COVID-19 in North and Central Asia

Impacts, Responses & Strategies to Build Back Better
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North and Central Asia countries have been making efforts to align national strategies with the 2030 Agenda for Sustainable Development, facilitating economic diversification, social equity and environmental sustainability. The impacts of COVID-19 threaten to put a hold on progress for the sustainable development agenda and erase gains made thus far. By recognizing that it is not a zero-sum game between enacting COVID-19 recovery measures and achieving the 2030 Agenda, countries can align recovery packages with the principles of sustainable development. This will help countries get through this crisis better and prepare the subregion to handle other impending crises more efficiently.

Countries in the subregion have quickly implemented strict measures to curtail the spread of the pandemic. As the numbers of infected patients continue to rise, it exposed the limited capacity of public health systems in the subregion to accommodate such an upsurge in demand for healthcare services. Governments scrambled to overcome the bottlenecks of limited hospital beds, insufficient protective equipment and overstretched healthcare personnel, and to procure testing facilities. Existing social protection facilities were built upon to provide support to affected social groups in normal conditions. However, the rapidly changing pandemic situation and uncompleted structural economic transformation proved challenging to effectively target these measures. Inequalities and poverty levels are expected to increase, especially impacting vulnerable population groups. The average GDP of the subregion is estimated to contract by 3.2 per cent during 2020.

Vulnerabilities in the economic structure which is dependent on commodity exports, migrant labour and remittances, and the prevalence of informal sector pose challenges for post COVID-19 economic recovery. Trade and transport connectivity, which are essential for the landlocked countries in the subregion, were majorly affected by measures put in place. The recovery measures and packages have made a dent in the available fiscal space. Substantial fiscal deficits have already been recorded and are expected to widen further in 2021, adding to sovereign debt which was already a concern for some countries. On a positive note, there was a temporary improvement in air quality in major cities in the subregion as socioeconomic activities were scaled down.
In order for countries to recover effectively from the crisis, this policy brief recommends three areas of subregional cooperation.

> **Protect people and facilitate inclusivity** in social services need to be achieved as the pandemic highlights the vulnerabilities in social systems across the subregion. Emphasis needs to be placed on public healthcare funding, targeting vulnerable population groups and ensuring access to quality education.

> **Digital transformation** can contribute to the double bottom line of economic transformation and achievement of social inclusivity. Digitalisation efforts to facilitate connectivity needs to be preceded by equally accessible ICT infrastructures in rural and urban areas. Matters on online privacy and rights require thorough multistakeholder consultations to uphold the fundamental human right of personal privacy.

> **Green economy strategies** need to be embedded in recovery efforts to ensure long term sustainability. Low carbon systems and infrastructure ought to be prioritized for investments with supporting policies and financing strategies to shape sustainable economies in North and Central Asia.
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AP-IS</td>
<td>Asia Pacific Information Superhighway</td>
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<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HDPE</td>
<td>High-density polyethylene</td>
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<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
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<td>IFR</td>
<td>Infection-fatality ratio</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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<td>IOM</td>
<td>International Organization for Migration</td>
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<td>LDPE</td>
<td>Low-density polyethylene</td>
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<td>MSME</td>
<td>Medium, small, and micro enterprises</td>
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<td>NCA</td>
<td>North and Central Asia</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<tr>
<td>OOP</td>
<td>Out-Of-Pocket</td>
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<td>OPD</td>
<td>Organization of Persons with Disabilities</td>
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<tr>
<td>OPEC</td>
<td>Organization of Petroleum-Exporting Countries</td>
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<tr>
<td>PETE</td>
<td>Polyethylene terephthalate</td>
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<tr>
<td>PP</td>
<td>Polypropylene</td>
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<td>PPE</td>
<td>Personal Protective Equipment</td>
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<td>PS</td>
<td>Polystyrene</td>
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<td>PVC</td>
<td>Polyvinyl chloride</td>
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<td>SDG</td>
<td>Sustainable Development Goals</td>
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<td>MSME</td>
<td>Micro, Small and Medium Enterprise</td>
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<td>SPECA</td>
<td>Special Programme for the Economies of Central Asia</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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<td>WHO</td>
<td>World Health Organization</td>
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I. Introduction

In the North and Central Asia (NCA) subregion – which includes Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan – the COVID-19 pandemic and its cascading social and economic fall-out have mapped onto pre-existing conditions. Economies in the subregion had gradually recovered since the last oil price crisis. However, governments had varying degrees of fiscal space to implement emergency support and protection measures for households and businesses once the pandemic's impacts unfolded. On the positive side, the subregion has displayed a degree of resilience building on its comparatively good foundation in providing social protection and basic public services, including health services, though large intra-regional differences remain.

The lockdowns and restrictions implemented by governments to curb COVID-19 infections have led to a lack of income for workers, including in the informal economy, which is sizable in NCA, and to decreased production and earnings for enterprises, including small and medium enterprises. Sectors such as tourism, hospitalities, retail and other “close contact” services were particularly hard-hit. Additionally, the phenomenon of the “missing middle” has emerged in NCA since the start of the pandemic (UNDP, 2020). While the middle and upper middle classes are employed in the formal economy and are covered by social security, and many of society’s poorest are covered by targeted social assistance transfers, this newly vulnerable group consists of formerly non-poor informal workers, occasional or “gig workers” and part-time employed persons, and labour migrants who have lost their source of livelihood, but do not meet criteria for state support.

Inequality, vulnerability, and poverty have worsened in the short term and in the medium term threatens the sustainable development gains achieved so far. NCA countries need to find ways to continue to support populations and enterprises through the economic slump, including if it becomes necessary to enhance restrictive measures again. However, now it needs to be done in a more differentiated and targeted manner to ensure fiscal sustainability and that all those most in need are reached.

The COVID-19 crisis has exposed and amplified structural weaknesses in the economies of NCA. On the one hand, the overdependence on commodities, such as oil and gas, in countries such as Russia, Kazakhstan or Azerbaijan, caused temporary but sizeable revenue losses
when prices slumped due to the decrease in global demand. Meanwhile, in the case of countries with a high dependence on migrant labour and remittances, such as Tajikistan or Kyrgyzstan, labourers lost jobs and incomes, and a significant number also became stranded in precarious situations. Since a large part of remittances goes into consumption in home countries, labour migrants’ dependents were left without the means to cover their basic needs.

Other economic sectors fuelled by remittances, such as construction and small-scale trade, also suffered. A major area of concern when countries start to implement lockdown measures was to ensure the continuity and minimize disruptions in supply chains. This is especially important for the landlocked countries in NCA as regional trade and transport activities are crucial to maintain provision of essential goods as well as standards and costs of living. The pandemic highlighted the need for more resilient and efficient cross-border transport and trade connectivity, including via strengthened regional cooperation in legal, technical and operational efforts.

To pay for the rapidly expanded socioeconomic support measures, governments have taken on large amounts of new debt, including from international financial institutions (IFIs) that rapidly responded with emergency loans. For some countries, the question of debt sustainability is becoming serious. Continuously shrinking fiscal space is raising the question of how to maintain needed support as, after a few months of relative reprieve, the pandemic now moves into a second wave. Increases in numbers of infections can particularly be seen in the case of the Russian Federation and the countries of the Southern Caucasus, while the trend is not as pronounced yet in the Central Asian countries. Whether the effects are direct or indirect, it is becoming increasingly clear that responding to the COVID-19 pandemic is a marathon rather than a sprint. The World Health Organization (WHO) estimates that the pandemic will be with us well into 2022 – even with positive vaccine scenarios playing out. What is therefore needed now is an eye towards the mid and long term.

A key driver in the pandemic-impacted economy is digital transformation. Information and communication technologies have played a key role in the response to the COVID-19 pandemic through digital connectivity which encompasses economic, social and environmental aspects of preventive and recovery efforts. Digital tools help monitor, mitigate and fight the outbreak of COVID-19 through risk communication, community engagement and the use of technology by healthcare systems.

As the pandemic evolved, accompanied by justified restrictive measures of governments to protect people’s health, some sectors of the economy which are able to quickly transition into online modes of working – such as, retail, finance and education – reaped the benefits of digitalization. This accelerated uptake for digital technologies allow these sectors to maintain their activities, sustain supply chains of essential products and services and leapfrog in their development. Digital

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connectivity based on broadband Internet availability allows for innovative solutions and lifestyle patterns in this crisis era. However, digitalization comes with its own set of challenges such as the digital divide, availability of expertise and online privacy issues.

By reducing countries’ and the global community’s capacity to act on sustainable development, the COVID-19 crisis is magnifying the need for the very transformation that it is undermining. It is therefore paramount to plan and manage the COVID-19 recovery right, to make sure that support and investments to lift countries out of the crisis are future-oriented and sustainable – contributing to the resilience of nature and societies, and to the dynamism of their economies.

A multi-dimensional crisis calls for unparalleled multi-sectoral responses. “Building back better” needs to be embedded in a framework of integrated development policies. In 2015, when United Nations member States adopted the 2030 Agenda for Sustainable Development, they recognized the complex and interconnected nature of development and pledged to systematically address economic, social, environmental and governance challenges while ‘leaving no one behind’.

However, as seen in Figure 1, five years on, NCA countries were not on track in implementing this ambitious and transformative agenda. Were the NCA subregion on track, the blue bars would be at or beyond the 2019 benchmark line, which is not the case for most of the goals. Moreover, dotted rather than solid bars indicate a serious lack of data. This relative lack of progress has left populations, economies, and governments more vulnerable in the face of the COVID-19 pandemic than they might have otherwise been. COVID-19 recovery should therefore be explicitly aligned with the spirit and goals of the 2030 Agenda. It will help countries in weathering this crisis better and prepare the NCA subregion for other impending crises, such as climate change.

ESCAP stands ready to support its NCA member States with developing and implementing integrated policies aligned with the Sustainable Development Goals, with particular focus to (i) address structural challenges to protect people, (ii) enhance regional connectivity for resilient supply chains, and (iii) support economic recovery and transformation. Regional cooperation among member States and between stakeholders is crucial to ensure a concerted regional approach to crisis recovery.

ESCAP’s capacity building activities and meetings in the subregion will continue to prioritize regional cooperation as one of the key cross-cutting areas for socioeconomic recovery post COVID-19. This policy brief analyses the multi-faceted impacts of the COVID-19 crisis itself, and the types and results of immediate response by governments and other actors. It then turns to the mid to long term when countries shift from emergency response to recovery and longer-term development. The brief also outlines recommendations for subregional cooperation to help countries recover better.
FIGURE 1: SNAPSHOT OF SDG PROGRESS IN 2019 FOR NORTH AND CENTRAL ASIA

II. Evolving COVID-19 situation and responses in North and Central Asia

A. STATUS OF THE COVID-19 PANDEMIC IN NORTH AND CENTRAL ASIA

The emergence and spread of the COVID-19 virus in North and Central Asia have varied depending on national circumstances such as population profiles and mobility. The first case of COVID-19 in the NCA subregion was reported in Russia on 31 January 2020, followed by official confirmations of cases in the Southern Caucasus and Central Asia in March and April. To date, Turkmenistan has not officially confirmed any cases of COVID-19, however, it has experienced a surge of pneumonia cases.

NCA countries relatively quickly implemented strict measures to curtail the spread of COVID-19, including border closures, additional health and other requirements at border-crossing points, as well as other containment measures. These measures often implied additional costs and delays in cross-border transport and trade, adversely affecting national and regional supply chains. The increase in costs, delays and disruptions were amplified by pre-existing connectivity challenges in Asia and the Pacific. NCA countries also introduced lockdowns – implementing curfews, closures of businesses and schools, and restrictions on gatherings.

As Russia was affected quite early, its response was comparatively delayed leading to significant spread. In the Caucasus and Central Asia, while many of the measures succeeded in keeping case counts low through March and April, restrictive measures were relaxed at the end of April and beginning of May, partially due to the severe economic consequences of maintaining them. Consequently, cases began to rise, first in the Caucasus in May, then in Central Asia in June. All NCA countries showed a decrease in cases during August following the reinstatement of some travel restrictions and lockdown measures. However, in Russia and the Caucasus, numbers started to rise again in September and are even more pronounced in October - entering a second wave. As of the beginning of November, Central Asia has not yet shown a definite trend of a second wave though numbers are also on the rise.

As of 30 November 2020, there had been a total of 3,017,002 COVID-19 cases in NCA. According to WHO transmission classification, Armenia and Georgia were experiencing community transmission and most other NCA countries reported clusters

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3 Based on reporting from https://eurasianet.org/turkmenistan-is-coronavirus-facade-slipping
of cases. While the Russian Federation retained the highest total number of cases within the NCA subregion (at 2,295,654), this is mainly due to its significantly greater population. Adjusted to a per-capita basis, Armenia has the highest number of cases per million population (45,600), followed by Georgia (33,988), the Russian Federation (15,731), and Azerbaijan (11,657).

Given significant challenges in data compilation, these official numbers do not reflect the full picture. According to UNDP calculations of infection-fatality ratios (IFRs), based on Johns Hopkins and Imperial College London data, the official data captures only a share of actual cases. Moreover, discrepancies and subsequent adjustment in methodologies of counting the number of cases, as well as differences in the prevalence of testing and access to and quality of medical services are resulting in a degree of ambiguity in cross-country comparisons.
PUBLIC HEALTH SYSTEMS IN NCA STRETCHED TO THE LIMITS BY COVID-19 PANDEMIC

While NCA countries have made some progress in reforming public health systems to improve quality and access, weaknesses are persisting and have been exposed during the current pandemic (World Bank, 2013). Health underfunding has resulted in deficiency of public health infrastructure and lower emergency-response capacity. Before the onset of COVID-19, health expenditures as a percentage of GDP of all NCA countries were below the global average of 9.8 per cent - save Armenia with 10.3 per cent.

All NCA countries have above world average numbers of hospital beds, but except for Russia, they also have below-average numbers of acute-care hospital beds when compared with the WHO European region average. Similarly, while all NCA countries have above global average numbers of physicians, Kyrgyzstan, Turkmenistan, Tajikistan and Uzbekistan have some of the lowest numbers in the Europe and Central Asia region.

To illustrate, in Armenia, exacerbated by the renewed conflict over Nagorno-Karabakh, the country’s designated COVID-19 hospitals were already at capacity as of 24 October 2020. Georgia, meanwhile, re-designated hospitals to treat COVID-19 patients in October and prepared additional surge capacity in terms of personnel, and thus has not yet experienced shortages of equipment and caregivers. Russia and Kazakhstan have built additional hospitals and re-profiled other facilities for COVID-19 treatment. To respond to the pandemic, most NCA countries have also relied on external support packages from international donors and private contributions for procurement of equipment, including personal protective equipment for health workers, hospital beds and testing facilities.

Access to healthcare services is another central public-health challenge in NCA. Out-of-pocket (OOP) spending represents a considerable share of total health expenditures in all countries of the subregion (World Bank, 2013). This creates inequities in access to healthcare and quality of health services. While all countries in NCA provide state-funded COVID-19

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7 As per WHO definition, all NCA countries are part of the WHO European region, for list of all countries see: https://www.who.int/choice/demography/euro_region/en/
treatment to citizens, households carry an additional burden with increases in prices for pharmaceuticals. Testing capacities for COVID-19 and application of contract tracing methods have been limited due to constraints in capacity. Resources need to be further mobilized to increase existing capacities of the healthcare system and ensure public health security.

The increased strain placed on national health systems during the pandemic has substantially impacted the ability of those systems to provide ongoing care and support to non-COVID-19 patients. This includes a decrease in the number of immunizations, which are especially important for children, less access to mental health care and support services, and critically, less consistent treatment for non-communicable diseases. This includes cardiovascular disease, care for patients with diabetes and asthma, urgent dental care, and routine cancer screenings and diagnoses.

This combination of greater general need for medical assistance and less access to services, especially in locations that depended on outreach services in addition to medical facilities, threatens the most vulnerable elements of society, in particular children, mothers, the elderly, persons with disabilities and rural poor populations.

CONTAINMENT MEASURES

North and Central Asia countries have initiated a series of containment measures since recording the first confirmed cases of COVID-19. The main measures implemented by almost all countries in the subregion during the initial phases of the pandemic included restriction on movements and travel, port screening and border closures. These measures greatly impacted the movement of people, goods and services, consequently impacting socioeconomic aspects which will be further discussed in the following sections.

The containment measures were initially put in place for approximately 1.5-3 months and were then gradually eased out in phases based on each countries’ staged reopening plans. However, with the onset of second waves in many countries, some of these measures are being reintroduced again, albeit often in a more targeted way. The timing and conditions for the implementation of these containment measures differ among countries and can be better coordinated through strengthened regional cooperation.
FIGURE 3: MEASURES TO CONTAIN COVID-19 IN NCA

Source: ESCAP based on information available up to 4 November from IMF Policy Responses to COVID-19, and various national sources and news. Available at https://www.unescap.org/covid19/policy-responses
B. SOCIAL IMPACTS

The COVID-19 pandemic is exacerbating pre-existing inequalities and vulnerabilities in the NCA subregion and is creating new and additional vulnerabilities along with increased levels of poverty. To understand some important aspects indicating the level of preparedness or resilience within the NCA subregion to the current crisis, a good starting point are NCA countries’ UNDP Human Development Indices (HDI) that combine a country’s average achievements in health, education and income.

As can be seen in Table 1, NCA HDI values are above the world average of 0.731. However, looking at the inequality adjusted HDI value (which discounts for the human development cost of inequality), the emerging picture is less positive, especially for Turkmenistan, Tajikistan and Kyrgyzstan.

The other columns of Table 1 look at selected indicators from the World Banks’s World Development Indicators. While access to basic services such as drinking water and electricity are on par with world average levels, healthcare systems show a larger degree of stress, echoing the earlier-mentioned impacts of underinvestment in the health sector. The relatively low (i.e. negative) scores for vulnerable employment (defined as the total percentage of own-account workers and contributing family workers) are noteworthy as this represents a large part of the NCA workforce that is most likely to be negatively affected by the crisis. The low levels of broadband subscription show a big gap in the ability to make use of digital services which have become such an important component of successfully coping with the impacts of the pandemic (for further discussion on digital divide see page 21).

VULNERABLE POPULATION GROUPS

The COVID-19 pandemic and its wider socioeconomic impacts affect different population groups in different ways. Vulnerable population groups often live in the margins of their societies and economies and are experiencing poorer working and living conditions, barriers to social protection and health-care services, weaker safety nets and stigma (WHO, 2020). In the context of the COVID-19 crisis, vulnerabilities show themselves in several dimensions or spheres. Firstly, there are vulnerabilities in the health sphere exposed to infection and other health issues, aggravated by the shift in focus of healthcare capacities to the COVID-19 response.

Next, there are vulnerabilities in the social sphere which result from government measures to restrict contact and mobility to stop the spread of the disease, and from diminished incomes of households and fiscal space of governments and

13 UNDESA and ILO. https://esa.un.org/unmigration/documents/retreat/UNpercent20WOMEN_Indicator_vulnerable_employment.pdf
<table>
<thead>
<tr>
<th>Human Development</th>
<th>Health systems</th>
<th>Standard of living</th>
<th>Digital connectivity</th>
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<tr>
<td>HDI rank</td>
<td>HDI value</td>
<td>Inequality adjusted HDI value</td>
<td>Labor force participation rate</td>
</tr>
<tr>
<td>Armenia</td>
<td>81</td>
<td>0.760</td>
<td>0.685</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>87</td>
<td>0.754</td>
<td>0.683</td>
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<tr>
<td>Georgia</td>
<td>70</td>
<td>0.786</td>
<td>0.692</td>
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<tr>
<td>Kazakhstan</td>
<td>50</td>
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<td>Kyrgyzstan</td>
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<td>0.674</td>
<td>0.610</td>
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<tr>
<td>Russia</td>
<td>49</td>
<td>0.824</td>
<td>0.743</td>
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<tr>
<td>Tajikistan</td>
<td>125</td>
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<td>Turkmenistan</td>
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<td>0.710</td>
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<td>Uzbekistan</td>
<td>108</td>
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Civil society organisations. Additionally, there are vulnerabilities in the economic sphere. The COVID-19 pandemic has created economic and labour shocks that disproportionately affect vulnerable groups – including women and girls, older persons, migrants, and persons with disabilities – who are more likely to work in insecure, informal employment.

One major indicator of vulnerability is age, with older persons and youth having higher levels of vulnerability, though for different reasons. Older persons are considered as a high-risk group for COVID-19 infections as they are much more likely to suffer a severe case of the disease, and globally, 75 per cent of COVID-19 related deaths are amongst those 65 years and older. Older persons are also more vulnerable to secondary effects, such as social isolation, neglect and abuse, and limited access to services. Such vulnerabilities already exist in “normal times” but are magnified under conditions of lockdown or other restrictions of movement when more and more services also shift into the digital sphere.

Youth are less likely to be affected by the direct health impacts of COVID-19 but face negative impacts of educational outcomes by school closures or in their school-to-work transition. Pre-existing inequalities in accessing quality education were intensified during lockdowns, when access to learning was available only through electronic devices, requiring a stable internet signal (see Box 1, page 11 for further discussion on education and learning activities during the pandemic). For older youth, school-to-work transition may be interrupted with fewer employers hiring. As the pandemic continues, young people are more likely to suffer from stress and anxiety as their futures, including employment and financial security are less defined than those of older age groups.

This higher health and socioeconomic risks interact with differentiated structural conditions in NCA countries, such as age distribution, labour force participation and unemployment. As can be seen in Figure 4, in the NCA subregion there are some countries with a relatively high proportion of older persons, such as Russia or Georgia (aging societies), but also countries with relatively young populations, such as Tajikistan, Kyrgyzstan, Turkmenistan or Uzbekistan. Among the older population groups, labour participation varies greatly. It is highest in Georgia which, aside from the demographics, could be an indicator of insufficient social protection such as pensions. Similarly, for a country like Kyrgyzstan with a large proportion of young people, having 20.5 per cent of youth not in education, employment, or training already in pre-COVID-19 times (as seen in Figure 6), bodes ominously for levels of vulnerable youth during the pandemic, especially if one takes into account youth staying at home who otherwise would have opted for international labour migration or whose coverage of basic needs depends on relatives’ remittances. When juxtaposed with the health risk from COVID-19, a differentiated picture of vulnerability emerges.

Experience has also shown that women are often disproportionately affected because they are more likely to be in vulnerable employment and are employed in sectors particularly hard-hit by the pandemic, such as services industry and informal sectors. Women also make up a large proportion of frontline responders, such as health professionals. A UN Women rapid gender assessment in countries of Europe and Central Asia has revealed that in Kazakhstan, during the first wave of the pandemic, salaries of women who were part of the assessment had decreased by 50 per cent. Further, among all groups of employed women, self-employed women suffered the worst economic consequences, with 25 per cent losing their jobs (compared to 21 per cent of self-employed men) and another 49 per cent saw reduced working hours. Over 15 per cent of women respondents said they lost their jobs and 41 per cent faced reduced paid working hours (UN Women, 2020).

Moreover, due to prevailing gender roles in the NCA subregion, women are faced with the double burden of increased exposure and high workload, as many caregivers at home and in communities are women.
FIGURE 4: PERCENTAGE OF POPULATION AGED 65 OR OVER IN 2020 AND PROJECTED FOR 2050

Source: United Nations, Department of Economic and Social Affairs, Population Division, 2019

FIGURE 5: LABOUR FORCE PARTICIPATION OF OLDER MEN AND WOMEN (65-75 YEARS OLD), LATEST AVAILABLE YEAR

Source: International Labour Organization, ILOSTAT online database
Childcare, care for persons with disabilities, care for elderly, care sick, including from COVID-19 directly but also increased caregiving functions due to lockdowns and reduction in services fall disproportionately on women. Above-mentioned UN Women assessment found that on average, 70 per cent of women spent more time on at least one unpaid domestic work activity, such as cleaning, cooking, laundry, and looking after children (especially during school closures) which is significantly higher than for men (59 per cent).

This has also affected their time and therefore employment or livelihood activities they undertake otherwise. Furthermore, the enforced confinement of families and the increased stress levels caused by the uncertainty and concerns over income has had severe implications for women’s safety at home, with recent months seeing a surge in domestic violence across NCA countries.

A particularly vulnerable group during the COVID-19 pandemic are Persons with Disabilities (PwDs). The World Health Organization estimates that 15 per cent of the world’s population have some form of disability. PwDs’ barriers to full and effective participation and inclusion in society are structural and pre-date COVID-19. Moreover, many PwDs experience intersecting disadvantages when disabilities interact with other characteristics including gender, age, ethnicity, income or place of residence.

Many persons with disabilities are poor and in vulnerable employment without adequate social protection. ESCAP research indicates that the difference in poverty rates between persons with disabilities and the general population can be as high as 20.6 per cent, and persons with disabilities are two to six times less likely to be employed than those without disabilities. These disadvantaged
circumstances make persons with disabilities more vulnerable during the COVID-19 pandemic, especially those with existing health conditions. Particular challenges include, for example, that due to social distancing rules, support persons have to temporarily seize their support or expose themselves or the PwD to additional infection risks. Many other essential support services were and are also unavailable.

Another vulnerable group that is severely affected by COVID-19 containment measures are cross-border and internal migrants. Internal migrants are usually drawn to the countries' capitals or to other educational and industrial centres. Experience from former crises has shown that migrants are of the first to be dismissed when companies face economic downturns. In destination countries, many migrants are dependent on food and basic supplies donations by international organisations, charities and embassies. Consequently, families of migrants stay without income and social safety nets back home.

Besides the consequences of financial hardship (consequences of over reliance on remittance to be discussed on page 15), migrants are often working under hazardous conditions with limited or no access to health services and social protection. Living in overcrowded accommodations and return journeys through crowded transportations make migrants more exposed to infections. Furthermore, migrants are likely to face significant challenges in accessing a COVID-19 vaccine.

Another concern for legal labour migrants is the expiration of their residency and working permits in some destinations. In the Russian Federation, the president signed a decree that allows migrant workers to stay and work in the country until 15th of December 2020 without providing the necessary documents, which was a welcomed measure. Further support needs to be targeted towards these migrant communities to prevent them slipping into illegal status and further exacerbation of socioeconomic conditions.

Other vulnerable groups which faced disadvantages, exclusion and discrimination also before the pandemic include ethnic minorities, prisoners or the LGBT community. This brief does not analyse all vulnerable groups comprehensively. However, one new phenomenon that has sadly emerged with the COVID-19 pandemic and is important to highlight, is what has been termed the “missing middle”.

While the middle and upper middle classes are employed in the formal economy and are covered by social security, and many of society’s poorest are covered by targeted social assistance transfers, this newly vulnerable population group consists of formerly non-poor informal workers, occasional or “gig workers” and part-time employed persons, long-term unemployed persons, and labour migrants who have lost their source of livelihood, but do not meet criteria for state support.

It is this new missing middle that is now significantly showing up as increases in the poverty line defined as being in a situation of vulnerability (living on less than US$ 3.20 USD per day) and even more so in the upper middle income class poverty line of US$ 5.50 per day. Government strategies therefore need to focus on also adequately supporting them.

POVERTY AND INEQUALITY

As already mentioned, the COVID-19 pandemic increased vulnerability to job loss and loss of livelihoods. Many working-age men and women across NCA countries are self-employed, work informally, or are labour migrants. As such, they are poorly covered by social protection schemes, and are particularly vulnerable to falling into poverty. The percentage of people living in extreme poverty (defined by World Bank as earning less than $1.90 USD per day), had been declining steadily in NCA over the last decades and was relatively small before the onset of the COVID-19 crisis. As can be seen in Table 2, among NCA countries, Uzbekistan had the highest numbers of individuals living in extreme poverty as of 2017, with Tajikistan and Georgia each at about 5%.

The COVID-19 induced crisis is pushing up the number of extremely poor women and men across NCA. As a trend, this can be seen in Figure 7 below, where latest World Bank estimates place this figure at 1 million additional persons, though aggregated for World Banks’ much larger Europe and Central Asia region. Figure 7 also places a large additional number (between 2-3 million) into a situation of vulnerability (defined by World Bank as living on less than $3.20 USD per day) and even larger one (of 6 to 8 million) under the Upper Middle Income Class poverty line (defined by World Bank as living on less than USD 5.50 per day). On a positive note, the estimates have been downsized to some extent between the June and the September estimates. How it will develop further will depend both on the severity and length of the pandemic in NCA and on continued and well targeted support measures of governments.

During the first few months of the pandemic, many people could rely on short-term coping mechanisms such as depleting existent savings and taking on debt. However, these options have been depleting as the pandemic continues and, of course, have negative longer-term impacts on multi-dimensional poverty. Multi-dimensional poverty goes beyond income and access to assets such as remittances and expresses itself through lack of sufficient or quality access to core social services, such as health and education, and also services such as heating or electricity.

Here, inequalities of access and unmet needs are particularly being magnified by the COVID-19 crisis. Inequalities across multiple dimensions, including in incomes, access to basic infrastructure and services or power (and “having a voice”), have been on the rise in the NCA subregion already before COVID-19. Of particular note for NCA are gender gaps in the workplace, education, and in access to services, with women being at a disadvantage relative to men.
OVERCOMING THE DIGITAL DIVIDE

One increasingly important aspect of inequality is linked to digital transformation and overcoming the digital divide. The acceleration of digital transformation in various spheres of life is one of the often-highlighted positive consequences of the COVID-19 pandemic. Businesses, governments and citizens increasingly use digital tools and services to enable the functioning of society and the economy in the middle of social distancing and lockdown.

While digital connectivity offers significant opportunities to increase access to online education, healthcare, and social services and improve the ease and cost of doing business, the digital divide due to poor broadband internet infrastructure casts the risk of digital inequality among advance economies and low-income economies, digitally rich groups and already-disadvantaged groups, including older persons, women, or populations residing in rural areas.

In Kyrgyzstan, for example, while 94 per cent of all households have a mobile phone, only 12.5 per cent have a personal computer and another 10 per cent have a laptop-type device. This shows how limited access to digital devices and broadband internet can limit access to digital products and services such as e-learning, e-healthcare and e-commerce. As can be seen in Figure 8, age is the most significant indicator for internet use with only a small fraction of older persons accessing the internet. As COVID-19 continues to increase dependence on digital services as one of the coping mechanisms for societies and populations, it further exacerbates older persons vulnerability with significant negative effects for access to health services, shopping or financial services. Though less pronounced than age, there is also a significant gender gap with fewer women accessing the internet than men.

Another key aspect of digital inequality that the pandemic has brought to the fore is access to and quality of education. School closures have affected more than 16 million learners in Central Asia alone. UNESCO estimates that in West and Central Asia, an estimated 48 per cent of pre-primary to upper secondary school children could not be reached by digital and broadcast remote learning policies. Even where digital learning is available, teachers and pupils face challenges such as skill gaps in using ICT and shortages of digital learning contents that lead to sharp declines in education quality.

Another factor in interrupted education is the emotional unrest and anxieties of students, which is likely to increase as the unsettling pandemic-induced situation persists and which also represent a considerable burden on home caregivers, particularly women. These impacts also tend to disproportionately affect members of poor and vulnerable households.

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17 UNESCO/UNICEF/WB Survey on National Education Responses to COVID-19 School Closures, as cited from https://www.unescap.org/sites/default/files/S3_Ms.per_cent20Krista.per_cent20Pikkat.EN.pdf; UNESCO/UNICEF/WB Survey on National Education Responses to COVID-19 School Closures
TABLE 2: POVERTY LEVELS IN NCA COUNTRIES
(PRE-COVID-19, LATEST AVAILABLE YEAR)

<table>
<thead>
<tr>
<th>Country</th>
<th>AR</th>
<th>GE</th>
<th>KZ</th>
<th>KG</th>
<th>RU</th>
<th>TJ</th>
<th>UZ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extreme poverty ($1.90)</td>
<td>2.1%</td>
<td>4.5%</td>
<td>–</td>
<td>0.9%</td>
<td>–</td>
<td>4.8%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Vulnerability to extreme poverty ($3.20)</td>
<td>3%</td>
<td>5%</td>
<td>0%</td>
<td>3%</td>
<td>–</td>
<td>5%</td>
<td>–</td>
</tr>
<tr>
<td>Below national poverty line</td>
<td>25.7%</td>
<td>21.9%</td>
<td>2.5%</td>
<td>25.5%</td>
<td>13.2%</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>


FIGURE 7: DISTRIBUTION OF COVID-19-INDUCED POVERTY FOR WORLD BANK’S EUROPE AND CENTRAL ASIA REGION, 2020 (NUMBER OF POOR, MILLIONS)

Source: PovcalNet Team, update as of 5 Oct 2020; Available at https://public.flourish.studio/visualisation/3697743/
While digitalisation of education had been a topic already before the onset of COVID-19, it did not receive high priority and was more often than not financed by outside donors, project-based and hardware-focused rather than an embedded part of a government strategy. Little attention was given to improve the skills of teachers – both in terms of technological know-how and pedagogical approaches suitable for online learning. Online learning environments requires high-speed Internet connection and appropriate study conditions (both mental and physical). Access and quality of online, digital or distance education therefore follow poverty fault lines and digital divides.

Nevertheless, lockdown measures in response to COVID-19 catalysed e-learning as all actors in the education system had to face a new digital normal without any preparations. Aina Jakypova, a teacher from a village in Kyrgyzstan, is among the pioneers. She filmed short math lessons on her cell phone and used her home’s gates instead of a blackboard to teach her pupils under lockdown conditions. Whereas Aina’s enthusiasm to produce e-lessons for her students is a great example of adaptation and inventiveness during crisis, the question of more advanced knowledge related to distance learning, such as adapting curriculums and assessment has yet to be resolved within the pedagogical community. Literally overnight, teachers had to revamp their curriculums and learn how to handle technologies most of them had never used before. This is how COVID-19 opened a window of opportunity for blended learning as a way to improve educational outcomes. TeacherOnline101 and eduthon tapped into existing technologies such as Telegram, an instant messaging platform, to encourage knowledge sharing among educators on how to use various online learning modalities free of charge, in three languages (Kazakh, Russian and English). One thousand teachers joined this initiative on the first day, and over 20,000 educators had used this source within the first few months.

Although the platforms were initiated by teachers from Kazakhstan, the geography of participants is diverse, spanning across the Commonwealth of Independent States (CIS). They daily share 2-3 videos-tutorials on online-teaching, assessment methods and useful literature. For example, one of the videos gave a tutorial on how to use Google Classroom and Zoom, which are gaining popularity as the go-to platforms for online classes. Specific video tutorials were also developed and shared based on teachers’ requests. In the future, the founders of these platforms aim at engaging parents as well, so they can become close allies in their children’s education throughout the COVID-19 crisis and beyond.
NCA countries share common challenges in modernising education systems. These examples of learning communities formed among educators indicate the potential and demand for further knowledge sharing, capacity building and regional cooperation for education reforms. Such region-wide, peer-to-peer learning and exchange communities could play an important role in accelerating the sustainable development goals on quality education (Goal 4) and partnership for the goals (Goal 17).

Notes:

b. Based on https://foreignpolicy.com/2020/06/12/how-to-rethink-the-teaching-of-international-relations/?fbclid=IwAR0izcOfQdwy8LUL6hW1OdzyToT2w-7IfE7fAvsA6i8XYVQ19g_899Tvvs6sPAaA


FIGURE 8: PERCENTAGE OF INTERNET USERS BY AGE AND GENDER FOR SELECTED NCA COUNTRIES
SOCIAL PROTECTION

Social protection schemes are quite similar across NCA countries due to the common Soviet legacy. However, they significantly differ in terms of reach and scale. Among common social protection practices in NCA are lumpsums for every new-born, monthly allowances for women on maternity leave and for unemployed parents who have under-age children, and monthly pension allowances. Persons with disabilities also receive allowances. Annex 1 provides a detailed table on the proportion of the population covered by various social protection floors or systems.

The weakest part of many of the subregion’s social protection systems are unemployment benefits as they only cover a small portion of persons that lost formal employment, not accounting for the large proportion of informal work in NCA countries. Measures are typically universal and not tailored to specific subgroups of populations. Lack of statistical data and analysis limits decision makers abilities to develop sound strategies in this regard.

On a positive note, due to fast action and coordination between governments and development partners, within months of the onset of the COVID-19 crisis, significant immediate gaps in social protection coverage for most vulnerable and underprivileged population groups were addressed, at least temporarily and to some extent.

According to UNDP (2020), by September 2020, the percentage of persons depending on social welfare systems in Central Asia and the Caucasus had risen by 10 per cent from pre-COVID-19 times. Socially targeted measures include direct transfers to citizens and subsidization of public services. For example, Georgia has announced payments to individuals who lost their jobs or were furloughed indefinitely as a result of the pandemic, with additional aid for families with three or more children and individuals with disabilities. Additionally, the government has promised to assume the cost of utilities for vulnerable persons from November 2020 through February 2021.

In the Kyrgyz Republic, the second package of relief measures includes food-relief programmes designed to ensure access to basic commodities, alongside price ceilings on eleven such commodities. This also minimizes the impact of the pandemic on vulnerable populations, helping them shelter in place while maintaining good nutrition and access to amenities. Other countries have instead fortified unemployment benefits in general. This approach is simpler where governments have more substantial existing unemployment programmes. The Russian Federation has increased eligibility for benefits and guaranteed them to be equal to the minimum wage in most cases; Armenia has likewise expanded eligibility.

18 IMF Policy Tracker via ESCAP. https://www.unescap.org/sites/default/files/Georgia_COVIDper cent20Country_per cent20profile_per cent2020280820.pdf
Additionally, citizens of North and Central Asia have shown unprecedented activity and solidarity in order to provide assistance and support to those who find themselves in difficult situations due to restrictions and lack of work during the fight against COVID-19. Numerous organizations of volunteers were involved in activities for the purchase and delivery of food for medical workers and low-income families, as well as elderly persons and other vulnerable groups.

Impacts on vulnerability, poverty, inequality and exclusion are different in every country and location, depending on government responses, existing social protection system, as well as overall community. However, while the COVID-19 crisis magnifies pre-existing structural conditions of inequality and vulnerability between and within countries, rising inequality is not inevitable. What governments, business and people decide to do in response matters greatly. Vulnerable and marginalized groups need to be identified and prioritized from the outset to ensure that they are included in the COVID-19 response.

C. ECONOMIC IMPACTS

Recovery from COVID-19 in North and Central Asia poses a challenge to the developing economies of the region due to a combination of commodity dependence in an era of significant price volatility, significant reliance on remittances and unofficial economic activity.

A regional economy built on trade and transnational supply lines is complicating response efforts and hinders achievement of pre-pandemic growth targets. Travel and transport restrictions, decreased exports, and lockdowns have all substantially damaged growth prospects for 2020. Countries dependent on oil revenue, for example Azerbaijan, Kazakhstan, and Turkmenistan, suffered from decreased global demand and a commodity price crash. Unemployment rates have risen, particularly in the informal sector, which is ill-accounted for in social protection schemes. Furthermore, countries heavily dependent on remittances, for example Kyrgyzstan and Tajikistan, have seen migrant workers either stranded abroad or forced to return home. Relatively undiversified NCA economies have seen shortages and rising inflation as needed imports have (temporarily) been affected by shortages in supply.
Thus, the International Monetary Fund (IMF) projects negative growth rates for six of nine countries in the subregion. As Figure 9 shows, Kyrgyzstan is expected to face the sharpest decline in GDP growth, followed by Georgia and Armenia; while Tajikistan, Turkmenistan, and Uzbekistan are expected to experience positive growth in spite of the pandemic.

There are several structural reasons for such differentiated performance and outlooks. Kyrgyzstan, for instance, was very hard hit by the socioeconomic impacts of COVID-19 because of factors such as its strong dependence on remittances, the large size of its informal economy, high dependence on imports and rises in food prices, and constrained fiscal space to act. The recent election-related political upheaval also had some destabilizing and stagnating effects.

Uzbekistan on the other hand has a large population, more diversified exports and a smaller dependence on imports. Trade as a share of GDP is projected to decline from 0.6 to 0.8 per cent (ADB, 2020). These projections may change depending on the duration of containment measures and further developments of the COVID-19 situation.

To protect national interests, many NCA countries introduced bans for exports of essential goods such as medical supplies – masks, disinfectants and medical suits – while Kazakhstan, Kyrgyzstan, Russian Federation and Tajikistan temporarily banned exports of food products. Import-dependent countries, such as Kyrgyzstan, have seen significant depreciation of their national currencies, combined with reduced access to imported food and

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basic commodities from abroad. In early March 2020, Kazakhstan banned the export of wheat out of fear of grain shortage domestically, incensing Uzbekistan and Kyrgyzstan, both of whom rely heavily on imports of food from their neighbour.

By the end of the month, limited export quotas had replaced the outright ban, largely in response to rising tensions. Nonetheless, the Kyrgyz parliament decried this as going against their joint membership in the Eurasian Economic Union (EAEU) and demanded the quota to be removed. Such disputes, even within regional partnerships and frameworks, are a sign that better communication channels are needed to forge a regional response to the inherently international issues posed by the COVID-19 pandemic.

OVER-RELIANCE ON COMMODITY EXPORTS

Coupled with the impacts of COVID-19, economies in the subregion had also been negatively impacted by a global collapse in oil prices, as seen in Figure 10. Azerbaijan, Kazakhstan, and Turkmenistan are all major oil exporters, with their 2019 oil revenues totalled between 20 and 35 per cent of GDP (IMF, 2020). Uzbekistan and Russian Federation were also affected, though to a lesser degree, as both are also heavily invested in natural gas and have more diversified economies and exports overall. Plummeting crude oil prices, which fell by more than 60 per cent from the beginning of the year until April before recovering somewhat, remain significantly lower than what would be needed to balance NCA exporters’ budgets.

![FIGURE 10: PRICE OF BRENT CRUDE, IN USD, 2020](source: IMF Primary Commodity Price System)
An OPEC+ agreement signed in June 2020 confirmed the continuation of production cuts into the first half of 2022. This two-year best-case timeline for recovery of petroleum exports means that oil-exporting States in NCA will likely be operating with decreased fiscal space for the duration of the pandemic. Such a shortage of fiscal resources limits expansionary policy and heightens the risk of governments taking on debt to support necessary relief programmes, which will increase in cost as the pandemic moves into its second year.

In the Russian Federation, such support will likely double in cost. Global demand for petroleum products may well recover slowly as the world struggles with subsequent waves of infections. Azerbaijan has revised its budget for 2020 in August to reflect lower oil prices of around US$35/barrel, transferring financial resources from its sovereign-wealth fund instead to help bridge the government deficit, which has increased to 11.9% of GDP.

The slump in commodity prices also extends to other extractive industries as global demand decreases. Central Asia and the Caucasus have relatively undiversified sets of export partners in China and Europe where revenues depend heavily on global economic recovery.

In 2019, ninety per cent of Turkmenistan’s exports were sales of natural gas to China. These export contracts were amended to lower amounts or cancelled as overall demand dropped in the first quarter of 2020 (FPRI, 2020). Gold prices have not decreased though, hopefully contributing to greater macro-financial stability for Kyrgyzstan and Tajikistan, despite their outstanding external debts. Lower oil prices may also soften pathways towards recovery for energy importers in the region, such as Tajikistan, Armenia, and Georgia.

**IMPACTS ON EMPLOYMENT**

Overall effects of the pandemic on employment have been adverse. National or regional lockdowns led to many workers losing their jobs or working reduced hours (ADB, 2020). Furthermore, restrictions on public gatherings and transportation and social distancing measures have translated into less commerce and difficulty in accessing the workplace. The lockdowns and restrictions implemented by governments to curb COVID-19 infections has led to lack of income for workers, including in the informal economy and to loss in production and earnings for enterprises, including small and medium enterprises. Sectors such as tourism, hospitalities, retail and other “close-contact” services were particularly hard hit.

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Official unemployment statistics (which for many NCA countries are comparatively low), however, only show part of the story, covering persons that had employment in the formal economy. The significant size of the informal economy in most NCA countries makes it difficult to present a comprehensive picture of job security and incomes (OECD, 2020).

Central Asian countries, for example, do not show a strong correlation between official unemployment rates and growth in incomes amongst the most vulnerable and those living at or below the national poverty line. During the current COVID-19 induced crisis, informally employed persons and the households depending on this income are particularly hard hit as most are not covered by government support schemes.

In some NCA countries, half or more of the total employed population work informally, as shown in Figure 11 for NCA countries where data are available. Informal and service-industry jobs, characterized by deficits of decent work conditions (labour rights, employment creation, social dialogue and social protection), are disproportionately populated by MSMEs, self-employed persons and women. As mentioned in section B, employment statistics do not account for increased care duties of women due to COVID-19.

Young people between the ages of 15 and 34, who constitute 30 per cent of the NCA subregion’s population are also more vulnerable to income and job losses. While unemployment in the informal economy is hard to quantify, the ILO (2020) estimates
that some 10 million jobs were lost in the Central and Western Asia region during the first half of 2020. Measures to support MSMEs in North and Central Asia included deferrals of tax and loan payments, tax exemptions, reductions and refunds, as well as loan and employment support.

One of the hardest hit sectors is tourism. In countries where tourism contributes a sizable fraction of GDP, pandemic travel restrictions have had a devastating effect. As tourism is often based on geography or cultural history, the effects of a slowdown are geographically concentrated in specific regions and cities. In some countries, such as Georgia, revenues from the tourist industry amounted to 39.5 per cent of total exports in 2019, and 25.2 per cent in Armenia. Furthermore, as shown in Figure 12, tourism not only contributes substantially to overall GDP, but also provides more formal employment. While some governments, such as Georgia, have directed targeted relief packages at hospitality and other travel-dependent industries, not all NCA governments can afford such measures for a prolonged time. The industry may require several years to recover due to decreased disposable income globally and the possibility of subsequent outbreaks causing travel restrictions, further inhibiting efforts by NCA countries to develop the tourist sector as an engine for sustainable growth.


FIGURE 12: CONTRIBUTIONS OF THE TOURISM INDUSTRY TO EMPLOYMENT AND GDP IN NCA


OVER-RELIANCE ON REMITTANCES

Remittances, particularly from the main NCA destination countries Russia and Kazakhstan, are a major source of income, especially for many Central Asian families. Migrant labourers who were often not protected by employment contracts even prior to the pandemic and who are usually employed in sectors particularly affected by the containment measures, have frequently been stranded as borders have closed or were forced to return home because of dismissals and ceased income (World Bank, 2020). Thus, migrants have been placed in situations of increased vulnerability, while dependents have faced a sharp reduction in income.

The Russian government limited cash transfers out of the country during the first quarter of 2020, which put additional pressure on migrant workers and their dependents abroad. The World Bank (2020) and International Organization for Migration (IOM) predict ongoing difficulties in sending remittances home, as well as meeting basic needs during the pandemic. Figure 13 compares remittance flows from the first half of 2019 with those from 2020, with substantially lessened values for those States most dependent on international labour migration. As Kyrgyzstan and Tajikistan relied on remittances for 28.5 per cent and 28.6 per cent of GDP in 2019, respectively, a prolonged crisis in the regional labour market will likely have a negative impact on extreme poverty levels (OECD, 2020).

CONNECTIVITY AND SUPPLY CHAINS

Disruption of trade across national borders is a critical issue for NCA, as overland transport is key for maintaining regional supply chains in a mostly landlocked region (ADB, 2020). COVID-19 related travel and transport restrictions have directly hit the trade in goods and in services. It is estimated that containment measures could reduce global freight transport volumes by up to 36 per cent by the end of 2020, with the highest reduction projected for South East Asia, Central Asia and parts of South and South West Asia (ITF, 2020).

It is commendable that most NCA countries recognized transport connectivity as one of the most important factors and maintained a critical mass of freight flows during the pandemic. Cross-border trade of goods has continued through most borders and along most regional transport corridors. NCA countries have implemented special transport facilitation measures, intensified their digitalization efforts and sought to improve the efficiency of cross-border transport and trade operations thus helping to smooth the movement of essential goods and, in many cases, of general freight.

According to information collected by ESCAP, members of the Asian Highway Network kept all, or at least a significant portion, of their land borders open for freight. The COVID-19 pandemic raised new operational challenges for international road transport along the Asian Highway network.

At the same time, the pandemic supported emerging trends in international road transport such as digitalization of cross border transport operations and greater use of technologies to rise. A series of technologies and ICT solutions have emerged to help ensure seamless and continuous international cross-borders road transport connectivity and minimize adverse impact during future crisis and its aftermath.

The policy and technical solutions for seamless and smart connectivity along the Asian Highway Network already exist and many have been implemented by other subregions or subsets of Asia-Pacific countries. A wide range of proven solutions can make road transport less reliant on physical contacts (contactless solutions) and less exposed to interruptions and costs of documentary and other checks (seamless) if used properly.

Freight transport proceeded with limited interruptions along the Trans-Asian Railway Network as well, making rail a vital link for the movement of essential goods and medical supplies. The pandemic has given further momentum to digitalization of railway transport even in countries with relatively low level of digital services and has encouraged innovative solutions such as establishment of green lanes for medicine products.
Digitalizing and decarbonizing railways, harmonizing operational requirements and regulatory formalities, integrating with other modes of transport, bundling of freight, and partnering with other stakeholders are key areas of opportunities for railways post-pandemic to enhance their competitiveness.

In the long run, the geography of rail freight flows in the ESCAP region and beyond, as well as the market in general, might undergo substantive changes due to disruptions in supply and value chains and possible relocation of production. Therefore, railways of the subregion need to revisit national railway plans/strategies/investments/business models, incorporating likely impacts of the pandemic and prepare themselves to better deal with eventualities.

However, there are pre-existing shortcomings in transport connectivity in the subregion, including infrastructure and operational shortages, as well as lack of intermodal integration and digitalization, that undermine the resilience of regional supply chains. These challenges require strengthened efforts and cooperation at national and regional levels to build back better. Regional cooperation can focus on risk sharing, early responses, and rapid alert mechanisms, which will help maintain the predictability of trade and transport of key supplies in times of crisis.

Undiversified networks of trade partners and export products increase vulnerability to both demand and supply side shocks and will hinder recovery as global trade remains depressed (OECD, 2020). Worsening terms of trade and rising domestic prices risk slowing the long-term resumption of trade relationships and work against progress on sustainable regional supply chains. ESCAP adopted an agreement in 2016 to facilitate paperless trade acknowledging that cumbersome trade procedures, especially for landlocked developing countries, are a major obstacle for flourishing trade.

Currently, limited progress in digitalization to facilitate cross-border trade is observed across the subregion. This has increased delays, bottlenecks, and administrative issues more than ever during the pandemic. Digitalization, accelerated by the COVID-19 pandemic, redefine the nature of production, distribution, delivery, consumption and transboundary trade. The trend of services delivery through digital means is expected to remain even after the pandemic, as it helps realize higher efficiency and productivity.

This implies that digitally enabled services may substitute some part of other services. For example, telemedicine and teleconference services may reduce demand for travel, including passenger-air transport services. Similarly, COVID-19 has fast-forwarded ecommerce as a new normal. This may require developing countries in the region to adjust their development priorities and focus on acquiring the capacity to effective engaged in a rapidly digitalized production and consumption patterns. The digital divide is about the lack of meaningful access to the Internet, for millions of SMSEs.
FISCAL AND MONETARY SITUATION

While year-on-year inflation for 2020 to date has remained at or below 5 per cent in the Caucasus, in Central Asia it has reached 8 per cent in Kyrgyzstan, Tajikistan, and Turkmenistan and 13 per cent in Uzbekistan. As NCA governments’ responses to the public-health crisis require unprecedented mobilization of resources, most have announced fiscal relief packages.

The majority of NCA countries increased spending on public health services, social protection for individuals and households, and assistance to businesses, especially for MSMEs. This included epidemic prevention and acquisition of medical supply, sectoral specific financial support, unemployment benefits and suspension of insurance payments and direct cash transfers to vulnerable households.

Substantial fiscal deficits have already been recorded, as Table 3 shows. With additional spending on relief measures expected for 2021, the deficits are likely to widen further, adding to sovereign debt which was already a concern for some NCA countries.

Foreign direct investment, which can be a source to close the gap, remains highly volatile. While a number of development loans have been authorized through the IMF, World Bank, European Bank for Reconstruction and Development, Asian Development Bank, and national aid ministries and programmes, support for longer-term projects may stall.

OECD (2020) projected that levels of FDI in its Central Asia region are likely to fall by up to 30 per cent in 2020 which inhibits additional development of infrastructure, sustainable agriculture, and renewable energy projects critical for accomplishing the SDGs. Projects funded through the Belt and Road Initiative also have been delayed as Chinese administrators and technical consultants returned home in the first quarter, where many have remained as NCA saw worsening outbreaks.

Many projects come with outstanding debts, which may become difficult to service during the pandemic. While FDI has proven useful to close fiscal gaps, it is only a long-term solution which must be accompanied with more immediate initiatives to decrease debt burdens and to increase fiscal space.

GOVERNMENT SUPPORT MEASURES

Many fiscal aid measures implemented by NCA governments in response to the COVID-19 crisis provide direct support for national healthcare systems, financial aid to citizens affected by unemployment and lockdowns — vulnerable populations such as disabled persons, women and children, and the self-employed, among others — and attempt to stabilize businesses, particularly SMEs.

### TABLE 3: NCA FISCAL BALANCE-SHEETS - GENERAL GOVERNMENT

NET LENDING/ BORROWING, PER CENT OF GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>-1.75</td>
<td>-0.97</td>
<td>-5.82</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>5.48</td>
<td>8.10</td>
<td>-6.31</td>
</tr>
<tr>
<td>Georgia</td>
<td>-0.82</td>
<td>-1.82</td>
<td>-8.12</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>2.58</td>
<td>-0.57</td>
<td>-5.27</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>-0.59</td>
<td>-0.14</td>
<td>-7.28</td>
</tr>
<tr>
<td>Russia</td>
<td>2.90</td>
<td>1.92</td>
<td>-5.29</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>-2.78</td>
<td>-2.10</td>
<td>-6.00</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>-0.22</td>
<td>-0.35</td>
<td>-1.44</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>1.74</td>
<td>-0.26</td>
<td>-4.14</td>
</tr>
</tbody>
</table>


### TABLE 4: SIZE OF NCA RELIEF PACKAGES

<table>
<thead>
<tr>
<th>Country</th>
<th>Size of relief packages, USD</th>
<th>As per cent of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>$300 million</td>
<td>2.0 per cent</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>$1.96 billion</td>
<td>4.3 per cent</td>
</tr>
<tr>
<td>Georgia</td>
<td>$1.2 billion</td>
<td>7.6 per cent</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>$13 billion</td>
<td>9.0 per cent</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>$571 million</td>
<td>7.4 per cent</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>$52 billion</td>
<td>3.4 per cent</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>$33 million</td>
<td>0.6 per cent</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>None announced</td>
<td>0.0 per cent</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>$1 billion</td>
<td>1.9 per cent</td>
</tr>
</tbody>
</table>

The average support package within NCA totals 3.7 per cent of GDP. In Kazakhstan, relief packages constitute as much as 8.8 per cent of GDP, as shown in Table 4. For comparison, in the Asia-Pacific region, the median package is 2.8 per cent of GDP. However, attempting to maintain economic solvency has also entailed relief packages targeted specifically at Small and Medium Enterprises (SMEs). Most countries in the region have made additional liquidity available for these firms through special, low-interest loans in order to keep them operating.

Kyrgyzstan, the Russian Federation, and Uzbekistan have all announced subsidized credit for local banks to extend loans to SMEs for the duration of the pandemic. Another common approach has been to offer employers direct subsidies for each employee that they retain during COVID-19. Armenia and Georgia have both used this option to supplement unemployment-related transfers and lessen the burden on employers. Both businesses and individuals have received tax-relief measures throughout the region as well. While this widens potential fiscal deficits, it has the advantage of being a passive measure readily implemented even in the absence of funding for other relief options. Several countries in Central Asia, such as Uzbekistan and Kyrgyzstan, have offered outright tax exemptions and postponed major declarations or changes in tax status for individuals. The Russian Federation has opted to refund tax payments for 2019 for self-employed individuals. See Annex 2 for further comparison of national relief packages and support measures.

Monetary measures are focused on maintaining liquidity via lowering reserve requirements and lowering interest rates, managing inflation, and helping reduce debt risks. NCA countries have cut interest rates in response to economic shocks, except for Kyrgyzstan, which raised its rate in February 2020 in response to significant inflation driven by dependence on regional trade. Turkmenistan has not yet adjusted its interest rate.


32 IMF Policy Tracker via ESCAP. https://www.unescap.org/sites/default/files/Georgia_COVIDCountry_per_cent20profile_per_cent2020202020.pdf
Relaxation of reserve requirements to encourage lending, especially within the context of governmental SME subsidized-lending programmes, has been another widely implemented measure. Azerbaijan, Kazakhstan, Kyrgyzstan, the Russian Federation, and Tajikistan have all done so by as much as 20 per cent.

Many central banks have also changed risk weights on loans, specifically those related to financing affected businesses. Loan repayment deferrals and a ban on reclassifying debt and risk of extant private loans have been rolled out in Kazakhstan, Kyrgyzstan the Russian Federation, Tajikistan, and Uzbekistan (IMF, 2020).

Many NCA currencies have depreciated against other major foreign currencies since the beginning of the pandemic, with the notable exceptions of Armenia, whose dram depreciated initially but has since recovered to its pre-pandemic exchange rate vis-à-vis the US dollar, Azerbaijan, whose manat has maintained its prior fixed rate through the depletion of foreign currency reserves, and Turkmenistan, which has made efforts to centralize its domestic foreign currency supplies ahead of a future crisis, but has not changed the exchange rate.
D. ENVIRONMENTAL IMPACTS

From an environmental perspective, this policy brief highlights two particular issues of importance to NCA countries that have emerged as a result of the COVID-19 pandemic and its related restrictive measures: air pollution and waste management.

On the positive side, there was a temporary improvement in air quality in major cities in North and Central Asia due to the reduction of harmful emissions. This was the result of a decline in production, the strict measures taken to ban the movement of people in cities – which in turn decreased use of private and public transport – and the cancellation of international and domestic flights.

The COVID-19 situation has enabled some cities in North and Central Asia to monitor pollution sources and identify major pollutants, which had been a matter of debate between government and society, while seeing “blue skies” has heightened the population’s awareness of air pollution. Box 2 is a case study on air quality before and during the lockdown that was conducted by experts in Almaty, Kazakhstan. The picture that emerged was complex, but one important conclusion was that the main pollutants in the city come from non-traffic-related sources (Kerimray et. al., 2020).

However, the pandemic posed a threat to the waste management system in North and Central Asia, which was already experiencing difficulties before COVID-19. Problems in the waste industry are primarily related to an alarming increase in plastic waste, low waste recycling rates, and a lack of proper infrastructure– in particular for waste separation.

As a result of the pandemic, there has also been an increase in medical waste used to help combat COVID-19, such as face shields (PP), gowns (LDPE), vinyl gloves (PVC), disposable bags, tubes, masks (plastic sheet and non-woven fabric) and other personal protective equipment (PPE), which the existing waste management system had trouble handling.

Even undifferentiated urban trash contains disposed-of medical materials that can threaten the spread of disease, and the pandemic has further increased quantities of infectious medical waste. Increased demand for food and grocery delivery has increased the amount of packaging waste containing PP, LDPE, HDPE, PETE and PS materials, among others.

When improperly managed, medical waste and PPE could cause long-term public health risks via uncontrolled incineration or dumping, leading to the release of toxins and potential secondary transmission of diseases.

Increased waste volumes during the pandemic and the lack of adequate infrastructure for waste segregation, recycling, storage, and disposal show the urgent need to develop environmentally sound waste-management protocols during the pandemic and future disasters. Unlike the pandemic, environmental degradation and climate change are more long-term, complex and gradual challenges. Even with reduced fiscal space and increased spending needs, countries should not neglect environmental initiatives. As countries take stimulus measures to mitigate the impact of COVID-19, they must also lay the foundation for a more secure, sustainable, and prosperous future. However, a “green recovery” is an uphill struggle; the International Energy Agency stated that the pandemic will seriously undermine investment programs for green technology and called on governments to actively support them.

In addition, the scientists noted a significant decrease in carbon monoxide (CO) and nitrogen dioxide (NO2) concentrations by 49 per cent and 35 per cent, respectively, but an increase in ozone (O3) levels by 15 per cent compared to the previous 17 days before the lockdown. The concentrations of benzene and toluene were 2–3 times higher than those during the same time periods in the years 2015 to 2019.

Almaty is a city with poor air quality where the municipal government and the public are actively discussing the sources of pollution. In February 2020, more than 20,000 citizens signed an online petition calling on officials to recognize coal-fired power plants as the main sources of emissions in Almaty. The state of emergency in the country has allowed scientists to study air pollutants and draw preliminary conclusions about the sources of pollution in Almaty.

According to the study of Kerimray et. al (2020), analyzing indicators from 7 stations (see Airkaz.org), even during lockdown the air was far from clean. For 18 days (out of 27 days studied) particulate matter (PM2.5) exceeded the daily limit of 25 micrograms/m3 established by the World Health Organization. The study found that in 2020 (during the lockdown), there was a decrease in the concentration of PM2.5 by an average of 21 per cent compared to the same time periods in 2018 and 2019.

The results of the study indicate that the temporary reductions in certain pollutants were most likely attributable to a combination of lack of transport and seasonal weather changes during the lockdown period. The increase in other types of pollutants indicated though that they must be attributable to other primary pollution sources.
According to the authors of this study, these are likely Almaty’s coal-based power plants that are providing the city’s heating. Thereby, the study demonstrates the complex nature of air pollution in Almaty, which urgently needs further study through spatial inventories and source distribution studies.

So what does this mean for the future? In the short term, one worry is the reinforcing interaction between air pollution and COVID-19. According to research undertaken at Harvard University, an increase of only 1 μg/m3 in PM2.5 particles is associated with a 15 per cent increase in mortality from COVID-19. In the longer term also, the need to improve air quality is primarily related to the detrimental impacts of air pollution on human health. Real structural changes, such as moving to greener energy sources and more energy-efficient use are needed to maintain any temporary positive trends in air pollution reduction.

Source: Kerimray et al, 2020

Notes:


b. https://projects.iq.harvard.edu/covid-pm

III. Way forward: Policy responses and recommendations

Aligning short to medium term recovery efforts with long term developmental objectives, North and Central Asia countries can focus on protecting people and facilitating inclusivity; handling digital transformation responsibly; and incorporating green economy strategies, for a concerted subregional approach to sustainably recover from the crisis. These focus areas are aligned with the principles and elements proposed in the ESCAP Socioeconomic Response Framework to COVID-19 and considering the realities of North and Central Asia.

PROTECT PEOPLE AND FACILITATE INCLUSIVITY

i. Restructure public healthcare funding to facilitate inclusivity

The budgeting processes for public healthcare needs to be reassessed in order to strengthen national ownership for providing quality healthcare as a basic right for its population and to more effectively tackle challenges and rigidities which link budgetary functions of the healthcare systems with the larger national systems of public financial management. The pandemic highlighted the need for an increase in government funding for public healthcare systems to increase capacity to respond to changing epidemiological situations and achieve desired health outcomes. The trend of decreasing domestic general government health expenditure per capita for more than half of the countries in the subregion must not continue as it puts pressure on individuals and households to increase out-of-pocket expenses for healthcare services.

Resource allocation for healthcare can transit from facility-based allocations to population-based, for monies to follow the needs of communities rather than directed to healthcare facilities which may mostly exist in urban areas. This is especially important for North and Central Asia where a large share of its population still live in rural areas. To overcome the challenges in the healthcare system and facilitate inclusivity, governments can make the choice to prioritize healthcare in budget allocations and advance the agenda for universal health coverage.
ii. Target social protection for vulnerable groups

In the COVID-19 response, vulnerable groups must be protected through specific actions that require a whole-of-society, whole-of-government response that is multisectoral and delivered through a variety of stakeholders, including the private and public sectors, NGOs and civil society. Outreach to vulnerable groups needs to happen in the specific setting and environment they are in – homes, communities and other institutionalized settings – in order for required assistance to be delivered effectively and efficiently.

Governments must reach out to organizations serving these vulnerable groups as they seek to design policies and legislation that protects and upholds the dignity and value of these communities. Such organisations, which are already making strides in serving the vulnerable groups during the pandemic, are valuable long-term partners as governments learn how to care for diverse needs.

In North and Central Asia, helping to move more jobs from the informal sector into an environment with better labour contracts and all the hallmarks of decent employment is a necessary priority. Furthermore, governments ought to build more inclusive and resilient employment and social-protection measures to reduce the additional challenges for women and to recognize family caregivers as the essential workers they are. As governments and communities learn from the pandemic, governments should not roll these measures back but engage in targeted, continuous support of vulnerable people – the poor, elderly, women, children, self- or informally-employed persons and migrants. In the longer-term, actions to address the common causes of vulnerability need to be strengthened and expanded, such as guaranteeing access to social and health services, safe and fair working conditions, adequate minimum incomes, legalization of migrants, and fighting stigma through effective campaigns.

iii. Ensure access to and quality of education

Countries should aim to build more resilient education systems and reimagine education to accelerate change in teaching and learning, so new generations grow up with the relevant skillsets required in the modern, more digitalized, knowledge-based and innovation-focused economy.

This is an opportunity to revisit learning pedagogies currently being applied in schools, universities and technical and vocational education and training (TVET) in the subregion and tailor different approaches to the needs of different age groups for education to be more relevant and effective in realizing the objectives of stimulating interest and imparting skills and knowledge. It is also important to build new capacities for educators and equip them with necessary pedagogic skills which will be essential in shaping a more flexible and blended learning environment.

Another aspect that urgently needs to be addressed in North and Central Asia is the inequality in access for education. Impacts of COVID-19 are likely to widen the inequality in accessing quality education. Entry points to address this matter include ensuring universal access to digital resources and infrastructure as well as addressing learning losses and preventing dropouts, especially from vulnerable groups.

**DIGITAL TRANSFORMATION**

i. **Step up digitalization efforts to facilitate connectivity**

To maintain physical distancing and minimize the chance of COVID-19 spreading while maintaining global supply chains, many NCA countries have accelerated their efforts at digital trade and transport facilitation. Countries in the subregion should continue these efforts for the digitalization of trade activities as well as rail and road transport which will contribute to more viable means of regional connectivity as systems move towards better integration and harmonisation.

“Streamline, harmonize and digitalize” could be considered as the guiding principles of the trade and transport response during the pandemic and in its aftermath. The existing cooperation mechanisms for trade and transport connectivity in Asia and the Pacific should be mobilized to provide stronger momentum to facilitate cross-border trade and transport procedures, including the intergovernmental agreements on the Asian Highway, the Trans-Asian Railway Networks and the Framework Agreement on Facilitation of Cross-Border Paperless Trade. Complementing this, regional coordination in times of crises can also be institutionalized in future negotiations of relevant regional, subregional and bilateral trade and transport agreements. Concerted efforts of NCA countries would ultimately build towards an electronic ‘single window’ environment, which facilitates a more inclusive and resilient trade and transport landscape.

ii. **Facilitate inclusion of MSMEs**

Emergence of the importance of e-commerce during this pandemic serves as an opportunity for MSMEs to tap into larger markets and supply chains. Accelerating digital transformation is essential for MSMEs to engage with customers, get access to diverse global markets, widen financing channels, expedite delivery and payments from customers, and mitigate risks within the supply chain especially under the context of the pandemic when contactless transactions prevail.

MSMEs which have adapted to the exigencies of pandemic-era business should be supported and encouraged as recovery proceeds. Besides, governments should create an enabling financial and regulatory environment for private investments in key sectors which can benefit from digitalization and create positive multiplier effects, such as transportation and logistics, finance and banking, as well as food and agriculture, which can help achieve twin goals of facilitating micro,
small and medium business activities and achieving sustainable development objectives. The pandemic can also serve as an opportunity for governments to incentivize individuals and MSMEs working informally to register their businesses online through e-governance portals, which will then allow these MSMEs to be eligible to state support. The adaptation of e-governance offers the potential to improve revenue collection through tax and permit administration, allows for better targeted policies, and increases access to support networks.

iii. Handle digital transformation responsibly

As COVID-19 places a greater reliance on digital countermeasures, it also brings to light the existing digital divide in NCA countries. The digital divide may further deprive residents of timely information updates and target relief measures, foster educational, health and economic divides, rendering them in a more disadvantaged position during the pandemic. Hence, COVID-19 serves as a good opportunity for governments to address the digital divide and promote universal and equitable access to ICT infrastructure.

Community-based and private sector efforts can complement government measures to distribute laptops to members that are most in need and provide free Wi-Fi hotspots via mobile signal vehicles. ICT infrastructure must be updated and hardened against future disasters, both human and natural, as the pandemic has exposed structural weaknesses and deficiencies in bandwidth and access.

Through the Asia-Pacific Information Superhighway initiative, ESCAP supports accelerated investment in regional ICT infrastructure. In the long-term, governments should encourage investment in ICT infrastructure to enhance the accessibility of affordable and high-quality ICT-enabled services to the public, especially vulnerable groups, scale up the applications of digital platforms that integrates private and public services, as well as strengthen the digital literacy competences of citizens by funding relevant programs.

Underscored by the prevalence of digitally-aided commerce and education during the pandemic, the economy is changing in a fundamental way, from growing reliance on cloud technologies, new data-collection and aggregation strategies, the “internet of things”, as well as the influence of social media. With these developments, concern over online privacy and rights are also brought to the forefront and require thorough consultations to be addressed. Governments must update and revise national policies, development strategies, and action plans to realize digital potential and prepare their countries for making such a digital economic transformation in a sustainable fashion.
**GREEN ECONOMY STRATEGIES**

i. Invest in low carbon systems and infrastructure

The urban landscape which contributes to a significant amount of emissions in the subregion needs to be rethought and upgraded to support efforts of decarbonization. Promoting usage of public transportation has been a key driver to reduce carbon emissions and achieve climate goals. However, COVID-19 has weakened progress in utility of public transport and the sharing economy as the nature of shared transportation is associated with increased risk of virus transmission.

The emerging trend from the pandemic of “15-minute cities” where basic amenities for daily needs and activities are within 15 minutes from home becomes more relevant as restricted mobility during the pandemic highlighted the convenience and efficiency of such an urban development concept. In the medium and long term, a new paradigm of pedestrian and bicycle mobility, public transport and neighbourhoods is desirable for the cities of North and Central Asia. This will require revisiting city-planning concepts of public transport and spaces to better integrate active mobility.

As infrastructure needs continue to grow in North and Central Asia, countries need to ensure that these new infrastructures are low carbon and resilient. Aside from urban infrastructures mentioned above, key areas for development include the energy sector as well as regional trade and transport activities. Specifically, in the energy sector, development of energy-efficiency technologies and investments in renewable energies need to be stepped up.

Energy transition roadmaps such as the SDG7 Roadmap for Georgia that was supported by ESCAP can be replicated for the subregion to assess pathways towards cleaner energy production and consumption patterns. As countries in the region commit to the Paris Agreement to reduce emission levels, enhanced institutional mechanisms and enactment of appropriate regulatory frameworks at the subregional level in the low carbon development of energy and transport connectivity will be beneficial and serve as a mechanism to ensure accountability in realizing decarbonization commitments.

ii. Finance sustainable economies

While designing COVID-19 recovery packages, governments should ensure that the efforts are aligned with longer-term structural shifts envisioned for the socioeconomic landscape as well as environmental objectives to help shape a sustainable path of recovery. Public investment needs to prioritize greener and more resilient sectors with resources mobilized to achieve the SDGs. Sustainable
and SDG-aligned bonds is a promising financial tool. NCA governments should adopt new public financing and budgeting strategies both to avoid increasing public indebtedness and to prepare for future crises. Focusing on more targeted and efficient public spending, cracking down on illicit finances, and phasing out expensive fuel subsidies are important steps to freeing public funds.

As indebtedness, in particular, is an area of concern for some NCA countries, reforming taxation to widen the tax base, including through moving business from the informal to formal sector and increasing progressive taxes, is a crucial measure to increase available fiscal space. Besides, governments can provide taxation stimulus packages or impose taxation provisions to penalize activities that generate negative environmental impacts (e.g. carbon emissions, solid waste, single-use plastics) in order to drive businesses to adopt a cleaner operation and production method.

NCA governments ought to collaborate with IFIs and creditors to ensure valuable development projects, especially ones reliant on loans from international creditors, are maintained while debt does not inhibit post-COVID recovery and growth.

For international debt obligations, working directly with bilateral creditors and revising debt-sustainability assessments to make better use of debt-relief planning and initiatives will help avoid an untenable position. While some countries in the subregion such as Kyrgyzstan and Tajikistan are benefitting from their eligibility for the debt service suspension initiative (DSSI), consideration can be given to extend the eligibility as well as the UN’s proposal to move beyond deferment to cancellation for most-affected countries.

IV. Conclusion

The unprecedented socioeconomic crisis resulting from the COVID-19 pandemic calls for unparalleled multi-sectoral responses. These responses need to come on top of emergency policy packages worth billions of dollars, within the context of considerably squeezed policy and fiscal space.

Governments should maintain the momentum that they have built during the pandemic to practically implement new systems and policies. Sustaining policy support in the near-term will be challenging - and therefore, more than ever, calls for smart, integrated and targeted approaches.

To build resilient, inclusive, and sustainable societies and economies, policy packages must prioritize investments in people and the planet, thinking beyond a GDP-centric recovery and transforming the social and economic structures proven so vulnerable during this pandemic. ‘New normals’ that have emerged hint that economic activities can go hand-in-hand with social gains and environmental sustainability. Governments should not lose this window of opportunity to better link the sustainable development goals with national strategies, plans and budgets.

Cross-cutting areas underscoring recovery efforts for the North and Central Asia subregion include strengthened regional cooperation and evidence-based policy making. Given the international nature of the COVID-19 pandemic, strengthened regional cooperation must be placed at the forefront of efforts to build back better.

While countries responded for the most part independently and with protectionist tendencies, a coordinated regional response is critical to recovering. Countries in the subregion which are mostly landlocked can only benefit from strengthened regional cooperation for sharing of knowledge, formulating coordinated responses, and shaping a more resilient socioeconomic landscape.

It is also important to highlight that governments need to continue in their efforts to collect disaggregated and timely statistics to enable evidence-based policy making. This is important across all SDG indicators, but especially with regards to vulnerable population groups and intersectionality of their vulnerabilities as well as labour markets and the multidimensional socioeconomic drivers behind the informal economy.
Targeted policy measures can benefit from better and more updated data quality to be more effective in reaching out to those who require assistance.

The framework of the 2030 Agenda for Sustainable Development as nationalised into the national development strategies, policies and plans of NCA countries, provides the right overall framework for recovery and future development precisely because ambitious, transformative and comprehensive approaches are needed. The COVID-19 pandemic should not be an excuse to push this monumental task aside but an impetus to embrace and accelerate achievement of the SDGs even though the multi-dimensional shock of the pandemic has made conditions that much harder. For all policy interventions, it is important to keep in mind the distinct vulnerabilities and needs experienced by different segments of society to tailor policies and interventions to leave no one behind and to maximize development results within planetary boundaries.
References


### Annex

**ANNEX 1: PROPORTION OF POPULATION COVERED BY SOCIAL PROTECTION FLOORS/SYSTEMS (PER CENT, 2019 OR LATEST AVAILABLE YEAR; SDG INDICATOR 1.3.1)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Breakdown by sex</th>
<th>per cent above retirement age receiving pension</th>
<th>per cent with disability collecting benefits</th>
<th>per cent of unemployed collecting benefits</th>
<th>per cent mothers with newborns receiving maternity benefits</th>
<th>per cent households with children receiving family benefits</th>
<th>per cent vulnerable persons covered by social assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>Total (2019)</td>
<td>24.7</td>
<td>13.6</td>
<td>1.7</td>
<td>1.7</td>
<td>0.4</td>
<td>5.9</td>
</tr>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Female (2016)</td>
<td>72.6</td>
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<td>—</td>
<td>61.0</td>
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<tr>
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<td>Total (2019)</td>
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<td>—</td>
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<td>63.0</td>
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<td></td>
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Source: ILO [https://ilostat.ilo.org/topics/social-protection/](https://ilostat.ilo.org/topics/social-protection/)
## ANNEX 2: COMPARING ECONOMIC RELIEF AND SUPPORT PACKAGES IN NCA

<table>
<thead>
<tr>
<th>AREA</th>
<th>INSTRUMENT</th>
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