

**IMPACT OF COVID-19 ON REGIONAL
COOPERATION AND INTEGRATION (RCI)
THEMATIC AREAS**

**CHALLENGES AND
WAY FORWARD**





IsDB COUNTRY STRATEGY AND
MARKET INTEGRATION DIVISION

COUNTRY STRATEGY AND
COOPERATION DEPARTMENT

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ACKNOWLEDGEMENTS

The Country Strategy and Cooperation (CSC) Department as the Focal Point of the IsDB “RCI Policy” has prepared “Impact of COVID-19 on Regional Cooperation and Integration (RCI)” report in order to support the Bank’s efforts to assist MCs and relevant RCOs to deal with COVID-19 crisis and to prepare for any other upcoming similar crises. This report was finalized and completed under the leadership of Vice-President Country Programs Complex, Mansur Muhtar, and Acting Director General, Amadou Thierno Diallo. The report was prepared under the close supervision of the Acting Director of the CSC, Syed Husain Quadri.

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The CSC highly appreciates the substantive comments received and reviews made from our external international partners in Statistical, Economic and Social Research and Training Centre for Islamic Countries, Developing-8, League of Arab States, African Development Bank and Intergovernmental Authority on Development.

The CSC team is especially grateful for the effective peer-review and timely cooperation it has received from ITFC, ICD, DoST, IFSD and EID. Special thanks to be conveyed to Anisse Terai (ITFC), Elvin Afandi (ICD), Mohamed Ali Chatti & Yoseph Alsawady (IFSD), Omar Mehyar (EID), and Mohammed Faiz, Soule Sow and Mustafa Yagci GVC unit team (DoST) members from the DoST for their peer-review of the report.

The interpretations expressed in this report do not necessarily reflect the views of the Islamic Development Bank Group or its Member Countries. Please contact the Country Strategy and Cooperation Department at CSC@isdb.org if you have questions or comments with respect to the content of this document.



FOREWORD

The COVID-19 global crisis has impacted nearly every nation around the globe and has overwhelmed health care systems of countries around the globe. This health pandemic has also triggered an economic downturn of unprecedented proportions, plunging the world in a deep recession not experienced since the Great Depression. This current crisis has triggered long-lasting negative economic impacts including productivity losses, supply chain disruptions, labor dislocation, and financial pressures on businesses and households.

This impact could potentially be more aggravated for Islamic Development Bank Group's (IsDBG) Member Countries (MCs), as many of them are export driven economies and hugely reliant on foreign investments for generating innovation, growth and employment. Further, many MCs also have undiversified economic structures, often relying on primary commodity exports, which has been severely affected not only due to supply chain disruptions but also as a result of sharp fall in commodity prices, mainly oil. Our countries also face investment risks due to potential rating downgrades and flight of capital, which is detrimental for investment flows.

There is no doubt that tackling this global multifaceted crisis would require joint and comprehensive global and regional actions underpinned by the principles of coordination, solidarity and sharing of best practices. These principles have been lacking in the national, regional and global efforts to curb the crisis since its onset.

In hindsight, we can see that the potential to forge effective joint efforts, especially at the beginning of the crisis, was a missed opportunity. Countries generally continued to grapple with enforcing their own measures to curb the spread of the virus and its impact without global or regional coordinated efforts. The enforcement of quarantines, lockdowns, trade restrictions, border closures, or travel bans, and introduction of various economic stimulus packages to buffer the impacts of COVID-19 could be better coordinated with more sharing of experiences and regionally coordinated efforts. This highlights the need for more effective regional collaboration and partnership and a need for effective regional bodies that could orchestrate such action.

On its part, IsDBG has acted swiftly to support its Member Countries, financially and technically, by approving a USD2.3 billion Strategic Preparedness and Response Program (SRPP). Our program takes a holistic three track approach, which we call 3-R: "Response, Restore and Restart". The three tracks are designed to assist MCs efforts in preventing, containing, mitigating and recovering from the impact of the COVID-19 pandemic, by supporting health, economic and social sectors interventions.



THERE IS NO DOUBT THAT TACKLING THIS GLOBAL MULTIFACETED CRISIS WOULD REQUIRE JOINT AND COMPREHENSIVE GLOBAL AND REGIONAL ACTIONS UNDERPINNED BY THE PRINCIPLES OF COORDINATION, SOLIDARITY AND SHARING OF BEST PRACTICES

The Islamic Development Bank Group has always been a pioneer in supporting regional integration efforts between our MCs aiming to increase Intra-OIC trade and attract FDI. Adding to those efforts the bank recently approved a dedicated policy for Regional Cooperation and Integration which will reinforce and streamline the bank's efforts in that front.

This report is part of IsDBG commitment to support regional actions that can play a critical role to accelerate, harmonize and mobilize countries actions in ensuring the integrity of supply chains, streamlining and facilitating trade, supporting business continuity, coordinating fiscal measures and providing regional public goods. The report provides an analysis of selected regional responses in Africa, MENA and Asia regions that are of particular interest to the IsDB Group and offers up related recommendations from them that could be used as a basis for scale-up.

Dr Mansur Muhtar

Vice President, Country Programs Complex

COORDINATION, SOLIDARITY AND SHARING OF BEST PRACTICES ARE ESSENTIAL TO DEAL WITH THE SOCIAL AND ECONOMIC CONSEQUENCES OF THE CRISIS





INTRODUCTION

The COVID-19 has put many countries around the world in difficult situations and has exacerbated problems across the board and in almost all sectors and thematic areas. Tackling this multifaceted crisis requires a joint and comprehensive action. Coordination, solidarity and sharing of best practices are essential to deal with the social and economic consequences of the crisis.

The need for a cohesive and integrated response to the crisis is one of the key messages from the Development Committee in a communiqué issued at the International Monetary Fund (IMF)-World Bank's Spring Meetings, in April 2020. Moreover, the UN75 Survey and Dialogues (2020)¹ have revealed overwhelming support for international cooperation. An online survey involving some 186 countries shows that around 95% of respondents – across all age groups and education levels – agree that countries need to work together to manage global issues.

While governments all over the world have done their best to deal with the crisis, the efficacy of their actions would have been strengthened considerably by coordinating with neighboring countries. At this critical time, they need to re-orient their regional cooperation strategies and place mitigating the impact of COVID-19 at the center of their economic recovery with special focus on the capacity building including the country's human, scientific, technological, organizational and resource capabilities to support cost-effective policies that mitigate the socio-economic impact of COVID-19, particularly on small and medium-sized enterprises as well as the most vulnerable.

The rare attempts to join efforts especially at the beginning of the crisis, had limited impact as countries have generally continued to enforce their own measures, often without consultation with each other and in the absence of global leadership.²

This lack of coordinated action has limited the ability of regional mechanisms to address the outbreak and impact of the virus. Impositions of sudden unilateral travel bans without consultations and the lack of regional plans to manage both the outbreak and the resulting social panic have limited countries' actions to address the crisis. Questions have already been raised as to what could have been done differently, and what lessons can be learned and put into action from the initial responses. One point that has been highlighted from an initial assessment of the COVID-19 crisis is that countries are highly interdependent and intertwined with each other and therefore depending on the pace and nature of the local outbreak, regional impact of economic development is easily felt.³

WHILE GOVERNMENTS ALL OVER THE WORLD HAVE DONE THEIR BEST TO DEAL WITH THE CRISIS, THE EFFICACY OF THEIR ACTIONS WOULD HAVE BEEN STRENGTHENED CONSIDERABLY BY COORDINATING WITH NEIGHBORING COUNTRIES

IsDB's own MCs are beginning to see the all-encompassing challenges that come with their own localized outbreaks while the number of confirmed cases and mortality rates keep going up across the regions. Each MC is using its own approaches to curb the spread of the virus, whether in the form of quarantines, lockdowns, border closures, or travel bans, while each have introduced various economic stimulus packages to buffer the impacts of COVID-19.⁴ This will have negative impact on regional integration among IsDB's MCs. The impacts will vary according to the degree of interdependence in trade, Investment and regional public goods between MCs.

This brief report aims to assess the impacts of COVID-19 on the thematic areas of Regional Cooperation and Integration policy and its various dimensions, with a specific focus on the role of regional cooperation in addressing the current crisis. It also aims to provide regional solutions and build on collective actions by MCs. The Country Strategy and Cooperation (CSC) Department as Focal Point of the "RCI Policy" of the IsDB, has prepared this report in order to support the Bank's efforts to assist MCs and relevant RCOs to deal with COVID-19 crisis and to prepare for any other upcoming similar crises.

¹ https://www.un.org/zh/inc/un75_update.pdf
² (<https://www.bakermckenzie.com/en/insight/publications/2020/03/new-eu-national-export-controls-medical-equipment>), (<http://www.oecd.org/coronavirus/policy-responses/no-policy-maker-is-an-island-the-international-regulatory-co-operation-response-to-the-covid-19-crisis-3011ccd0>), (<https://www.fdiintelligence.com/article/77478>), (https://www.wto.org/english/news_e/news20_e/rese_23apr20_e.htm/), (<https://www.un.org/africarenewal/news/coronavirus/covid-19-and-export-restrictions-limits-international-trade-law-and-lessons-afcta>), (<https://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-central-asia-5305f172/>)
³ (<http://www.oecd.org/coronavirus/policy-responses/trade-interdependencies-in-covid-19-goods-79aaa1d6/>), (<https://www.weforum.org/agenda/2020/05/coronavirus-globalisation-shakeup-is-inevitable/>), (<https://uschinadialogue.georgetown.edu/publications/will-the-coronavirus-end-globalization-as-we-know-it-the-pandemic-is-exposing-market-vulnerabilities-no-one-knew-existed>)
⁴ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>



QUARANTINE



**CORONAVIRUS
OUTBREAK**

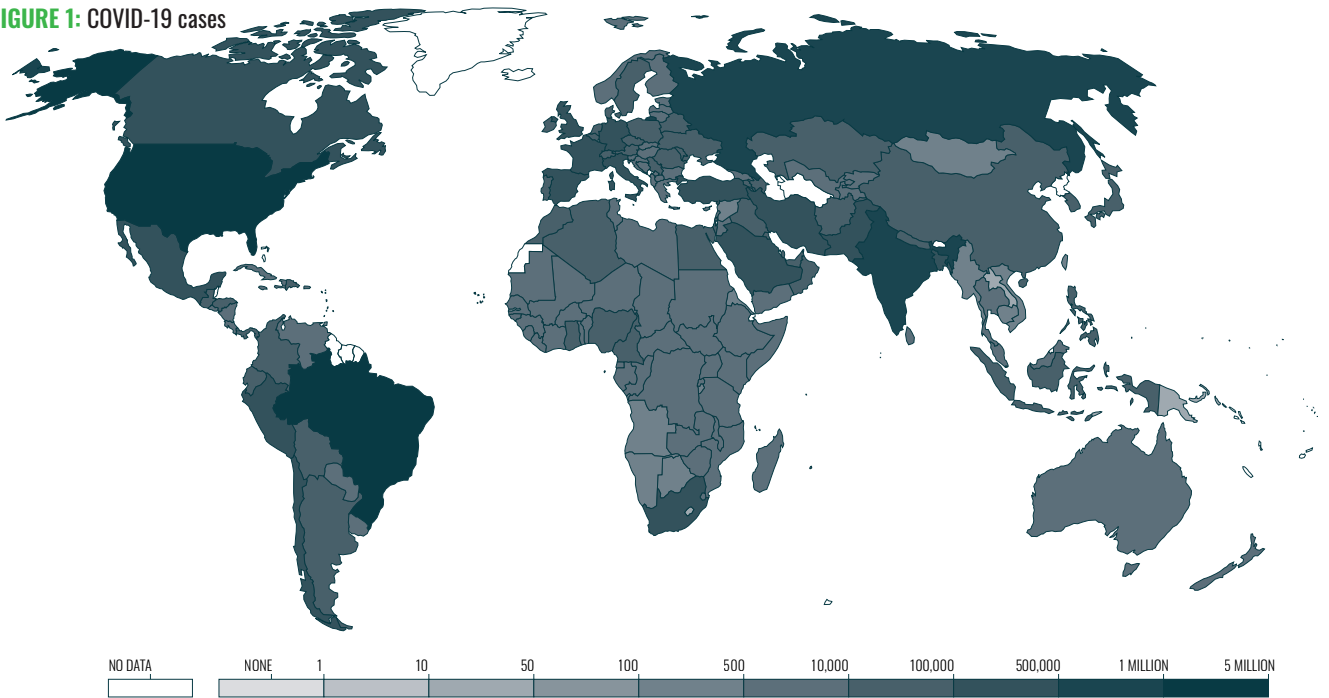


SECTION 1: GLOBAL OVERVIEW OF THE IMPACT OF THE COVID-19

Since the World Health Organization (WHO) declared the COVID-19 outbreak as a global pandemic on 11 March 2020, lives have been upended and economic activities disrupted around the world. As of 22 August 2020, the COVID-19 outbreak has reached 213 countries and territories around the world, affecting more than 23.1 million persons, with around 800,000 deaths.⁵

AS OF 30 JUNE 2020, THE COVID-19 OUTBREAK HAS REACHED
213 COUNTRIES AND TERRITORIES
AROUND THE WORLD

FIGURE 1: COVID-19 cases

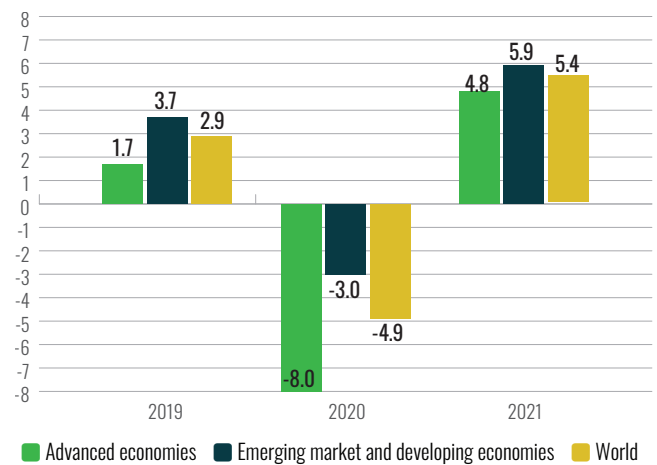


Source: European CDC – Situation Update Worldwide – Last updated 26 July, 10:38 (London time)

As a result of the ensuing lockdowns, a multitude of key sectors have been severely affected, specifically transport, housing, automotive industry, aeronautics, tourism, sport and entertainment activities, retail and other services sectors. Similarly, public and private sector shuttered, and business operations and global supply chains disrupted. As a result, record unemployment numbers keep coming in on a weekly basis; while consumer confidence has declined significantly. The COVID-19 outbreak has diminished prospects of economic recovery from a broad global slowdown that started last year. While initial pronouncements estimated a brief and limited impact on the global economy, the exponential spread of the outbreak to other regions including Europe, the US, ASEAN, and Africa has set off the tapering of growth prospects worldwide now.

The global economy is projected to contract by (4.9) percent in 2020 much worse than during the 2008–09 financial crisis (Figure 2), as per the most recent estimates by the IMF World Economic Outlook for June 2020. The global economy is projected to grow back by 5.4 percent in

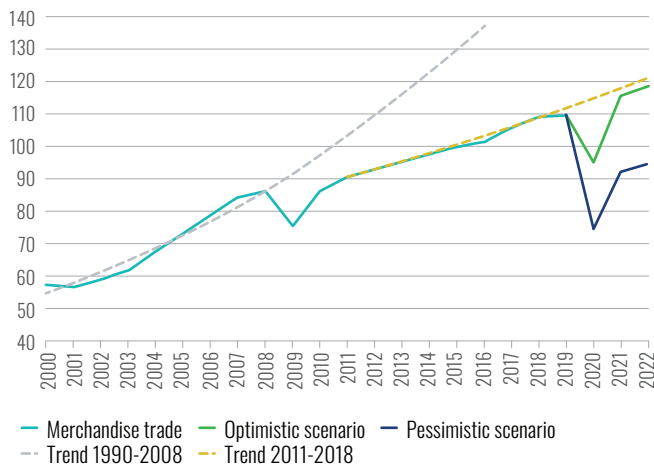
FIGURE 2: Real GDP Growth (Annual Percent Change)



Source: IMF, World Economic Outlook, June 2020

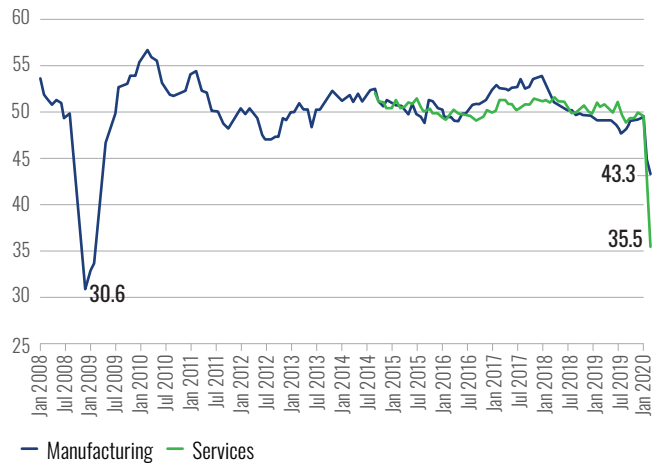
⁵ <https://www.worldometers.info/coronavirus/>

FIGURE 3: World merchandise trade volume, 2000-2022
(Index, 2015=100)



Source: WTO Secretariat

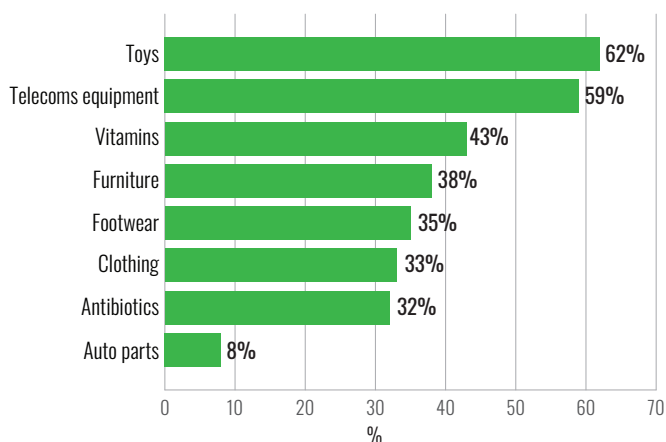
FIGURE 4: New export orders from Purchasing Managers Indices, Jan. 2008 – Mar. 2020



Source: HIS Markit

Note: Values greater than 50 indicate expansion while values less than 50 denote contraction.

FIGURE 5: China's share in world trade (% share in 2018)



Source: The Economic Intelligence Unit

2021 as economic activity gradually reverts to normal, helped by policy support. There is high uncertainty around the global growth forecast. The economic outcome depends on factors that interact in ways that are hard to predict, including the pathway of the pandemic, the efficiency of containment efforts, the extent of demand and supply disruptions, etc.⁶

International trade was already slowing in 2019 before the pandemic, weighed down by trade tensions led by USA and China, and declining global economic growth. There's a wide range of possibilities for the predicted decline in international trade, due to the unprecedented nature of this health crisis, countries' limited preparedness and the high uncertainty around its impact on different economic activities. World merchandise trade registered a slight decline in 2019 of 0.1% in volume terms after rising by 2.9% in 2018. Meanwhile, the dollar value of world merchandise exports in 2019 fell by 3% to reach USD 18.89 trillion. According to the World Trade Organization (WTO), in an optimistic scenario, the volume of global merchandise trade will be falling by 13% this year compared to 2019 (Figure 3). If the pandemic spread is not contained, and governments failed to respond effectively to the crisis in a collective way, the decline could be 32% – or more.⁷

According to the WTO, 80 countries and territories have introduced export prohibitions or restrictions as a result of the COVID-19 pandemic. The products covered by these new export prohibitions and restrictions vary considerably; most have focused on medical supplies, but others have extended the controls to additional products, such as food. Export prohibitions and restrictions applied by exporting countries may trigger a global protectionism war, where countries may feel they have to put more restrictions on imports and support domestic production instead, even at much higher prices. Such a scenario would likely result in lower supply and higher prices for much-needed merchandise. The long-term effects could be significant.⁸

The JP Morgan global Indices of “new export orders” for March 2020 showed declining export orders in manufacturing to 43.3 relative to a baseline value of 50, and new services export business dropping to 35.5 (Figure 4).⁷ This indicates a high degree of global businesses' sensitivity to the crisis and how their exports were adversely impacted in a very quick way.

The potential for gaps in global supply chains became apparent quite early after the crisis, the city of Wuhan and other parts of China announced stringent quarantine measures in order to combat COVID-19. China is the world's major supplier in several categories of goods (Figure 5). Some of these, such as toys, are less essential than others, including telecoms equipment, although all have impacts on companies and retailers in those sectors worldwide.

The quarantine measures against COVID-19 had an immediate impact on China's ability to supply the rest of the world. The enforced closure of plants, combined with production cuts and movement restrictions, reduced China's industrial value-added by 13.5% year on year in January-February, according to government data. Exports fell by 17.2% year on year over the same period, with exports to the US down by 28%.⁹

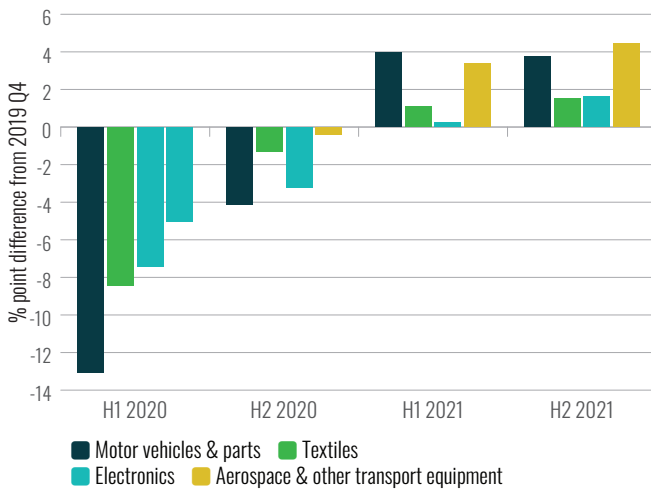
⁶ IMF, World Economic Outlook, June 2020 update

⁷ https://www.wto.org/english/news_e/pres20_e/pr855_e.htm

⁸ https://www.wto.org/english/tratop_e/covid19_e/export_prohibitions_report_e.pdf

⁹ EIU, Coronavirus: the impact on global supply chains, March 2020

FIGURE 6: Forecast: Global Sectoral Output



Source: Oxford Economics

The global manufacturing will take a 5% hit in the first six months of this year compared to 2019 (Oxford Economics' baseline forecast), recover much of that drop in H2 2020 and finally exceed the 2019 position by early 2021.¹⁰

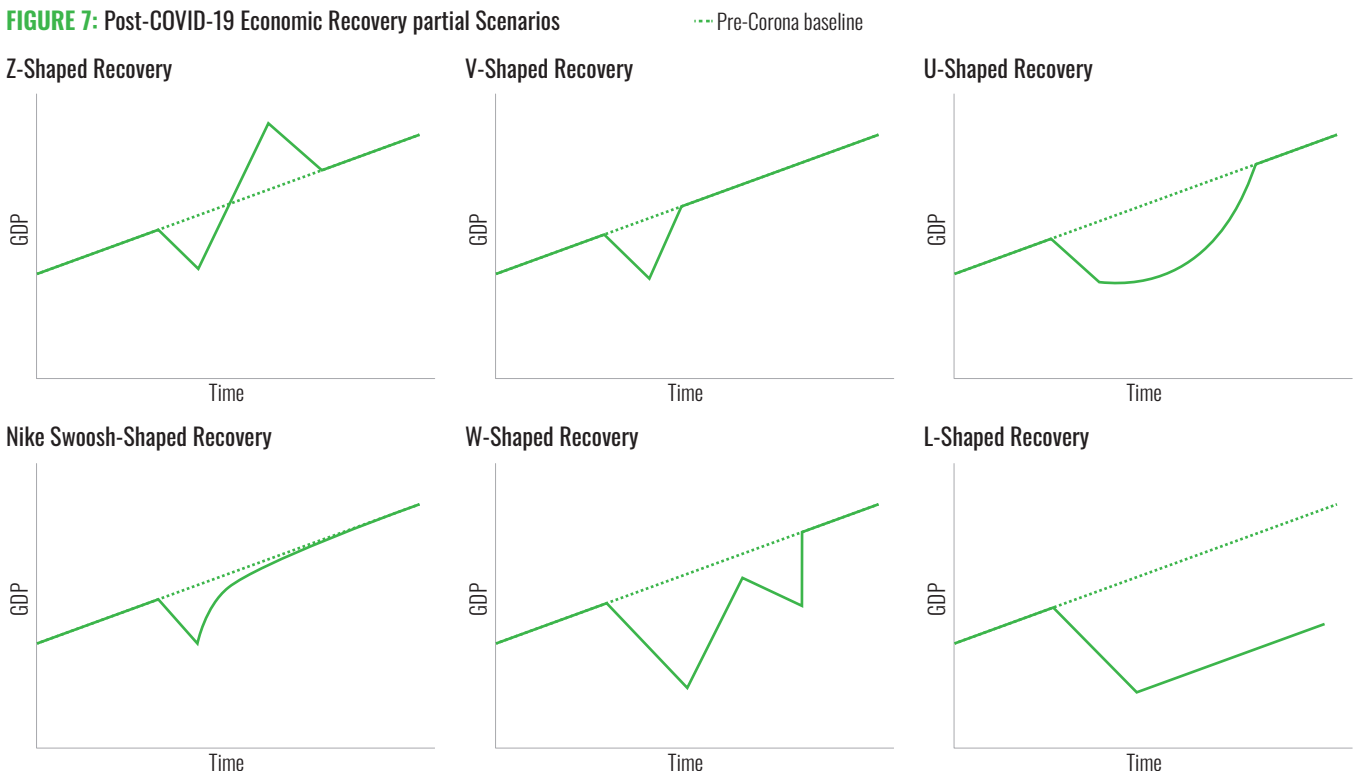
As figure (6) shows the pace and extent of decline and then subsequent recovery varies by the manufacturing subsector. **The automotive sector (motor vehicle and parts) is set to see the biggest output falls globally in H1 2020 of 13%, followed by textiles (8%) and electronics (7%).** However, hardest-hit sectors are likely to see the strongest recovery as pent-up demand is released in line with a recovery in sentiment, and production ramps up. After a dramatic

decline in H1 2020, all four sectors will experience a recovery in H2 2020. While electronics may take more time to rebound, automotive and textiles are expected to see a positive percentage point difference from Q4 2019 by H1 2021.

It is estimated that COVID-19 will wreak havoc on Foreign Direct Investment (FDI) level causing a sharp decline in 2021.¹¹ Based on data gathered from multinational enterprises (MNEs), UNCTAD is estimating that the COVID-19 outbreak could result in a drop in FDI ranging from 30% to 40% in 2020-2021 i.e. in the range of USD 417-556 billion, followed by an additional fall of 5-10% in 2021-2022; then a gradual rebound is expected starting from 2022-2023 forming a U-shaped recovery curve. The top 5000 MNEs, which are constituting the main source of global FDI, reported revised earnings for 2020 that decreased by 30% on average. This is predominantly due to disruptions of Global Value Chains (GVCs) and expected negative impact on revenues. Additionally, the current partial or full lockdowns all over the world are putting high pressure on both demand and supply which is likely to deter investment decisions.

As the COVID-19 ravages the economy and instills fear in investors, the path to economic recovery will hinge on the health system's ability to deal with COVID-19. The expected nature of recovery ranges from different scenarios and contexts. As shown in Figure (7), these recoveries and growth vary considerably. According to Louise Sheiner & Kadija Yilla, May 2020, the speed of economic recovery is mainly correlated with how efficient the country health system in responding and recovering from the pandemic.¹²

FIGURE 7: Post-COVID-19 Economic Recovery partial Scenarios



Source: Louise Sheiner & Kadija Yilla, Brookings, May 4, 2020

¹⁰ <https://www.bakermckenzie.com/en/newsroom/2020/04/global-supply-chains-under-huge-pressure-COVID-19>

¹¹ <https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2769>

¹² <https://www.brookings.edu/blog/up-front/2020/05/04/the-abc-of-the-post-covid-economic-recovery/>



We Are Close
Till
Further Notice
#Staysafe



SECTION 2:

IMPACT OF COVID-19 ON ISDB MEMBER COUNTRIES (MCs) REGIONS AND THEMATIC AREAS

As of 22 August 2020, there are 2,944,584 confirmed cases of COVID-19 in the IsDB Member Countries. There have been 72,475 deaths, and 2,404,665 were recovered successfully. Among the IsDB Member Countries, Iran currently has the highest identified cases, followed by Saudi Arabia, Bangladesh, Pakistan, Turkey, Iraq, Indonesia, Qatar and Kazakhstan respectively, all are with confirmed cases above 100,000.¹³ The continuous spread (COVID-19) pandemic constitutes an unprecedented challenge for IsDB Member Countries and its impact includes health, social and economic dimensions.

IMPACT ON TRADE AND SUPPLY CHAINS IN ISDB MCs AND SUB-REGIONS

AFRICA REGION¹⁴

COVID-19 is expected to impact China's global trade for several months. As China is Africa's biggest trading partner, the effects of COVID-19 are already being felt on the continent. With China having shut down its manufacturing center and closed its ports, there has been a resultant decrease in demand for African commodities. Importers in China are canceling orders due to port closures and as a result of the reduction in consumption in China. Sellers of commodities in Africa are being forced to offload products elsewhere at a discounted rate.

Over three-quarters of African exports, to the rest of the world, are heavily focused on natural resources and any reduction in demand and prices impacts the economies of most of the continent's countries. Countries such as Nigeria are significantly exposed to risk in terms of industrial commodity exports to China.

Further, a look at African imports from outside the continent reveals that industrial machinery, manufacturing and transport equipment constitute over 50% of Africa's combined needs. Currently, external imports from outside of Africa account for more than half the total volume of African imports, with the most important suppliers being Europe (35%), China (16%) and the rest of Asia including India (14%). As such, disruptions owing to the impact of COVID-19 will lead to a decrease in the availability of manufactured goods imported into Africa from China and the rest of the world.

MIDDLE EAST AND NORTH AFRICA (MENA) REGION¹⁵

The impact of the COVID-19 pandemic has led to a continuous and then more recently a dramatic decline in oil prices that, coupled with global oil price war, has caused the Arab region to lose nearly \$11 billion in net oil revenues between January and mid-March 2020. The gains of oil importers within the region are negligible compared with the losses of oil exporters.

FIGURE 8: Crude Oil Brent Barrel Price



According to UNESCWA, exports from the Arab region are expected to decline by US \$28 billion owing to the global slowdown, threatening the continuity of export-oriented businesses and industries. Arab Governments are projected to lose tariff revenues amounting to US \$1.8 billion. The fiscal losses could be substantial for countries that rely on customs tariffs as a significant source of government revenue.

ASIAN REGION

Global trade tensions kept developing where Asia's exports and imports kept slumping in 2019, but imports fell more sharply, reflecting in part lower investment growth in the region. Trade will likely to continue declining even further this year, due to quick falling of domestic demand and highly disrupted supply by the COVID-19 outbreak. In its "optimistic scenario", the World Trade Organization's(WTO) forecasts¹⁶ that Asia's merchandise exports for 2020 will decline 13.5%, and imports 11.8%. In its pessimistic scenario, the WTO sees a much sharper fall of 36.2% and 31.5% for exports and imports in 2020, respectively.

After a brutal beginning to the year, some Asian economies have begun to move out of first gear, such as China, Thailand, and Vietnam. Yet developing Asia as a whole is projected to see virtually no growth in 2020.¹⁷ A full recovery will take time and will be uneven across countries and sectors going into 2021, but this will depend on the effectiveness of policy interventions, commercial relations among global powers, the extent to which COVID-19 has been contained and national supply responses. International trade seems likely to rise with the economic recovery. The WTO forecasts that Asia's exports will soar between 24.9% and 36.1% in 2021. Yet the pandemic has shaken supply chains and the regional trade order, in some cases accelerating underlying trends.

¹³ <https://www.oic-oci.org/covid-19/?lan=en>

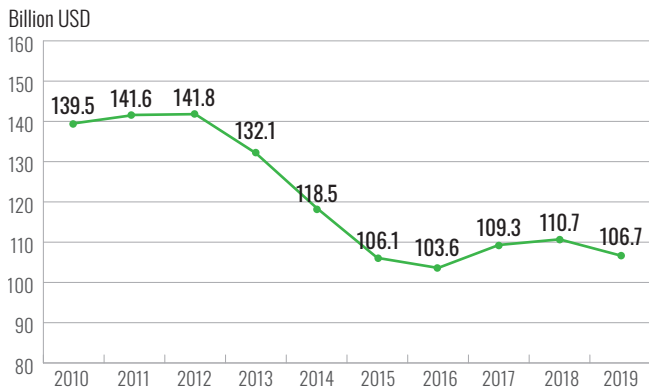
¹⁴ <https://www.bakermckenzie.com/en/insight/publications/2020/03/the-impact-of-COVID19-on-african-trade>

¹⁵ https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/20-00116_rer_mitigatingimpact_covid-19_eng_april8.pdf

¹⁶ https://www.wto.org/english/news_e/pr855_e.pdf

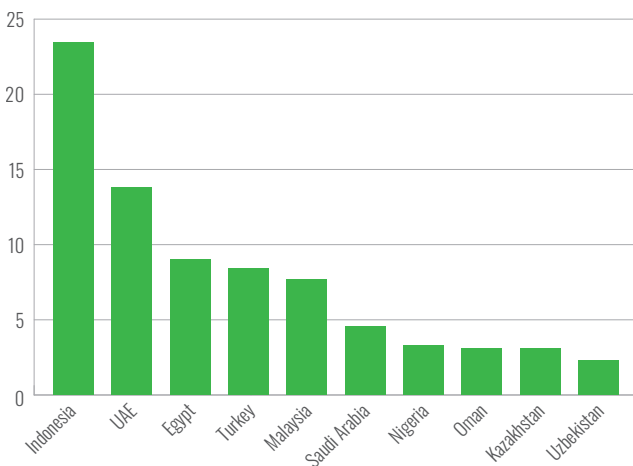
¹⁷ <https://www.adb.org/sites/default/files/publication/612261/ado-supplement-june-2020.pdf>

FIGURE 9: Inward FDI Flows and Stocks in OIC Countries (US\$ Billion)



Source: COMEC from UNCTADSTAT

FIGURE 10: Top 10 Hosts of Inward FDI Flows (2019, US\$ Billion)



Source: COMEC from UNCTADSTAT

UNLIKE THE 2007-2008 FINANCIAL CRISIS, SHARIA-COMPLIANT BUSINESSES AND FINANCIAL INSTITUTIONS HAVE TAKEN A MORE SERIOUS BLOW, SINCE THE CURRENT CRISIS HAS A MORE EXTENSIVE IMPACT ON THE REAL ECONOMY, IN WHICH THEY ARE STRONGLY EMBEDDED

IMPACT ON FOREIGN DIRECT INVESTMENT (FDI) FOR ISDB MCs AND SUB-REGIONS

The share of IsDB Member Countries (MCs) from global foreign direct investment (FDI) inflows have been about less than 10% of the total global FDI in the past decade with a total value that is, most of the times, below USD140 billion as demonstrated in figure (9). This ratio is far below the share of both developed and developing world. FDI trend in the last five years reflects the low and nearly stagnated share of IsDB MCs from global FDI compared to the rest of the world.

Another characteristic of FDI inflows in IsDB MCs is the concentration in few countries. Almost 20% of IsDB MCs are attracting around 80% of FDI in the whole IsDB membership. Figure 10 demonstrates the top ten recipients of FDI in IsDB Member Countries.

The above-stated facts about FDI in IsDB MCs could lead to the conclusion that the expected negative impact of the steep decline in global FDI will be mainly concentrated in MENA and Asia regions of IsDB Member Countries given that the two regions are attracting the majority of FDI inflows. The crisis is expected to particularly aggravate the fall in FDI inflows into the Arab Region. The region has already suffered from a decline in FDI flows from \$88.5 billion in 2008 to \$31 billion in 2018. UN ESCWA expects the drop in FDI in the Arab region in 2020 to be worse than what happened in 2011 following the political unrest in the region.

That being said, no region will be spared from the negative effect if it is understood that FDI is the main source of external financing for developing countries and that it is the main catalyst for integration in global value chains.

IMPACT OF COVID-19 ON ISLAMIC FINANCE AS A REGIONAL INDUSTRY

In terms of Islamic finance, banks are facing the prospect of increased defaults due to disrupted business in the real economy. This, coupled with large cash withdrawals (e.g. by governments) to face the many challenges, has also left financial institutions liquidity constrained. Islamic banks are no exception. Indeed, unlike the 2007-2008 financial crisis, Sharia-compliant businesses and financial institutions have taken a more serious blow, since the current crisis has a more extensive impact on the real economy, in which they are strongly embedded.

Furthermore, as for Islamic capital markets, issuances of Sukuk have taken a blow, although they appear to be resilient compared to conventional counterparts. Moody's expects 2020 to see flat growth in Sukuk issuances vs. 36% increase in issuances in 2019 over the previous year, reaching USD 179 billion.

Fintech firms (including Islamic fintech) have struggled, with expectations that a significant number of financially less solvent firms will exit the market. Nevertheless, a notable exception is some fintech firms with investments in such in-demand services as logistics (such as the Indonesian Fintech firm Alami Fintech Syaria).

Furthermore, the current crisis has proven without a doubt the fundamental importance of digitization and fintech solutions to minimize dependence on human intervention and allow financial products to continue to be provided even during exceptional situations.

Finally, the current pandemic has highlighted the crucial role of social safety nets, potentially based on Islamic social finance, including in the provision of certain regional public goods (RPGs). Specifically, there is a rising interest in the role of Zakat and Awqaf (over the short and long terms, respectively) at the level of international and regional organizations, to serve such regional constituents as refugees, areas of fragility and conflict, as well as public health institutions.

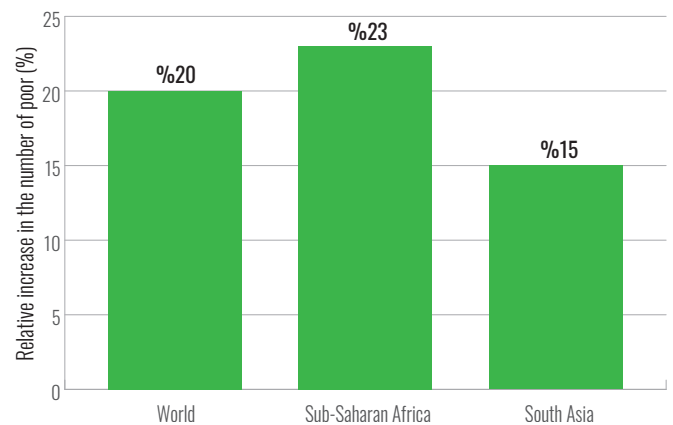
SOCIO-ECONOMIC IMPLICATIONS OF COVID-19 ON ISDB MCs AND SUB-REGIONS

The ongoing crisis is expected to result in increased unemployment and poverty in many MCs. Particularly, the Arab region will witness an additional 8.3 million people falling into poverty. The deteriorating economic situation caused by COVID-19 is expected to negatively impact government revenues, employment levels, individual incomes, and private businesses continuity especially MSMEs. Consequently, an estimated 8.3 million people will fall into poverty, meaning that a total of 101.4 million people in the Arab region will be classified as poor (UNESCWA 2020).

Furthermore, the Arab region spends around \$110 billion on food imports, which is about 4 percent of its GDP; accordingly, the region may witness shortage in food supply and price hikes if a prolonged COVID-19 pandemic disrupts global food supplies.¹⁸ It's expected that the economic downturn will intensify existing food insecurity in the regions, specifically for the poor.

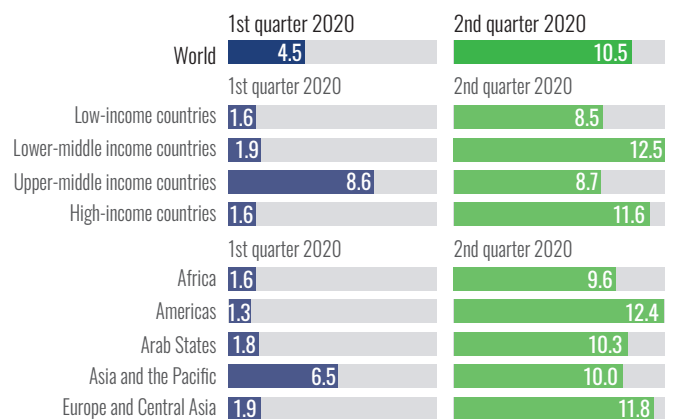
The pandemic will significantly affect all the countries across the African continent, but more specifically fragile regions deeply exposed like the Sahel, the Lake Chad or the Horn of Africa. COVID-19 will have economic and social impacts on these fragile countries due to a decline in growth in 2020 (up to -3%) but also a significant deterioration of the budget deficit because of tax revenue losses linked to the contraction of economic activity and the increase in public expenditure (health and social). There is a real risk of reversal of the situation in terms of poverty reduction, with a possible collapse of informal economic activities and job losses in the private sector, combined with a humanitarian crisis (almost 10 million people currently need food assistance in Sahelian countries -Burkina Faso, Mali, Niger-). **Moreover, from a gender perspective, women are likely to be more affected by the economic crisis caused by COVID-19. Indeed, pandemics have a disproportionate impact on their health, livelihoods and security. Women, who are disproportionately represented in the informal sector in Africa, are most at risk of losing their livelihoods and wages. In the absence of social protection measures, the double burden of generating income and responsible for domestic activities risks placing too heavy a burden on women.**

FIGURE 11: Impact of COVID-19 on Extreme poverty



Source: International Food Policy Research Institute (IFPRI)

FIGURE 12: Estimated drop in aggregate working hours, globally, by region and by income group



Source: ILO Monitor: COVID-19 and the world of work, April 29, 2020

Figure (11) indicates that 20% global increase in extreme poverty was noted as an impact of the spread of COVID-19. Urban and rural populations in Sub-Saharan Africa would suffer most, as 80 million more people would join the ranks of the poor, a 23% increase. Moreover, the number of poor in South Asia would increase by 15%.¹⁹

The crisis is also causing an unprecedented reduction in economic activity and working time. The estimates of hours lost for 2020 first quarter stood at 4.5 percent (equivalent to approximately 130 million full-time jobs) compared to the pre-crisis level (the fourth quarter of 2019) (Figure 12).

Furthermore, global working hours in the second quarter are expected to be 10.5 percent lower than in the last pre-crisis quarter (equivalent to 305 million full-time jobs). From a regional perspective, although the outlook has worsened for all major regional groups, the new estimates indicate that the largest decline is occurring in the Americas, Europe and Central Asia.

¹⁸ MITIGATING THE IMPACT OF COVID-19 Poverty and food insecurity in the Arab region, UNESCWA

¹⁹ <https://www.ifpri.org/blog/poverty-and-food-insecurity-could-grow-dramatically-COVID-19-spreads>





SECTION 3: AN OVERVIEW OF COLLECTIVE REGIONAL AND MULTILATERAL DEVELOPMENT BANKS (MDBs) LEVEL RESPONSES IN THE ISDB MEMBER COUNTRIES (MCs) REGIONS

Regional Cooperation Organizations, MDBs, and other regional and sub-regional organizations have swiftly responded to the crisis. The nature of these responses cover many areas, including cross border connectivity, business climate, and regional public goods, a selection of these are captured Annex (I); brief description of Regional Cooperation Organizations responses to COVID-19 and Annex (II); brief description of Development Banks regional oriented responses to COVID-19.

Certainly, there have been many more interventions in the different regions that are not captured in the report. This section only identifies the selected nature of only some of the regional responses in Africa, MENA and Asia regions that are of particular interest to the IsDB Group. The section also aims to provide preliminary analysis²⁰ on how efficient and effective those regional responses in addressing health, trade and socio-economic challenges highlighted in the previous sections.



REGIONAL COOPERATION ORGANIZATIONS, MDBs, AND OTHER REGIONAL AND SUB-REGIONAL ORGANIZATIONS HAVE SWIFTLY RESPONDED TO THE CRISIS

AFRICA REGION

African countries face a number of severe challenges in addressing the pandemic, implementing containment measures in African societies, and dealing with the accompanying global economic shock. These challenges include Weak health systems and equipment shortages; Managing mobility of goods and services, Economic vulnerability and limited fiscal space.

HEALTH

The African countries benefited from available regional level health institutions that was already established as a result of previous African epidemics, like the Africa Centres for Disease Control and Prevention (Africa CDC). The Africa CDC was launched only recently in 2017, in the wake of the West African Ebola epidemic. In the current crisis, it has rapidly gained considerable stature and attention, playing a key role in engaging with the WHO and providing regular updates to its member states, as well as helping to boost testing capabilities on the continent. The African Union through Africa CDC played an instrumental role in developing a joint continental strategy on the COVID-19 as well. It hosts regular virtual meetings and teleconferences of the coordinating committee comprising the health ministers of all member states on the continental response. It has developed and broadly disseminates practical guidance, knowledge materials, and vital statistics on the pandemic.



²⁰ Limitations of the preliminary analysis include: limited available published information on regional initiatives and ongoing implemented regional actions with no clear published results until the date of analysis.

ANOTHER CUTTING-EDGE INITIATIVE BY THE AFRICAN UNION INCLUDES THE LAUNCH OF THE AFRICA MEDICAL SUPPLIES PLATFORM (AMSP) AS AN INTEGRATED PRACTICAL RESPONSE TO THE COVID-19 PANDEMIC



Another cutting-edge initiative by the African Union includes the launch of the Africa Medical Supplies Platform (AMSP) as an integrated practical response to the COVID-19 pandemic. AMSP unlocks immediate access to an African & Global base of vetted manufacturers and procurement strategic partners and enables African Union member states to purchase certified medical equipment.

Other Regional Economic communities (RECs) within Africa, have developed their own arrangements, guidelines and plans to face the health implications of COVID-19. The scale and sophistication of regional responses vary across RECs according to the degree of their integration and their objectives. Most of RECs health initiatives focused on exchanging information and experiences. There were other initiatives targeting joint procurement, yet it has faced with resource constraints, global shortages and member states' quick actions to secure supply for domestic use.²¹

TRADE AND SUPPLY CHAINS

The African countries Ministers' of Trade have in the past confirmed in their regional and sub-regional meetings on the importance of maintaining the movement of goods and keeping airports, seaports and land routes open for the transport of commodities, while at the same time meeting the requirements of precautionary measures introduced to prevent the spread of the virus. A number of guidelines were developed on regional and sub-regional levels to guide African states in this area in the past. However, most of African member states have focused on unilateral measures that restricted the movement of goods, services, trade and supply chains.²² This unilateral trend raises a question on how effective existing regional trade settings are in enforcing and regulating trade and supply chain matters. This aspect would need to be further investigated under new African Continental Free Trade Area (AFCFTA) and explore if it needs any kind of modification to be able to handle efficiently similar future crises among African states.

MOBILIZING FUNDS

Africa member states have initiated a lot of joint funding mechanisms including the establishment of a Continental anti COVID-19 Fund under the African Union. As an emergency fund to deal with the current COVID-19 outbreak, its objective is to draw on voluntary contributions from member states, AU member states, the international community and philanthropic entities. The Fund aims to help in preventing virus transmission, deaths, social harm and providing economic support to vulnerable populations. As at the AU level, and given closely aligned interests, RECs are managing to promote collective action around joint financing programs, and in some places, economic responses through existing joint financial institutions.

Regional and Multilateral Development Banks (MDBs) working within the African region have also responded fairly quickly to the crisis and reallocated part of their financing portfolio to help African states overcome Covid-19 negative impacts on health, social and economic dimensions. Most of MDBs initiatives have tended to target the national level support; with limited regional level context – with the exception of some initiatives that supported trade like, the African Development Bank's "COVID-19 Rapid Response Facility (CRF)", that is providing up to USD1 billion in trade finance liquidity and risk mitigation support to African member countries. This facility aims at reducing trade finance gaps that emerge during this crisis.

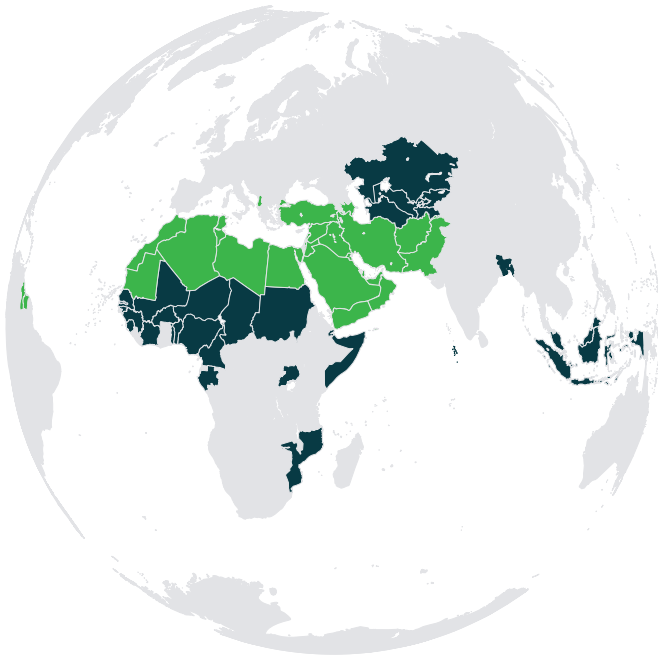
In general, the amount of funding raised by regional and sub-regional institutions and MDBs for African states is way lower than their needs to face COVID-19 negative implications.²³

REGIONAL AND MULTILATERAL DEVELOPMENT BANKS (MDBs) WORKING WITHIN AFRICAN REGION HAVE ALSO RESPONDED FAIRLY QUICKLY TO THE CRISIS AND REALLOCATED PART OF THEIR FINANCING PORTFOLIO TO HELP AFRICAN STATES OVERCOME COVID-19 NEGATIVE IMPACTS ON HEALTH, SOCIAL AND ECONOMIC DIMENSIONS

²¹ <https://ecdpm.org/publications/african-regional-responses-covid-19/>

²² <https://www.ifpri.org/blog/covid-19-border-policies-create-problems-african-trade-and-economic-pain-communities>

²³ <https://www.atlanticcouncil.org/blogs/new-atlanticist/as-covid-19-spreads-africa-needs-another-london-moment/>



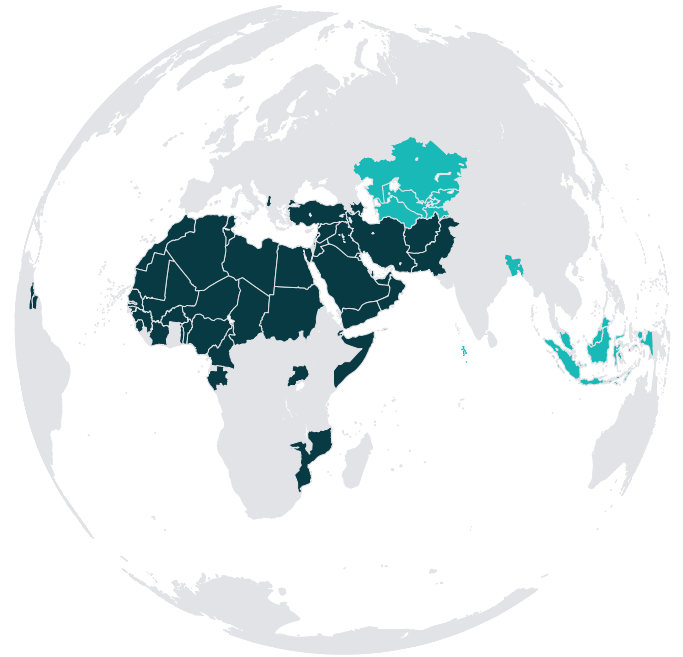
MIDDLE EAST AND NORTH AFRICA (MENA) REGION

The MENA countries are by and large, highly exposed to oil and gas exports, therefore a decline in the prices of petroleum-related products is expected to be the most significant channel through which the larger macro-economic and trade related effects of the COVID-19 are felt in the region.

Regional organizations that operate in MENA have worked mainly on facilitating discussions and exchange of good practices and information. MENA countries have taken the lead on their own to set their own parameters and guidelines towards border closures and dealing with the large numbers of foreign workers and refugees across the region.

A similar trend is also reflected on MDBs activities, nearly all MDBs support in the region has been targeted towards national level actions were most of the challenges lie in a few set countries.

NEARLY ALL MDBs SUPPORT IN THE MENA REGION HAS BEEN TARGETED TOWARDS NATIONAL LEVEL ACTIONS WERE MOST OF THE CHALLENGES LIE IN A FEW SET COUNTRIES



ASIA REGION

The Asian region is analyzed in different blocks of sub-regions since it doesn't have a regional setting like the African Union in Africa. Moreover, it consists of countries that dramatically varied in their income and level of economic development.

SOUTHEAST ASIA

Southeast Asian member states experience in dealing with previous pandemics such as SARS and avian and swine influenzas has led member states and their citizens to take COVID-19 very seriously and early on. By mid-February, the Association of Southeast Asian Nations' (ASEAN) ministerial health, foreign affairs and tourism bodies had intensified multi-sectoral cooperation, particularly through the ASEAN+3 platform (ASEAN, China, Japan and South Korea). ASEAN also activated pandemic preparedness protocols (previously formed with the support of ASEAN dialogue partners) for travel, tourism and borders, sharing of information and best practices, and strengthening response capabilities.

On immediate health-related concerns, coordination amongst ASEAN countries indicate strong commitments to information sharing on detection, control and interventions; coordinating cross border health response, including contact tracing and outbreak investigation; capacity building interventions on public health emergency, scientific research, preparedness and response; strengthening early warning system for pandemics and other epidemic diseases; and support to ensure the adequacy of essential medicines, vaccines and medical devices both within the member countries and the region. This has been supplemented by long-term institutional commitments, including setting up a reserve of essential medical supplies that enables rapid response to emergency needs, as well as the proposed establishment of the COVID-19 ASEAN Response Fund for public health emergencies.

ASEAN'S RELIANCE ON EXTERNAL TRADE AND FOREIGN INVESTMENT MEANS ITS MEMBER STATES ARE MINDFUL OF THEIR VULNERABILITIES AMID THE CURRENT SOCIOECONOMIC DISRUPTIONS ARISING FROM COVID-19 AND TRADE POLARIZATION BETWEEN THE UNITED STATES AND CHINA

ASEAN's reliance on external trade and foreign investment means its member states are mindful of their vulnerabilities amid the current socioeconomic disruptions arising from COVID-19 and trade polarization between the United States and China. More recently, the economic ministers adopted the Hanoi Plan of Action on Strengthening ASEAN Economic Cooperation and Supply Chain Connectivity in Response to the COVID-19 Pandemic. They are seeking to protect the free flow of essential goods – particularly medical and food supplies – and to keep critical infrastructure and trading routes open, guarding against future shocks. Tourism, digital commerce, trade and investment, and countering economic crises were reiterated at the 36th ASEAN Summit in June 2020.

The dynamism and proposed response efforts by ASEAN is noteworthy. However, these regional commitments at high-level meetings have faced challenges to become activities on the ground, as member states continue prioritizing effective national solutions approaches. There's still a need to improve coordination in applying border closures, movement and trade restrictive measures. Out of 28 trade measures issued by ASEAN member states, 15 were liberalizing, whilst the rest were restrictive.²⁴

The regional funding mechanisms to support health, social and economic dimensions need to be further analyzed after availability of more information about their implementation results, to ensure the achievement of their objectives and examine how really ASEAN states benefited from them.



SOUTH ASIA

The COVID-19 pandemic brought a welcome change in bringing South Asian countries together to discuss the modalities for cooperation in fighting the pandemic. The South Asian Leaders at their virtual Summit in March 2020 have already established a COVID-19 Emergency Fund under the South Asian Association for Regional Cooperation (SAARC). Started with an initial USD 10 million contribution of India, all the SAARC member countries have contributed to the Fund, totaling USD 21.8 million.²⁵

The Leaders Meeting was followed by a meeting of SAARC Health Ministers on 23 April 2020, convened by Pakistan, at which it was agreed to establish an electronic disease surveillance platform for tracking coronavirus outbreaks in South Asian countries and providing online training tools for emergency responses. In the same context, an electronic platform called 'SAARC COVID-19 Information Exchange Platform (COINEX)' is being used by SAARC countries for exchange of tools and COVID-19 related health information and plans to offer online training courses and e-learning modules for capacity building of health professionals in the sub-region. The SAARC Disaster Management Centre (SDMC) has set up a COVID-19 website with daily coronavirus related updates about South Asian countries.

Furthermore, SAARC Development Fund (SDF) has allocated \$5 million for COVID-19 related projects in South Asian countries, the objective of this allocation is to provide fund support to the South Asian states in their efforts by mitigating the financial losses and severe socio-economic impact of the COVID-19 pandemic.²⁶

The collective response to COVID-19 in the South Asian region was successful in establishing a system for exchanging experiences and information on health matters. In addition to the good utilization of digital platforms to ease communication between different stakeholders and ease process of information exchange and capacity building. There's a need to improve joint efforts in fields of procuring medical supplies, testing, surveillance and vaccines. Furthermore, the amount of regional mobilized funds doesn't match with the needs of the South Asian people and the unprecedented challenges of COVID-19.

MDBs responded promptly to the needs of the Asian countries but as in other regions, it was more focused on national level actions. There were still some successful initiatives by providing trade finance to ensure smooth flow of goods among regional and global supply chains like: Asian Development Bank (AsDB) Trade Finance Program (TFP), supported 2,616 transactions valued at approximately \$2.16 billion, since 1 April 2020. Furthermore, AsDB also developed a tool that maps, end-to-end the entire supply chain for critical pandemic-fighting goods, such as ventilators, N95 masks, etc. The tool helps banks, investors and government ensure companies have no bottlenecks and financial support is there to ramp up supply.²⁷

²⁴ https://asean.org/storage/2020/07/ASEAN-Policy-Brief-3_FINAL_.pdf

²⁵ <http://covid19-sdmc.org/covid19-emergency-fund>

²⁶ <https://economictimes.indiatimes.com/news/economy/finance/saarc-development-fund-allocates-5-million-for-covid-19-projects/articleshow/75026957.cms?from=mdr>

²⁷ <https://www.adb.org/what-we-do/trade-supply-chain-finance-program/main>

KEY FINDINGS

Regional institutions responses to COVID-19 pandemics have evolved over time. The various organizations have developed a wide array of initiatives to address the crisis negative impact in terms of health, social and economic dimensions. The implementation of some of those initiatives faced the following set of challenges: limited preparedness at the beginning of the crisis, countries unilateral actions, lack of availability of immediate funding etc. Many regional responses have succeeded in boosting regional cooperation in terms of sharing information on surveillance and containment, laboratory diagnosis and treatments, they still have limited success in coordinating unilateral actions. They also faced difficulties in coordinating regional procurement matters. This lack of coordination amongst each other has the potential to be felt more when countries are lifting lockdowns and border closures procedures.

Furthermore, there should be a clear mechanism to coordinate between regional and sub-regional initiatives to ensure the harmony and accumulation between them and avoiding any kind of overlapping and competition.

Multilateral Development Banks (MDBs) succeeded in responding swiftly to the crisis by the quick reallocating of funding to support their member countries in their fight against COVID-19 and its negative consequences. The MDBs interventions focused on supporting countries at national level in procuring the needed essential health supplies and leverage the funding available for SMEs. There was limited focus on supporting hard and soft actions to ensure efficient and sustainable flow of goods, services and people between countries. In addition, MDBs could have played a greater role in boosting the development of new technological and innovative solutions to facilitate trade and business transactions in the time of the lockdown.

The unprecedented nature of this crisis really limited the possibility of having a cohesive strategy to managing this pandemic and responses at the regional level, especially at the beginning of the crisis. This opened the door for countries to act on their own with nearly no coordination and harmonization even with their neighboring countries. In addition, global and regional organizations could also help in leveraging and coordinating international and regional funds to support vulnerable states like Syria and Yemen more. As and when, this crisis subsides, there's a need to thoroughly assess the efficacy of international and regional mechanisms, architectures and systems, in terms of managing the pandemic.

AS AND WHEN, THIS CRISIS SUBSIDES, THERE'S A NEED TO THOROUGHLY ASSESS THE EFFICACY OF INTERNATIONAL AND REGIONAL MECHANISMS, ARCHITECTURES AND SYSTEMS, IN TERMS OF MANAGING THE PANDEMIC





SECTION 4: WAY FORWARD FOR ISDB MEMBER COUNTRIES (MCS) TO FORMULATE REGIONAL RESPONSES

As a response to the pandemic, Islamic Development Bank Group (IsDBG) has committed up to USD 2.3 billion funding package to be extended to its Member Countries (MCs) under the Group Strategic Preparedness and Response Programme. (SRPP). The Programme envisages a holistic approach in the short, medium and long term, accommodating priorities beyond the immediate and emergency response to the health sector, while putting Member Countries back on the path of economic recovery through restoring livelihoods, building resilience and kick-starting economic growth. The Programme adopts a 3-R approach, with each component focusing on Respond, Restore and Restart. Major part of the program Respond track is directed to finance trade of medical, food and other essential products needed by IsDBG Member Countries.

Supporting trade and investments is a critical part of IsDB COVID-19 support program, through trade financing, investment insurance and capacity building activities undertaken by our private sector entities, ITFC and ICIEC. For instance, our trade finance entity ITFC has collaborated with Afreximbank through a US\$200 million syndicated Murabaha financing agreement for supporting export of agricultural commodities from our African Member Countries. Similarly, ICIEC has provided an insurance coverage of US\$143 million for investment in the construction of 2 new hospitals and 5 new medical units in Africa—an important investment in the sector of need at this time. The Bank is also structuring a COVID-19 Guarantee Facility to facilitate mobilization of resources from international market for investments in MCs.

Furthermore, IsDBG in collaboration with the Government of UAE has also launched three digital initiatives designed to support the flow of investment and trade in IsDB Member Countries. These include: (1) Digital Country Presentation, a virtual gathering of stakeholder that would allow the MCs to promote their investment and trade opportunities; (2) “Made in Series”, which would enable export SMEs to present their projects, products, and services for securing funding and market, and (3) “Start-up Virtual Pitch Competition” which would allow MC firms to connect, network and explore global market penetration.

The above shows clearly how IsDBG is well-positioned to support regional integration to help contain outbreaks of disease and strengthen our MCs collective actions. IsDB will need to work with its Member Countries in partnership with specialized organizations and Regional Cooperation Organizations to develop more effective regional level responses to face implications of COVID-19 under Respond, Restore and Restart tracks.

Highlighted below are a set of interventions that can be taken into consideration by the Bank when designing the next round of COVID-19 responses, particularly under Restore and Restart tracks of projects to support regional integration among Member Countries. The interventions are classified according to the four RCI policy pillars: (i) Enhancing cross-border connectivity; ii) Improving Investment Climate and Competitiveness; (iii) Mainstreaming Trade and Islamic Finance; and (iv) Facilitating cooperation to Provide Regional Public Goods (RPGs).

A SET OF INTERVENTIONS CAN BE TAKEN INTO CONSIDERATION BY THE BANK WHEN DESIGNING THE NEXT ROUND OF COVID-19 RESPONSES, PARTICULARLY UNDER RESTORE AND RESTART TRACKS OF PROJECTS TO SUPPORT REGIONAL INTEGRATION AMONG MEMBER COUNTRIES



A PROLONGED PANDEMIC CRISIS COULD QUICKLY DISRUPT AND PUT A LOT OF STRESS ON THE SUPPLY CHAINS, WHICH WILL LEAD TO A GLOBAL MARKET SHORTAGE OF MANY PRODUCTS INCLUDING CRITICAL PRODUCTS LIKE FOOD AND MEDICAL EQUIPMENT

RECOMMENDATIONS TO ISDB GROUP

PILLAR 1: ENHANCING CROSS-BORDER CONNECTIVITY

Effective supply chains and open trade in support of business will be crucial for recovery, better strategy and can help safeguard more jobs (IsDB and ITFC). A prolonged pandemic crisis could quickly disrupt and put a lot of stress on the supply chains, which will lead to a global market shortage of many products including critical products like food and medical equipment. Any constraints to trade, including bureaucratic hurdles, tariff and non-tariff barriers should be reviewed in order to ensure smooth movement of products across the whole supply chain. Countries should take balanced measures to ensure business continuity and at the same time protecting human life, including customers as well as workers across the whole supply chains. Hence, trade and taxation policy options and their likely impacts to create a favorable environment to continue flows of essential supplies should be properly reviewed in relevant IsDB Group interventions. Furthermore, it's crucial to provide all necessary support to reinforce MSMEs participation in regional and global supply chains.

Trade facilitation measures (ITFC, ICIEC and IsDB), can contribute to the response to the crisis by providing financial and technical support to expedite the movement, release, and clearance of goods. The IsDB Group should therefore continue its support to MCs in the implementation of international best practices that facilitate the free flow of goods. This can be achieved through supporting measures to streamline trade procedures and facilitate trade at borders. Reforms can be designed to limit the direct interactions between clients, border officials and any other relevant stakeholder, to reduce the spread of the virus and guarantee the protection of their health, while maintaining essential assessments to ensure revenue, health and security (e.g. equipping medical units on the border crossing point, dedicated spaces for confinement, and using fever control kits). Interventions to sustain and enhance the efficiency of logistics operations may also be critical in avoiding substantial disruption to distribution networks and hence to regional and global value chains.

Digital transformation (IsDB and ITFC). The growing need for remote interactions to overcome movement restrictions amid the COVID-19 pandemic has highlighted a need to leverage technologies and digital trade. The digital transformation has become crucial for operational resilience and to mitigate productivity loss in the economy. Digital services such as online education, virtual meeting rooms and online marketplaces have kept our economies running and helped us stay connected. Moreover, e-commerce is likely to grow as consumers are applying social distancing and avoiding crowded places. With all the benefits presented by digital platforms, two things are becoming urgent: the need to address the digital infrastructure gap across and within our MCs, and the urgency of developing or upgrading their digitalization strategies and regulations.

Facilitate access to landlocked MCs. Well-functioning transit transport services and procedures are essential to ensure people in landlocked countries have timely access to medical products and basic goods during and after the crisis. Transit transport is critical for landlocked countries in both the short-term health response to the crisis by ensuring the delivery of much-needed medical equipment and basic goods, and the long-term economic response by facilitating trade and access to global markets and spurring economic pick-up post COVID-19. **IsDB** could support its landlocked MCs through establishing special border logistics centers to facilitate the cross-border health/sanitary related control measures.

WITH ALL THE BENEFITS PRESENTED BY DIGITAL PLATFORMS, TWO THINGS ARE BECOMING URGENT: THE NEED TO ADDRESS THE DIGITAL INFRASTRUCTURE GAP ACROSS AND WITHIN OUR MCs, AND THE URGENCY OF DEVELOPING OR UPGRADING THEIR DIGITALIZATION STRATEGIES AND REGULATIONS



PILLAR 2: IMPROVING INVESTMENT CLIMATE AND COMPETITIVENESS

Higher demand for US dollar liquidity has led to unprecedented capital outflows from developing countries, particularly “emerging market” countries. Investors withdrew some \$62 billion of funds from emerging markets in the first quarter, twice the size of outflows recorded at the peak of the global financial crisis, according to the Institute of International Finance.²⁸ **A regional liquidity support finance line (IsDB and ICD)** should be made to the private sector (especially MSMEs as they have high financial vulnerability) of our MCs to ensure their business continuity, particularly in critical sectors including agriculture and pharmaceuticals.

Helping our MCs retain investors, through **supporting Investment Promotional Agencies (IPAs) (IsDB)** in developing and updating their **crisis management plans**, including proper measures to be undertaken to help foreign investors navigate in this time of uncertainty and ensure their business continuity. Furthermore, IPAs need to have **recovery plans** for the time after the current global crisis, focusing on new arising sectors such as e-commerce, cybersecurity, healthcare and biotechnology which could have a good potential for foreign investment.

In this very particular context, IsDB should work in synergy with other MDBs to design and help implement regional plans to improve investment in some targeted areas. This may include a package of measures able to boost investments amid COVID-19 through targeting regulations, promotion agencies, attracting sectors and required infrastructures (logistical platforms, upgraded industrial areas, digital platforms, etc)

Another negative impact of the COVID-19 outbreak on investment is the limitation it poses on the investment promotion agencies (IPAs) of practicing its mission of attracting investment. IPAs operations traditionally involve physical interactions with investors which will currently have to be done remotely. More emphasis should be given now on **digitizing IPAs work processes and investment promotion activities (IsDB and ICD)** which requires specific sets of digital infrastructures and upgrading of staff skills. This shift to digital business could represent a challenge in the least developed countries due to budgetary and technological restrains.

E-commerce, delivery, fintech, healthtech and edutech startups in IsDB Member Countries emerged as mitigants to the negative impacts of COVID-19. It is highly recommended that IsDBG devise a mechanism to support and fund startups. **(IsDB and ICD)**



PILLAR 3: MAINSTREAMING TRADE AND ISLAMIC FINANCE

IsDB should support the trend towards virtual interaction and digitization through helping Islamic banks to offer their services online/digitally, as a new area of business for these firms. Furthermore, it should encourage MCs to eliminate any policy barriers for fintech operations, to facilitate cross-border flows of funds. **(IsDB and ITFC)**

IsDB should promote the use of Islamic philanthropy, especially zakat as it provides a quick response mechanism since many donors prefer that their zakat be deployed as quickly as possible. One of the leading examples in this area is the United Nations High Commission for Refugees (UNHCR). UNHCR’s Refugee Zakat Fund raised USD43.165 million in 2019 that went to just over 1 million beneficiaries in eight countries. Another example is establishing regional investment funds to ensure sustainability of philanthropy resources. “The IHSAN Waqf Investment Fund” concept developed by ISFD is the most suitable mechanism that may be used in this area. The nature and scale of the current crisis have reinforced the idea that non-market sources of funding such as zakat remain crucial to respond in cases that require relief and cannot be served by profit-seeking investors, no matter how SDGs/impact aligned their investments may be. **(ISFD and ITFC Trade Development Fund)**

Finally, IsDB should capture this opportunity to rebuild social infrastructure in a more financially sustainable and resilient manner – especially given the lessons learned regarding the unforeseeable nature of many challenges. In this context, it should highlight the role of Awqaf, which combine Islamic philanthropy and social finance, as a development tool. Awqaf can be used to create long-term resilience in the face of unpredictable and/or unavoidable risks, especially via embedding Awqaf components in health-sector projects. They can have a regional impact, as a number of previous awqaf projects have provided cross-border support to areas of fragility and conflict. Others have supported refugee communities in host countries. **(IsDB)**

²⁸ <https://www.euromoney.com/article/b112zqhn76wgdd/how-investment-banks-can-help-finance-africas-COVID-19-fight>



THE ISDB GROUP WILL NEED TO SUPPORT TECHNICALLY AND FINANCIALLY ITS MEMBER COUNTRIES AND RCOs TO BE ALWAYS PREPARED TO IMPROVE THEIR RESPONSE TO ANY FUTURE PANDEMIC BY WORKING COLLECTIVELY

PILLAR 4: FACILITATING COOPERATION TO PROVIDE REGIONAL PUBLIC GOODS (RPGs)

The IsDB Group will need to support technically and financially its Member Countries and RCOs to be always prepared to improve their response to any future pandemic by working collectively. The following regional cooperation areas could be prioritized under next round of SPRP interventions: **(IsDB)**



Emergency Funds: strengthening the capacity and efficacy of regional emergency funding mechanism and financing instruments for health and social safety, to be able to provide immediate and effective response measures in the time of crisis.



Medical Equipment: adoption of regional mechanisms for joint negotiation and purchase of strategic inputs for dealing with the pandemic.



Research and Innovation: support knowledge generation on diagnostics, prevention and treatment of COVID-19, strengthen regional science engagement efforts in response to the pandemic, and leverage existing multilateral collaborations and attract new collaborations from international partners.



Regional Health Information Systems: design and implement a regional data-sharing platform for MCs by linking public health institutes in each country. This will enhance secure electronic transmission of relevant data and reports, enable data queries and provide dashboard reporting to monitor priority objectives and outbreak responses.



E-learning Platforms: the IsDB established recently an E-Learning Platform to facilitate peer learning and knowledge sharing among the Medical staff in the IsDB African Member Countries on “preparing and responding to COVID-19 Pandemic”. This project should be thoroughly assessed to draw lessons and recommendations, on how to extend it to cover all our MCs and to other public goods (e.g. Food security and immigration...etc.), and what’s needed to sustain this platform even after the crisis ends.



Regional Laboratory (Testing) Network: support MCs and regions to map existing laboratories to pre-defined regional requirements. Furthermore, assist in developing comprehensive regional testing strategy, implementation plans and enabling policies.



Remote Medical Services: the establishment of a shared telemedicine framework to provide health care to remote areas. Mapping health care interventions and services that could be done remotely in order to establish partnership framework between provider and recipient countries.



Medical waste management: provide technical support and capacity building on the modern ways of management of the surge in medical waste amid COVID-19 in a safe way for both human and the environment.



MAIN CONCLUSION

Although COVID-19 is an unprecedented challenge, there are some lessons we could have learned from previous global crises.

It is only through collaboration and coordination that we can successfully win the battle against the pandemic. Protectionist strategies will not help to fight a cross-border threat. Unless there is an intense regional effort to contain and minimize the spread of this virus, national efforts might ultimately count for naught.

The current crisis should serve as an opportunity to exchange ideas and experiences aiming to redesign regional instruments and systems to better respond to regional security challenges. COVID-19 poses more than just an opportunity for cooperation, it requires seeking regional responses to this global pandemic and thus deepening cooperation.

**IT IS ONLY THROUGH COLLABORATION
AND COORDINATION THAT WE CAN
SUCCESSFULLY WIN THE BATTLE
AGAINST THE PANDEMIC**

ANNEX 1

BRIEF DESCRIPTION OF REGIONAL COOPERATION ORGANIZATIONS RESPONSES

Association of Southeast Asian Nations (ASEAN) Economic Ministers issued a statement on Strengthening ASEAN's Economic Resilience in Response to the Outbreak of COVID-19, in which they reaffirmed commitment to maintaining ASEAN's open economic and integration policies and resolved to take collective action to mitigate the impact of the COVID-19 outbreak including by keeping markets open, strengthening information sharing and coordination, and working closely with industry stakeholders. The focus of ministers' discussions was on maintaining macroeconomic and financial stability, along with ensuring continued flows of essential supplies such as food and medical supplies in the immediate term.

Commerce Ministers of the Gulf Cooperation Council (GCC) held a virtual meeting on April 4th, 2020 to discuss the economic impact of the COVID-19 outbreak. They discussed the importance of maintaining the movement of goods and keeping airports, seaports and land routes open for the transport of commodities between GCC states, while at the same time meeting the requirements of precautionary measures introduced to prevent the spread of the virus. The ministers agreed to set up a task team from their ministries to coordinate and monitor trade flows.

The Council of Ministers of the Southern African Development Community (SADC) adopted the regional Guidelines for the harmonization and facilitation of movement of critical goods and services across SADC during the COVID-19 pandemic. The adopted Guidelines are aimed at, among others, limiting the spread of COVID-19 through transport across borders; facilitating the implementation of transport related national COVID-19 measures in cross-border transportation; facilitating the flow of essential goods such as fuel, food and medicines; limiting unnecessary and mass movement of passengers across borders; and harmonizing and coordinating transport-related national COVID-19 policies, regulations and response measures. The Guidelines call for the simplification and automation of trade and transport facilitation processes and documents, information sharing and provide guidance on the services to be provided by Governments, Transport Operators and Transport Operators Associations during the COVID-19 pandemic.²⁹

The Economic Community of West African States (ECOWAS) Ministerial Coordination Committee on Transport, Logistics and Trade has made recommendations on the harmonized and gradual re-opening of land, air and sea borders for restoring cross border economic activities, especially for movement of humanitarian personnel, medical supplies and equipment and essential goods in the fight against the COVID-19 pandemic. The reopening will be based on a draft "guidelines for the harmonization and facilitation of cross border trade and transport in the ECOWAS region" on the COVID-19 pandemic and related post-recovery actions.³⁰

The **European Union (EU) commission** provided national EU governments with guidelines on border measures to guarantee the protection of EU citizens' health while allowing goods and essential staff to reach patients, health systems, factories and shops.

African Union Development Agency's (AUDA-NEPAD) and Ecobank Group have agreed to collaborate on a continental initiative to support African micro and small medium enterprises (MSMEs) as they face the economic and social challenges posed by the COVID-19 pandemic.³¹ The initiative objectives are:

- Create a one-stop platform that will address the issues, challenges and needs of MSMEs during and post COVID-19, and be an all-encompassing, flexible and comprehensive one-size-fits-all tool for MSMEs in the formal and informal sectors across the continent.
- Identify opportunities and innovative ways to support and protect MSMEs and job opportunities, especially in food and agribusinesses, technology startups, health specialized entities and those operating along with supply chain operations, noting that MSMEs account for an estimated 90 percent of businesses in most African economies.
- Ensure that MSMEs have continuous access to national, regional and continental markets while recommending to policymakers, solutions regarding domestic debts as they are projected to face challenges due to the economic difficulties that the member states will face.

The Organization of Islamic Cooperation (OIC), Steering Committee on Health (SCH) held a major virtual meeting on 19/4/2020 to share knowledge and information on the status of COVID-19 pandemic within the OIC region and means to coordinate the individual and collective response thereto in the OIC member states.

²⁹ <https://www.tralac.org/news/article/14498-sadc-adopts-regional-guidelines-for-harmonising-and-facilitating-movement-of-critical-goods-and-services-across-the-region-during-the-covid-19.html>

³⁰ <https://allafrica.com/stories/202006190072.html>

³¹ <https://www.logupdateafrica.com/african-union-development-agency-ecobank-collaborate-to-support-msmes-amid-covid19-supply-chain>



The meeting also reaffirmed on Coordinating the efforts aimed at meeting the shortages of essential medical supplies, especially diagnostic kits and personal protective equipment for the health professionals in the member states, especially in the most vulnerable member states. The OIC Islamic Solidarity Fund (ISF), aimed at supporting the least developed member states in their response to the novel coronavirus (COVID-19) pandemic, especially in the health sector. A first tranche of the ISF's urgent financial assistance was delivered at the Jeddah-based OIC General Secretariat, on 17 May 2020, to the representatives of Bangladesh, Afghanistan, and Djibouti.³²

The African Union through the Africa Centres for Disease Control and Prevention (Africa CDC) launched the Africa COVID-19 Response Fund that aims to raise USD150 million to prevent the disease's transmission and a pool of about USD400 million to support the procurement of medical supplies, deployment of rapid responders across the continent, and support to Africa's most vulnerable populations.³³ Another cutting-edge initiative by the African Union includes the launch of the **Africa Medical Supplies Platform (AMSP)** as an integrated practical response to the COVID-19 pandemic. AMSP unlocks immediate access to an African & global base of vetted manufacturers and procurement strategic partners and enables African Union member states to purchase certified medical equipment. The AMSP was launched in partnership with Afreximbank, GAVI UNECA, well as Governments of China, Canada & France, and technology & knowledge partners like Vaya and Baobab Circle.³⁴

Furthermore, **the Africa CDC** developed a joint continental strategy on the COVID-19 and launched a continental taskforce on COVID-19 in February 2020. It hosts regular virtual meetings and teleconferences of the coordinating committee comprising the health ministers of all member states on the continental response. It has developed and broadly disseminates practical guidance, knowledge materials, and vital statistics on COVID-19. For example, it hosts a weekly webinar on how to diagnose, manage, and treat COVID-19 patients for the community of practice, which includes doctors and clinical providers. In addition, through training, it has greatly enhanced laboratory capacities and provided COVID-19 testing kits to labs in 48 African countries.

In **South-East Asia, the ASEAN** senior health officials met virtually to reaffirm their commitment to regional collective action, share information on the results of disease surveillance and social interventions, and discuss regional access to equipment and testing facilities. **The South Asian Association of Regional Cooperation (SAARC)** leaders discussed the establishment of an emergency fund to fight COVID-19, a common research platform, and sharing of knowledge and equipment.³⁵

The Arab Council of Health Ministers called for experience exchange on measures to combat COVID-19, the ministers underlined the importance of implementing World Health Organization directives. The council reaffirmed on the Arab states to enhance communication, exchange information and promote continuous coordination between health organizations and related sectors, and it proposed drafting a unified Arab plan for controlling the spread of the virus, and establishing an Arab observing institution to monitor cross-border diseases.³⁶ Similarly, **The Ministers of Health of the GCC countries** met on 14 March 2020 via the visual communication to discuss the latest developments of COVID-19 and measures taken to curb its spread in their countries.

As early as April, 2020, **the Intergovernmental Authority for Development (IGAD)** Ministers of Health endorsed the outlines of the Regional Response Plan (RRP) to combat COVID-19 pandemic and its four strategic intervention areas namely; strengthening the regional and cross border coordination mechanisms, strengthening regional response system by including vulnerable population such as refugees, IDPs, migrants and host communities, strengthening the national response system and capacity development of national health systems.

The D-8 Health and Social protection program (HSP) took the lead and it organized a virtual roundtable for the health officials from the D-8 member states on 16 April 2020 which offered a platform for facilitated partnerships, experience sharing and mutual support. Through their deliberations, participants discussed the multifaceted nature of the pandemic and ways to curb the uneven effect on the developing countries. The forum acted as an initial step to share experiences and reflect on national demands as to build more ambitious and goal-oriented structures within the D-8 HSP.

The European Union (EU) commission activated a crisis coordination mechanism to synergies the action of all the relevant departments and services of the Commission and the EU agencies. The EU Commission has also launched a board of outstanding scientists (EU team of leading epidemiologists and virologists) to anticipate events and develop guidelines and evidence-based strategies for the EU. Furthermore, it helps the EU member states in ensuring a safe supply of medical equipment through supporting EU production capabilities and joint procurement.³⁷

³² https://www.oic-oci.org/topic/?t_id=23417&t_ref=14011&lan=en

³³ <https://www.africanews.com/2020/04/07/coronavirus-africa-african-union-and-african-private-sector-launch-covid-19-response-fund/>

³⁴ <https://amsp.africa/about-us/>

³⁵ <https://www.sasec.asia/index.php?page=news&nid=1135&url=asia-pacific-can-overcome-COVID19>

³⁶ http://www.xinhuanet.com/english/2020-06/11/c_139132265.htm

³⁷ https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/european-commissions-action-coronavirus_en

ANNEX 2

BRIEF DESCRIPTION OF DEVELOPMENT BANKS REGIONAL ORIENTED RESPONSES



The Asian Development Bank boosted its capacity to support trade and supply chains with more money and flexibility for its USD2.4 billion Trade and Supply Chain Finance Programs (TSCFP). Trade Finance Program (TFP) supported 2,408 transactions valued at approximately USD1.85 billion (USD620 million of which was co-financed) since 1 April 2020. Supply Chain Finance Program (SCFP) supported 55 medical/pharma transactions valued at approximately USD15 million (USD7.5 million of which was co-financed) over the same period.³⁸

The Asian Development Bank from its side allocated USD44 million in technical assistance resources to support its developing member countries in their response to COVID-19 pandemic. The funds will be available for all ADB developing member countries in updating and implementing their pandemic response plans, including buying emergency supplies and equipment; assessing the health system and economic impacts to improve future resilience. It will also help promote better coordination regionally to prevent and respond to disease outbreaks.³⁹



The African Development Bank's "COVID-19 Rapid Response Facility (CRF)" is providing up to USD1 billion in trade finance liquidity and risk mitigation support to local banks in all 54 eligible African member countries. This facility aims at reducing trade finance gaps that emerge during this crisis.⁴⁰

The African Development Bank deployed USD 1.5 billion for non-sovereign operations (private sector) in all African countries.⁴¹ USD 1.35 billion will be administrated to existing non-sovereign (private sector) clients through the following:

- Deferral of Debt Service Payments: up to USD 675 million to support the anticipated request from private sector clients for limited deferral of their loan obligations to the Bank.
- Emergency Liquidity Facility: up to USD 405 million to assist clients facing short-term liquidity challenges caused by COVID-19.
- Trade Finance and Guarantees Facility: up to USD 270 million to assist clients to access trade finance and guarantees during this difficult and challenging time.



The West African Development Bank (BOAD) allocated funding of around USD 335 million including USD 205 million of concessional loans were made available and subsidized with the support of the Central Bank of West African States (BCEAO) and the West African Economic and Monetary Union (WAEMU) Commission, to support member countries in their fight against the COVID-19 pandemic. Thus, in conjunction with commercial banks, this support could take several forms: (i) contribution to the financing of short-term requirements for revamping business or (ii) medium/long-term loans for productive investments to consolidate, strengthen or optimize production tools.⁴²



The Arab Bank for Economic Development in Africa (BADEA) Africa allocated an amount of USD 100 million to support Sub Saharan African countries' efforts to prevent and limit the spread of the pandemic. BADEA pledged to combine its efforts with the authorities of the beneficiary countries, Arab Coordination Group Institutions, African development partners and local stakeholders.



The Inter-American Development Bank (IaDB) made available more than USD7 million in non-reimbursable resources under the Regional Public Goods (RPG) Initiative to finance proposals for regional cooperation and policy coordination in the framework of Latin America and the Caribbean's response to the COVID-19 pandemic. These proposals must be presented following the RPG Initiative General Guidelines and involve a collective solution produced by at least three IDB borrowing member countries. Alignment with the Bank's operational priorities, and particularly with IaDB's response to COVID-19 in all fields of action, including social, fiscal, infrastructure, environmental, trade, among others, is a selection criterion.⁴³

³⁸ <https://www.adb.org/site/trade-finance-program/covid-19-response>

³⁹ <https://www.adb.org/news/adb-allocates-44-million-assist-countries-containing-COVID-19>

⁴⁰ <https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-joins-wto-and-other-mdbs-support-trade-finance-amid-covid-19-crisis-36705>

⁴¹ https://www.wto.org/english/tratop_e/devel_e/a4t_e/afdb_presentation_covid_response_facility_presentation_updated.pdf

⁴² <https://www.boad.org/en/information-notice-boads-action-on-covid-19/>

⁴³ <https://www.iadb.org/en/news/idb-finance-regional-projects-support-coordinated-COVID-19-response>

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