollout. The benefits of doing so greatly outweigh the costs, thereby justifying the use of public funds for this purpose. Vaccinations are key to easing the mounting pressure on healthcare systems, reopening economies, and resuming economic activities, which in turn will help restore livelihoods through extensive rehiring and new employment. However, delays will significantly raise the cost of reopening (Javed, 2021b).

Evidence suggests that vaccination diplomacy, to promote nationalism, has an adverse impact on a country, as witnessed in India's fight against COVID-19, resulting in people losing trust in the government and the need for universal vaccination. According to Chatterjee et al. (2021), "The strategy pursued by India can be read as an effort to gloss over the failures in initial pandemic management, to improve diplomatic leverage and reinforce an idiom of nationalism." (p. 1). The politicisation of vaccines also has counterproductive outcomes for democratic practices within the country. Instead, countries should undertake a coordinated regional approach through sharing knowledge and coordinating production capacity to ensure vaccine penetration at the grassroots levels.

Vaccine inequality in South Asia can threaten fair recovery. Failure to ensure equal access to vaccines for the poor, vulnerable, and women can unravel decades of developmental progress. Left unchecked, inequitable rollout of vaccinations can create isolated pockets of the outbreak, with

COVID-19 possibly becoming a 'poor' or 'migrant' problem in the future. Therefore, South Asia needs to focus on the equitable distribution of vaccines. Governments should, first and foremost, ensure that vaccines are provided to frontline health workers and those most vulnerable, such as, the elderly or people with pre-existing conditions that put them at greater risk. For a mass level rollout, it may be more equitable to prioritise distributing the vaccines first to the poor who have reported higher infections and a lesser ability to socially distance themselves. For example, focusing on providing vaccines to the poor and informal workers employed in sectors and professions that inevitably require more face-to-face contact than others may be more equitable (and more economically beneficial) than fast-tracking vaccines for higher income groups that have the ability to work remotely during the crisis (World Bank, 2021b).

Addressing vaccine hesitancy, which is occurring due to widespread misinformation, conspiracies, and anti-vax propaganda, needs to be prioritised to promote large-scale vaccination in South Asia. The unwillingness of people to get vaccinated will need to be actively addressed if countries in the region want to successfully achieve herd immunity. However, governments must go beyond mere awareness campaigns to dispel myths and misinformation surrounding the COVID-19 vaccine. Initiatives, such as requiring workplaces to allow only vaccinated employees to fully return to work and mandating vaccinations for all domestic travel (such as airplanes and trains) and in educational institutes, will be necessary to encourage vaccine acceptance in the region. Additionally, the use of mobile vaccine sites, utilising vehicles as inoculating units, will be helpful in vaccinating rural communities. For many, vaccine hesitancy in South Asia is found to emerge from existing structural inequalities. In Bangladesh, for example, vaccine hesitancy was found to be higher in rural and slum communities, stemming from lower levels of literacy, little to no health regulation adherence and scepticism of the health system (Abedin et al., 2021). Similarly, women in rural Bihar, India, have also reported greater hesitancy in taking the COVID-19 vaccine due to fears of infertility and menstrual cycle disruptions, among other reasons, which arise due to discriminatory social norms and gender biases that undervalue the health of women (Sinha, 2021). Addressing the factors behind vaccine hesitancy in certain socio-economic, ethnic, and minority groups will be key to ensuring vaccinations remain equitable in the region.

The region needs a well-structured plan for 'investing in jobs for all'

South Asia houses an overwhelming informal economy—more than 80% of all workers in the region engage in informal activities and 90% or more businesses are informal (Bussolo et al., 2020). SMEs play a crucial role in

employment in the region, for instance 60 million are employed through such enterprises in India (Rasul et al., 2021). Similarly, they constitute 40% of Pakistan's GDP and 80% of non-agricultural employment in the country (Javed, 2021c). Both the informal sector and SMEs have been hit hard by the pandemic.

If the region hopes to recover and rebuild from the prevailing crisis, countries must invest in good jobs for all their citizens. In response to the pandemic, South Asian countries have introduced various employment retention measures, unemployment benefits, and other programmes to soften the blow faced by workers. For instance, Sri Lanka has partially waived income tax arrears for SMEs. Bangladesh has announced USD 588 million for its garment sector to provide salary support to workers (mostly women), who had lost their jobs due to the pandemic (Hossain, 2020), while Pakistan has executed a fiscal stimulus of USD 7.56 billion (PKR 1.2 trillion).

For a more inclusive and fair recovery, South Asia needs to sustain businesses, especially SMEs, and support job creation, which can be done in four strategic ways (Javed, 2021c). First, generating a specific database for SMEs would enable reliable and evidence-informed policies to be formed for the SME sector. Second, governments should provide SMEs with appropriate support through policies and measures that are needed in each phase of the pandemic; from lockdown to reopening the economy. Third, policy actions on SMEs should be incorporated into broader development policy. As a significant source of poverty reduction, gainful employment, and overall sustainable development in the region, a focus on SMEs must be prioritised. Finally, better networking between social entrepreneurship⁷ and innovators with other sectors of the economy is essential to strengthen SMEs.

A gender-equitable post-pandemic recovery is required. This calls for strengthening social infrastructure, improving educational and employment opportunities, raising wages, and improving work conditions for women. Additionally, the inequitable status quo faced by women prior to the pandemic, and that which resulted from it, must be addressed. (Mason et al., 2020). Support must be provided to women-intensive sectors—particularly those exposed to future crises and job losses, as well as retain and expand the female labour force participation. Finally, all labour policies must remain gender-sensitive.

This may prove difficult, as many young girls have been forced to drop out of school because of extended school closures. Unless this is addressed,

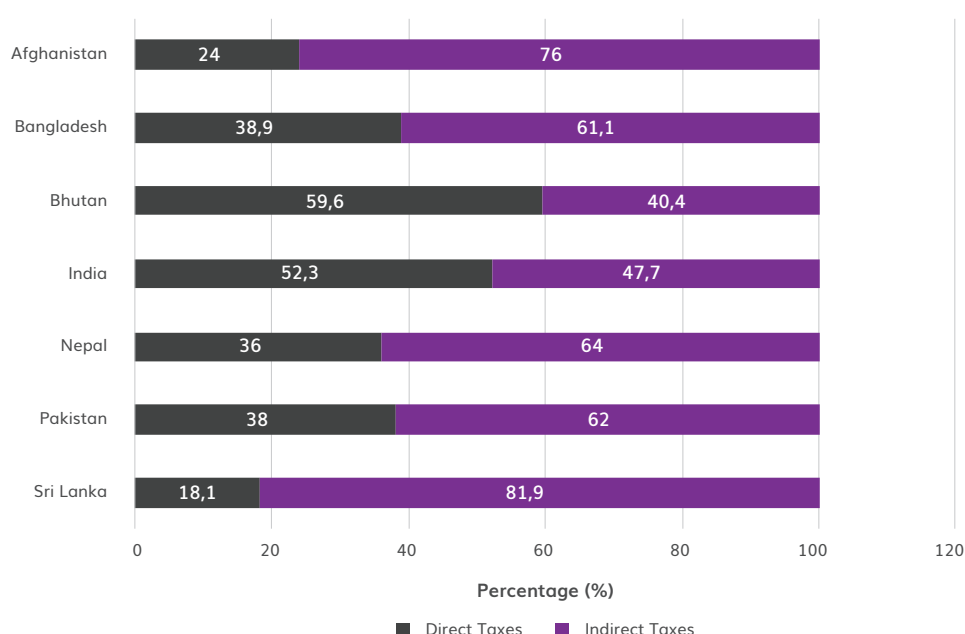
⁷ See Nazir et al. (2021) for details on promotion of inclusive economies through social enterprise.

and enrolment levels of girls in schools are restored, this will likely have long-term damaging consequences for women's future employment opportunities. Additionally, access to finance will be central in providing support to women-intensive sectors, which fare poorly in this regard in the region. Particular focus on women-in-trade is recommended, as highlighted by in detail by Ahmed et al. (2021).

The region must move towards progressive taxation

For most South Asian countries (with a few exceptions), tax revenues typically remain below 15% of the GDP, and are inadequate for providing basic social services to citizens (Bloch, 2020). A major share of revenue comes from indirect taxation, such as sales tax. These taxes burden the common person, instead of the rich. Given a weak record of expanding the tax base, efforts to create fiscal space in South Asia are likely to focus on extracting more revenue from the existing base. In other words, indirect taxes, which account for a sizable portion of tax revenues in most South Asian countries (Figure 4), may further increase. This will burden those who are already more adversely affected by the pandemic than the rich, thereby widening inequality further and hurting the chances of a fair recovery.

■ **Figure 4. Direct and indirect taxes as a share of total revenue in South Asia (%)**



Note. Adapted from different country-data by Finnigan (2019) for Bangladesh; New Business Age (2018) for Nepal; Rawat (2019) for India; Karimi (2020) for Afghanistan; Ministry of Finance (2019) for Bhutan; Federal Board of Revenue (2020) for Pakistan, and Central Bank of Sri Lanka (2018) for Sri Lanka.

In this context, progressive taxation⁸ is key to paving the way for a fair recovery from COVID-19 in South Asia, whereby the system effectively shifts the tax burden proportionately on to higher-income groups, while redistributing welfare benefits to low-income groups. This will leave the poor with more income and greater social services. Moreover, with greater tax revenues, South Asian countries would have adequate fiscal space to invest in sustainable development and an extensive vaccination drive. However, implementing progressive taxation reforms can often be a challenging task, more so for developing countries. Governments in the region are often discouraged from introducing progressive taxation structures, as the amount of taxes collected through such policies are often low, due to widespread tax fraud and evasion by the rich. To fix this, simpler tax administration, along with stronger tax compliance is key to cracking down on tax evasion and making sure the rich pay their fair share of taxes.

To effectively implement progressive taxation, the region should firstly focus on digitising the processes of tax administration. The use of user-friendly information and communication technology (ICT) applications for filing taxes and returns can improve tax administration, making the process simpler for both taxpayers and collectors. It can also help increase efficiency, reduce costs and improve compliance by removing tax loopholes often used by wealthy individuals to avoid paying taxes. Digitising the process can also increase transparency and help crackdown on fraud and tax evasion (Javed, 2021a), which is an essential first step towards introducing progressive tax structures in the region.

Secondly, compliance costs are high in South Asia. Therefore, simplifying the process and reducing the time it takes to file and pay taxes is critical to fostering compliance, as is reinforcing anti-corruption measures, minimising political interference, and incentivising tax collectors to raise more revenue through direct taxes (Javed, 2021a).

Finally, addressing tax evasion and avoidance by improving and investing in the government's capacity to track and trace is critical for progressive taxation. In addition to providing taxation authorities autonomy, tax administration organisations and departments in their respective countries must also be provided with adequate resources to improve their data collection and assessment capacity in order to avoid political influence. Improved surveillance capacity is directly related to implementing direct taxation. Currently, countries in the region have serious problems in data collection and assessment, which limits their

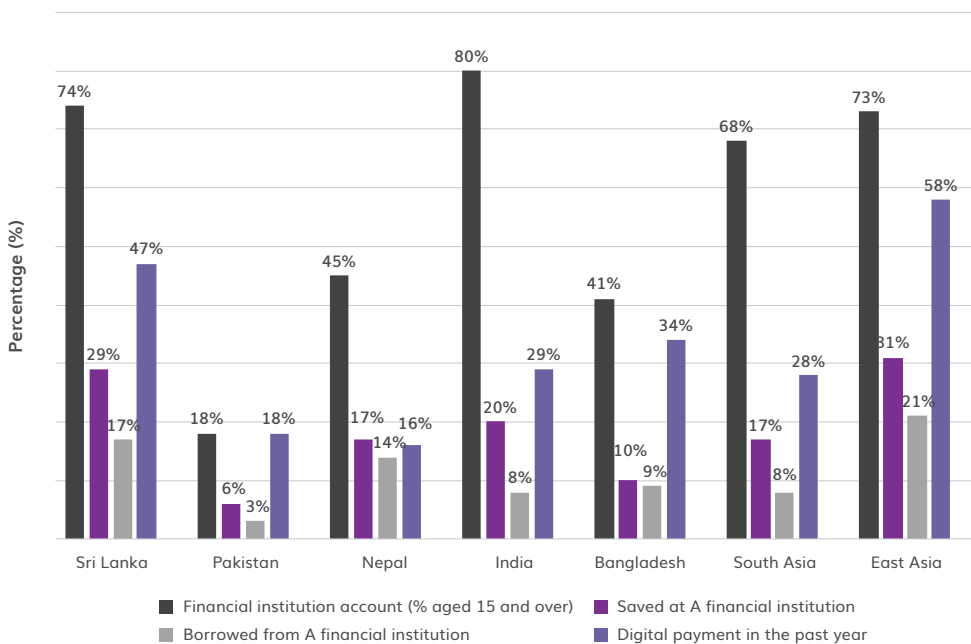
⁸ This policy proposal is guided by a review of the literature. It was also further discussed during consultations.

capacity to carry out direct taxation successfully. This has led to the heavy reliance on indirect taxation, such as general sales tax (GST), for tax revenues.

The region needs to improve financial inclusion for all

South Asia's financial inclusion landscape is rather modest: the region houses a huge portion of the world's unbanked population, among which Pakistan has the lowest number of financially included adults (Figure 4). Likewise, the number of people using bank services, debit and credit cards are low, while those using e-banking are even lower, though mobile banking is slowly becoming more popular. Moreover, a gender disparity is found in the use of financial services, which are used far more by men. In fact, women are 18% less likely to own financial institution accounts than men in South Asia (International Finance Corporation [IFC], 2021).

■ Figure 5. Financial inclusion indicators for South Asia in 2018



Note. Reconstructed from 'Financial inclusion's role in economic growth and human capital in South Asia: An econometric approach' by Thathsarani et al. (2021).

Accelerating financial inclusion is an important policy measure that the countries in this region need to focus on in order to achieve a fair recovery from the pandemic.

National governments ought to partner with banking and development sector organisations to improve the nation's financial infrastructure, in order to expand people's access to financial services, especially in rural and remote areas. Moreover, inclusive and innovative digital financial services must be introduced in order to encourage more people to

adopt banking services. For example, India's Aadhaar biometric national identification system has successfully raised the number of financially included individuals by millions (Omar & Inaba, 2020; Mehta & Kedia, 2021). Increasing financial literacy is important for encouraging more people to adopt financial services, especially in rural areas and among low-income groups, where financial awareness is low. Likewise, digital financial literacy must also be raised by creating awareness around the benefits of digital finance use, and providing ICT and digital literacy programmes that teach the skills needed to use these services.

South Asia has the largest gender gap in financial institution accounts, which also extends to women-owned businesses that face far greater difficulty in accessing financing. Mobile banking also faces gender disparity, as women are 38% less likely to own mobile phones than men (IFC, 2021). Financial exclusion negatively impacts the social, economic, and political empowerment of women. In remedying this, national governments must effectively address the barriers faced by women in accessing financial services, such as financial illiteracy, lack of money, social and cultural constraints, etc.

■ Conclusion

This study has identified five key priorities to ensure a fair recovery from the COVID-19 pandemic in South Asia. These included: i) increased social spending and improved social protection, ii) investments in job creation, iii) mass scale coronavirus vaccinations, iv) implementing progressive taxation regimes, and v) promoting financial inclusion. While pursuing policies that aid in recovery are important, policies that have the potential to hurt the chances of fair recovery in the region, such as indirect taxation for financial recovery, need to go. While it is important to recognise the significance of economic growth, attempting to achieve higher growth at the expense of equity and ignoring the distributional impacts of such actions, must be reconsidered. Recovery must be aligned with the priorities of a fair recovery.

Achieving a fair recovery is essential for ensuring that the progress already achieved with regards to the SDGs is not lost. At the same time, this very SDG agenda provides a roadmap for a fair recovery at the local, national, and regional levels. Recovery plans must be aligned with the Goals of inclusive growth, social and financial inclusion, decent work, equitable social spending, and protection. Moreover, fair recovery is critical for meeting the SDGs on poverty and hunger. To this end, the priorities identified in this paper can help the region recover from the pandemic, while making better progress on the SDG agenda.

Discussions arising from the regional consultation also pointed out that in the medium-to-long term, South Asia must promote regional integration.

Efforts of coordination and policy coherence in the region must be given a priority focus. Planning and policies in the region must identify and promote factors for regional cooperation that can help accelerate progress towards a fair and sustainable recovery, such as regional trade. In fact, the pandemic has opened a new window of opportunity for trade in services through the promotion of a culture of remote working and using digital platforms.

Collaborations in the region for strengthening research, sharing knowledge and peer learning from best practices can identify some of the most effective policy interventions and accelerate investments to address existing gaps in health and social protection systems in the region's countries. Similarly, regional cooperation in trade and cross border investments can help develop resilient supply chains. All this can promote a more resilient and vibrant SME sector in the region.

To gain these and other similar benefits, South Asia needs to accelerate the debate on the steps needed for collaboration and partnerships for a fair recovery. Reviving the South Asian Association for Regional Cooperation (SAARC) and South Asia Free Trade Agreement (SAFTA) may help the region achieve a shared fair recovery. Experts also highlighted that establishing regional food and seed banks could help provide emergency food security, which, in addition to the current pandemic, will be crucial in aiding the region in preparing against future crises. Finally, increased coordination between central banks in the region can further support businesses and people of the region for a shared and fair recovery from COVID-19 in South Asia through lessons learned from each other.

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