



PROPOSAL FOR A THREE-PILLAR RESILIENCE FRAMEWORK TO FACE EXTERNAL SHOCKS: THE CASE OF COVID-19 PANDEMIC

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INTRODUCTION

The global pandemic of COVID-19 has fundamentally tested the capacity and resilience of health and socio-economic systems to respond to high-impact shocks and to adapt to emerging transitions and to transform.

Were countries across the globe prepared to face up to the COVID-19 systemic shock? Have they developed socio-economic buffers to resist the pandemic's effect? Were their buffers sufficient? Have they built the capacity to respond and transform? What is the system that could enhance resilience?

In this paper, we explore the concept of resilience and propose a three pillar- system and associated tools to enhance it. The system includes early warning, crisis management and recovery.

TOWARDS A RESILIENT SYSTEM THAT RESISTS GLOBAL EXTERNAL SHOCKS

As of the end of November 2020, the world is still grappling with the global pandemic. Infection cases reached more than 62 million, with more than one million deaths and an uncertain recovery process for the rest. In their study¹ published in April 2020, Ayadi et al (2020) proposed a three-pillar matrix to explore and to monitor the policies implemented to respond to the global pandemic, with a focus on the Mediterranean and Africa regions. The first pillar assessed the healthcare system preparedness, the second pillar examined containment and de-containment policies and the third pillar explored socio-economic preparedness and policy response. In a subsequent study² published in September, Ayadi et al (2020) showed that there was divergence in the level of preparedness of healthcare systems; and containment and de-containment depended on the timing of implementation and level of carefulness. In addition, countries with socio-economic vulnerabilities prior to the pandemic had lower buffers and, hence, policy instruments to mitigate the effects of the pandemic. In other words, the countries that have built a resilient system and, as a result, succeeded in resisting vulnerabilities over time, could better respond to the extreme shock, manage it and bounce back.

The concept of **Resilience**, rooted in the Latin word *resilire* (which means “jump back”, “rebound”), is the capacity of a system to recover from adversity - from temporary shocks or from continuous

¹ <https://euromed-economists.org/download/covid-19-in-the-mediterranean-and-africa-diagnosis-policy-responses-preliminary-assessment-and-way-forward-study/>

² <https://euromed-economists.org/download/covid-19-policy-assessment-monitor-mediterranean-and-africa-march-september-2020/>

threats/slow-burn processes – returning to its original state, or moving to a new steady state. The two main dimensions of shocks that determine how the system responds to them are **intensity and persistence**. These variables determine the intensity of the response needed for the system to bounce back: to absorb the change (when the shock is limited), to adapt to the change (when the shock is significant but not disruptive) and to transform the system itself (when the shock is disruptive).

In the paper³ of Briguglio et al (2009) economic resilience refers to the policy-induced ability of an economy to recover from, or adjust to, the negative impacts of adverse exogenous shocks and to benefit from positive shocks. The paper proposed an index to measure economic resilience, including four areas: macroeconomic stability, microeconomic market efficiency, good governance and social development. This assessment helps to formulate a policy framework that can absorb and mitigate the effects of economic shocks. The paper found that countries are maybe unsuccessful because they are not sufficiently resilient.

In a paper⁴ by Giovannini et al. (2020), they introduced a framework to enhance resilience, building on the absorption capacity of the shock (stability), adaptation capacity (flexibility) and transformation capacity (change). Resilience, closely linked to capacity, can be enhanced by the following interventions: prevention, preparation, protection, promotion and transformation.

In their study⁵, Ayadi and Sessa (2020), the authors advocate the application of a strategic foresight-thinking framework to respond to external shocks, in order to enhance systems resilience. This framework is embedded in scenario analysis (to test the determinants of external shocks, to assess the capability of the systems to withstand them and to respond) and stimulated by a **Transparent, Responsible, Inclusive and Sustainable - TRIS Development Model** to adapt and to transform. **Transparent governance** builds on transparency and disclosure: to develop trust between governments, between governments and their citizens and between citizens. In the case of global pandemics, such as COVID-19, timely information transparency and disclosure (via early warnings based on data and process monitoring, medical protocols effectiveness and widespread testing) - globally, regionally and nationally - limits uncertainty, mistrust and the propagation of fake news and makes policy responses more effective; **Responsible living** is when information about the infectious cases is available via transparent testing, trusted and understood by citizens without breaching privacy, then every citizen can choose to act responsibly. If social distancing is the policy solution to

³ <https://www.tandfonline.com/doi/full/10.1080/13600810903089893?scroll=top&needAccess=true>

⁴ https://publications.jrc.ec.europa.eu/repository/bitstream/JRC106265/jrc106265_100417_resilience_scienceforpolicyreport.pdf

⁵ <https://euromed-economists.org/download/blue-transition-policy-roadmap-towards-transparent-responsible-inclusive-and-sustainable-tris-development-in-the-mediterranean/>

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save lives and to reduce the burden on a country's finances, then governments have no need to mobilise security forces and infringe privacy in order to enforce the rules; **Inclusive economy**: health services, health equipment, medication and vaccines must be universally accessible to every country and available to every citizen who needs them, at an affordable cost (regardless of age, gender, religion and race). Safety net schemes must also be in place as a pillar of resilience, to ensure that the vulnerable, the poor and whoever needs social protection aren't hit by the shock; **Sustainable energy and environment**: must be embedded in our daily decisions. Pollution, increasing carbon-dioxide emissions, biodiversity loss, water scarcity and basic sanitation increase the lethal power of viruses and vulnerability to their spread.

This framework could improve the policy response at global, regional and national levels, to enhance the resilience of health and socio-economic systems to the emerging transitions and to respond to external global shocks that prove systemic, such as the COVID-19 global pandemic.

The intensity of the COVID-19 shock is surely significant, but it is still uncertain how long it will persist and how the health emergency can be managed until effective vaccines are accessible to all – which will be the only point at which the COVID-19 shock will definitively be controlled. The “Post-COVID 19” state of the world will, however, remain uncertain: the longer this situation persists, the more disruptive the changes will be, with systems not simply showing “absorbing” or “adaptive” responses, but truly “transformative” and “disruptive” ones. It is also important to consider the great potential arising from the collateral benefits of adaptation and transformation occurring amidst the health crisis, chiefly provided by digitalisation. Digitalisation was part of the response of the system that had to absorb, adapt and transform in order to remain resilient. These benefits will remain and will evolve after the vaccine is effective, for instance: agile teleworking will reduce unnecessary mobility via travelling and enable a more substantial - and much needed - reduction in transport emissions; e-learning, e-conferencing, e-meetings, e-commerce, e-finance/payment platforms will all be strengthened and new applications, such as e-health, e-testing for future viruses and e-safety net schemes, will emerge to enhance digital solutions for our basic needs in both normal and disruptive times; hygiene and disinfection practices in public places should also be systematised to reduce the propagation of microbes and viruses and new and/or adapted business models will emerge...

The COVID-19 pandemic is a global health crisis, which has led to a global economic crisis because of the weak and/or lack of preparedness and the absence of timely, decisive and coordinated collective

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actions. In a previous paper⁶, we argued that decisive actions must be bold and embedded in **global solidarity** to succeed in defeating this deadly, globally transmitted virus in a synchronised way and to return the global economy to a resilient path.

The magnitude of the COVID-19 global pandemic and the crisis it has caused has resulted in a difficult trade-off between the health and protection of lives against socio-economic survival and the respect of privacy. This trade-off can be managed with policy measures ranging from prevention, management and recovery but at a very high cost. Countries (all developed countries) that have developed health infrastructure and technology, science, research and development, advanced safety net systems, robust financial capacity and respectable democratic institutions and rule of law – all components of a resilient system – are able to minimise the negative consequences for themselves. Others that have little of the previous advances in place will either succumb and/or lose control of the viral contagion, which will result in disastrous political and socio-economic consequences. It is critical to emphasise that COVID-19 spreads in waves, it is highly contagious, it does not recognise borders and spares no one. Countries that do not succeed in finding, in good time, the optimal recipe of prevention, management and recovery, whilst mobilising financial resources, will extend the risk to themselves, their neighbours and the entire globe. This will risk undermining global systemic resilience.

Therefore, to minimise the risk to countries, regions and the world, and to pave the way towards a systemically resilient global path, we emphasised in a previous paper⁷ that **a globally coordinated response**, embedded in the **principle of solidarity**, is the way forward – to ensure an effective affordable treatment and/or a vaccine is available that is universally accessible to all. Solidarity must be devised and understood as a collaboration and contribution between governments, to design optimal public policies, with the participation of the private sector (e.g. banks, investment funds, insurance companies, pension funds and others...) to support a decisive global response that is credible, effective and lasting. Since this is a systemic global crisis, existent international organisations are best equipped to manage the underlying risks. In Europe, the EU has given a clear indication to the world that a regional, coordinated action⁸ is possible and can be implemented.

⁶ <https://euomed-economists.org/download/time-for-a-decisive-coordinated-response-to-a-costly-global-covid-19-systemic-crisis-towards-a-global-resilient-system/>

⁷ idem 6.

⁸ https://ec.europa.eu/info/live-work-travel-eu/coronavirus-response_en#:~:text=On%2021%20July%202020%2C%20EU,a%20sustainable%20and%20resilient%20recovery.

PROPOSAL OF A THREE PILLAR INTEGRATED RESPONSE TO ENHANCE RESILIENCE

In April 2020, we proposed a mutually interactive three-pillar system to contribute to enhancing systemic global resilience, in order to fight global pandemics that degenerate into a systemic crisis.

For prevention and enhancing global preparedness and to reduce vulnerabilities to external shocks, the lesson learnt is thus: there should be a **Global Early Warning System (GEWS)**, built on a globally coordinated policy approach and implemented nationally and regionally, with:

- 1) full information transparency, disclosure from all country members of the GEWS and independent monitoring and verification of information;
 - 2) reliable risk matrices to measure and to evaluate, with certainty, the global nature of the health risk and the response functions of the countries which were hit first by the shock, in order to provide better assessment and containment for those countries which were hit later on;
 - 3) a global review of healthcare capabilities and intensive programmes to ensure better preparedness in the case of future global pandemics;
 - 4) strengthened and coordinated science, research and development, education and e-learning capabilities, greater testing and manufacturing capability and reliance on Artificial Intelligence digital platforms, that are accessible and affordable to all, to respond in a short time span, to reduce the health risk propagation and to mitigate the socio-economic consequences of the shock;
- 1) All countries that are part of GEWS must be committed to full transparency, disclosure, subject to independent monitoring and sharing of their practices.

The World Health Organisation (WHO) played an important role within its mandate. It raised awareness about the viral infection and reported on the daily evolution of the disease from the first days of contagion and it supported countries. But it was only in its 51st report that its officials declared COVID-19 a global pandemic. The WHO is the best-equipped international organisation to lead the GEWS and to be accountable to all member countries globally. Moreover, the WHO, through the ministries of health globally, should coordinate with the other ministries affected by the pandemic, such as education, economy and finance.

For management, there should be a **Global Crisis Management System (GCMS)** that is built on the GEWS and activates a global policy response to mitigate the systemic shock in the short-term. Such a response should include:

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- 1) a clear rule, based on a collective global agreement, to regulate the global supply chain of medical equipment, garments, testing kits, medication and any other essential material and equipment necessary to manage the short-term impact of the crisis⁹;
- 2) to have a global agreement on the measures needed to support economic and educative activities hit by the pandemic, to shield the vulnerable and to enforce orderly debt restructuring and debt relief for low income countries, unable to honour their financial obligations because of the pandemic. The agreement on the latter should be achieved in close collaboration with the private sector; and
- 3) to activate a **Global Crisis Management Fund** to manage the emergency financial needs of countries, in terms of medical equipment, testing capabilities, medication and vaccines, in the event of global pandemics and mitigation of the socio-economic consequences.

All countries should have unconditional access to this fund, provided the funds are used to mitigate the health crisis and are subsequently monitored and audited. The IMF has such a fund, which is functioning - but it must be flexibly and continuously beefed up, depending on the persistence of the shock - and access to it should be provided under crisis management circumstances, respecting the proportionality principle and ensuring that it is carefully monitored. The amounts and usage of the fund should also be transparently reported to the public.

For recovery - depending on the intensity, persistence of the crisis and the magnitude of the economic and social impacts - there should be a **Global Crisis Recovery System (GCRS)** that is activated systematically, to accelerate economic recovery for all regions and countries hit by the pandemic. The GCRS must include:

- 1) large investment plans to strengthen health systems, including developing globally-linked e-health systems that are built on blockchain technologies and Artificial Intelligence, to make health services accessible to all across the globe¹⁰. The investment plans for strengthening healthcare systems could be accessible to contributions and co-financing from the private sector;
- 2) funding for research and development, mobilised by both the public and private sectors and upgrading the digital infrastructure for use in e-learning, e-commerce, e-payment/finance and other online essential activities;
- 3) targeted support mechanisms to sectors and population (e.g. the vulnerable, poor and disabled) and low-income countries badly hit by the pandemic;

⁹ This agreement should override national legal responses to ban exports of medical equipment, medication, testing kits...

¹⁰ Universal health service is the basis of this recommendation. Countries that do not subscribe to this recommendation can opt out but will not benefit from the coverage at a later stage.

- 4) **a Global Crisis Recovery Fund or Financing Plan** in which the private sector contributes with a firm written commitment to provide affordable liquidity within a given period of time. This fund/financing plan¹¹ could take the form of a partial guarantee (between 40% and 60%) issued by the IMF/WBG, or a newly established fund by the G20, supported by the IMF/WB¹², to help countries issue a long-term maturity (up to 50 years) COVID-19 Recovery Bond (CR Bond), with low interest rates (no more than 1% based on current rate levels on the USD) to finance their recovery plans, post COVID-19. These guarantees will enable the IMF/WB to leverage their financial capabilities via the SDR system and to monitor the issuance and the use of the raised funds at this unprecedented time. The countries issuing the CR Bonds must be part of GEWS and GCMS and must be able to justify that they were badly hit by the pandemic. They must be committed to full transparency, not only regarding the prevalence of the pandemic (under GEWS), but also over the use of proceeds (only to be allocated to post COVID-19 recovery) from this bond. Furthermore, this will have to be monitored, audited by the IMF and WB and reported to the public.

The management of the GEWS, GCMS and GCRS must be entrusted to international organisations. The WHO, IMF and WBG can play this role in close collaboration and strict coordination, whilst having the powers to fully disclose information promptly to the public, without submitting to any specific political agendas.

A global systemic crisis must be managed by coordinated policy measures and altruistic conduct that reduce uncertainty and manage emerging risks that are beneficial to the path towards global system resilience. There should a strategic, collective vision followed by decisive common action, in order for humanity to regain health, safety, economic stability and prosperity.

¹¹ The same concept can also be used in political/economic regions such as the European Union. See footnote 15.

¹² The set-up of a new fund and the negotiation of its design, co-founders and funding will take more time.



ABOUT EMEA

The Euro-Mediterranean Economists Association (EMEA) is a Barcelona-based regional think-tank established in 2012 that serves as a leading independent and innovative policy research institution; a forum for debate on the political and socio-economic reforms in Mediterranean and Africa; and promoter of actions and initiatives that fulfill objectives of sustainability, inclusiveness, regional integration and prosperity. It strives to contribute to the rethinking of the Euro-Mediterranean and Africa partnerships in view of the new dynamics of an emerging multi-polar world.

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