

POLICY BRIEF

Policy Lessons from a Pandemic: The Korean Experience



A drive-through screening center in Incheon collects specimens for COVID-19 diagnostic testing. Photo credit: iStock/Goldcastle7.
The Republic of Korea is taking a multi-faceted approach to protecting public health and cushioning the impact of COVID-19 on the economy.

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Introduction

When the World Health Organization (WHO) officially declared the coronavirus disease (COVID-19) outbreak as a pandemic on 11 March 2020, the Republic of Korea was already reporting more patient recoveries than new cases.

Before it managed to “flatten the curve” or reduce the number of new cases daily, the country had to respond quickly and undertake several policy measures. As the health crisis is threatening to infect its real economy as well, the Republic of Korea is taking extraordinary measures and a more coordinated approach at the local, national, and international levels to cushion its economy and its people from the COVID-19 fallout.

1. The government focused its capacity and resources on containing the spread of the virus through a three-pronged strategy of Test, Trace, and Treat (3Ts).

2. It adopted fiscal and monetary policies to boost the economy and domestic consumption, support vulnerable sectors, and protect markets from external shocks.
3. It set its priorities clearly—from identifying COVID-19 patients who needed immediate treatment to assisting vulnerable individuals and distressed businesses. The government also provided industry-specific support to its most vital industries, as well as to microbusiness owners and the self-employed.

This policy brief is based on a [presentation by the Ministry of Economy and Finance at the Policy Actions for COVID-19 Economic Recovery \(PACER\) Dialogues](#) organized by the Asian Development Bank.

Context

On 19 January, the Republic of Korea announced its first confirmed COVID-19 case. The government immediately recognized the need for prompt and comprehensive action and swiftly responded by conducting large-scale testing.

Its quick response shows how the Republic of Korea has learned its lesson from previous health crises such as the SARS epidemic in 2004 and the MERS-COV outbreak in 2015. Since then, the country has strengthened its capacity for disease control, which includes training public health staff at the national and local levels on contact tracing and epidemiological investigation. This enabled it to rapidly deploy testing stations, trace, and treat patients when the COVID-19 pandemic happened.

The country also relied on its modern and affordable health care system and public adherence to national health advice, such as wearing face masks, social distancing. Its digital infrastructure also came in handy for contact tracing, health diagnosis, and information dissemination.

Strong cooperation between the public and private sectors played a huge role in the country's COVID-19 response. The government swiftly eased regulations so private medical companies can produce and distribute test kits faster to meet the growing demand. As early as January 2020, with only four confirmed cases, test kits were already developed in the country; by March, they were being exported to 81 countries.

As soon as the country raised its crisis alert level to the highest (Level 4) on 23 February, the government immediately assembled the Central Disaster and Safety Countermeasure Headquarters, headed by no less than the Prime Minister, to set priorities and coordinate policy responses at the local, national, and international levels. Policies are immediately cascaded down to the local governments to ensure the adequacy of hospitals and beds for patients. If the cases are beyond the capacity of local governments, the central government provides the necessary resources. This clear delineation of responsibilities led to rapid response and policy actions.

Policy Implementation

For the Republic of Korea, early detection is key to preventing the virus from spreading. Its 3Ts strategy is done through these measures:

- **Special Entry Procedures:** Adopting Special Entry Procedures that required all inbound travelers, including Korean nationals, to undergo a 14-day self-quarantine or isolation, a body temperature check, and other measures. A self-quarantine safety protection app or self-diagnosis app was made available for people to monitor and report symptoms of infection during their stay in the country from their mobile phones. Each local government (city or province) is provided with a list of inbound passengers for closer monitoring.
- **Screening and Testing Stations:** To easily detect infected patients, the government made the diagnostic test facilities widely available. Aside from screening clinics at public health centers and healthcare institutions, it rolled out testing facilities, drive-through centers, mobile facilities, and door-to-door visits for specimen collections. Travelers can also get tested in “walk-through” facilities at Incheon International Airport and get their sample collected in 5 minutes or less.
- **Contact Tracing:** Prompt epidemiological investigation and quarantine of contacts are conducted by the central and local governments. In addition to obtaining basic information on the whereabouts of confirmed patients and interviewing healthcare workers and family members, data from medical records, mobile GPS, CCTV footage, and credit card records are sometimes also gathered. Medical institutions also have access to patients’ overseas travel history.
- **Patient Management System:** The order of treatment of confirmed COVID-19 patients is based on the severity of their cases. To ensure the availability of medical facilities for non-COVID-19 patients, the government designated COVID-19 protection hospitals. It also allowed non-respiratory patients to receive medical advice and prescriptions by phone to avoid exposure to the virus.

To cushion the economy from the pandemic’s fallout, the government adopted fiscal policies to:

- protect jobs, vulnerable groups, and businesses,
- promote consumption and industries, and
- prepare for the shift to the “new normal” with new business regulations and the so-called “Korean New Deal.”

To protect the economy:

- Four financial stimulus packages and other emergency relief, amounting to \$210 billion or equivalent to 13% of the country’s GDP, were released. These will fund programs designed to help businesses survive, ease borrowers’ payment burden, and avoid credit crunch, among others.
- A historically high supplementary budget of 11.7 trillion won (\$10 billion) was passed by the National Assembly to aid in disease prevention and treatment, small business loans, household support (including daycare vouchers), livelihood support, and relief for hard-hit sectors.

To promote economic recovery:

- Industry-specific emergency financing will be given to four vital industries: airlines, shipping, tourism, and the arts.
- Incentives are given to entice domestic consumption, such as emergency relief to all households, doubling of the income tax deduction for credit or debit card use, expanding local governments' gift certificates issuance, and issuing leisure and tourism coupons, as well as maternal healthcare coupons.

To prepare for economic recovery:

- The government will improve business regulations in 10 sectors that will be highly in demand in the "new normal." These sectors are big data/artificial intelligence, future cars mobility, healthcare, fintech, medical technologies, recycling, venture startups, industrial complexes, tourism, and e-commerce. Remote healthcare and education and online businesses will also be a focus.
- The government unveiled the Korean New Deal, a 76-trillion won (\$62 billion) spending plan to establish a digital infrastructure and create new jobs to prepare the economy in the new normal.

Complementing these fiscal measures were the following monetary policies:

- Reduce interest rates.
- Raise the trading limit on foreign exchange futures to prevent a sudden volatility in the swap market.
- Engage in a bilateral currency swap with the United States Federal Reserve.
- Ensure unlimited supply of liquidity to Korean financial institutions.
- Extend financing for special purpose vehicles to purchase corporate bonds and other market stabilization measures

Policy Outcomes

The Republic of Korea recorded the highest number of COVID-19 patients of any country outside the People's Republic of China on 29 February. On this day, the new cases spiked to 909, mainly due to a single religious gathering in Daegu City. By end-March 2020, however, the number of new cases dropped to 78.

The country of over 50 million managed to bring down the number of cases dramatically in just a span of a month without resorting to restricting movement or shutting down borders. It took immediate recognition of the problem from the top, clear-cut, and decisive policy actions, close cooperation with local and national authorities, sharing of vital information, and preemptive, bold, and sufficient steps to revive the economy beyond the COVID-19 pandemic.

Lessons

The Republic of Korea's COVID-19 response offers lessons for countries facing similar challenges:

1. **Act swiftly and decisively.** When the pandemic happened, the government did not have a budget for its COVID-19 response as its budget priorities were already in place. To fund its response as well as the economic relief and fiscal stimulus package to assist the vulnerable sectors of the economy, the government used two supplemental budgets and its reserve fund. It also asked the National Assembly for a special budget approval procedure and for a third supplemental budget. The government used all its available fiscal resources to come up with quick solutions and “extinguish the fire” or prevent the problem from festering. While it had some successes, not all its fiscal policies worked, but it was flexible and open to policy changes to achieve its objectives.
2. **Be transparent to earn public trust.** From the beginning, the government ensured there is transparency in the process by sharing its crisis response policies and the purpose of the diagnostic tests. This led to greater public understanding of government's actions and prevented chaos and anxiety over the mass testing.
3. **Set the tone from the top.** While the central government acted swiftly toward the pandemic, the local governments also played an important role, particularly in the contact tracing. Local governments formed an emergency committee that was chaired by no less than the Prime Minister, who attended the daily meetings. This sends a signal that the policy decisions directly emanate from the top and ensures they are acted upon quickly.
4. **Have the right mindset.** The government shouldered all the costs of the mass testing to the tune of \$76 million, regardless of whether the person is a Korean national or a foreigner. This eliminated the stigma toward COVID-19 patients as everyone has to undergo testing.
5. **Gather multi-sectoral support.** Enjoin various sectors to cooperate and help in the government's response. When there was a shortage of face masks at the onset, the public and private companies in the Republic of Korea gave financial support, mobilized their own supply chain networks in making the face masks, as well as offered their facilities as treatment centers. Individual citizens also lent their support by abiding by the rules on social distancing, wearing of masks, and non-participation in mass gatherings, such as religious worship. Landlords also voluntarily reduced the rent of small businesses to help them cope with the economic fallout from the pandemic.
6. **Build on past lessons.** Even before COVID-19, Korean citizens are already accustomed to wearing face masks because of past experiences with SARS and MERS-COV. Dealing with these previous health crises also built up the country's manufacturing facilities, which enabled it to produce masks at the rate of almost 10 million a day.
7. **Balance public health and economic growth.** While protecting the health of its people, the government must also support the economy. Being a major semiconductor exporter, the Republic of Korea heavily relies on the interconnectedness of global trade so it was important for the government to help companies manage the disruption in their supply chain and get reconnected to the global value chain. This was done through bilateral negotiations, cooperation, and dialogues with other countries to grant special entry for emergency situations or for professionals in critical

industries. The government also helps in providing health certifications to assure its trading partners that the Korean workers travelling to their countries are virus-free.

8. **Protect the vulnerable sectors.** The Republic of Korea was not prepared to provide financial support for informal or casual workers at the onset. The government, however, is extending financial support, such as an employment insurance fund to help vulnerable sectors, including artists and freelancers which are not covered by the fund. While the current funding may not be enough to help all vulnerable sectors survive the pandemic, the government said it is open to finetuning its policies.

Resources

Ministry of Economy and Finance, Republic of Korea. 2020. *Tackling COVID-19: Health, Quarantine and Economic Measures: Korean Experience*. Presented at the Policy Actions for COVID-19 Economic Recovery Dialogues of the Asian Development Bank. 31 March.

Tackling COVID-19: Health, Quarantine, and Economic Measures of Korea. YouTube video. 16 April 2020.



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