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# ECONOMIC RECOVERY AFTER A PANDEMIC: LEVERAGING UNSEEN IMPACTS FOR SUSTAINABLE LOCAL DEVELOPMENT

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## 1. Reversing Development Gains: The Unseen Impacts of a Pandemic

COVID-19 has done unprecedented damage to economies globally, but the biggest impacts are being felt at the local level. The result of social distancing and work from home policies has resulted in broken and interrupted value chains of local businesses such as small traders and home businesses, which result in millions of lost jobs and the loss of capital as SMEs and workers in the informal sector sell their productive assets in order to create income to feed their families.

As governments around the world work to respond to the economic impacts of COVID-19, current and new social protection programs and one-time grant schemes are being put to the test. In countries with good data collection and management, governments are able to identify and target the most vulnerable (the elderly, the disabled, the poorest households) for necessary food and cash support. In countries where population data is incomplete and many domestic migrants live unregistered and work in the informal sector, identifying the most in need becomes a nearly impossible challenge. Add in the fact that while existing government records are able to identify the poorest (registered) households, the negative economic impact of COVID-19 has pushed millions of additional households below the poverty line. Being able to target these households for necessary financial and social assistance in a timely manner will be a nearly insurmountable task for developing and least developed countries.

There is also the issue of the knock-on effects of more and more households falling below the poverty line: an increase in malnutrition, with acute impacts on infants and children under 5; restricted access to essential services such as health care (and in the case of COVID-19, necessary protective products like antibacterial soap, sanitizer and face masks); reduced incidences of social/physical distancing as families seek out income opportunities and combine resources to make ends meet; reduced school attendance (in this case, on line learning but later on reductions in physical attendance when normal classes resume); and stress on local natural resources as people seek out income opportunities and/or use local resources for food supplies. The added stress on households will likely have an increase on domestic and gender-based violence.

It is impossible to compartmentalize the impacts of COVID-19 solely in terms of health and economy. COVID-19, unlike any epidemiological crisis in the past 100 years, has shone a spotlight on the complex systems in which we live - locally, regionally and globally. As such, siloed responses by government and the private and philanthropic sectors will do little to reverse the negative impacts of COVID-19 on development outcomes in many countries in the short and medium term. Crises in complex systems require integrated responses that address underlying issues that exacerbated the crisis to begin with.

## 2. Beyond Infrastructure: The Challenge of Multi-dimensional Recovery

In any crisis the main focus is on saving lives. Given the nature of the COVID-19 pandemic, this means that traditional, targeted and time-bound interventions are not enough. Testing, tracing and treatment for COVID-19 will last for many months, if not years. Even when a vaccine is available, the challenges of public health programming in developing countries means that it will not necessarily be a quick win. Staging response and recovery as discreet programmes is not a realistic approach. Neither is the traditional crisis recovery approach of viewing economic recovery as livelihoods rather than focusing on the local economy as a system. When viewed from afar, local economies are complex systems made up of more than stand-alone livelihoods sectors. This has been one of the most striking and immediate lessons emerging from COVID-19 response.

As social distancing and work from home policies went into place, as ‘lock downs’ or quarantine became more common, it was evident that even if some sectors could work from home, and others were deemed ‘essential services,’ the complexity of local value chains had not been taken into consideration. While agriculture proceeded apace, manufacturing was impacted due to social distancing requirements. Reduced hours at banks has meant long queues and slow service. And even when commodities are performing and logistics functioning, buyers are not buying. Shuttered local cafes, restaurants and hotels don’t need local produce, which means crops go wasted because alternative supply chains have not yet presented themselves. Some farmers are shifting their crops to support broader food security programmes, like rice, maize and potatoes, but smallholders are not in a position to make such a shift in such a short timeframe, and lack the necessary expertise and equipment for new crops to ensure that it will be successful enough to risk any initial investment.

It is therefore important that response to COVID-19 focuses on both the health requirements of responding to a pandemic and simultaneously address recovery of local economies. If governments wait too long, i.e. for the traditional ‘response-recovery’ phases to eventuate, the impact on local economies – and on individuals and households – may be more catastrophic than the health impacts alone. Sustainable recovery of local economies is not a stand-alone and short-term activity. It is a comprehensive plan of action to bring the economic activity back to its previous level, in line with existing local development plans and targets. The longer governments wait to identify appropriate economic recovery strategies that target the local level – as opposed to sector and industry-focused initiatives that receive media attentions – the more devastating the economic (and social and health and education) impacts will be on an ever-increasing number of households and communities.

The challenges to implementing such an approach are many: 1) understanding how complex systems – whether global, national or local – work is still new in the public, private and development sectors. Bridging the siloed sectoral approaches to crisis response will be difficult both theoretically and practically. 2) the sense of urgency around the need for economic recovery, at all levels, will mean that the focus is on short-term quick wins, and fail to leverage opportunities to understand local supply chains in a way that can support sustainable, long-term economic growth. 3) Traditionally, recovery has focused solving immediate problems and getting ‘back to normal’ but normal is what caused this situation to begin with. A multi-dimensional response that recognizes what placed local economies at such high risk to the impacts of COVID-19 in the first place is both essential and politically tricky.

## 3. Opportunities for Systemic Change: Socially and Environmentally Sustainable Local Economies

The onset of COVID-19 has laid bare to the world that global crises are not ‘someone else’s problem.’ In fact, it is developed countries, including the EU and United States, which have been hit hardest (so far). The global response to COVID-19 has reinvigorated discussion around the idea that hard choices can be made when lives are at risk, and that ignoring scientific warnings does not make the problem go away. COVID-19 has helped to shine a brighter light on the challenges we, as society, face in relation to climate change and inequality. If tough decisions can be made for a health crisis, why not then for climate change or poverty?

## Economic Recovery After a Pandemic

As governments look to restart their economies, they have a unique opportunity to leverage this crisis response into a process that helps to mitigate future ones. We are already seeing local governments, such as in the Netherlands, commit to using this crisis to improve the sustainability of their economies going forward. They have committed to implementing ‘Doughnut Economics’ – a framework of planetary boundaries that accommodates the demands of social justice – that sets a vision for an equitable and sustainable future<sup>1</sup>. There are many commentaries on the value of the doughnut economic approach, and for us, the value is that because it does not commit to specific pathways, it allows for a certain level of adaptation to meet the environmental, social and cultural needs of local economies.

The challenges for many developing countries when it comes to economic development is it has become increasingly complicated – not to be confused with complex – and is driven by international development agendas and the agendas of bi-lateral partners: focus on this industry, not that; pro-poor requirements; gender inclusion; human rights based; results; impact; use this model since it worked in country X; use that model because it worked in country Y; etc. Rarely are approaches or models developed organically based on local needs, values and vision for the future. Rarely do interventions look beyond individual sectors and discreet programming to assess the system, the actors and influences. Traditional approaches to SME development and cottage industries, often targeting women and the most vulnerable, tend to view beneficiaries as victims rather than assets to the community and the system in which they live and work. The focus is on quick wins and less on what will work long term – and what is good for the community rather than simply a selection of stakeholders.

The concept of doughnut economics highlights how economic development can be equitable and sustainable without undermining growth. The focus for local economic development within this model is determining what the community needs, what it wants and how that can happen responsibly in order to build on the lessons from challenges and crises of the past (economic downturns, social unrest, COVID-19, natural disasters and the impacts of climate change). What pathway(s) can the community identify that meets its collective needs but ensures that it uses local resources sustainably? That mitigation against natural disaster and climate change impacts can be incorporated? That issues around inequality can be addressed and rights-based systems to mitigate social unrest are available and institutionalized? This is a systems approach (individuals, institutions, organizations, relationships and influences) to sustainable local economic development and, depending on the characteristics of the community, can apply a number of models that address the needs and respect the values of the community and lead towards sustainable economic growth.

## 4. Focus on Local Systems: Models for Sustainable Local Recovery

Focusing on local systems for economic recovery means that, while it is no less complex than other systems, there are fewer actors and influences to understand when identifying appropriate pathways to recovery and development. It also means that models for economic development that are sustainable and promote both social and climate resilience can be adjusted to fit local context, values and needs. There are a variety of models that have been tested in the past decade that attempt to localize issues of sustainability and resilience. These include targeting different types of businesses (registered, informal, women led, cooperatives); identifying local climate and disaster risks and understanding how to mitigate them and respond to their eventuation through continuity planning, adaptation and preparedness; and facilitating an alignment of public and private investment (local government resources and local industry).

There are good examples of all of these models, and others, available to learn about online. The International Labour Organization (ILO) has been promoting unique approaches to enterprise development in underserved communities, targeting local youth, migrants and conflict-affected areas. Through the advent of a peer-learning approach to SME development and the set-up of cooperatives, the ILO has highlighted the need for socially-sustainable economic development and recognizes that in communities where extension services are not available, communities can harness the knowledge and strengths of their respective members for the greater good.

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<sup>1</sup> See more here: <https://www.kateraworth.com/doughnut/>

## Economic Recovery After a Pandemic

COVID-19 is an example of a slow(ish) on-set, long-term crisis that highlights the absence of adaptive and mitigation capacity for crises at the local level. When it comes to helping local economies to recover from this crisis, emphasis needs to be placed on learning why the impact was so great to being with. The UN Capital Development Fund and World Resources Institute have been piloting models for local climate adaptation and resilience in least developed countries for the past eight years. Small grants, channeled through public finance mechanisms, help to test models for climate resilience in infrastructure and the local supply chains. The emphasis of the approach is to focus on small tweaks that fit with local values and capacities, rather than advocate for sea-change initiatives that cannot be absorbed or sustained locally. These grants focus on initiatives that build on the vision that the local government has for its economy, and builds on local resources and industry, rather than introducing industry or enterprises that have no local supply chain or local expertise upon which to grow.

Janine Grant Consulting has been an advocate of blending public and private finance to facilitate local economic development and sustainable growth (see Janine Grant Issue Brief No. 1/2020). By aligning public and private resources for local development, there are greater opportunities to test new concepts (using public resources) and then scale-up those ideas using private finance. The key is to identify the common goals of local government and local industry when it comes to their needs in the local economy. Whether investments take place in climate-resilient infrastructure projects that serve both the community and local industry, or support to cooperatives that create job growth for local youth and strengthen local supply chains, these types of models help to strengthen the economic resilience of the community and facilitate more transparent relationships between the public and private sector.

The key to sustainable and inclusive economic recovery after a systemic crisis is to focus on the local level, building on local strengths and resources. It is an opportunity for sustainable change that should not be missed.



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*Merging traditional international development and humanitarian work with private sector engagement in sustainability and poverty reduction, Janine Grant Consulting recognizes that identifying what needs to happen and achieving results is neither linear nor simple and provides targeted services to bridge theory and practice along the spectrum of development and sustainability in the public and private sectors.*