

ASEAN Comprehensive Recovery Framework



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Executive Summary

Since it was declared a pandemic in March 2020, the coronavirus disease (COVID-19) has continued to upend lives and disrupt livelihoods around the world. ASEAN has not been spared. Indeed, the unprecedented pandemic crisis generated unprecedented uncertainties for ASEAN, with devastating impact on economy and society. In 2020, the region's economy is projected to contract by 3.8% in 2020, the first economic contraction in 22 years.

Given the scale and impact of the pandemic, ASEAN recognizes that addressing the crisis requires coordinated actions not only within the region but as well as cooperation with its partners. While the immediate priority for the region is to overcome the pandemic, ASEAN must concurrently consider its collective and long-term socio-economic recovery strategy. Thus, the ASEAN Comprehensive Recovery Framework (ACRF) serves as the consolidated exit strategy from the COVID-19 crisis. It articulates ASEAN response through the different stages of recovery, by focusing on key sectors and segments of society that are most affected by the pandemic, setting broad strategies and identifying measures for recovery in line with sectoral and regional priorities. Since the pandemic is still evolving, the approach to recovery should be proactive and all encompassing (whole-of-community), flexible and agile so the region can easily adopt its strategies to changing conditions. To implement the ACRF, an Implementation Plan is also developed.

Overall, ASEAN's recovery efforts will focus on five **Broad Strategies** that are deemed most impactful to take the region through the recovery process and its aftermath. The Broad Strategies will, in turn, be pursued through several **Key Priorities**:

Broad Strategy 1: Enhancing Health Systems is expected to contribute to the short- and long-term goals of the ASEAN Health Sector in line with the ACRF. To achieve this, priorities will focus on building and sustaining current health gains and measures, maintaining and strengthening essential health services and strengthening vaccine security. In addition, to secure better health outcomes and prepare the region for future pandemics, the quality of human resources for health will be enhanced by ensuring adequate supply of trained, well-equipped and healthy workforce. At the same time, there's a need to enhance capacity of public health services to enable health emergency response including food safety and nutrition in emergencies.

Under **Broad Strategy 2: Strengthening Human Security**, ASEAN commits to develop a recovery framework that puts the welfare of people at the core, by strengthening the protection and empowerment of all people and all communities in COVID-19 recovery and beyond. To guide these efforts, immediate priority is to enhance social protection, and to strengthen food security, food safety and nutrition for the vulnerable groups. Beyond its health impacts, the pandemic is likely to have severe setbacks on human capital accumulation. To overcome these challenges,

digital skills and higher education, as well as re-skilling and upskilling for employment, will be promoted. To ensure the well-being of workers and improve the future of work, labor policies for the new normal will be further strengthened including through social dialogue. Mainstreaming gender equality will also be prioritized throughout response and the recovery process given the gendered impact of the pandemic. Lastly, human rights should be safeguarded in the process of post-pandemic recovery towards a resilient region.

Given the importance of markets in ASEAN, the post-pandemic recovery will definitely require more, not less, trade and investment. ***Broad Strategy 3: Maximizing The Potential of Intra-ASEAN Market and Broader Economic Integration*** focuses on priorities that intensify intra-ASEAN trade and investment and establish ASEAN as a competitive market. Given the region's reliance on trade and vulnerability to external shocks, there is a need to further increase intra-ASEAN trade and investment to strengthen our supply chain resilience and regional value chains. Trade costs have declined but not enough to increase the competitiveness of ASEAN markets. Thus, the opportunity to maximize the potential of internal market will be needed even more for the region to recover from the impact of the pandemic. At the same time, the region needs to remain open and seize the opportunities presented by broader regional integration. This may call for a re-thinking of how supply chains should be organized and economic integration be further deepened by keeping markets open for trade and investment, intensifying trade and investment facilitation, cutting down on non-tariff barriers, and digitalisation of trade documents and processes. To facilitate the recovery of sectors adversely affected by the pandemic,

new initiatives will be promoted (for example, setting up of travel bubble or corridor) while measures will be further strengthened to revive transport and regional connectivity (for example, best practices on transport infrastructure and facilitation and enhancing public-private partnership), and affected sectors (for example, tourism and micro, small and medium enterprises). In the meantime, the post-pandemic world will still see greater engagement by ASEAN in the global markets, with the Regional Comprehensive Economic Partnership (RCEP) providing a strong anchor.

An integral part of ASEAN's strategies for future recovery is the acceleration of digital transformation in the region. Evidence shows how the use of digital technologies during this pandemic – from on-line shopping to remote working and even accelerating drug discovery --- has enabled countries to reach new markets and unleashed productivity improvements in the way people interact and businesses operate. Thus, ***Broad Strategy 4: Accelerating Inclusive Digital Transformation*** leverages on the momentum and imperative of digital transformation and seizes the enormous opportunities presented by digital technologies to boost economy and improve society in the post-COVID-19 world. Among the important priorities, promoting e-commerce and digital economy will be key, along with other initiatives on e-governments and e-services, digital connectivity, the use of ICT in education, and digital transformation of MSMEs. In addition to investing in digital infrastructure, focus will be on other critical needs of a digital economy related to data governance, cybersecurity, legal framework, and institutional capacity. While digitalization has been high on the ASEAN agenda in recent years, there will be a renewed sense of urgency in accelerating digitalization particularly for new technologies in the era of

the fourth industrial revolution that have a long-lasting impact beyond COVID-19.

Finally, in enhancing the resilience of ASEAN economic development post-pandemic, ASEAN should step up efforts to promote sustainability and socially responsible policy-making at national and regional levels. The ***Broad Strategy 5: Advancing towards a More Sustainable and Resilient Future*** concerns ASEAN's commitment to develop a recovery framework that is durable, long-lasting, and inclusive, capable of safeguarding the region's natural resources, social fabric, and the prosperity of its people. This Broad Strategy recognizes that a return to 'business as usual' is no longer be an option for ASEAN in the post-pandemic world, and a paradigm shift will be required of ASEAN governments, businesses, and civil society to work collectively to enable systemic change needed by the region for a sustainable and resilient future. To support the attainment of this strategy, the priorities will focus on achieving sustainability in ASEAN in all dimensions, particularly in investment, energy, agriculture, green infrastructure, disaster management, and sustainable financing.

The **ASEAN Comprehensive Recovery Framework and its Implementation Plan** require strong political will to propel an inclusive and resilient recovery. How to save lives, safeguard livelihoods, and build resilience – and make them happen – are compelling challenges that ASEAN countries should, and indeed must, address strategically. The need to strengthen the region's competitiveness as a whole and to narrow the development gap within ASEAN remain crucial, particularly as the pandemic threatens to roll back ASEAN's progress in

advancing development goals, widening poverty, and other economic disparities within and among AMS. To this end, a number of cross-cutting enabling factors have been identified: (1) policy responses and reforms; (2) financing and resource mobilisation; (3) institutions and governance mechanisms; (4) stakeholder engagement and partnership; and (5) effective monitoring. Resources are limited and time is of essence. It is important for ASEAN to be pragmatic in its approach to a comprehensive recovery. Reinventing the wheel and duplication of efforts or mechanisms need to be avoided, and all efforts must be results-oriented. The progress on these fronts will determine the shape of recovery.

Moving forward, containment of the COVID-19 virus is necessary to achieve a meaningful recovery from the pandemic. Balancing lives and livelihoods will continue to be an important priority as leaders and policy makers look for solutions.

As this ACRF attests, recovery is not only about overcoming the virus; but also about enabling ASEAN to bounce back better and build a resilient future. Creative solutions and new mindsets in all stakeholders will support the recovery process and continued regional cooperation and integration in ASEAN. The ACRF and its Implementation Plan are a guide on this journey. How to make it happen depends crucially on the will and commitment of ASEAN Member States, and the support and contribution from various stakeholders of ASEAN.

Chapter 1

Introduction: Tackling COVID-19 Pandemic in ASEAN

1. The unprecedented scale of coronavirus disease (COVID-19) has taken the world by surprise. Since it was declared a pandemic in March 2020, COVID-19 has continued to upend lives and disrupt livelihoods around the world. ASEAN has not been spared. As time unfolds, it had shown that COVID-19 is not only a global public health crisis, but also a global economic crisis. As of 11 November 2020, the 10 ASEAN Member States (AMS) collectively accounted for 2.0% of global confirmed cases and 1.9% of global deaths. These percentages may seem relatively low compared to other regions, and in many ASEAN Member States (AMS), COVID-19 cases have either plateaued or dropped. However, concerns remain regarding potential recurring waves of infections as economies reopen and a few AMS are still battling rising numbers.

2. While the human costs vary in the region, the economic impact of COVID-19 is significant and broad-based. At the onset of the pandemic, the financial market slumped, while the normal course of production, trade, and distribution, disrupted by travel and movement restrictions. Later on, the shocks have also resonated on the demand side. During the Asian Financial Crisis (AFC) in 1997, the output in ASEAN recovered quickly although the recovery took longer before it reached the pre-crisis 1997 level. Looking at today's crisis, regional and global recovery is hard to predict with certainty as everything depends on how the pandemic plays out and how it affects the potential growth of the global economy, and which, in turn, also affects the strength of recovery of the region. Similarly, unlike the AFC in 1997 and the Global Financial Crisis (GFC) in 2008, the current crisis has adversely affected the productive capacity of the region's economy – from trade and investment, to travel and tourism,

to manufacturing and services – which may make the economic shocks from this pandemic crisis deeper and longer lasting.

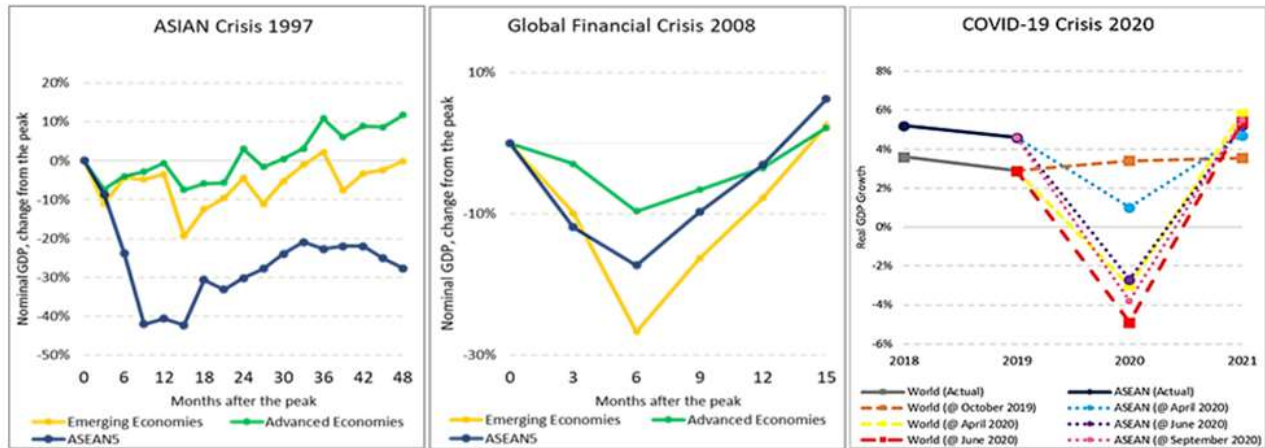
3. **Figure 1** compares the path of ASEAN economic recovery in the AFC and GFC with the outlook for the COVID-19 crisis. In the case of the latter, the extent of output losses is significant, but may vary by country depending on the extent of policy interventions. The recovery remains uncertain amid a rise in unemployment, the already muted trade, and a cooling of investment. Even with a rebound in 2021, GDP in most economies is expected to be below pre-COVID-19 levels.

Impact of COVID-19 on ASEAN – “A Crisis Like No Other”

4. The pandemic has turned itself into an unprecedented uncertainty for ASEAN, with potentially devastating impact on economy and society. After expanding by an average of 5.3% over the last decade, the ASEAN region is now projected to contract by 3.8%¹ in 2020, the first decline in economic growth in 22 years (**Figure 2a**). Majority of ASEAN Member States (AMS) are expected to experience recession this year, some deeper than others; while the remaining few will see either stagnation or a much more modest growth. Preliminary data for the first and second quarters of 2020 already point to this possibility. Malaysia, Singapore, Thailand, and Philippines experienced double-digit contractions in the second quarter of 2020 (**Figure 2b**).

¹ ADO Update (September 2020), the ADB outlook actually refers to Southeast Asia, which includes Timor Leste.

Figure 1. Path of Economic Recovery



Source: Calculated by ASEAN Secretariat using quarterly data from International Monetary Funds, International Financial Statistics, World Economic Outlook, Asian Development Bank, Asian Development Outlook

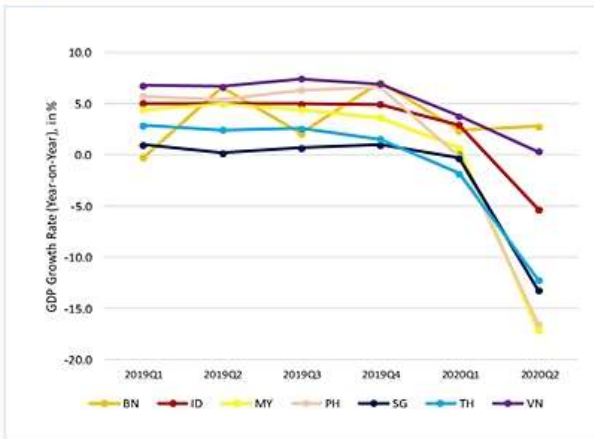
5. The rapid spread of COVID-19, amplified by asymptomatic transmissions and high mortality rates suffered by the elderly and vulnerable, have prompted a large-scale containment policy put in place globally. This, in turn, led to substantial production disruptions as a result of forced business closures and the inability of workers to get to work, as well as disruptions to trade and business. The pandemic has underscored the vulnerability of supply chains, including ASEAN economies as global production hubs.

6. In 2019, the combined share of raw and intermediate goods in ASEAN’s total trade was 31.7%, which were all transacted within the complex networks of supply chains. It’s no wonder that when the pandemic disrupted those chains, the open economies of ASEAN were not spared either. The supply chain disruptions also made the outlook for global trade and foreign direct investment (FDI) bleak, with global merchandise trade volume expected to decline by 9.2% this year while global FDI inflows are estimated to fall by up

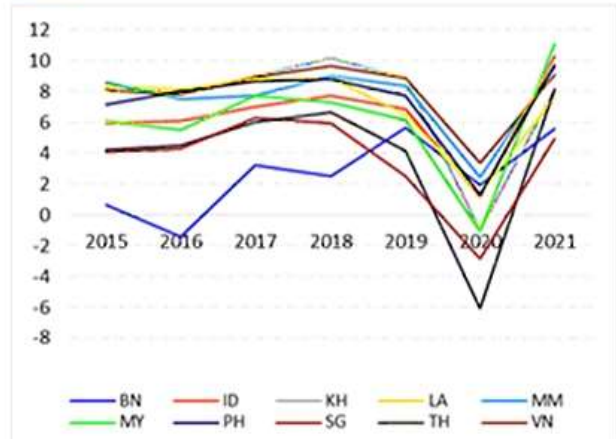
to 40%. Reflecting these trends, trade and investment in ASEAN are also expected to falter. By end of first semester 2020, based on preliminary data, ASEAN’s trade fell by 12.4% and FDI inflows by 32.9% compared to the previous year. With the trade tensions and COVID-19 pandemic prolonged, weak trade flows in the region are also projected this year. The prospects of recovery will thus depend not only on the successful containment of the pandemic, but also on the continued openness of regional trade and investment regimes.

Figure 2. The Impact of COVID-19

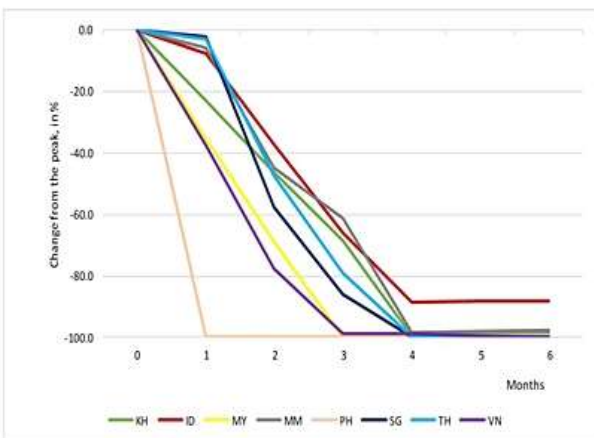
a. Massive AMS's real GDP contraction in the 2nd Quarter of 2020



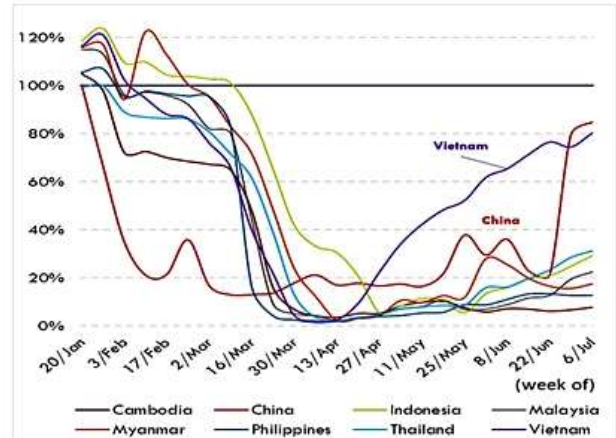
b. Covid-19 pandemic is likely to bring down AMS's per capita income



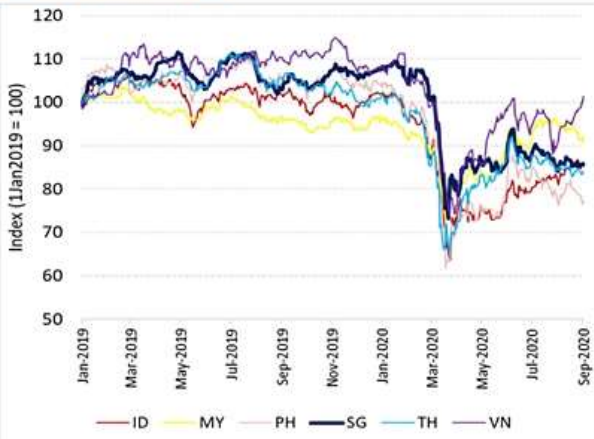
c. Travel and tourism have been severely affected due to lockdown and border controls



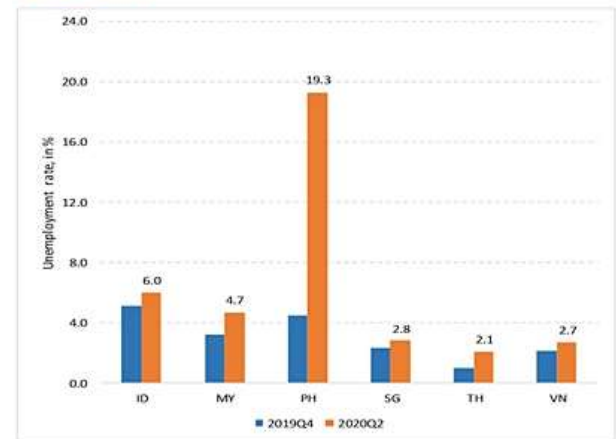
d. in the aviation sector, passenger demand dropped significantly



e. The uncertainties brought about by the pandemic causing a dive in the stock markets



f. The economic crisis created by the pandemic has left many people jobless



Source: IMF, Asian Development Bank, ASEAN Statistics; CEIC, Flight Radar and Trading Economic

7. As the virus spread to other countries globally, including the AMS, and social restrictions and border controls were enforced, the region's travel and tourism, logistics, and retail withered. AMS that operate as trade and travel hubs and who have high dependency on the tourism sector were among the first ones to suffer the losses from the pandemic. At the start of the year, tourist and flight arrivals in the AMS were rising; by May, these were close to zero (**Figure 2c**). While flights have slowly picked up since June, international tourism remains closed (**Figure 2d**). Given the importance of tourism for ASEAN economies, and to many enterprises, particularly micro, small, and medium enterprises, as well as informal workers involved in the sector and its supporting industries, the COVID-19 impact is significant.

8. Across the region, business closures, loss of livelihoods, and heightened uncertainty raised concerns on possible buildup of corporate and household debt, and the capacity of financial systems, particularly the banking sector, to absorb the shocks. Even before the pandemic, foreign investments already moderated in ASEAN, caused by heightened risks from trade tensions. With the pandemic and the ensuing uncertainties, there was a sudden outflow of capital which triggered a dive in the markets and a rapid depreciation of exchange rates across the region at the onset of the pandemic. The ASEAN stock markets have rebounded since, although not yet to the pre-COVID-19 level. (**Figure 2e**).

9. The COVID-19 crisis has led to large-scale layoffs, severing income generation opportunities and contributing toward rising poverty and inequality. While governments have implemented various policy and stimulus

measures to cushion the impact of the pandemic on businesses and households, these were not able to prevent business closures and retrenchments. The International Labour Organization (ILO) estimated that 5.4% of global working hours were lost in the first quarter compared to the last quarter of 2019, the number worsened to 14% in the second quarter; these are equivalent to 155 and 400 million full time jobs, respectively.² The situation in ASEAN is even more delicate given high levels of informality, uneven social security nets, and structural dependence on highly labour intensive sectors in some AMS. The job losses appear as rising unemployment rates across ASEAN in the second quarter of 2020 (**Figure 2f**). While there are obvious consequences on lives (health) and livelihoods, there are also underlying effects on long-term development, including the possibility of reversing the gains in human capital development, poverty reduction, gender equality and empowerment, if the pandemic is prolonged.

ASEAN Responding to the Crisis: Targeted Measures at Country Level

10. Amid these difficulties, ASEAN countries responded quickly with targeted and decisive measures. The first response to the emergent outbreak was monetary policy, to ensure adequate liquidity in the economies when initial concerns on broken supply chains and travel disruptions arose. However, as the scale of the outbreak reached pandemic levels, and the adverse impacts became greater and more apparent, governments implemented more powerful fiscal stimulus and sector-targeted responses to boost the capacity of the health sector and cushion the

² ILO (2020). COVID-19 and the world of work: Updated estimates and analysis, June, 2020.

impact on the broader economy, particularly on hard hit sectors such as tourism and micro, small, and medium enterprises (MSMEs), and on low-income households. Measures implemented by AMS to address the COVID-19 pandemic fall into three broad categories: fiscal stimulus packages; monetary policy and financial measures; and sector-specific measures and interventions. The correct-targeting and effectiveness of these social and economic stimulus packages will be vital to sustain economic activities, jobs, and livelihoods over the next few years for the economic recovery.

11. Various economic stimulus packages were rolled out by AMS at an unprecedented scale and speed since February 2020. The announced stimulus amounted to a combined USD 397.4 billion by September 2020 or 12.5% of the region's 2019 GDP³, although their effectiveness will depend on disbursement and absorption capacity. Despite the stimulus packages to counter the impact of COVID-19, evidence still shows that most ASEAN countries will face deep recessions in 2020. The uncertainty is expected to hurt consumer and producer sentiment, as weak global demand will hold back exports and tourism. Given the widespread and ease of transmission of COVID-19 and the interconnectedness of the region, effective containment and recovery efforts call for close coordination and appropriate joint efforts are crucial.

Toward a Coordinated Regional Response to Recovery

12. Since the onset of the COVID-19, the political response to overcome the pandemic has remained strong as ASEAN leaders and

policy makers engaged with various stakeholders and discussed with partners on cooperation to counter the crisis. As soon as the first report of clusters of unexplained pneumonia cases was received by the Focal Points for the Senior Officials Meeting for Health Development (SOMHD) from the People's Republic of China through the ASEAN Secretariat on 3 January 2020, the ASEAN Health Sector together with counterparts from China, Japan and Republic of Korea (Plus Three Countries), launched regional preparedness and response actions through the mobilization of existing regional health cooperation mechanisms.

13. ASEAN has responded early and swiftly in the face of the pandemic as shown in many statements or declarations issued and initiatives taken, first in health, defense, and foreign affairs. Later on, the discussion and coordination continued across affected sectors such as agriculture, education, labor, social welfare, tourism, MSMEs, trade, and transport. The relevant sectoral bodies committed to work together in the face of the pandemic and recognized the value of collective response and resilience. For example, in addition to the health sector responses, ASEAN agreed, as part of its immediate priorities, to keep markets open for trade and investment and to facilitate seamless flows of essential goods, including food, medicine, medical products and other essential products.

14. Given that the impact of COVID-19 is multidimensional and expansive, ASEAN also recognized early on the importance of a whole-of-ASEAN-community approach to deal with the pandemic. For this reason, the ASEAN Coordinating Council Working Group on Public Health Emergencies (ACCWG-PHE) was established, with representation from all

³ ADB COVID-19 Policy Database (as of 5 October 2020).

three Community Pillars of ASEAN, to support the ASEAN Coordinating Council (ACC) in coordinating ASEAN response efforts. Moreover, ASEAN has cooperated with other countries, international organizations, and business sector in the provision of medical supplies, sharing of information, medical advances, and best practices on pandemic issues, and development of initiatives to build economic resilience.

15. Throughout the response, ASEAN has acted quickly and decisively, underpinned by a strong political commitment to mitigate the socio-economic impact of the pandemic (**Figure 3**). The COVID-19 ASEAN Response Fund has been established. Likewise, the ASEAN Regional Reserve of Medical Supplies for Public Health Emergencies and the ASEAN Strategic Framework for Public Health Emergencies are being developed to enhance the ability of the region to deal with future pandemics and health emergencies. Crucially, ASEAN has embarked on the development of the ACRF that will chart the region's strategic

response through the different stages of recovery, with the ultimate objective of enhancing the region's long-term resilience.

16. Given the scale and impact of the pandemic, ASEAN recognizes that addressing this unprecedented crisis requires unprecedented actions not only within the region but as well as outside. This is where strong coordination and cooperation among ASEAN, its stakeholders and external partners becomes important. While the immediate priority for the region is to overcome the pandemic, a comprehensive recovery plan is just as crucial. Like the previous crises that confronted ASEAN, this current crisis shall also pass. To emerge stronger from the crisis, ASEAN must not only identify and address existing vulnerabilities but also seize the opportunities that have arisen from the pandemic to build back better. Its outcomes will also depend on the region's collective actions. For this reason, an **ASEAN Comprehensive Recovery Framework** provides a consolidated exit strategy for ASEAN to emerge resilient and strong from the COVID-19 crisis.

Figure 3. ASEAN Responses to COVID-19: A Summary



Chapter 2

A Framework for Recovery and Action

17. The interconnectedness of ASEAN economies means that COVID-19 recovery cannot be pursued and contained within national boundaries. The region can only truly recover once all AMS are able to overcome the virus and mitigate its socio-economic impact. While ASEAN has been swift to act and respond to COVID-19, the impact of the pandemic will be expansive, long-lasting, and mutually reinforcing. To this end, the region's recovery efforts must be done in a systematic and coordinated way, rather than through a piecemeal approach, and be guided by a comprehensive framework for recovery with clear vision, strategies and action plan.

18. In line with the Leaders' mandate at the 36th ASEAN Summit in June 2020, the ASEAN Comprehensive Recovery Framework (referred to interchangeably as the ACRF or Recovery Framework) has been developed. The ACRF will serve as the main reference to guide the strategic directions and focus areas for COVID-19 recovery in ASEAN, and to coordinate support for recovery efforts from ASEAN stakeholders, both internal and external. The ACRF will be guided by a set of key principles, focused approach, and actionable plan aimed at achieving a comprehensive recovery.

Objectives of Recovery Framework

19. The Recovery Framework serves as ASEAN's coordinated exit strategy from the pandemic. It aims to articulate ASEAN response to through the different stages of

recovery, by focusing on key sectors and vulnerable groups that are most affected by the pandemic and identifying measures for a comprehensive recovery in line with sectoral and regional priorities. It also serves as a reference for various sectoral bodies across pillars and stakeholders to coordinate and contribute to the region's overall recovery efforts, with the ultimate objective of building a more resilient, inclusive, and sustainable recovery in line with the ASEAN Community Vision 2025 and beyond.

Guiding Principles

20. In developing the path to a comprehensive recovery, it is important to clarify the type of recovery is being envisioned for the region and how such recovery will evolve over time. In the case of ASEAN, the recovery should be sustainable and broad-based to ensure that it will benefit everyone in the region. Thus, the ACRF observes a number of **key principles**.

21. First, the ACRF shall be **focused**. It will not cover or substitute for ASEAN's entire portfolio of community building and regional integration agenda, but will prioritize the broad strategies and key priorities that are most relevant to support ASEAN's recovery from COVID-19. It therefore will not simply amalgamate the various work in ASEAN but reflect those that are relevant and need to be prioritized, accelerated, or highlighted, while allowing for relevant new initiatives or programmes to be proposed.

22. Second, the ACRF shall **balance** between saving lives and livelihoods. This means that the pursuance of economic recovery should not be done at the expense of public health, equity, security and long-term sustainability. At the same time, measures to contain the virus shall give due consideration to the well-being of those affected, especially the most vulnerable sectors of society, and hence shall be proportionate and targeted. Appropriate balance must also be struck between resource requirement and the impact of a measure.

23. Third, the ACRF should focus on those strategies and priorities that are **impactful**, going beyond high-level statements to deliver sustainable results that meet stakeholders' expectations. Recognizing resource limitations, time constraint, and the need to prioritize, the Framework should focus on strategies and priorities that will yield the most impact for recovery. This would require the support of strong political and implementation buy-in and resource mobilization.

24. Fourth, the ACRF should be **pragmatic**. It should avoid reinventing the wheel or duplicating efforts, and instead leverage on ASEAN mechanisms, initiatives, and cooperation programmes, including with partners, and be aligned with existing plans while allowing for acceleration and reprioritization as well as encouraging coordination. This will give assurance that the identified strategies and priorities can be readily implemented.

25. Fifth, the ACRF should be **inclusive**, both in design and in implementation. It should give due recognition to the vulnerable groups and sectors that are hardest affected by the pandemic, and should not lead to

widening of gap and inequalities. It should involve and benefit all segments of society so no one is left behind in ASEAN recovery efforts for a truly inclusive and resilient future.

26. Lastly, implementation of the ACRF should be based on initiatives or programmes that are **measurable**, so its progress can be monitored and periodic assessments done. Where appropriate, it should also allow for any necessary adjustments of targets.

Approach to a Comprehensive Recovery

27. The ACRF will take a **whole-of-ASEAN-community approach** and strengthen ASEAN's Centrality in a post-pandemic regional architecture. This means that the Framework will encompass ASEAN recovery efforts across the three community pillars, in recognition of the multi-dimensional impact of COVID-19. The crisis has demonstrated how a public health crisis can quickly result in a wider socio-economic crisis. This approach will therefore allow for cross-sectoral and cross-pillar initiatives and programmes to be coordinated and undertaken, inviting contribution from sectors across the three Community Pillars to the implementation of the Framework. Beyond this, the Framework is also intended to invite contribution from the broader stakeholders, such as the private sector, dialogue partners and other external partners, including in terms of the provision of resource or technical support for implementation. The ACRF will also further enhance ASEAN's role in the post-COVID-19 architecture in the region and the world.

28. The ACRF will provide **clarity in directions** for ASEAN recovery efforts, through the setting of broad strategies and

key priorities. In doing so, it ensures that ASEAN sectoral bodies and its broader stakeholders are working together towards common objectives. This approach allows for prioritisation and acceleration of existing or planned work that can contribute to the said broad strategies and key priorities. It also frames the scope for follow-up or complementary work and initiatives to be undertaken.

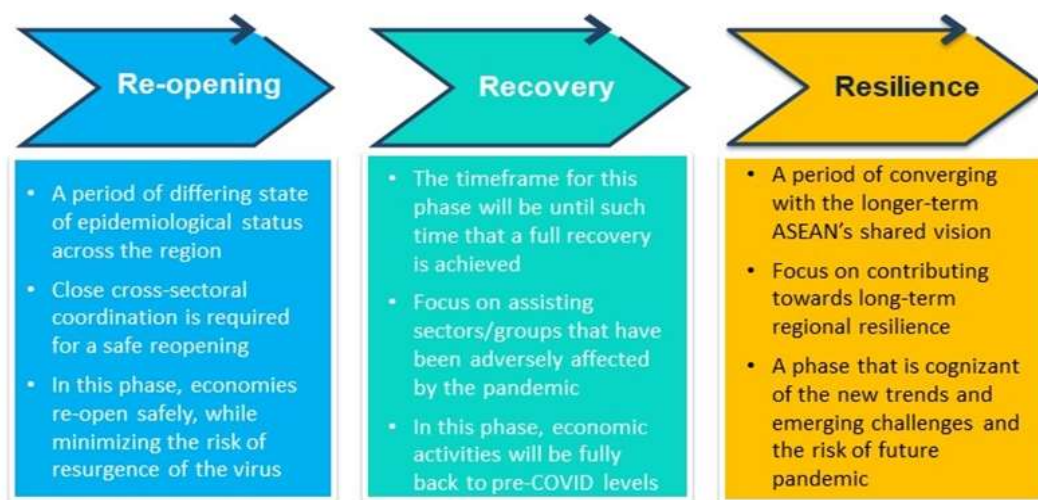
29. For efficiency purpose, the ACRF will ensure **synergy with relevant regional COVID-19 response** and economic recovery initiatives, as well as complementarity with respective national recovery plans/measures as appropriate. This is aligned with ASEAN's spirit of inclusivity and partnership. The different relevant initiatives or action plans that ASEAN has devised on its own or with Dialogue Partners will therefore be taken into account in the design and implementation of the ACRF. At the same time, ASEAN recovery efforts can be supported by and contribute to national measures, where aligned. Case in point is on the regional travel corridor initiative, which can be enriched by the experience of bilateral discussions to date and

in turn can help facilitate discussion and finalization of bilateral travel lanes among AMS and between AMS and other countries.

30. In setting the broad framework and strategies for recovery, the ACRF will take account of the highly uncertain environment, and therefore be **agile and flexible** in how these strategies can be implemented. For example, the Framework shall facilitate the introduction of new initiatives of programmes as maybe identified by ASEAN sectoral bodies even after its adoption. The structure and format of the Framework, as elaborated in the subsequent section, will allow for this, in order to facilitate rather than constrain recovery efforts.

31. The ACRF and its Implementation Plan are intended to address both ASEAN's immediate need, during the **reopening** stage, for a successful transition to the 'new normal' as well as medium and long term need through the stages of COVID-19 **recovery** and for longer term **resilience**. The implementation of the Framework will therefore follow a **3Rs phased approach (Figure 4)**:

Figure 4. The Three Phases of Recovery (3Rs)



Source: ASEAN Secretariat

i. *Re-opening*

Prolonged lock-downs are unsustainable. Given differing epidemiological status across the region, and until effective vaccine and treatment is found, regional and cross-sectoral coordination is required for a safe reopening, to assist people and businesses in adapting to the new normal while still prioritizing public health. Initiatives and programmes undertaken at this phase will include those that are “early harvested” for immediate implementation (for example, travel bubble or travel corridor), as well as those that need to be urgently coordinated in support of safe reopening (for example, essential businesses and other businesses with low to medium transmission risk such as manufacturing, construction and retail). Initiatives at reopening must include policies and strategies to mitigate the impact of the pandemic, which may include looking at ways to coordinate the reopening of entry ports, with due account of public health considerations. During this phase, economies re-open safely while minimizing the resurgence of the virus.

ii. *Recovery*

It will take a few months if not years to get some sectors back to its pre-COVID-19 potential. Given the high interconnectedness of sectors and economies, sectoral recovery may be mutually dependent. The region’s recovery will be only as strong as its weakest link. It is therefore important to join hands to work towards a faster and more robust recovery. Such

efforts should be focused on assisting sectors or groups that have been most adversely affected by the pandemic, such as sectors which are reliant on travel and tourism, micro, small and medium enterprises (MSMEs) and vulnerable groups, as well as those areas needed to support recovery. Efforts should also boost demand and consumption, restore business and investment confidence, safe reopening of borders, and helping workers and small businesses back to the economy. The timeframe for this phase will be until such time an effective vaccine and treatment is found and rolled out and COVID-19 is no longer a public health concern, and economic activities are fully back to their pre-COVID levels.

iii. *Resilience*

This unprecedented crisis has led to irreversible and transformative changes. The crisis has unveiled the fundamental vulnerabilities in our economies and societies, from weaknesses in our social protection and health systems to the digital divide. It also calls for greater attention to be given to resilience and sustainability considerations beyond the past primary doctrine of efficiency. Therefore, ASEAN recovery efforts must also address those trends and emerging challenges faced by the region, such as digitalization, so as to prepare the region to be more resilient to future crises, including the risk of future pandemics. Initiatives and programmes implemented for this phase will therefore be forward looking in nature, contributing to

longer term objectives, and may provide some references for ASEAN's next phase of regional integration (post-2025).

Structure and Format

32. The structure of the ASEAN Comprehensive Recovery Framework is straightforward. Its objectives, key principles, and approach are set out to illustrate the directions of the ACRF (Figure 5).

33. In terms of substance, the ACRF is structured into five **broad strategies** as follows:

- Broad Strategy 1: Enhancing health systems;
- Broad Strategy 2: Strengthening human security;
- Broad Strategy 3: Maximizing the potential of Intra-ASEAN Market and broader economic integration;
- Broad Strategy 4: Accelerating

inclusive digital transformation; and

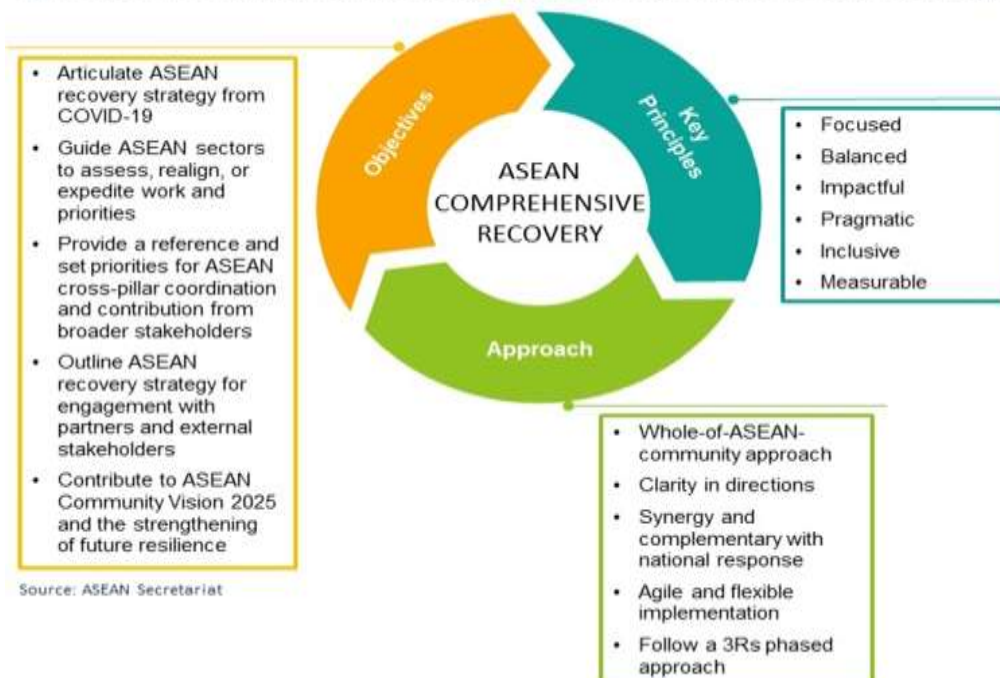
- Broad Strategy 5: Advancing towards a more sustainable and resilient future.

Each of the broad strategies will in turn will be pursued through several **key priorities**. These broad strategies and key priorities are elaborated in the next Chapter (3).

34. In addition, a set of **enabling factors** are required to ensure the effective and efficient implementation of the Framework; namely, (i) policy measures and responses, (ii) financing and sustainable resource mobilization, (iii) institutions and governance mechanisms; (iv) stakeholder engagement and partnerships, and (v) effective monitoring. These are elaborated in Chapter 4.

35. In terms of **format**, the ACRF will be accompanied by an Implementation Plan, the latest version of which is annexed to the Framework (**ANNEX**). The Implementation Plan identifies specific initiatives or

Figure 5. ASEAN Comprehensive Recovery Framework: Objectives, Key Principles, and Approach



programmes, their respective outputs and the corresponding recovery phase they contribute to, as well as the responsible bodies for implementation. The Implementation Plan is a living document and will be regularly updated and monitored. This will allow the ACRF and its implementation plan to remain agile, sustainable, adaptable, and flexible; in the face of highly uncertain environment and in delivering the most impact within time and resource constraints.

Chapter 3

Broad Strategies for Recovery: Safeguarding Lives and Livelihoods and Building Resilience

36. ASEAN's recovery efforts will be focused on selected broad strategies that are deemed most impactful to take the region through the recovery process and its aftermath. For each broad strategy, initiatives and programmes will be pursued under a number of key priorities (**Figure 6**).

Broad Strategy 1: Enhancing Health Systems

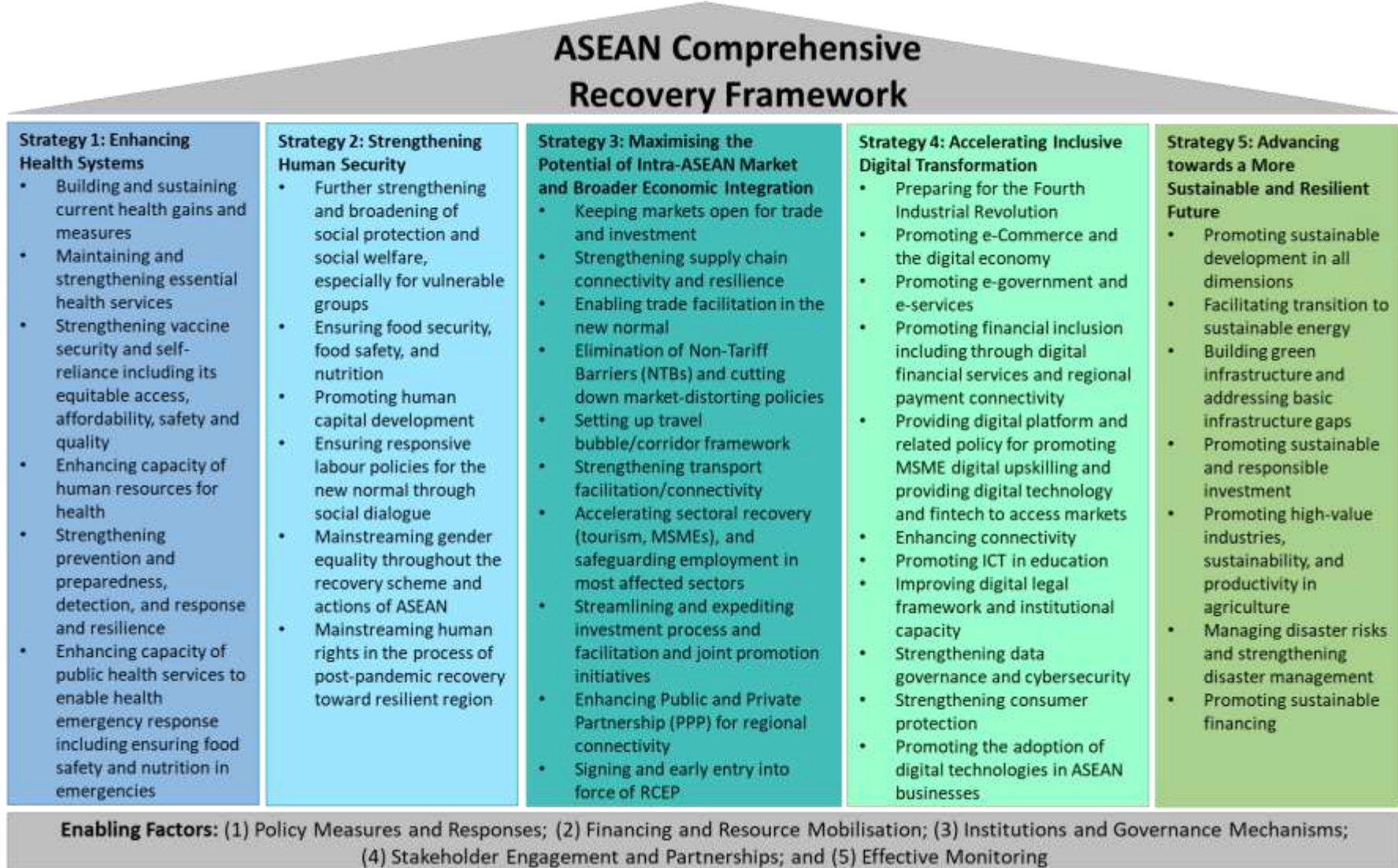
37. The COVID-19 pandemic is, first and foremost, a public health crisis. The severity and scale have been unprecedented in modern times, and the impact varies among ASEAN Member States (AMS), reflecting, at least partly, the diversity in the preparedness of the health systems. Given the easily transmissible nature of the COVID-19 and the interconnectedness of the region, ASEAN acknowledged the urgency to address the continuing threat of COVID-19 in the region, and its significant impact to populations, public health, economy and society, and peace and stability. COVID-19 presents not only numerous challenges to the health systems but also an opportunity to strengthen and integrate health systems, encompassing the network of people, public and private healthcare institutions, and resources, in order to ensure national, regional and global resilience and sustainability. The *Broad Strategy 1: Enhancing Health Systems* is expected to contribute to the short- and long-

term goals of the ASEAN Health Sector in line with the Recovery Framework, while taking account of areas for collaboration with other sectors, where appropriate.

38. The ASEAN Health Sector initiated cooperation measures for the prevention, detection, response, and resilience to reduce the impact of this pandemic. This swift response is in line with the ASEAN Post-2015 Health Development Agenda (APHDA), particularly the ASEAN Health Cluster 2 on Responding to All Hazards and Emerging Threats⁴, and the mandate of the 2016 Governance Implementation Mechanism (GIM) of the ASEAN Health Sector to strengthen the resilience of health systems in responding to communicable diseases, emerging infectious diseases and neglected tropical diseases.

⁴ The ASEAN Post-2015 Health Development Agenda (APHDA) continues prioritise the implementation of endorsed programme activities within its four (4) Work Programmes as follow: ASEAN Health Cluster 1 on Promoting Healthy Lifestyle, ASEAN Health Cluster 2 on Responding to All Hazards and Emerging Threats, ASEAN Health Cluster 3 on Strengthening Health Systems and Access to Care, and ASEAN Health Cluster 4 on Ensuring Food Safety.

Figure 6. ASEAN Comprehensive Recovery Framework: Broad Strategies, Key Priorities, and Enabling Factors



Source: ASEAN Secretariat

39. *Broad Strategy 1* has identified six key priorities to guide ASEAN's recovery efforts as follows.

1a. Building and sustaining current health gains and measures

40. The COVID-19 pandemic demonstrates the urgency of scaling up essential health services and sustaining current health gains. The ASEAN Health Sector is committed to promote a healthy and caring ASEAN Community where the people achieve maximal health potential through healthy lifestyles, have universal access to quality and affordable health care, including reproductive health care, and financial risk protection; have access to safe food and healthy diet; and live in an environment with sustainable and inclusive development where health is incorporated in all policies. The gains and opportunities of the ASEAN Post 2015 Health Development Agenda, which are supportive of efforts in moving towards a healthy, caring and sustainable ASEAN Community, will be further pursued and maximized in mitigating the impact of COVID-19, and preparing for future health threats.

1b. Maintaining and strengthening essential health services

41. The COVID-19 pandemic has caused considerable strains in the health systems of AMS, particularly on the capacities of health personnel and facilities. Addressing ongoing health challenges and providing people with essential services, while responding to and recovering from the pandemic, will require strong and resilient health systems. The ASEAN Health Sector prioritizes strengthening health systems and access to care by enhancing capabilities, capacities and advocacy in health system development in

order to increase access to safe, affordable, quality and holistic care. Strategic direction and actions on ensuring availability and quality of care should be sustained and enhanced to ensure continuity of service delivery, and limited resources maximized for the benefit of the people. Here, the trade sector plays a critical role in ensuring the normal flow of trade for essential health services and other essential products required to deliver such services remains open.

1c. Strengthening vaccine security and self-reliance including its equitable access, affordability, safety and quality

42. During the COVID-19 pandemic, extraordinary efforts globally are being undertaken to rapidly develop, test and produce a COVID-19 vaccine. Providing equitable access, affordability, safety and quality of the COVID-19 vaccine as global public goods is crucial in the fight against the pandemic. It is therefore critical to strengthen vaccine security and self-reliance. Regional strategic direction and actions will be implemented to move toward sustained, uninterrupted, and timely supply of affordable vaccine of assured quality; and to optimally ensure sufficient vaccine for use in routine immunization and emergency situation, based on the country's own capacities and resources. The Regional Strategic and Action Plan for ASEAN Vaccine Security and Self Reliance (AVSSR) will be implemented with the focus on the first phase of the timely and equitable access to affordable and quality-assured COVID-19 vaccines. The COVID-19 ASEAN Response Fund could be used to procure test kits, personal protective equipment and medical

supplies, as well as to support research and development of vaccines and medicines.

1d. Enhancing capacity of human resources for health

43. Building and enhancing adequate, accessible and reliable human resources in healthcare is crucial to secure better health outcomes. This has always been a challenge in urban and rural settings, even in the pre-pandemic phase. However, this was complicated further during this COVID-19 pandemic as demands on health care workers increased dramatically. The shortfall of healthcare providers or front-liners was exacerbated by deaths or incapacity of medical professionals who themselves became victims of the virus. Thus, ensuring adequate supply of trained, well-equipped and healthy workforce is essential in the ongoing response to COVID-19 and future health threats and emergencies. Augmentation of healthcare workers may be through incentives such as commensurate compensation and benefits.

1e. Strengthening prevention and preparedness, detection, and response and resilience to emerging/re-emerging infectious diseases, public health emergencies and pandemics; and, strengthening relevant regional coordination mechanisms including development of health protocols or frameworks during recovery phase

44. As ASEAN region continues to respond to COVID-19 pandemic, putting effective systems in place to reduce public health and economic impacts is a challenge. COVID-19 has exposed the inadequacy of public health systems to provide early warning and respond to the pandemic. Public health

services and initiatives must also integrate early warning systems. The strategic direction of responding to all hazards and emerging threats should be sustained to develop effective, efficient and resilient health systems including: (i) strengthening capability, capacity, and advocacy to prepare, prevent, detect, respond, and mitigate; (ii) strengthen laboratory capacity; (iii) addressing issues on antimicrobial resistance; and, (iv) disaster health management.

1f. Enhancing capacity of public health services to enable health emergency response including ensuring food safety and nutrition in emergencies

45. The COVID-19 pandemic raised questions about ASEAN's capacity to respond to communicable and non-communicable diseases due to the current nature of emerging and re-emerging diseases and their transmission behaviors. There is an increasing need for the establishment of the ASEAN Centre for Public Health Emergencies and Emerging Diseases to support and strengthen the functions of national public health agencies; to coordinate and support regional response to all hazards and emerging health threats; and to support the WHO regional/country offices in the operationalization of Asia-Pacific Strategy for Emerging Diseases and Public Health Emergencies (APSED) relevant to ASEAN region.

46. At the same time, the COVID-19 outbreak is having a dramatic impact on the lives of many families and communities. The current circumstances may aggravate the already difficult situation that many families and communities face in accessing affordable quality nutrition. It requires a commitment to a coordinated approach among all the key

actors in responding to the nutritional needs of an emergency affected population. ASEAN must therefore take measures toward sustaining and improving food safety through the provision of scientific advice for developing evidence-based food safety risk management measures, and appropriate mechanisms for food safety information sharing and rapid response in food safety issues and crisis.

Broad Strategy 2: Strengthening Human Security

47. Many important aspects of human development relate to people's security. Human security looks at the security of people's livelihoods particularly economic, food, environment or health security.⁵ The *Broad Strategy 2: Strengthening Human Security* responds to ASEAN's commitment to develop a recovery framework that puts the welfare of people at the core, by strengthening the protection and empowerment of all people and all communities in COVID-19 recovery and beyond.

48. The social and economic impacts of the COVID-19 pandemic are uneven and felt more by certain segments of the population - the poor, workers in high-risk sectors and informal employment, migrant workers, older persons, women and children, among others. The adverse impact of the pandemic on livelihoods, education, food security and nutrition, and exacerbated poverty, vulnerabilities and inequalities may in the long run reverse the region's progress in poverty reduction, and cast a long shadow in

achieving inclusive and sustainable development in the region.

49. ASEAN's 656 million population is diverse, of which 50.1% are women. The region has a relatively young age demographic, with more than a third of the population falling under the youth category.⁶ However, it also has growing senior population⁷ at 7.1% in 2019. The region is also home to an estimated 218 million informal workers, and has approximately 133 million workers in the hardest hit sectors.⁸ Given the devastating impact of COVID-19 on its people, particularly those most vulnerable, strengthening human security is at the core of ASEAN's recovery effort.

50. The Recovery Framework has identified five key priority areas to guide ASEAN's recovery efforts on strengthening human security as follows:

2a. Further strengthening and broadening of social protection and social welfare, especially for vulnerable groups

51. The impact of the pandemic is likely to persist until an effective vaccine is widely available. In the short-term, social assistance programmes need to be continued and scaled up. This is necessary not only to mitigate the socio-economic impact of the pandemic at an individual level, but also to keep domestic consumption going. One key challenge is to ensure that social assistance is accessible to those without social security or unemployment benefits, such as workers in informal and gig economies, as well as

⁵ The 1994 United Nation Human Development Report defined human security as people's safety from chronic threats and protection from sudden hurtful disruptions in the patterns of daily life.

⁶ 33.3% of the population are 19 years old or younger

⁷ Categorized as those 65 years' old and over

⁸ ILO presentation to Senior Labour Officials' Meeting, 13 May 2020.

migrant workers. Accessibility of social care services should also be ensured especially for those facing higher risks during lockdown and containment measures, owing to their age, gender, disability, economic status, and other factors.

52. In the medium to long-term, social security needs to be strengthened and broadened to cover workers in informal and gig economies. Further capacity development and increased investment in basic social protection for the poor and vulnerable, even in normal times, would allow countries to more quickly scale up and leverage on existing delivery systems, contributing to greater future resilience. In the longer term, there is need for adequate and sustained public allocation for social protection through effective financing mechanisms. Recovery efforts must be inclusive and take into account the intersection of age, disability and gender in designing measures. Human rights and the protection of vulnerable sectors must be prioritised. Gender mainstreaming and gender-responsiveness must also be considered across ASEAN's body of work towards recovery.

2b. Ensuring food security, food safety, and nutrition

53. The ASEAN Ministers on Agriculture and Forestry committed to maintain sustainable supply of sufficient, affordable, safe and nutritious foods that meet the dietary requirements of the people during the pandemic. They also committed to minimize disruptions in regional food supply chains by working closely together to ensure that markets are kept open and transportation of agricultural and food products are facilitated. The effective implementation of the ASEAN Food Security

Information System (AFSIS) and ASEAN Plus Three Rice Emergency Rice Reserve (APTERR) shall be further strengthened to reduce excessive price volatility, ensure adequate emergency food and reserves, and provide timely and accurate market information. In addition, the ASEAN Food Safety Regulatory Framework (AFSRF) Agreement needs to be finalized and implemented to ensure protection of consumer's health.

54. On food safety, a critical aspect in addressing food safety emergencies is establishing the Food Safety Emergency Response (FSER) plan and ensuring its implementation at the national level. Where there is a multi-country food safety threat, centralized coordination and senior-level decision are needed to respond to emergency cases, including effective food traceability and recall systems in managing food safety emergency situation. Regional capacity also needs to be developed to respond to food safety emergency situations and to enhance information sharing.

2c. Promoting human capital development, including i) promoting digital skills and literacy and 21st century skills in basic education, TVET, and higher education, and ii) reskilling and upskilling for employment, including digital skills and creating job opportunities

55. The pandemic prompted the widespread closure of schools, universities, and training institutions in the region, affecting over 152 million students and learners and posing a serious threat to learning continuity and skills development. COVID-19 has resulted in the remarkable rate at which technology and distance and virtual learning, and other alternative learning, have

been embraced. At the same time, educational and social inequalities have been exacerbated, including: learners' limited access to infrastructure, devices, and resources; lack of teaching materials tailored to disadvantaged students; and the relevance of curriculum and programmes to the changing demands of emerging industries and the future shape of the workforce post-COVID-19.

56. The *ASEAN Declaration on Human Resources Development for a Changing World of Work* adopted in June 2020 provides timely guidance in promoting 21st century skills, lifelong learning, use of technology and multi-stakeholder partnerships. Other relevant ASEAN declarations and issuances also call for promoting digital literacy in tandem with digital skills, including the smart, safe and responsible use of digital technologies. Online campaigns on promoting media literacy to combat fake news and capacity building workshops to promote media and information literacy complement these efforts. In education and training, TVET and higher education (HE) curriculum needs adapting to the post-COVID future of work. Over the long-term, ASEAN needs a more systematic integration of 21st century skills and competencies into TVET and HE curricula.

57. The ASEAN Declaration on Digital Transformation of Education Systems⁹ is envisaged to strengthen the linkages between expanding digital access, digital literacy, transferable skills, inclusion and equity, private sector partnerships and the future of work and the role of young people in the digital transformation process. Over the short to medium -term, efforts must also

be intensified on re-skilling or up-skilling workers who lost their jobs to help them avoid long-term unemployment.

2d. Preparing labour policies for the new normal through social dialogues (including cross-border labour movement, work from home and other alternative work arrangements, occupational health and safety)

58. The impact of COVID-19 on labour is mostly felt in sectors that are closely linked to export, services, tourism and labour migration. The high levels of informal employment in AMS in general, and in these sectors in particular, exacerbate the vulnerability of these workers for lack of social security. Workers in the gig economy are also vulnerable as social security is not afforded to them in most cases. These workers face increased risk of falling into poverty given falling demand. The economic slowdown due to the pandemic has also led to a decline in wage or unemployment of migrant workers.

59. Development of occupational safety and health (OSH) standards in the work place and, where applicable, improvement in living facilities of workers are especially important for jobs that cannot be done remotely and thus, exposing the workers to COVID-19 risks. Labour migration policies that could effectively protect migrant workers in time of pandemic or other crises need to be pursued further. The implementation of the action plan for the ASEAN Consensus on the Protection and Promotion of the Rights of Migrant Workers is an important step. In addition, labour laws and policies would need to be adjusted for the 'new normal' working conditions, to ensure the wellbeing of

⁹ Expected outcome of the ASEAN-UNICEF Ministerial Conference on Digital Transformation of the Education System throughout ASEAN scheduled for October 2020.

workers, while maintaining productivity. Furthermore, the effectiveness of labour laws and policies to reduce the vulnerabilities of at-risk workers and improve their resilience need to be further strengthened through social dialogue.

2e. Mainstreaming gender equality throughout the recovery scheme and actions of ASEAN

60. The disproportionate impacts of COVID-19 on men and women are widely recognised. Women form 70 percent of front-line responders, social workers, health professionals and community volunteers, making significant contributions to COVID-19 responses. Women also constitute the majority of caregivers at home and in communities. However, there has been a marked increase in incidence of gender-based violence in times of pandemic. This worrying trend is compounded by heightened risk of infection and loss of employment and economic livelihoods as well as decreased availability of quality healthcare and essential services, especially sexual and reproductive health as well as psychosocial and legal support. Accordingly, gender specific impact of the pandemic must be recognised in all response and recovery efforts to safeguard human security.

61. Measures to tackle violence and abuse can be taken such as helplines, reliable reporting and response mechanism as well as victim support service despite lockdown measures. This should also be applied to the safety and protection measures for frontline workers and care givers in both public and private spheres. As for resilience-building, women's economic empowerment must be strengthened particularly through digital and financial inclusion while addressing unpaid

care and domestic work to enable women to be drivers of recovery process. This should be accompanied by expanded, accessible social safety nets, social assistance and social insurance programmes especially for women in vulnerable groups. Last but not least, increased investment is needed in gender responsive public and social infrastructure.

Broad Strategy 3: Maximizing the Potential of Intra-ASEAN Market and Broader Economic Integration

62. The economic shock resulted from the COVID-19 pandemic has brought about significant changes to the global economy, including its production and consumption patterns, and with both demand and supply sides affected. The large-scale social restrictions that inhibited movements of people also disrupted goods and supply chains, further dampening the already muted global trade. The *Broad Strategy 3: Maximizing The Potential of Intra-ASEAN Market and Broader Economic Integration* focuses on priorities that intensify intra-ASEAN trade and investment and establish ASEAN as competitive and contestable markets.

63. Given the importance of trade in ASEAN, the post-pandemic recovery will definitely require more, not less, trade. In the years before the pandemic, global production and supply chains have underpinned the region's market integration, from ASEAN Free Trade Area in 1993 to the ASEAN Economic Community in 2015. As the region leverages on elaborate production networks to do trade, intra-ASEAN trade has somewhat stabilized at 23%, which leaves room for improvement. Trade costs have also declined but not enough to increase the

competitiveness of ASEAN markets. Intra-ASEAN FDI has fluctuated but observed a slight upward trend in recent years. Thus, the opportunity to maximize the potential of internal market will be needed even more for the region to recover from the impact of the pandemic. At the same time, the region needs to remain open and seize the opportunities presented by broader regional integration. This may call for a re-thinking of how supply chains should be organized and economic integration be further deepened

64. To this end, the *Broad Strategy 3: Maximizing the Potential of Intra-ASEAN Market and Broader Economic Integration* has identified ten key priority areas as follows:

3a. Keeping markets open for trade and investment

65. ASEAN realized early the importance of regional and international cooperation and keeping market open to mitigate the impact of the pandemic. The ASEAN Economic Ministers (AEM) issued a statement on Strengthening ASEAN's Economic Resilience in Response to the Outbreak of COVID-19 on 10 March 2020 to mitigate the economic impact of the pandemic. Moreover, ASEAN's resolve to keep its market open was further reaffirmed in the Declaration of the Special ASEAN Summit on COVID-19 on 14 April 2020 and the adoption by the Economic Ministers in June 2020 of the Hanoi Plan of Action of Strengthening Economic Cooperation and Supply Chain Connectivity in Response to COVID-19 Pandemic. This key priority, therefore, will reinforce the need to provide the necessary catalyst for cross-border productive activities in the region, i.e. accelerating trade and investment, and working towards enlarging the market

through economic partnerships with the region's major trading partners.

66. Keeping the ASEAN market open for trade (goods and services) and investment requires effective implementation of the three core agreements: (i) ASEAN Trade in Goods Agreement (ATIGA); (ii) ASEAN Framework Agreement on Services (AFAS), which would subsequently be superseded by the ASEAN Trade in Services Agreement (ATISA); and (iii) ASEAN Comprehensive Investment Agreement (ACIA). As regional production networks are re-organized due to global value chain restructuring, and as business models are made more agile and flexible, it is crucial that ASEAN remains on top of these changing market dynamics. Key priority is to ensure that existing agreements and rules are relevant and responsive to accelerating economic and business trends.

67. Aside from these internal ASEAN agreements, ASEAN also has free trade agreements (FTA) and comprehensive economic partnership (CEP) agreements with major trading partners that not only expand ASEAN's market but also transform the region into an attractive destination for foreign direct investments (FDI). ASEAN and its FTA partners are strengthening the implementation mechanism under their respective FTAs to facilitate the business' utilization of these FTAs, thus, maximizing their benefits. Smoother implementation of these FTAs will also help ASEAN and its FTA partners strengthen economic resilience and regional supply chain connectivity. ASEAN and its FTA partners also continue to upgrade their FTAs to seek further liberalization, where possible, address non-tariff barriers to trade, deepen and broaden economic integration especially in the areas of e-

commerce and other areas of mutual interest.

3b. Strengthening supply chain connectivity and resilience

68. As the pandemic took its toll on supply chains, re-thinking value chains is crucial in order to restart regional production again and maximize intra-regional trade. This can be done by building stronger and smarter supply networks, better information sharing, diversifying sources of supply chains and balancing between resilience, sustainability and efficiency in production -- all of these are needed to restore the vital trade and investment links that have been temporarily disrupted by the pandemic. At the same time, gains from market integration should be reinforced with initiatives that advance the region as hubs for labor-intensive manufacturing and value-added services, while capacity building on the development of local level supply chain trade networks could be conducted to align with regional and international trade networks.

69. In addition, it is important to keep trade lines open, including airports, seaports and land checkpoints open for goods to move from suppliers to consumers without disruption and to preserve supply chain connectivity. To achieve this, ASEAN should intensify efforts to (a) identify and implement measures for supply chain resilience; (b) increase market competitiveness by working closely with private sector; and (c) develop innovative and smart solutions such as digitalization to enhance market operations.

3c. Enabling trade facilitation in the new normal

70. While digitalization is addressed in more detail under the Broad Strategy 4,

enhanced trade facilitation in the new normal will need to leverage on digital technology to keep goods moving as quickly as possible while limiting unnecessary human interaction, especially during and in the aftermath of a pandemic, to ensure smooth customs procedures. A broader category of financial technologies apart from e-commerce and payments could facilitate cross-border trade and promote cross-border transactions by MSMEs.

71. To simplify and digitalize border processes, some AMS have relaxed and simplified their trade documentary requirements and procedures, e.g. utilization and acceptance of digital signatures and seals for ATIGA Form D, or relaxed documentation requirement for the submission of Export/Import Declarations. Some also waived the requirements for paper-based documents and switched to digital, where feasible, through existing automated trade systems and electronic infrastructure such as ASEAN Single Window (ASW). Varying requirements across AMS or agencies in the same AMS mean that traders have to maintain both digital and paper-based documents for customs clearance, which is burdensome. ASEAN should therefore work towards wider acceptance of digital documents to facilitate seamless trade in the region.

72. Processes would also need to be digitalized. Allowing traders to electronically submit applications for Certificate of Origin (CO), ASEAN Customs Declaration Documents (ACDD) and other certificates to obtain the corresponding certificates from relevant agencies is an easy and quick way to digitalize the process. Ensuring that destination and importing countries accept digital copies of certificates, with some procedures further

simplified, can further facilitate cross border trade effectively.

73. Additionally, amidst the volatile financial market conditions, the use of local currencies for trade and investment in ASEAN is promoted as this could reduce transaction costs and foreign exchange risks for businesses. Moreover, the wider use of local currencies would further enhance economic and financial integration, as well as spur development of the foreign exchange and financial markets within the region.

3d. Elimination of Non-Tariff Barriers (NTBs) and cutting down market-distorting policies

74. Elimination of technical barriers to trade contributes to sustaining a strong intra-ASEAN trade. Therefore, addressing NTBs and market-distorting policies is another area that needs to be strengthened as part of ASEAN recovery efforts. There are current proposals in the pipeline such as the development of the NTM Toolkits and the establishment of the independent advisory panel/rapporteur(s) and streamlining work on NTMs that need to be prioritized. A more focused and targeted work programme in addressing NTBs, applied initially to essential goods, should be developed as quickly as possible, to support the effective implementation of the Hanoi Plan of Action of Strengthening Economic Cooperation and Supply Chain Connectivity in Response to COVID-19 Pandemic.

3e. Setting up travel bubble/corridor framework

75. The COVID-19 global pandemic has restricted cross-border movement of people. The decline in transport operations,

particularly aviation, are among the biggest challenges confronting policy makers. While a more digitalized economy is emerging, it cannot fully replace face to face and physical engagement. Regional guidelines to facilitate cross-border movement of essential personnel such as business travelers, and later to help the tourism and travel industry recover, are necessary. At the 36th ASEAN Summit, Leaders encouraged “the maintenance of necessary interconnectedness in the region by facilitating to the extent possible the essential movement of people, including business travels, while ensuring the safeguarding of public health in line with our efforts to combat the COVID-19 pandemic.”

76. Pursuant to the Leaders’ mandate, AMS have commenced discussions on an ASEAN Travel Corridor Arrangement, which aims to provide a platform that would facilitate the movement of essential travelers, in accordance with agreed health protocols. With such an arrangement, it is envisaged that AMS could gradually and with confidence reopen their borders to restore ASEAN’s connectivity, normal business, and prevent further economic downturn.

77. AMS may need to look into harmonising information sharing for travel procedures/protocols and exchange of best practices among all AMS. Within the bounds of public health considerations, AMS may consider harmonising testing standard and health protocols as well as inter-operability of contact tracing applications, supported by regional guidelines on how to facilitate contact tracing. This could include adopting available technological innovations for contact tracing in the region.

3f. Strengthening transport facilitation/ connectivity

78. Transport and trade facilitation go hand in hand. In absence of good transport facilitation or connectivity, it is not possible for trade to take place smoothly. Ensuring continued access to safe, effective, and efficient transportation infrastructure and services during and in the aftermath of the pandemic is key to economic recovery. Notwithstanding varying operations of cross-border road freight carrying goods in transit among AMS, inter-state road freight transport among AMS is allowed provided health protocols and sanitary measures are strictly followed. This, however, may result in lengthier cross-border procedures and thus would require greater cross-border cooperation. For instance, the implementation of trailer swap mechanism, whereby a prime mover of the truck is changed at the border with another prime mover and the trailer/container is going through the border, could be one of the solutions to avoid transshipment (loading and unloading of goods). Moreover, it is recommended to emphasize the need to use interoperable digital infrastructures and big data platforms to improve operational efficiency and successful digitization of ship-port interfaces.

79. With support from UNESCAP and ITF, ASEAN will be developing the “COVID-19 Recovery Guidelines for Resilient and Sustainable International Road Freight Transport Connectivity in ASEAN”, as a set of guidelines for recovery of international road freight transport connectivity in ASEAN that are aligned with the ASEAN Transport Strategic Plan 2016-2025/Kuala Lumpur Transport Strategic Plan (KLTSP), Master Plan on ASEAN Connectivity 2025, Sustainable Development Goals (SDGs) and ASEAN’s

Member States’ national climate goals. Once the Guidelines are fully in place, concrete activities can be identified and implemented to put transport connectivity back on track to support economic activities.

3g. Accelerating sectoral recovery (tourism, MSMEs) and safeguarding employment in most affected sectors

80. The pandemic hit across sectors but not all sectors are affected equally. Some are hit particularly hard, including those that are affected badly by travel and movement restrictions, requirement for physical distancing, and those with less buffer capital to withstand the crisis. This key priority is initially focused on tourism and micro, small, and medium enterprises (MSMEs) but may later be expanded as appropriate. One way to support safe reopening of economic sectors will be through the development of industry-specific health protocols to enable efficient coordination of business activities along the regional supply chains across countries, while strengthening public health gains and mitigating risks.

81. Reviving the tourism sector is imperative given its strong contribution to the economy (14.3% of region’s GDP) and employment (13.7% of total employment in the region). Thus, the development of an ASEAN tourism recovery plan is crucial not only to revitalize the sector, but also to contribute to the overall recovery efforts. Such plan would also help advance or ensure the continuity of the sector’s existing regional plans and mandates such as the ASEAN Tourism Strategic Plan 2016-2025, Pakse Declaration on Roadmap for Strategic Development of Ecotourism Clusters and Tourism Corridors, ASEAN Gender and Development Framework on Tourism, as well

as other strategies on the participation of local communities and private sectors in tourism development.

82. MSMEs are the backbone of the region's economy, accounting for between 88.8% and 99.9% of total establishments and contribute between 51.7% and 97.2% of total employment and about 30% to 53% of GDP.¹⁰ Despite their significant contribution to the economy, MSMEs are vulnerable primarily because they possess fewer internal resources, making them less able to weather liquidity gaps or to rapidly adjust their business models, working methods and marketing channels. This is particularly the case for traditional enterprises, which constitute the vast majority of MSMEs. However, the grouping also includes a small number of firms that can leverage on their small size to innovate and adjust more quickly than larger firms. These firms may even play a secondary role – helping to develop innovative and rapid solutions out of the crisis. As a result, dedicated programs for MSMEs (rather than general business-support schemes), such as the possibility of a financing facility to support MSMEs recovery, may be warranted.

83. In addition, it would also be critical to build the capabilities and networks of the MSMEs. This would include enhancing entrepreneurship and skills development of MSMEs to promote MSMEs' use of digital technology; facilitating MSMEs' access to information and services; providing access to easy credit; supporting and incentivizing their participation in regional and global value chains, and building their capacities through training and mentorship programmes,

business advisory services and repository of solution providers. Aside from building the capacities of the MSMEs, ensuring an enabling environment for more efficient delivery and logistical services will also contribute to bringing household consumption patterns back to normal. For greater social impact such support can be further geared towards disadvantaged areas or groups to promote inclusive and broad-based recovery.

3h. Streamlining and expediting investment process and facilitation and joint promotion initiatives

84. The ASEAN Comprehensive Investment Agreement (ACIA), which entered into force in 2012, aimed at creating a free, open and transparent investment environment within the AEC. ASEAN's free trade agreements with its major trading partners also include robust chapters on trade in services and investment. But while the aspects of liberalization and protection have been prioritized in the negotiations, which have resulted in more meaningful commitments, investment promotion and facilitation have not been given equal focus and attention. As the region gears up for a post-pandemic environment, and in anticipation of the potential brought about by global supply chain restructuring, it becomes imperative and urgent to have in place initiatives that would further facilitate investment, drawing upon initiatives which are currently being pursued in WTO and other relevant international fora such as the APEC. AMS may wish to consider an ASEAN investment facilitation framework a one immediate output of ASEAN recovery efforts.

¹⁰ Study on MSMEs Participation in the Digital Economy in ASEAN by ERIA (2019)

3i. *Enhancing Public Private Partnership (PPP) for Regional Connectivity*

85. ASEAN should also leverage on the momentum for recovery to enhance much needed regional connectivity, by developing or upgrading infrastructure to support sustainable economic development. This would improve the efficiency of key trade routes and supply chain networks, and unlock the digital economy opportunities. The Asian Development Bank (ADB) estimated that ASEAN's infrastructure investment needs would amount to USD 184 billion annually from 2016 to 2030 to meet the region's economic growth and support regional connectivity. However, the urgent needs in public health and the measures to mitigate the socio-economic impact, arising from the COVID-19 pandemic, have led governments to re-evaluate infrastructure priorities. This has created the need to tap private resources, mobilizing alternative financing mechanisms through public-private partnership (PPP) to address the infrastructure gaps in ASEAN. Through the Initial Rolling Priority Pipeline of ASEAN Infrastructure Projects under the Master Plan on ASEAN Connectivity (MPAC) 2025, ASEAN seeks to attract more sustainable infrastructure investments, including through PPP mechanism.

86. Enhancing PPP for regional connectivity would bring substantial benefits to governments as they get better value-for-money through appropriate risk transfer to the private sector over the life-cycle of infrastructure projects. PPP can also be effective in leveraging on private sector expertise and innovation. A concerted public and private sector effort to strengthen regional connectivity would help ASEAN to recover from the pandemic and to build back better, more sustainable and resilient. ASEAN

is encouraged to enjoin existing PPP networks to bolster connectivity.

3j. *Signing and early entry into force of the Regional Comprehensive Economic Partnership (RCEP)*

87. Signing the Regional Comprehensive Economic Partnership (RCEP) is a major deliverable that ASEAN hopes to achieve in November 2020. This would not only reinforce ASEAN's central role in driving the evolving regional architecture but also signal the region's commitment to free trade and its critical role in post-COVID-19 recovery efforts, particularly in enhancing business confidence and contributing to the growth and stability of both the regional and global economy. The signing and subsequent implementation of the RCEP is expected to be a catalyst for the regional post COVID-19 economic and social recovery. Thus, the timely and faithful implementation of the RCEP Agreement is critical. To this end, following the signing, it is important for RCEP signatories to follow through on the domestic processes so as to ensure the early entry into force of the RCEP.

Broad Strategy 4: Accelerating Inclusive Digital Transformation

88. Digital transformation in ASEAN has accelerated remarkably for the last decades, driven by the region's demographic shift to a younger population, a rising middle income class, and, especially, the fast-growing use of digital technology across the region. Firms and businesses regardless of their size are benefiting from the impact of digital transformation, which can boost productivity, efficiency, and quality of goods and services. The regional digital economy is rapidly taking its shape and constantly altering conventional

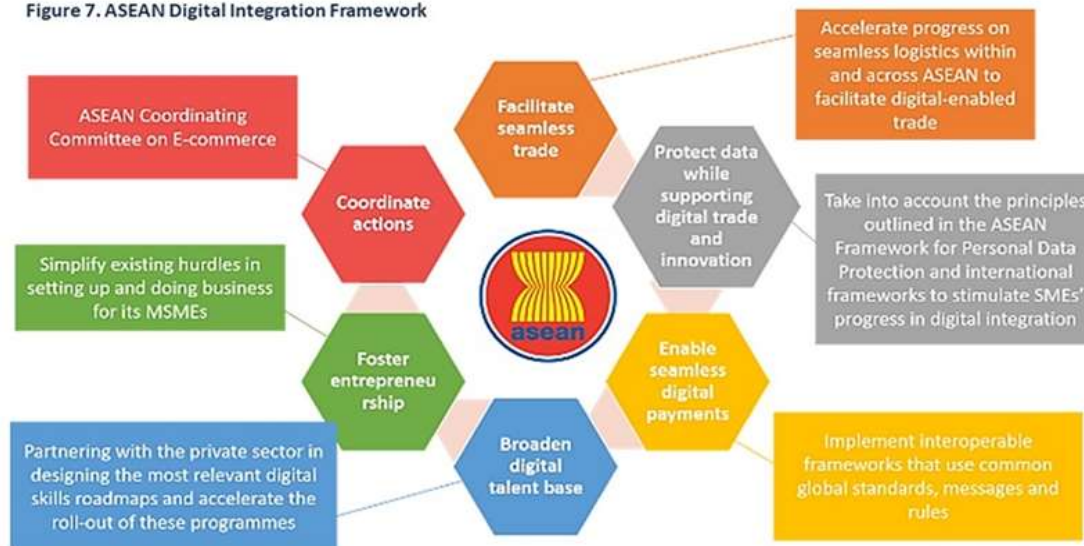
notions about digitally enabled economy. The *Broad Strategy 4: Accelerating Inclusive Digital Transformation* leverages on the momentum and imperative of digital transformation and seizes the enormous opportunities presented by digital technologies to boost economy and improve society in the post-COVID-19 world.

89. The size of digital economy in ASEAN is expected to grow by 6.4 times, from US\$31 billion or 1.3% of GDP in 2015 to US\$197 billion or 8.5% of GDP by 2025.¹¹ As the digital economy is becoming a key driving force for the economic growth, ASEAN has put in place a solid structured regulatory framework governing its cooperation in essential areas such as digital trade or e-commerce, digital infrastructure and innovation, data governance and cybersecurity. The ASEAN ICT Master Plan 2020, ASEAN Agreement on Electronic Commerce, and recently the ASEAN Digital Integration Framework Action Plan 2019-2025 (DIFAP) (**Figure 7**), Master Plan on ASEAN Connectivity 2025, among others, to

promote sustainable and inclusive digital economy in the region.

90. In these unprecedented circumstances, digital technologies offer viable alternative solutions and digital transformation becomes a necessity. ASEAN businesses and consumers have been quick to adapt to and embrace digital tools given the imperatives of the new normal. The increasing use of digital technology does not come without challenges. The digital divide, lack of basic knowledge, digital infrastructure strong regulatory frameworks, limited capacity of MSMEs, and cybersecurity issues are among the immediate challenges. Accelerating digital transformation in COVID-19 recovery will require special measures to ensure both quick recovery and sustainable growth. They require ASEAN to refocus its resources on initiatives that effectively contribute to the foundation of a sound and sustainable digital economy of ASEAN on a longer-term basis, taking into account on-going initiatives which are being pursued.

Figure 7. ASEAN Digital Integration Framework



Source: ASEAN Secretariat

¹¹ Desjardins, J. (2018), Southeast Asia: An Emerging Market with Booming Digital Growth. Visual Capitalist. Retrieved from <http://www.visualcapitalist.com/southeast-asia-digital-growth-potential/>

Existing mechanisms such as the ASEAN Smart Cities Network (ASCN) should also be utilized to exchange ideas and share experiences on using technology to fight and recover from COVID-19.

91. The *Broad Strategy 4: Accelerating Inclusive Digital Transformation* has identified eleven key priority areas as follows:

4a. Promoting e-commerce and the digital economy

92. Promoting e-commerce and the digital economy is crucial to revitalizing demand for goods and services that has drastically shrunk during the pandemic. It is estimated that digital integration could uplift the region's GDP by US\$1 trillion by 2025.¹² Thus, to further enhance the e-commerce cross-border trade among ASEAN Member States, particularly given the COVID-19 pandemic, the ASEAN Online Sale Day was held on 8th August 2020 and is expected to be organized every year. As the master plan for the development of e-commerce and digital economy of the region, the ASEAN Digital Integration Framework Action Plan (DIFAP) is the main reference for collective actions by ASEAN in this regard. Along with the development of the DIFAP, the ASEAN Digital Integration Index (ADII) was adopted by ASEAN Economic Ministers in August 2020, to measure the policy and infrastructure readiness of AMS for the implementation of DIFAP.

93. With the entry into force of the ASEAN Agreement on E-commerce expected in 2020, ASEAN will be able to explore new and bold measures to promote e-commerce and digital economy in a broader sense as

part of the recovery plan. Furthermore, it is important to mainstream digitalisation in all sectors including healthcare (e.g. telemedicine) including to strengthen health-related supply chains such as health equipment, consumables, medicines including vaccines, including at time of pandemic and to ensure better health service delivery overall.

4b. Promoting e-government and e-services

94. Promoting e-governance highlights ASEAN's consistent commitment to the enhancement of ASEAN civil service to be agile, efficient, and people oriented, people-centered to respond effectively in the era of disruptive technology, as stipulated under the ASEAN Cooperation on Civil Service Matters 2015-2025. E-governance matters more than ever during the time of crisis as governments strive to ensure continued delivery of public services while observing the necessary health protocols. To this end, ASEAN should undertake measures to encourage digital innovations and digital adoption in civil service through expediting various mechanism, strategies, framework and platforms. In addition, capacity building and cooperation in the area of e-identification shall also be explored. ASEAN should build capacity and optimize the use of digital means in delivering public sector's services and support.

4c. Promoting financial inclusion including through digital financial services and regional payment connectivity

95. Given its direct practical impact, promoting financial inclusion including through digital financial services and regional payment connectivity is a determining factor

¹² Advancing towards ASEAN digital integration | Bain & Company, Inc. 2019.

for the success of the digital transformation. There remain pressing challenges with 265 million people or 44% of adults in ASEAN who are still unbanked, combined with high-levels of informal activities.¹³ It is imperative for ASEAN to include as part of the implementation of the Framework decisive actions to remove roadblocks to effective and interoperable payment systems (such as technical, policy and regulatory, human resources, and capacity constraints) and increase financial access for businesses and consumers in the region. It is also essential to reach the unbanked population to widen financial inclusivity, such as through financial literacy initiatives, technological solutions, and expanding the reach of banking institutions, especially in rural and remote areas among others.

4d. Promoting MSME digital upskilling and access to markets

96. Promoting MSME digital upskilling and access to markets is indispensable for the efficacy of digital transformation in the recovery framework. It is intended to bring forward a robust agenda to enhance the effective participation of MSMEs in the digital economy of ASEAN; this is not just desirable but also imperative in ensuring their survival. MSMEs are key contributors to the region's economy; in terms of value add and also employment. Nevertheless, many MSMEs are still being marginalized from the digital transformation and as such at the risk of being left further behind during COVID-19 recovery. In 2020, facing unprecedented impacts of the pandemic, a project "Go Digital ASEAN: Digital skills to address the economic impact of COVID-19" is being implemented by ASEAN in partnership with

the private sector to support ASEAN Member States in efforts to promote digital upskilling for MSMEs.

4e. Enhancing connectivity

97. Enhancing connectivity is the basic element for the digital transformation. It provides secure and affordable network access to all people and empower the entire population with a means to improve their livelihood. Digital connectivity creates a large base of businesses and consumers underpinning the dynamic and sustainable growth of the digital economy. The effective operationalization of ASEAN Framework International Mobile Roaming, the development of the next generation Universal Service Obligation (USO 2.0), and development of the Fifth Generation Mobile Technology (5G) ecosystem would contribute to the success of the digital transformation.

4f. Promoting ICT in education

98. Promoting ICT in education is a priority under the ASEAN Work Plan on Youth 2016-2020. It will feature prominently in the forthcoming post-2020 work plans of both the education and youth sectors. The COVID-19 pandemic caused large disruption of education globally, including in ASEAN. Digital technology brings a great alternative solution to support the continuity of learning while the educational system is virtually unprepared. Moreover, it also reinvents the schools and educational system post-pandemic. The new normal reality underlines the importance for ASEAN to adopt new competencies, innovative learning materials, schooling methods and best practices to develop an inclusive and resilient educational system leveraging on advantages of digital technology. At the same time, it is important

¹³ Advancing Digital Financial Inclusion in ASEAN: Policy and Regulatory Enablers by World Bank Group and ASEAN (2020).

to safeguard students and learners from online abuse and exploitation.

4g. Improving digital legal framework and institutional capacity

99. Improving digital legal framework and institutional capacity is one of the objectives of the ASEAN Digital Integration Framework Action Plan 2019 - 2025 (DIFAP), which is the cross-sectoral strategic plan to support for the development of digital economy in the region. Given the vast dimensions in the areas of regulatory framework and capacity building, the emerging use of e-commerce during the pandemic underscores the need to prioritize practical measures to boost trust and confidence for business and consumers. The level of digital regulatory and institutional readiness varies across AMS, so capacity building and sharing of information and best practices must be part of the efforts. In addition, ASEAN should endeavor to consider new “pathfinder” initiatives that allow ASEAN businesses maximize their region-wide market base and enjoy the full and long-term benefits of the ASEAN single market. To this end, collaborative work must be intensified across relevant sectoral bodies.

4h. Strengthening data governance and cybersecurity

100. Strengthening data governance and cybersecurity are regarded as the prerequisite conditions for sustainable development of the digital economy. The ASEAN Framework on Digital Data Governance, ASEAN Framework on Personal Data Protection, and the ASEAN Cybersecurity Cooperation Strategy have remained for many years as the guide for regional cooperation. The acceleration of the

pace of digital transformation, catalysed by the COVID-19 pandemic, increases cyber dependency. The uneven capacities of cybersecurity infrastructure in the region poses wider threats to governments, businesses, and society. In this regard, decisive measures to raise public awareness, and upgrade AMS’ policy, technical and legal capacity to effectively address cybersecurity issues are extremely important to ensure a reliable and secure digital environment.

Broad Strategy 5: Advancing Towards a More Sustainable and Resilient Future

101. In enhancing the resilience of ASEAN economic development post-pandemic, and in line with the UN 2030 Agenda for Sustainable Development, ASEAN shall step up efforts to promote sustainability and socially responsible policy-making at national and regional levels. The *Broad Strategy 5: Advancing towards a More Sustainable and Resilient Future* concerns ASEAN’s commitment to develop recovery framework that is durable, long-lasting, and inclusive, capable of safeguarding the region’s natural resources, social fabric, and the prosperity of its people. This Broad Strategy emphasizes that a return to ‘business as usual’ is no longer be an option for ASEAN in the post-pandemic world, and this paradigm shift will require ASEAN governments, businesses, and civil society to work collectively to enable systemic change needed by the region for a sustainable and resilient future.

102. Beyond the direct and immediate impact of COVID-19, the pandemic has also highlighted the vulnerabilities in our economy and society, from widening inequalities to unsustainable production, consumption, and

other practices. It underscored the need to take on a strategic and holistic approach to manage disasters and emergencies in the future, with a view to better shield the economy, society, and the broader developmental agenda. The pandemic has also unveiled the gaps in the multilateral agenda and consequently highlight areas that ASEAN needs to prioritise. It has shown that responsibilities to act extend from governments to private sector to civil society and individuals in order to successfully meet the SDGs. Unless these challenges are addressed, it may impede progress towards the achievement of the ASEAN Community Vision 2025 and SDGs. The ongoing public health crisis presents ASEAN with an opportunity to reset and recalibrate the region's growth trajectory on a more sustainable, accelerated, and resilient track.

103. To support the attainment of the *Broad Strategy 5: Advancing towards a More Sustainable and Resilient Future*, seven key priorities have been identified as follows:

5a. Promoting sustainable development in all dimensions

104. Evidence suggests that sustainability challenges are much more complex and present more daunting scenarios than a pandemic. In fact, these challenges have been in existence before COVID-19 and the pandemic has highlighted the importance of addressing them. Thus, failure to address those issues in the recovery efforts could have more problematic long-term impacts than what are currently seen with COVID-19. While AMS and the region have made significant efforts in responding to the sustainability challenges, more actions are still needed to ensure that the future

recovery comes back stronger and can respond more quickly in a crisis.

105. ASEAN has been advancing sustainable development cooperation through promoting complementarities between the ASEAN Community Vision 2025 and the UN 2030 Agenda for Sustainable Development (Complementarities Initiative), with particular attention to be given to finding a balance between economic and social development and environmental impacts as echoed in the outcomes of the 4th High-Level Brainstorming Dialogue on Enhancing Complementarities between the ASEAN Community Vision 2025 and the United Nations 2030 Agenda for Sustainable Development (HLBD). ASEAN remains committed to: (1) pursue a pro-poor, inclusive, gender-, culture- and climate-responsive approach to recovery and strengthen integrated policy frameworks to address governance gaps in the rural-urban continuum, as well as cross-sectoral and inter-sectoral cooperation at the ASEAN level; (2) promote nature-based solutions to increase the region's resilience towards future pandemics;¹⁴ (3) address the issue of plastic waste and marine plastic debris by promoting sustainable use and management of natural resources and supporting the region's transition to circular economy; and (4) maximize the role of ASEAN Centres, especially the ASEAN Centre for Sustainable Development Studies and Dialogue (ACSDSD) and the ASEAN Centre for Biodiversity (ACB), to ensure impactful implementation of the framework.

¹⁴ ASEAN continuously promotes efforts to mainstream biodiversity across relevant sectors, while encouraging individuals and community to become 'bio-literate' to adopt behaviours that address the root-cause of future pandemic and zoonosis.

5b. Facilitating transition to sustainable energy

106. Even before the pandemic, climate change represents a fundamental risk to ASEAN given the potential scale of devastation and disruption caused by carbon emissions to environment, and the many natural disasters already experienced in ASEAN which are aggravated by climate change. Driven by this risk, as well as threats of future pandemics, actions to mitigate the impacts of climate change should be taken immediately. This involves the ability to develop and implement decarbonisation strategies and coordinate measures strongly among countries to fight climate change. As ASEAN continues to push for stimulus packages to strengthen the recovery, immediate considerations can be on those stimulus measures that make use of climate resilient solutions such as, for example, building infrastructure for climate resilience to generate jobs and re-start economic activities.

107. One key priority for the region is to transition to renewable energy and energy efficiency. This involves moving towards a decarbonisation pathway that transforms energy systems from carbon-intensive to cleaner energy. For ASEAN, this transition would involve pursuing the security and resilience of its energy systems. COVID-19 recovery presents an opportunity to promote the green growth that the AEC Blueprint 2025 had intended, and, the chance for ASEAN to build back better and cleaner.

108. Sustainable energy is integral to the ASEAN growth strategy, and well-directed investments in clean energy and related technologies will contribute to the region's recovery and form part of the region's long-

term infrastructure stock, which could represent huge opportunities to stimulate growth and employment.¹⁵ Transition to sustainable energy could be pursued as follows: (1) cross-sectoral coordination to frame and sustain an ASEAN energy transition that effectively combines public policy, investments, and behavioural change; (2) design of economic stimulus packages within AMS which consider green measures, such as leveraging fiscal spending pertaining to energy supply and demand infrastructure in support of energy decarbonization in ASEAN; (3) identification of specific measures within AMS to support investments that deploy clean electricity sources, expand and modernise power grids, improve the energy efficiency of appliances, buildings, and industrial equipment and increase the spread of cleaner transport and use of sustainable biofuels and other clean energy innovations, as well as generate green jobs and leveraging on the use of holistic tools and frameworks to assess the impact of relevant measures to cover not only the levelized cost of energy but also broader impacts in terms of emissions, water footprint, air quality and human health, job creation, energy access and resilience; (4) enhanced collaboration and partnerships to ensure ASEAN's capacity to access innovations and deploy emerging technologies (including through establishment of public-private funds,

¹⁵ Energy demand to fuel growth will need to continue to be met. Preliminary estimates from the 6th ASEAN Energy Outlook (ACE, *forthcoming*) projects a primary energy demand growth of 233% from 2017 to 2040. The pandemic is estimated to decrease primary energy supply growth only slightly by 3%, with eventual recovery through 2040 and with the decrease most prominent in the near-term. The International Renewable Energy Agency (IRENA), meanwhile, estimates potentially large net employment gains from pursuing the energy transition in Southeast Asia: about 4.7 million new jobs compared to business as usual versus the 0.3 million jobs potentially lost in the less labour-intensive fossil fuels industry through 2050.

developing technical assistance and knowledge exchange hubs, investing in R&D; and upskilling and reskilling ASEAN's workforce for green jobs, etc.); (5) ensuring that the ASEAN energy sectoral work plan achieves, at the minimum, its clean energy targets by 2025 (i.e., 23% share of renewable energy in the ASEAN energy mix and at least 30% energy intensity reduction); and (6) strengthening the energy supply chain through diversification to enhance resilience from future disruptions.

5c. Building green infrastructure and addressing basic infrastructure gaps

109. Since recovery efforts usually involve much higher public spending, investing in basic and green infrastructure can spur significant near-term job creation to support the recovery. Thus, sustainable infrastructure can double down on addressing climate action as well as basic infrastructure gaps. Sustainable infrastructure is critical to pandemic recovery and adaptation to the new normal. The Master Plan on ASEAN Connectivity (MPAC) 2025 continues to promote infrastructure investments through the Initial Rolling Priority Pipeline of ASEAN Infrastructure Projects, which is designed to help AMS prioritise and implement sustainable infrastructure projects in line with international best practices. This initiative presents opportunities through projects that can help ASEAN to build back better. Making the most out of the Framework for Improving ASEAN Infrastructure Productivity would be timely to strengthen our infrastructure planning, delivery, and operations, supporting AMS to prioritise capacity building needs and customise specific actions taking the COVID-19 situation into account.

110. In addition, with half of ASEAN population already living in urban areas, and given that COVID-19 has demonstrated how high urban population density can quickly lead to widespread transmission, the ASEAN Smart Cities Network (ASCN) could provide a collaborative platform to exchange best practices and lessons learnt in addressing the COVID-19 pandemic and developing recovery strategies using technological innovations, including ways on operationalising contact tracing. ASEAN would also continue to cooperate with various partners to support participating cities across ASEAN to accelerate their sustainable urbanisation efforts within the framework of ASEAN Sustainable Urbanisation Strategy (ASUS). Synergising ASCN's and ASUS' efforts would be important in addressing urban challenges brought by COVID-19 and strengthening pandemic preparedness for long-term urban resilience.

111. Complementing this work is the promotion of environmental-conscious transport, which refers to the use of more automated and smart mobility that will facilitate the development of an environmentally-friendly transport system in the region. As the pandemic recedes, a greater use of more environmental conscious modes of transport and use of new technologies should be retained as much as possible.

5d. Promoting sustainable and responsible investment

112. In enhancing ASEAN economic resilience and in line with the UN 2030 Agenda for Sustainable Development, ASEAN shall step up efforts to promote sustainable and socially responsible investment policy-making at national and regional levels. This

may include, but not limited to, efforts in enhancing local economic linkages, ensuring environmental sustainability, promoting social development and inclusion, and upholding good governance. Relevant international frameworks and guidelines, such as the UNCTAD's Investment Policy Framework for Sustainable Development, the OECD's Policy Framework for Investment and the OECD Guidelines for Multinational Enterprises, may serve as references. The promotion of sustainable and responsible investment is a collective endeavour; the responsibility rests not only with governments and policy-makers, but also with other stakeholders, such as investors and civil society.

113. In particular, the region could work on attracting more investment in sectors that were resilient during the pandemic, and those that can help address future crises. These periods should also present ASEAN with an opportunity to reassess its development strategies and plans with regard to sustainable investment. Policymakers as well as companies and industries shall look beyond efficiency consideration, to also take into consideration resilience, inclusion and sustainability. It is in the region's long-term interest to attract investments that respect social (including labour) and environmental regulations, standards, and the relevant laws and regulations, and that will reinvest in human capital development and local economic development. Thus, properly managed and implemented, sustainable investment will improve economic and social resilience to future shocks.

5e. Promoting high-value industries, sustainability, and productivity in agriculture

114. While its contribution to the GDP has been in decline, agriculture remains an important sector in ASEAN, providing a major source of food and nutritional security, employment and incomes to a large proportion of the rural population. The impact of the pandemic on food security, through disruptions on the supply chains, has highlighted again the importance of investing in sustainable agriculture and food system. One urgent action is improving the sector's productivity and the second is on promoting climate-smart agriculture (CSA). In this regard, there is a need for ASEAN to strengthen food value chain (FVC) approach to food safety, security and quality by implementing relevant activities on ASEAN Good Agricultural Practices, ASEAN Good Aquaculture Practices, and CSA practices, and developing strategies for promoting Public and Private Partnership (PPP) based on FVC and CSA. Building high-value food industries such as in processing, packaging and retailing is also crucial not only to capture a higher value-added for agriculture, but also to increase incomes of farmers and agricultural workers.

115. Related to agriculture is wildlife trafficking. There is a need for ASEAN to prevent future pandemic by intensifying its efforts to combat wildlife trafficking through sharing and exchange of information and regional and international cooperation for wildlife law enforcement. The effective implementation of the ASEAN Guidelines for Detecting and Preventing Wildlife Trafficking will be key to ensure ASEAN's longer term sustainability and resilience.

5f. Managing disaster risks and strengthening disaster management

116. ASEAN, as one of the most disaster-prone regions in the world, faces another daunting challenge in the COVID-19 pandemic and its aftermath. The pandemic presents unique challenges and opportunities for ASEAN to rethink approaches and design adaptive and transformative strategies in mitigating and responding to current and future disasters. Multi-hazard prevention and preparedness, with particular focus on pandemic, needs to be integrated across disaster risk management strategies, as well as the overall development planning programme. Hence, it is crucial for ASEAN in the foreseeable future, to invest greater resources to strengthen the disaster-resilience of the ASEAN community by adopting a transformative mindset towards a more proactive and preventative approach to future shocks in a way that addresses the different needs of vulnerable groups. To this end, ASEAN shall imbue efforts in upstream preventive policies and initiatives, including strengthening disaster risk awareness and monitoring instruments, disaster prevention and mitigation programmes, and disaster preparedness mechanisms to achieve resilient future in the face of pandemic threats.

5g. Promoting sustainable financing

117. Sustainable financing is about integrating environment, social, and/or governance criteria into financing decisions for the lasting benefit of both clients and society at large, taking a longer term and more holistic view on return to investment. Sustainable financing plays a vital role in ensuring sustainable growth and development post-COVID-19 through the proper mobilisation of the right scale and mix of financing with predictability and sustainability of funding sources (e.g. banks,

capital markets, and insurance) that will pave the way for ASEAN's path to recovery. One of the focus areas to achieve sustainable financing is the potential of social and sustainability bonds, or the use of proceeds bonds that raise funds for new and existing projects with positive social outcomes, to assist ASEAN to collectively mitigate the pandemic, on the one hand, and adapt to future crises, on the other.¹⁶ Prior to and during the reopening of ASEAN economies, available source of financing should be leveraged to contain the drop in the other sources of financing. During the recovery, actors or proponents of sustainable financing and beyond need to collaborate closely for a more equitable, sustainable, and resilient world.

¹⁶ Social and sustainability bonds are inclusive and responsive. While they are expected to specifically target vulnerable and marginalised groups, they can also provide general public benefit and build resilience. They are also flexible in the sense that its proceeds typically include one green use and at least one social use. Examples of which are the financing of the provision of emergency medical equipment, providing longer-term economic support that may make the difference between businesses declaring bankruptcy, or being able to stay afloat over the coming months.

Chapter 4

Implementing the ASEAN Response – Road to Recovery and Stability

118. The ASEAN Comprehensive Recovery Framework (ACRF) and its Implementation Plan are only as good as the ability to undertake them and achieve the expected outcomes of an inclusive and resilient recovery. How to save lives, safeguard livelihoods, and build resilience – and make them happen – are compelling challenges that ASEAN countries should, and indeed must, address strategically. To this end, a number of cross-cutting enabling factors have been identified: (1) policy measures and responses; (2) financing and resource mobilisation; (3) institutions and governance mechanisms; (4) stakeholder engagement and partnership; and (5) effective monitoring. Resources are limited and time is of the essence. It is important for ASEAN to be pragmatic in its approach to a comprehensive recovery. Reinventing the wheel and duplication of efforts or mechanisms need to be avoided, and all efforts must be results-oriented. The progress on these fronts will determine the shape of recovery. This Chapter elaborates on the enabling factors to ensure that the efforts can be realised.

Policy measures and responses for resilient recovery

119. Since the outbreak, policy interventions by ASEAN governments have been decisive. The crisis would have been worse still without the extraordinary policy support. While the responses of some AMS

had been circumscribed by limited policy space, there's no doubt that policy actions have guaranteed the continued functioning of essential sectors and prevented excessive economic disruption at the start of the crisis. Concerted policy coordination is necessary to achieve a full economic recovery particularly in the case of a more prolonged health crisis and a delay in recovery. A multi-faceted policy response is needed to allow for more durable and inclusive growth. For example, discretionary fiscal spending should focus on quality public investment while monetary and macro-prudential measures should support the supply of credit to hardest-hit individuals and economic sectors. Since countries entered this crisis in varying health situations and available policy space, the success of ACRF will depend crucially on policies undertaken by each country during the crisis and how they are coordinated with policies implemented by other countries in line with regional efforts.

120. During the implementation of ACRF, domestic policies need to be supported as well by a strong international and regional cooperation to maximize the chances of a quick recovery. To ensure consistency with the overall goals and objectives of ASEAN cooperation, while, at the same time, ensuring the relevance and effectiveness of ASEAN's response to emerging public health emergencies, the ACRF and its Implementation Plan shall make reference to

and be guided by key ASEAN agreements and documents, and existing action plans, while allowing for necessary reprioritisation and recalibration to more effectively contribute to the broad strategies of the ACRF. The implementation of the ACRF shall also be consistent with internationally recognised principles, standards, and best practices, as well as ASEAN's commitments towards the SDGs. As the pandemic subsides and recovery sets in, countries can further support the rebound by advancing innovation in policy responses in line with the long-term resilience phase of ACRF. This maybe the right time to innovate policy making processes and to speed up progress toward sustainable development.

Financing the recovery and resource mobilisation

121. The scale and scope of impact of the pandemic has highlighted ASEAN's needs to pool together all possible resources and expertise to respond. Sustainable resource mobilisation is, therefore, needed for ASEAN to address COVID-19 impact and to support implementation of the ACRF and its action plan. This enabling factor ensures that ASEAN has the flexibility to tap into its existing resources and attract new resources so as to enable the region's recovery process to be on-target, durable and inclusive, meeting the most urgent needs of each AMS and their citizens.

122. The COVID-19 ASEAN Response Fund has been established to provide support to AMS in the detection, control and prevention of COVID-19 transmission and in protecting the safety of medical professionals, healthcare workers, frontline workers and the wider AMS population. The Fund is also critical in supporting relevant research and

development, providing technical support in the planning and implementation of containment and mitigation measures; facilitating the sharing of best practices; as well as for capacity and capability-building of health professionals and other frontline personnel. In addition to contribution from the ASEAN Development Fund, the COVID-19 ASEAN Response Fund is also open to voluntary contributions from AMS, Dialogue Partners, Sectoral Dialogue Partners, Development Partners, and other external partners of ASEAN, including international organizations and funding agencies as well as public and private sectors.

123. Given the comprehensive scope of the ACRF, resources will also be needed to support the implementation of initiatives and programmes that go beyond the coverage of the COVID-19 ASEAN Response Fund. To this end, ASEAN will ensure the inclusion of relevant initiatives and programmes identified in the Implementation Plan in the respective sectoral work plans and/or factor these in in the development of Plan of Actions with Dialogue Partners and other external partners, project activities, and broader partnership with stakeholders including knowledge partners, the private sector, and civil society organisations. Existing funding programmes in the region can be re-purposed or innovative solutions can be explored to meet current needs towards COVID-19 response and recovery efforts. With development partners, ASEAN governments can establish special economic development plans or solidary plans that can be used for immediate relief of specific sectors. With the private sector, governments can also set up regional liquidity fund to support businesses with grants and working capital loans to make them viable again. Meanwhile, at the country level, while public

finance is expected to be the main source of financing the recovery, countries need to find creative ways to mobilize resources such as a special purpose vehicle and other government-backed convertible loan mechanisms.

Institutions and governance mechanisms

124. During the pandemic, it has been clear that effective leadership matters in containing the spread of the virus. This explains the differentiated impacts of the pandemic across countries and why strong governance and institutions and coordination at all levels are needed to secure a recovery. In implementing the ACRF, it is important that governments continue to build public trust in navigating through significant COVID-19 uncertainties. They should be able to establish institutions that can boost confidence and deliver policies for recovery. Businesses are also expected to adjust their cost structure and investments and build new operating models to guarantee business continuity. Outside the countries, development organizations should think of a new approach for a truly coordinated global response.

125. Within the region, the **ASEAN Coordinating Council Working Group on Public Health Emergencies (ACCWG-PHE)** was set up to ensure a coordinated, cross-pillar and cross-sectoral ASEAN response to the COVID-19 crisis. Consisting of Senior Officials Meeting (SOM), Senior Economic Officials' Meeting (SEOM), Senior Officials' Meeting for the ASEAN Socio-Cultural Community (SOCA), the Committee of Permanent Representatives to ASEAN (CPR) and other sectoral bodies that have critical roles in addressing the issue, in particular the

Senior Officials for Health Development (SOM-HD), ACCWG-PHE plays a central role in coordinating and monitoring ASEAN's overall response to the present and future public health emergencies.

126. The ACCWG-PHE reports to the ASEAN Coordinating Council (ACC). This enables streamlined reporting, prompt guidance and decision making, while at the same time ensures direct follow up by the responsible sectoral bodies. The ACCWG-PHE is therefore well-placed to play the lead coordinating and monitoring role of the implementation of the ACRF and its Implementation Plan.

127. Additionally, to ensure on the ground implementation of initiatives and programmes, the Implementation Plan of the ACRF identifies the responsible lead sectoral body and other relevant sectoral bodies for each initiative/programme, along with the expected output/deliverable. This information allows for clear monitoring of progress in ASEAN recovery efforts, as supported by the ASEAN Secretariat, for regular updating to and assessment by the ACCWG-PHE. Respective ASEAN Community Pillars may likewise support the monitoring of progress in the implementation of ACRF initiatives/programmes under their purview, including through updating and discussions at the three coordinating conferences, namely the Coordinating Conference for the ASEAN Political-Security Community (ASCCO), the Committee of the Whole for the ASEAN Economic Community (CoW), and the Coordinating Conference on the ASEAN Socio-Cultural Community (SOC-COM).

Role of stakeholder engagement and partnerships

128. Taking the whole-of-Community approach to recovery, stakeholder engagement and partnerships will need to be given renewed emphasis. The effectiveness of ASEAN's response to address present and future public health emergencies will also be determined by the effectiveness of its engagement and partnerships with its diverse stakeholders. ASEAN stakeholders can support the ACRF in different ways. They can undertake joint ACRF initiatives and programmes and disseminate latest on-the-ground information in support of informed policy-making at national and regional levels. Given the multi-faceted nature of the pandemic, successful recovery depends on all stakeholders having a clear understanding of their specific roles in the recovery process and their ability to contribute.

129. Within the region, the stakeholders that can play a critical role in the recovery efforts are the private sector and development partners. During the implementation of the Framework and its implementation plan, it is expected that engagement with them will be intensified to explore possible synergies for best support. In the case of private sector, the governments can work with the ASEAN Business Advisory Council (ASEAN-BAC) and joint business councils (JBCs) in carrying out activities together to support the Recovery Framework, including relevant recommendations as provided in A Pathway towards Recovery and Hope in ASEAN¹⁷ presented by ASEAN-BAC to the Leaders. They can also collaborate in mobilizing private sector resources to support

government response to the crisis, identifying mechanisms for effective engagement, and raising public awareness. Similarly, ASEAN can work with dialogue partners and development institutions to ensure the key initiatives under the ACRF are implemented through resource sharing, technical assistance and capacity building activities. This is in addition to building up bigger and bolder initiatives that will shore up resilience of ASEAN in health care, human capital, and economic systems for the future.

130. Apart from regional cooperation, an integral part of ASEAN recovery response is to strengthen multilateral cooperation. Knowledge and information sharing in the health sector, from the development and provision of medical equipment, diagnostic tools, vaccines and treatments, have enabled the global community mitigate the consequences of this health crisis. Going beyond the health sector, multilateral cooperation is needed in other areas such as but not limited to trade, travel and border management. Countries' commitment to keep normal trade flows and supply chains connected has provided a lifeline to the stumbling economy. Cooperation with external partners, especially ASEAN Dialogue Partners, Sectoral Partners, Development Partners, and other partners, and active engagement in multilateral platforms will continue to be important in enhancing the region's response capacity and ensure its preparedness for future crises.

Monitoring the ASEAN pandemic recovery

131. Apart from ensuring the accountability of the ACRF and its Implementation Plan, effective monitoring and review is also needed to enable ASEAN

¹⁷ <https://www.asean-bac.org/news/show/98-a-pathway-towards-recovery-and-hope-in-asean>

and its Member States to be informed of progress, existing capacity and resources gaps with respect to its comprehensive response, as well as to generate information for resource mobilisation.

132. The ASEAN Secretariat will provide the necessary support to regularly monitor the progress of the Implementation Plan of the ACRF, particularly in measuring the progress of the identified initiatives and programmes against their corresponding outputs and deliverables. In addition, the ASEAN Secretariat shall also support the updating of the Implementation Plan with relevant initiatives and programmes as identified and contributed by ASEAN sectoral bodies. The monitoring and evaluation of ASEAN COVID-19 recovery is crucial to assess the effectiveness of the ACRF and its implementation plan, and will be undertaken by the ASEAN Secretariat, with possible external support.

133. The ACCWG-PHE and relevant ASEAN sectoral bodies and stakeholders will be updated on the progress of the ACRF and its Implementation Plan accordingly. The ACCWG-PHE will be responsible for periodically reviewing the progress of the ACRF and its Implementation Plan for reporting to the ACC.

Chapter 5

Beyond COVID-19: Re-imagining ASEAN

134. ASEAN is in now at an inflexion point. The COVID-19 pandemic is unlike any crisis that ASEAN has experienced before. It has exposed the region's vulnerabilities – from public health and social protection systems to supply chain connectivity – and challenged ASEAN's resolve to work together to contain the virus. A few months into the crisis, the pandemic is still a significant threat to AMS and the region. While some ASEAN countries appear to have slowed the spread of the virus, others are still struggling.

135. Containment of the COVID-19 virus is necessary to achieve a meaningful recovery from the pandemic. Unless the region is fully immune to the disease to blunt the transmission, the economy and the social fabric that holds it together will be seriously undermined until such a time that a vaccine is introduced. Protecting lives and livelihoods will continue to be an important priority as leaders and policy makers look for solutions. However, that should not – and need not -- prevent the region from taking decisive action. As this ACRF attests, recovery is not only about overcoming the virus; but also about enabling ASEAN to bounce back better and build a resilient future. As exemplified by COVID-19, pandemic preparedness requires a solution not only from health but also from social and economic perspectives. This may also apply to the region's response to other future emergencies and disasters that have cross-pillar implications. To this end, ASEAN needs to remain ahead of the curve and be

ready with a more strategic and holistic approach to safeguarding the basic needs, goods, and services required by the ASEAN people in times of crisis.

136. Crucially, part of building back is about re-imagining the future of ASEAN. The post-pandemic recovery will not be a return to business as usual for ASEAN. Since COVID-19 has irreversibly transformed economies and societies in the region, equally transformative responses are needed. This means that there can be no going back to the old way of doing things. Creative solutions are needed and this would require a new set of thinking from all stakeholders involved in the recovery process. For example, ASEAN governments should be able to structure their decision-making with greater flexibility to address the challenges they face, by having policies and regulations and improvements in public operations delivered quickly to mitigate the broader impact of the crisis. They should also remain open to new technologies and ways of thinking to generate buy-in in some important initiatives such as digitalization and sustainable development. Decision-making should also be inclusive, incorporating women and other relevant stakeholders in the process.

137. Within the region, a new approach to regional cooperation and integration is also imperative – one that is forward-looking and strategic as well as capable of delivering

holistic and sustainable results. COVID-19 has seen some tenets of integration disrupted – like supply chain connectivity – but it has also provided an opportunity to re-think how regional integration should be seen in totality rather than as a sum of individual initiatives. Thus, the next steps of ASEAN integration agenda – from mid-term review to the development of post-2025 vision – should make the integration outcomes in the future not only better but also more inclusive and resilient. For this to happen, it is critical that ASEAN will continue to uphold open regionalism as a principle that has served ASEAN and its partners well in the past and will continue to do so when we re-imagine our future.

138. ASEAN’s journey beyond COVID-19 will not be easy. The ACRF and its Implementation Plan are just a guide to build a better future for the region after the pandemic. How to make it happen depends crucially on the actions taken by countries and commitment by ASEAN to step up, and the support and contribution from various stakeholders of ASEAN.
