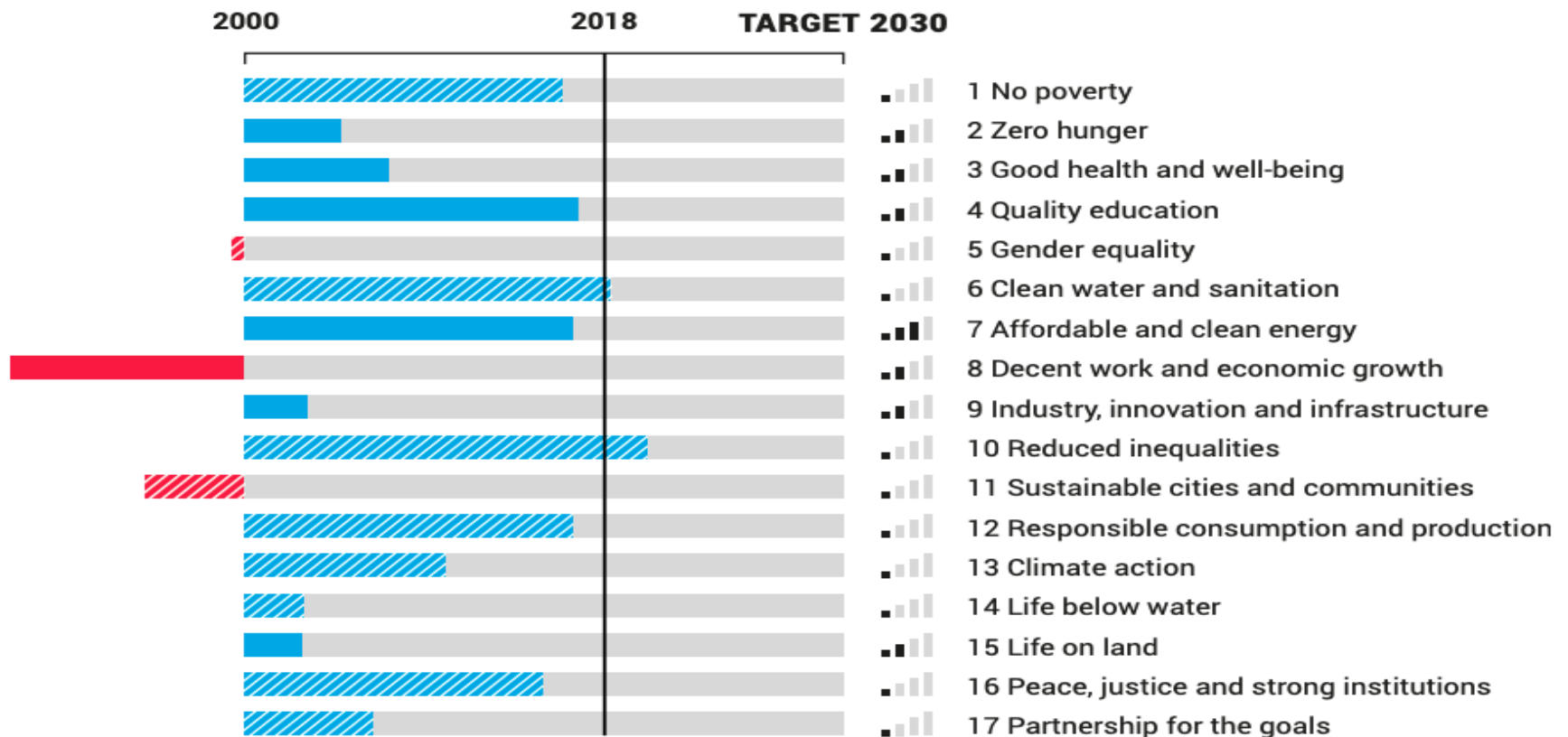


Central Asia 2030

Overcoming negative spill-overs Defining new drivers for growth

Bakhodur Eshonov

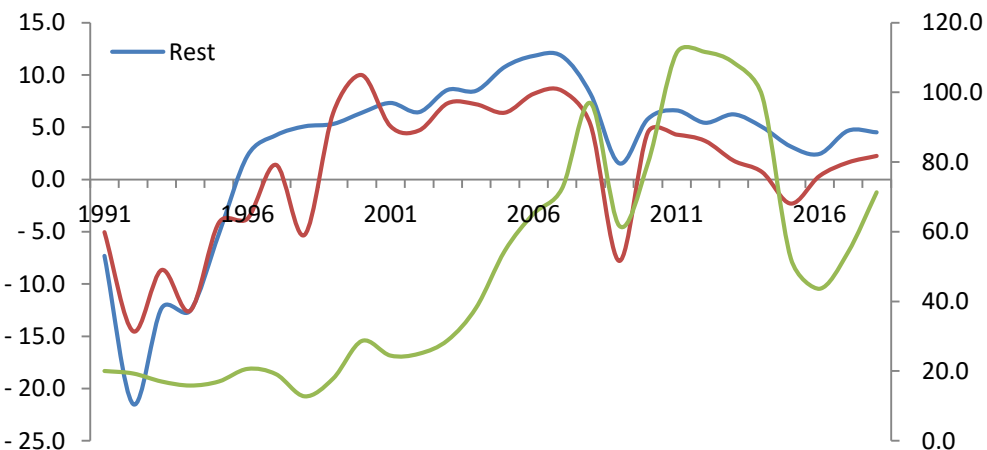
North and Central Asia



Why the situation is alarming?

The key challenge is not just with “Growth and Jobs” not being on track

- Strong economic growth was largely behind the improvements of many of indicators.
- Ultimately hydrocarbons served as the major driver of growth so far, even for those countries, which were not considered as resource rich.

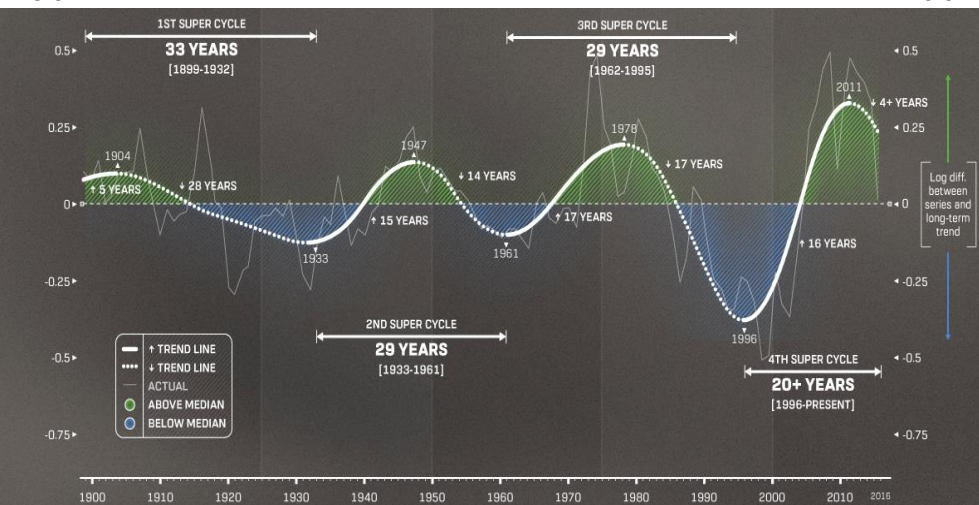


Both the model of growth and the model of poverty reduction was simple.

- It was not difficult to export commodities like oil and gas.
- It was not difficult to re-allocate the revenues to health, education, social protection.

Why alarming?

- If the trend is not reversed it would have negative spill-overs for the entire range of SDG indicators.
- Both the model of growth and the approaches for improvement of living standards would require more sophisticated and better coordinated policies



What sort of growth?

New growth?

- New quality of growth
- New drivers of growth

National Strategies and Visions

- Strategic Roadmaps in Azerbaijan (December 2016)
- Strategic Plan for the development of Kazakhstan towards 2025 (Jan 2018)
- National Sustainable Development Strategy in Kyrgyzstan (December 2017)
- National Development Strategy in Tajikistan until 2030 (December 2016)
- Strategic Priorities for Uzbekistan (February 2017)

The scale of growth.

- National strategies define the ambitions, however
- Inertia...
- Strategies of individual countries hardly link their growth with the growth of their neighbors

Whose growth?

- Individual land-locked countries (KAZ, KYR, TAJ, TKM, UZB)?
- A land-lock sub-region (Central Asia)?
- Something else 'sandwiched' between China and Russia?

Industrialization based growth – why replicating difficult? ?

Are we confident about the means?

- For almost 3 centuries economic growth and development was strongly associated with industrialization and urbanization:
 - It was the First Industrial Revolution that allowed the countries of Europe to break out ahead in their development.
 - The economic growth of South East Asian countries in the second half of the 20th century was also based on the model of accelerated industrialization, which was fueled by the flow of cheap labor from rural areas to urban and the subsequent growth of cities, as well as a greater access to the growing global markets.
 - Investments in infrastructure and construction were used in the United States to get out of the Great Depression and in China amid slowdowns in the early 2010s.

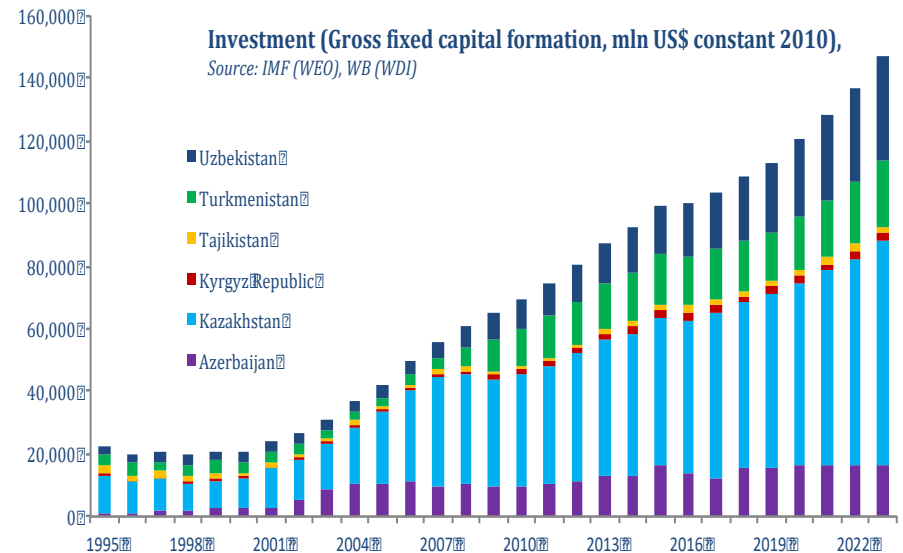
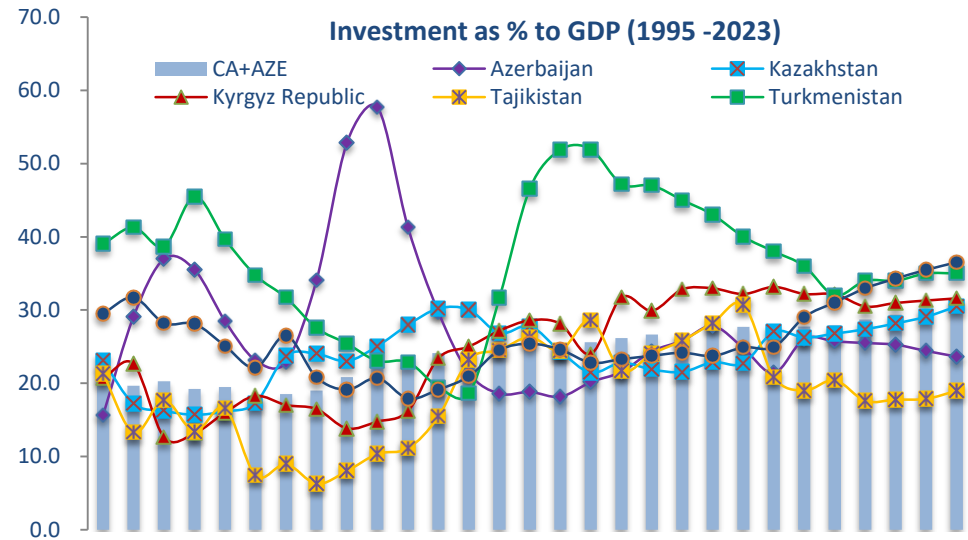
It might not be easy to replicate the same success these days due to numerous reasons.

Investment led growth

Since early 2000th, investment in basic industries could secure accelerated growth, and could help to address issues of poverty. However employment has been lagging heavily behind.

However

- Demographic patterns are changing and even alarming
- Labor Migration absorbs some of labor, but beyond obvious positive impacts, generates some negative spill-overs



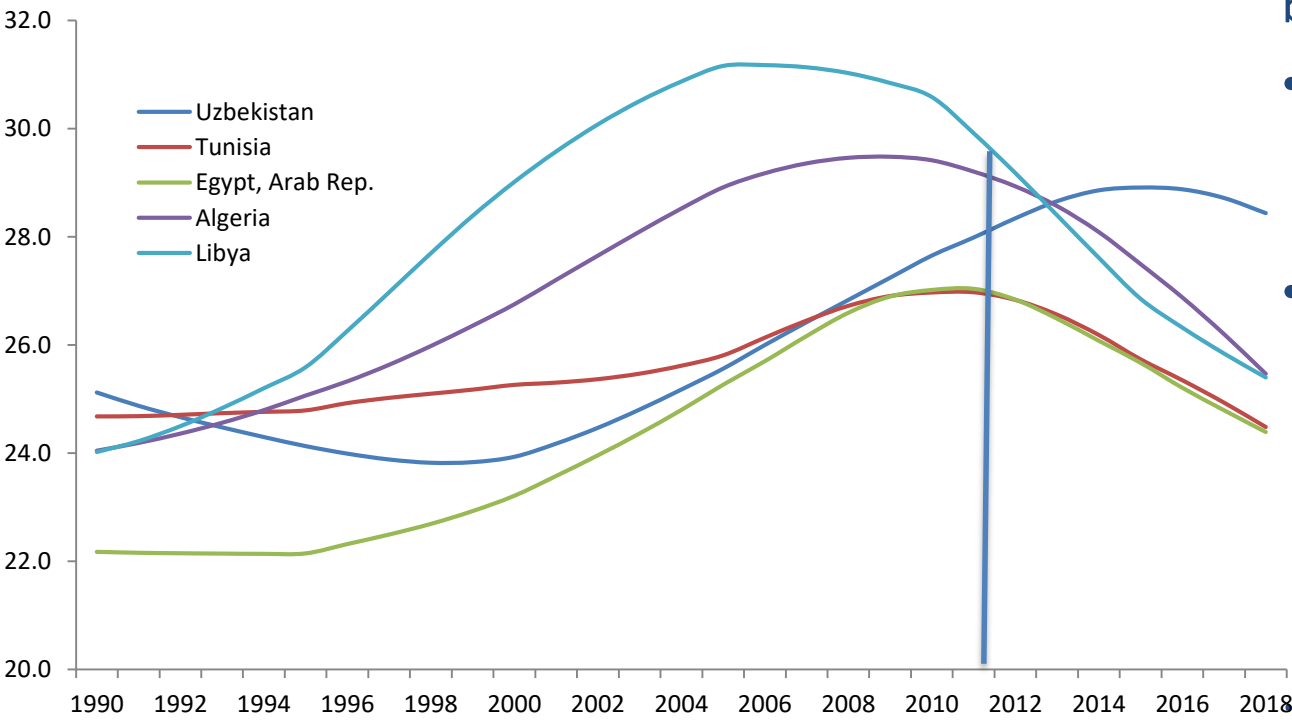
Demographic Shifts as a major challenge

Lessons from the Arab Springs

- Demographic shifts (youth, male)
- Youth unemployment (structure of economies)
- Urbanization
- Migration
- Information technologies
- Climate Change

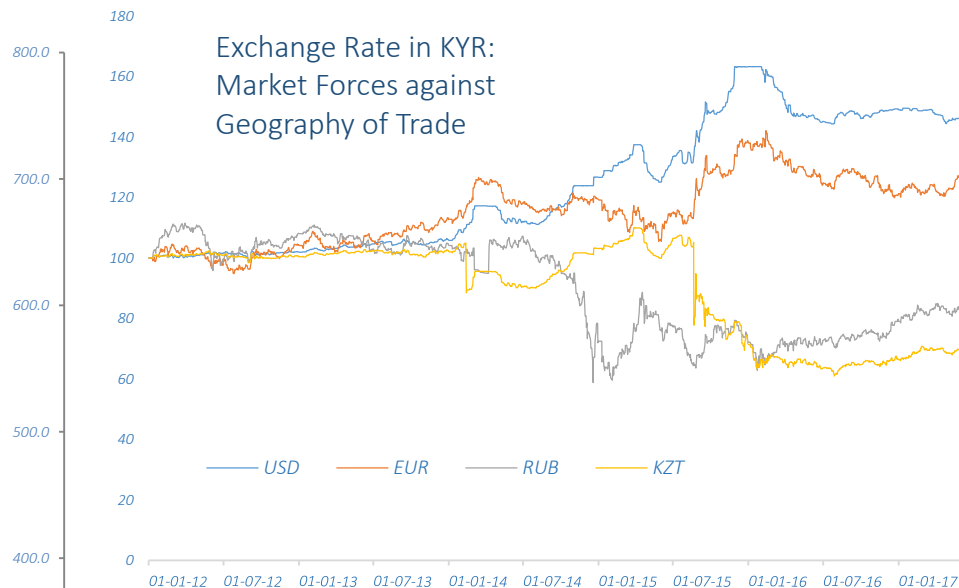
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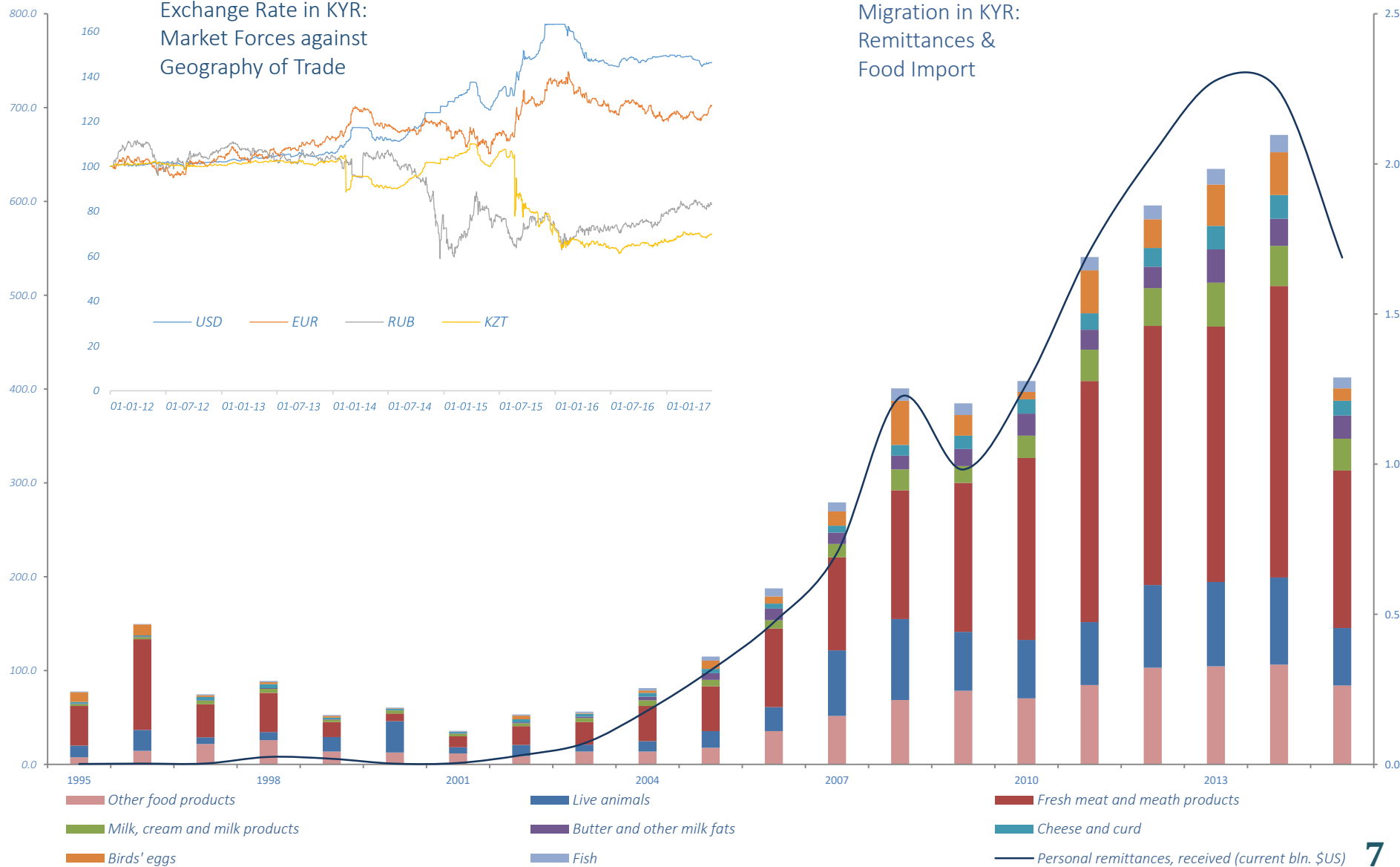


Migration – Supply or Demand?

Exchange Rate in KYR:
Market Forces against
Geography of Trade



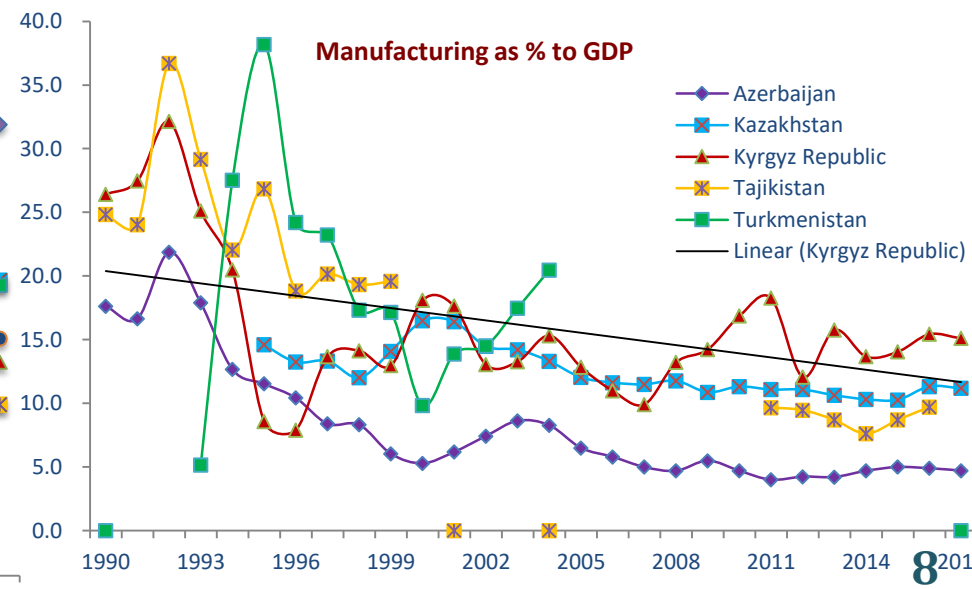
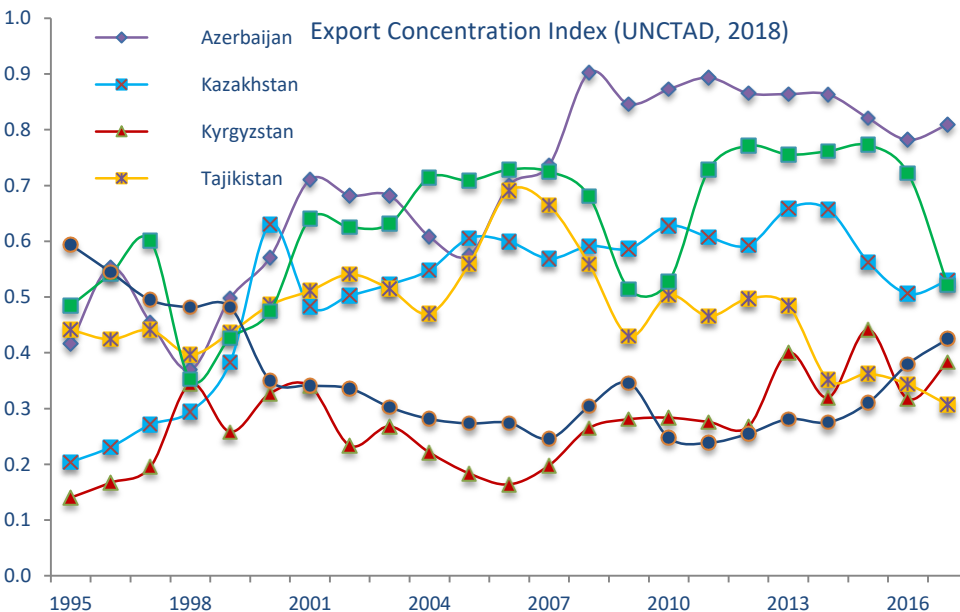
Migration in KYR:
Remittances &
Food Import



More connectivity = Less diversification?



Investment in transport and transit could change the geography of trade, but not its structure.

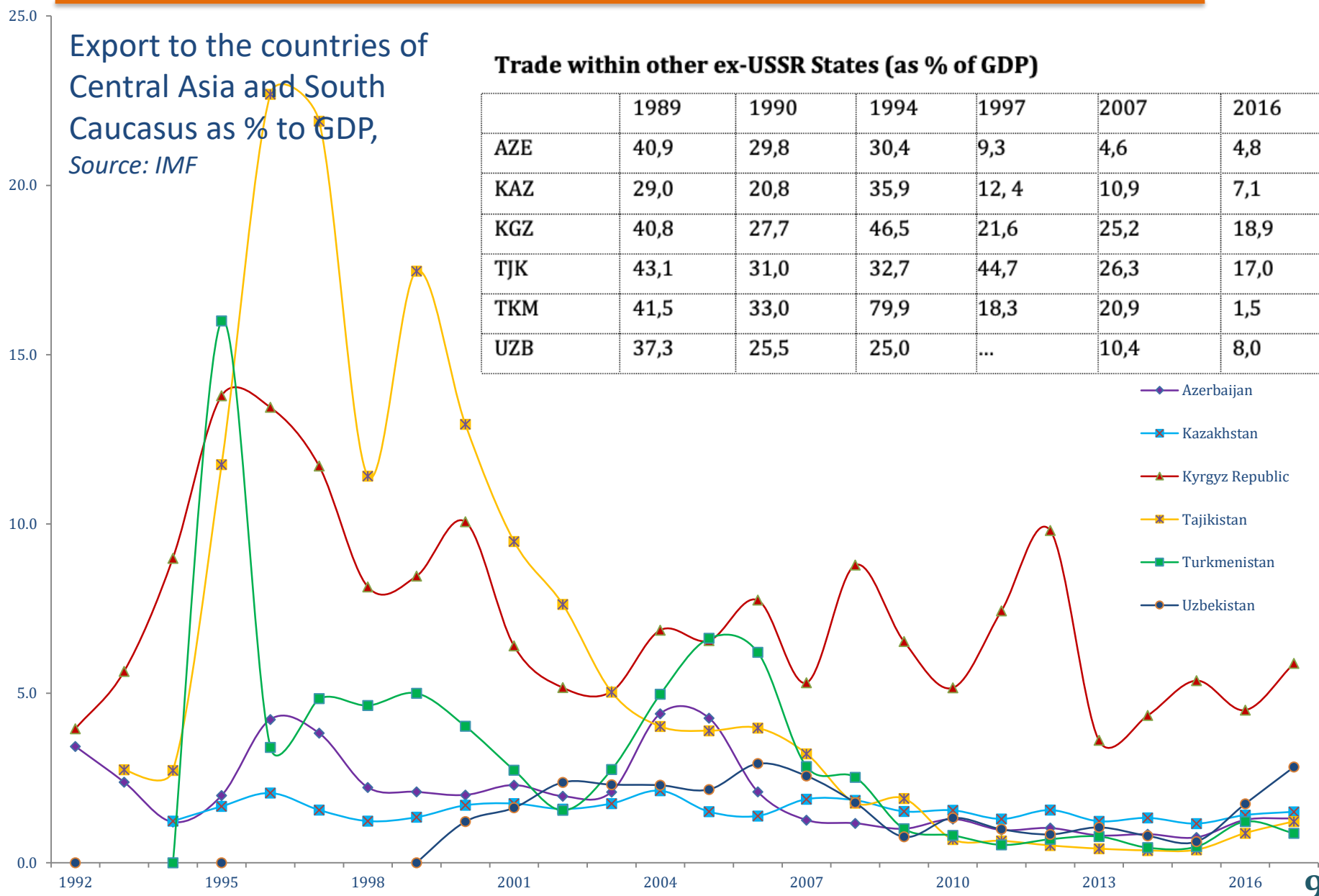


Connectivity. Rethinking causalities?

Export to the countries of Central Asia and South Caucasus as % to GDP,
Source: IMF

Trade within other ex-USSR States (as % of GDP)

	1989	1990	1994	1997	2007	2016
AZE	40,9	29,8	30,4	9,3	4,6	4,8
KAZ	29,0	20,8	35,9	12,4	10,9	7,1
KGZ	40,8	27,7	46,5	21,6	25,2	18,9
TJK	43,1	31,0	32,7	44,7	26,3	17,0
TKM	41,5	33,0	79,9	18,3	20,9	1,5
UZB	37,3	25,5	25,0	...	10,4	8,0



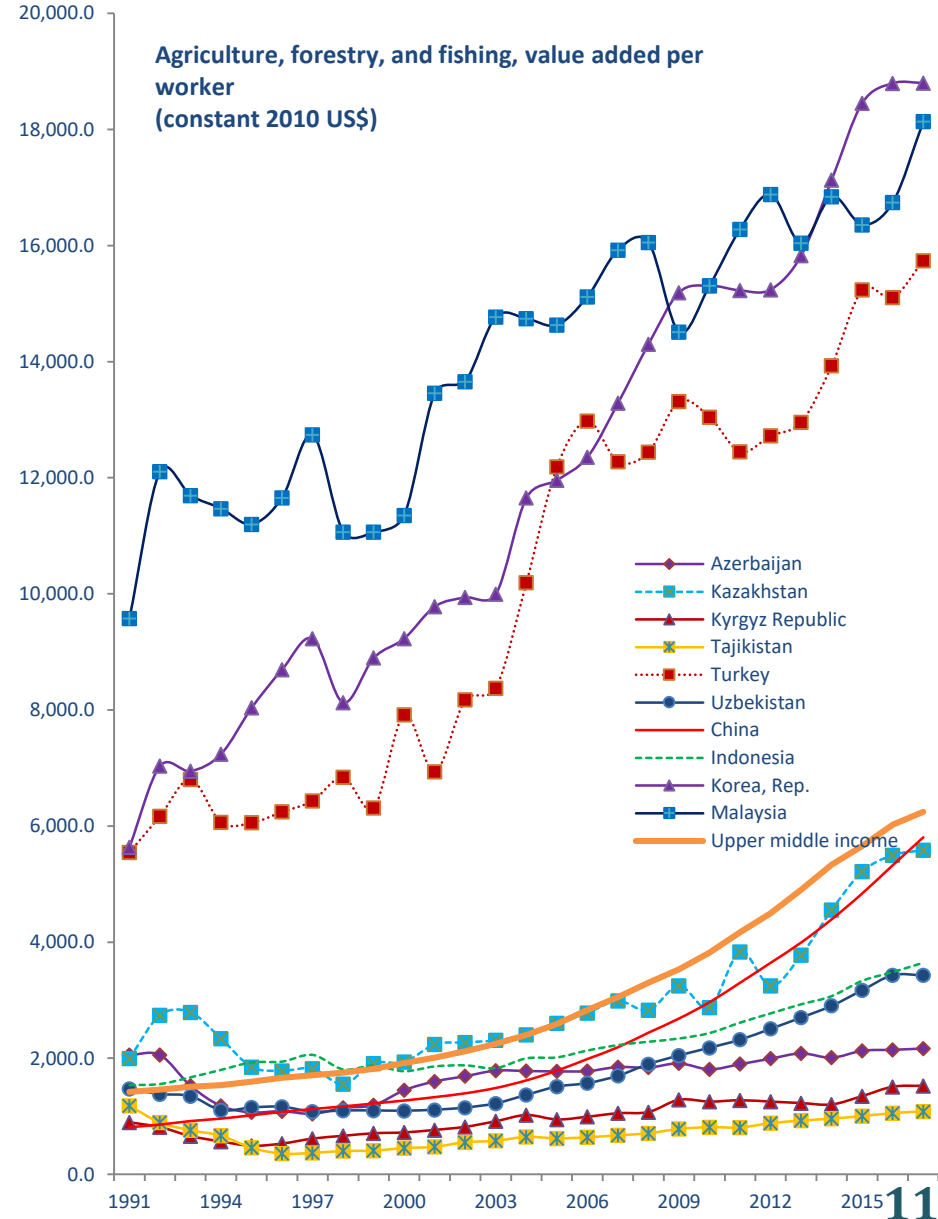
Connectivity that adds value – cross-sectoral connectivity

	Sectors of economy	Uzbekistan		Kazakhstan		Central Asia	
		Output Multiplier	GDP Multiplier	Output Multiplier	GDP Multiplier	Output Multiplier	GDP Multiplier
1	Grain	4,05	0,8	5,02	1,23	6,08	1,33
2	Other crops	6,36	1,37	3,74	0,98	5,74	1,49
3	Animal husbandry and fishing	7,23	1,48	4,92	1,24	6,23	1,47
4	Forestry	0,4	0,08	3,62	0,92	4,73	0,95
5	Energy and minerals mining	2,03	0,41	5,06	1,34	4,32	1,07
6	Food beverage and tobacco	2,45	0,43	4,75	1,17	6,2	1,31
7	Textiles and apparels	0,16	0,02	1,26	0,27	5,4	1,1
8	Chemicals	0,34	0,05	4,4	1,01	4,98	1
9	Non-metallic mining products and metal and metal products	3,59	0,67	4,76	1,16	5,62	1,23
10	Electrical equipment machinery and Transportation equipment	1,18	0,22	1,91	0,5	5,11	1,12
11	Other manufactures	1,26	0,22	3,73	0,96	5,31	1,11
13	Construction	4,57	0,82	4,58	1,15	6,1	1,35
14	Trade	5,92	1,23	4,53	1,21	5,71	1,35
15	Transportation	1,08	0,13	4,77	1,33	5,74	1,35
16	Communication and finance and other private services	4,45	0,92	4,25	1,23	5,64	1,41
17	Government and other social services	5,02	1	4,55	1,28	5,65	1,34

Manufacturing or Agriculture?

Per capita investment in agriculture (\$)

Netherlands	379
Turkey	207
Poland	144
South Korea	86
Kazakhstan	72
Azerbaijan	18
Uzbekistan	14
Bangladesh	12
Uzbekistan	8



Finding the Best Equilibriums and the Right Entry Points

- SDG Trade-offs/MAPS
 - Public or private (taxation)
 - Industry or Agriculture
 - Men or Women
 - Old or Young
 - Urban or Rural
 - Health or Education
 - ...
 - Today or tomorrow ?
- identify key combinations of dimensions of the 2030 Agenda and SDGs that could form core development priorities and maximize interactions for the achievement of the SDGs.
- Case of South Asia - the results suggest that an industry-oriented structural transformation, enhancing agricultural productivity through sustainable agriculture and overall efficiency improvements through innovations have the potential to lift an additional 71 million people out of poverty, create 56 million additional jobs in South Asia and boost GDP by 15- 30 per cent by 2030 over and above the business-as-usual scenario.

THANKS!

We should not just name 'ingredients', but help to cook

Shared Challenges - Shared Goals - Shared Strategies - Joint Actions

GDP per capita, constant 2010 US\$,

Source: Calculation of authors, based on IMF (WEO) and WB (WDI)

