Commonwealth Survey on the Economic Recovery Response to COVID-19

Summary Note



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### 1. Background

There were 12,711,142 cases of COVID-19 in the Commonwealth as of 18 November 2020<sup>1</sup>. reflecting the pandemic's disruption in global health governance. The pandemic has also caused mayhem in the global trade and investment environment, with predicted long-term economic effects, and compelled countries - including members of the Commonwealth – to take precautionary measures such as the closure of borders, lockdowns, travel bans and working from home policies or reduced hours of work. In this context, policy makers have recognised three major issues: the need for deeper digitalisation to adjust to the 'new normal' economic situation; the increased debt crisis for countries; and the backward slide on globalisation. As a result, the priorities of countries in the Commonwealth have either shifted or, in some areas, become more focused.

Regarding deeper digitalisation, Commonwealth leaders had already realised prior to the pandemic the importance of using technology to bolster trade and investment. In this regard, the 2018 Commonwealth Heads of Government Meeting (CHOGM) endorsed the Commonwealth Connectivity Agenda (CCA), which identified the five core areas of Physical Connectivity, Digital Connectivity, Regulatory Connectivity, Business to Business Connectivity and Supply Side

Connectivity. Sustainable and inclusive trade was a cross-cutting theme across the clusters. Following this, a number of meetings have been conducted for Commonwealth members across the five clusters on issues related to improving the business environment, digital policies, digital infrastructure, sectoral policies and regulatory policies to boost trade and investment by integrating technology.

A Commonwealth survey on the economic response to COVID-19 was undertaken to assess the changing macroeconomic environment of member countries regarding consumption, private sector investment, government priorities, the labour market and effects on women and the grassroots. Furthermore, the survey also aimed to identify issues in relation to inclusive and sustainable development and how these might have changed during the pandemic. The ultimate purpose of the survey was to identify digital divides and concrete areas where the Commonwealth could deliver assistance under the CCA for its members. It also aimed to understand areas where government priorities might have changed or areas that might need further intensification of work from the cluster in view of deeper digitalisation emerging from the pandemic. The survey was launched on 16 October 2020 and closed on 13 November 2020.

<sup>1</sup> Source: Commonwealth Innovation Hub database, 18 November 2020

### Analysis of the Commonwealth Survey on the Economic Response to COVID-19

This section of the paper will provide aggregated analysis of the findings from the survey. The survey covered three main categories: (i) digital recovery; (ii) sustainable and inclusive recovery; and (iii) technical and capacity-building assistance. A total of 76 responses were received from Commonwealth members. Countries that provided responses include Bangladesh, Barbados, Belize, Botswana, Brunei Darussalam, Fiji, The Gambia, Guyana, Jamaica, Kenya, Kiribati, Lesotho, Malawi, Maldives, Mauritius, Nauru, New Zealand, Nigeria, Papua New Guinea, Saint Lucia, Singapore, Sri Lanka, Tonga, Trinidad and Tobago, United Kingdom, Vanuatu and Zambia.

The government sector accounted for 61 per cent of responses, while private sector responses made up 13 per cent. Other responses were from nongovernmental organisations (NGOs) (12 per cent), academia (4 per cent), independent consultants (2 per cent) and others (8 per cent) (see Figure 1).

In terms of the gender composition of respondents from participating countries, 51 per cent were male and 49 per cent were female (see Figure 2).

### 2.1 Analysis of consumer demand in Commonwealth member countries

Consumer demand is a critical factor determining countries' overall gross domestic product (GDP). A rise in domestic and foreign demand indicates expansionary fiscal activity whereas a contracted demand indicates the inverse. On the question of whether the overall consumer demand regarding the purchase of goods and services had changed in the Commonwealth due to the pandemic, 91 per cent of respondents agreed that there were changes to consumption, 5 per cent said there were no changes and the remaining 4 per cent were unsure (see Figure 3).

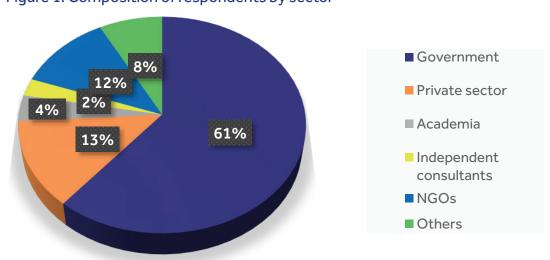


Figure 1. Composition of respondents by sector

Source: Commonwealth Survey on the Economic Recovery Response to COVID-19

51%

49%

Female

Male

Figure 2. Respondents by gender

Source: Commonwealth Survey on the Economic Recovery Response to COVID-19

Asked whether there was an increase in demand from consumers to undertake online retail shopping during the pandemic, 67 per cent said the demand increased to some extent, 23 per cent said it increased significantly and 9 per cent said there were no changes while 1 per cent did not respond to the question (see Figure 4).

In terms of the reasons behind consumers being unable to fully access digital platforms for online business activities, 68 per cent of respondents mentioned poor access to the internet, low speed and lack of training and capacity building, 5 per cent specifically pointed to the low speed of the internet

and 4 per cent to lack of training and capacity building. The other 23 per cent did not provide a response to the question (see Figure 5).

### 2.2 Analysis of changes in private sector trade and investment priorities during the pandemic

The private sector is an important component and driver of economic growth in Commonwealth member states. Investment from the private sector contributes towards countries' GDP and is also critical for sustainable trade and productive sector

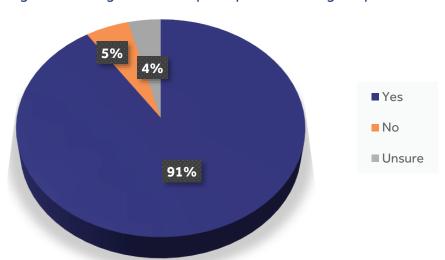


Figure 3. Change in consumption pattern during the pandemic

Source: Commonwealth Survey on the Economic Recovery Response to COVID-19

1%
9%
23%

Large extent
Some extent
None
No response

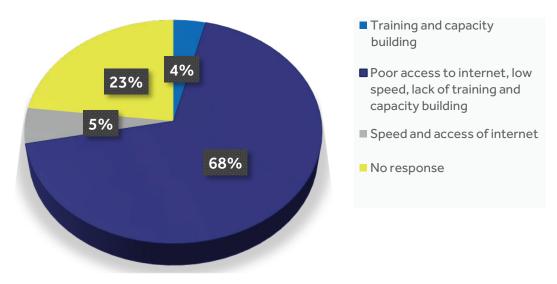
Figure 4. Demand for online retail during the pandemic

Source: Commonwealth Survey on the Economic Recovery Response to COVID-19

development. In answer to the survey, 66 per cent of respondents said there were changes in private sector investment priorities as a result of the pandemic, 31 per cent were unsure whether there were changes and 3 per cent said private sector investment priorities remained the same (see Figure 6).

Looking at the priorities for the private sector in the Commonwealth as a result of the pandemic, 56 per cent of respondents mentioned a range of areas, including digitally enabled infrastructure to enhance connectivity, including for mobile technologies, blockchains, data centres and the cloud to adopt to new business models. Specific areas mentioned by respondents included: investment in digital infrastructure to enable cross-border flow of information – for example, for cybersecurity policies and systems interoperability (22 per cent); infrastructure scoping to identify private and public sector investment priorities (9 per cent); capacity building and training on financing for infrastructure for private sector investment (7 per cent); and





Source: Commonwealth Survey on the Economic Recovery Response to COVID-19

31%

• Yes
• No
• Unsure

Figure 6: Changes in priorities for private sector investment

Source: Commonwealth Survey on the Economic Recovery Response to COVID-19

reviewing foreign investment policies for countries to identify incentives for new private sector investment in digital infrastructure (6 per cent). The private sector also demanded the investment in digitally enabling infrastructure for micro, small and medium enterprises (MSMEs), including software as a service application. (see Figure 7).

## 2.3 Analysis of the change in government expenditure priorities during the pandemic

Government expenditure is an important component of the GDP of Commonwealth countries. Increased government expenditure indicates that economic activities are on the rise and also that more capital investment is likely to occur. However, a decline indicates a fall in GDP. In answering the survey, 77 per cent of respondents

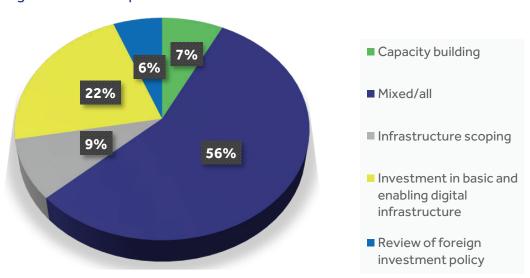


Figure 7. Focus of private sector investment

Source: Commonwealth Survey on the Economic Recovery Response to COVID-19  $\,$ 

14%

Substantial change

Slight change

No change

Unaware

Figure 8. Commonwealth government expenditure priorities

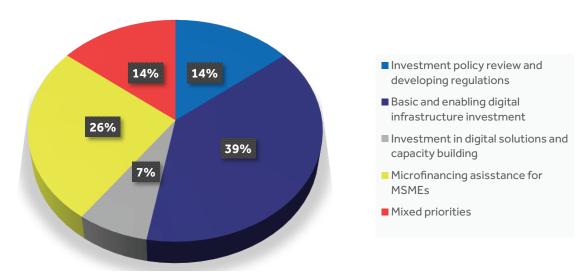
Source: Commonwealth Survey on the Economic Recovery Response to COVID-19  $\,$ 

said there had been a substantial change in government expenditure priorities in the Commonwealth, 14 per cent said there had been slight changes, 5 per cent were unaware of any changes and 4 per cent said there had been no changes (see Figure 8).

On Commonwealth governments' changing priorities as a result of the pandemic, 39 per cent of respondents said the government was focused on investment in basic and enabling digital infrastructure as this was key to addressing digital divides; 26 per cent said the priority was

microfinance assistance for MSME development, 14 per cent identified a review of investment policies and developing enabling regulations for digitalisation and 7 per cent said investment in digital solutions and capacity building were key focus areas. Another 14 per cent identified all the areas as priorities for the government (see Figure 9).

Figure 9. Government priority for digital trade and investment



Source: Commonwealth Survey on the Economic Recovery Response to COVID-19  $\,$ 

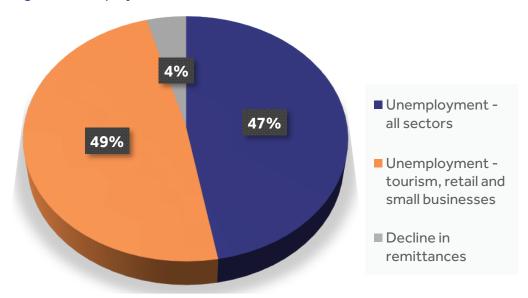


Figure 10. Employment effect of COVID-19

Source: Commonwealth Survey on the Economic Recovery Response to COVID-19  $\,$ 

#### 2.4 Analysis of the labour market and the effect on womenowned businesses

For an economy to operate at full capacity, it has to ensure that there is full employment and that resources are utilised efficiently to achieve overall economic growth. In the survey, 31 per cent of respondents said their economy was labour exporting whereas 69 per cent were not

labour-exporting countries. COVID-19 had affected employment across sectors, with 49 per cent of respondents saying it had resulted in unemployment in tourism, retail and small businesses, 47 per cent saying unemployment was affecting all sectors of the economy and 4 per cent saying it had resulted in a decline in remittances from abroad (see Figure 10).

Downsizing and closure of MSMEs

Need to adopt digital business models

Require access to capital for business operations

Require training and capacity building

Figure 11. Effect of COVID-19 on women-owned businesses

Source: Commonwealth Survey on the Economic Recovery Response to COVID-19  $\,$ 

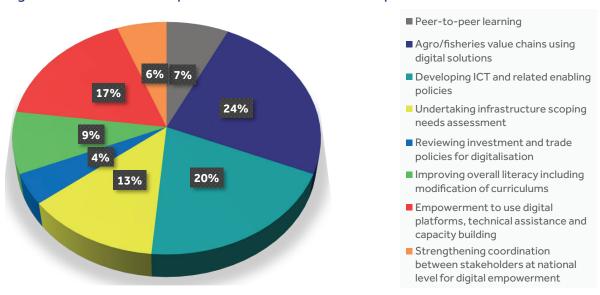
In relation to the effect of COVID-19 on womenowned businesses, 56 per cent of respondents said most women-owned MSMEs that operated in the domestic market had downsized or closed as a result of the pandemic, 17 per cent said womenowned businesses needed to adopt new business models in order to remain competitive, 15 per cent said women-owned businesses required further access to capital to remain operational and 12 per cent said training and capacity building to improve business processes were vital for women-owned MSMEs to remain competitive (see Figure 11).

## 2.5 Areas of assistance for the post-COVID-19 economic response

Looking at the areas of assistance needed for member countries to ensure the recovery of their economies post-COVID-19, 24 per cent of respondents stated that the priority was assistance in the agriculture and fisheries value chain using digital solutions from farming, processing and packaging to exports. Another 20 per cent identified information and communications technology (ICT) infrastructure and related enabling policies such as cybersecurity as areas of assistance, while 13 per cent stated that undertaking infrastructure scoping needs assessments was required to better determine

basic and digital infrastructure needs. Further, 17 per cent suggested that empowerment to use digital platforms and capacity-building assistance were important, 9 per cent identified the need to improve overall literacy, including modification of education curricula adding digital elements, 7 per cent mentioned continued peer-to-peer learning on best practices implemented by countries and 6 per cent identified assistance in strengthening coordination between stakeholders at national level for digital empowerment. Finally, 4 per cent of respondents said assistance to review investment and trade policies for digitalisation was essential (see Figure 12).

Figure 12. Assistance for post-COVID-19 economic response



# 3. Main Findings from the Survey

- 1. The Commonwealth Survey on the Economic Response for Post-COVID-19 underscores the importance of digitalisation as a means of sustaining economic development as well as a major catalyst in economic, sustainable and inclusive recovery. The pandemic has lowered the economic performance of Commonwealth countries.
- 2. Despite COVID-19 adversely affecting consumption, investment, private sector growth, government expenditure, employment and MSMEs including womenowned businesses deeper digitalisation may cushion these effects for Commonwealth members. Additionally, it will enable member states to boost post-COVID-19 economic recovery through greater adoption of digitalisation into business models.
- 3. The survey has strongly accentuated digital divide and in order to harness the opportunities from digitalisation in the post-COVID-19 economic recovery phase, the digital divide across countries must be addressed as a priority through effective and targeted assistance.
- 4. Consumption behaviour in Commonwealth countries changed as a result of the pandemic. Despite an increase to some extent in online retail shopping, a major digital divide exists that affects the majority of consumers online. This is due to poor access to the internet, low speed of the internet and lack of training and capacity of consumers to use available online platforms.
- 5. The private sector investment priorities for the Commonwealth have also changed. In order to address digital divides and ensure development, the private sector focus has shifted to: capacity building and training to use digital technologies; the need to access

- financing for digital infrastructure; a focus on having infrastructure scoping needs assessments undertaken to identify areas of investment; and the need to review trade and investment policies to identify incentives for MSMEs for digitally-conducive investment. Access to software and service applications and investment in basic and digital infrastructure are also important.
- 6. Government priorities have also changed as a result of the pandemic. The focus is now more towards investment in basic and digital infrastructure, microfinance assistance for MSMEs, capacity-building assistance and reviewing of relevant policies.
- 7. Employment levels across countries have declined. For most Commonwealth countries, the effect is found across sectors, while for others it is more specific to tourism, retail and small business. The major labour-exporting countries have also experienced a fall in the receipt of remittances.
- 8. Women-owned businesses, including MSMEs, are also affected. As a result of the pandemic, many women-owned MSMEs have downsized or closed. Some of these businesses require assistance on the adoption of new business models and capacity building to improve business processes. The gender digital divide is also apparent from the findings and has been identified as a key issue. As such, targeted assistance for women-owned businesses will also be critical for post-COVID-19 recovery.

#### 4. Recommendations

Countries across the Commonwealth require sound, enabling, basic and digital infrastructure, digital policies and regulations, strengthened coordination and sectoral interventions on digitalisation for post-COVID-19 economic recovery. It is recommended that the findings of the survey, with input from respective clusters, form the basis for individual country assistance for the post-COVID-19 economic response for the Commonwealth.

