

## Fourth North and Central Asian Multi-Stakeholder Forum on Implementation of the Sustainable Development Goals

“Human Well-being and the SDGs: Recovering after the COVID-19 crisis”

Virtual Meeting Format

Session #5: Sustainable, Inclusive and Resilient Economies

### CONCEPT NOTE

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| <b>Date:</b><br>4 Sep 2020   | <b>Co-organizers:</b><br>- ESCAP, ILO, UNEP, UN Women   |
| <b>Time:</b><br>10:00-12:00 (Almaty time = UTC+6)                      | <b>Session Focal Points:</b><br>- Natalja Wehmer, ESCAP (main); Talgat Umirzhanov, ILO; Olzhas Atymtayev, UNEP; Nargis Azizova, UN Women  |
| <b>Language:</b><br>Russian - English<br>(simultaneous interpretation) | <b>Webpage Link:</b><br>- <a href="https://unescap.un.org/events/2020NCA_SDG">https://unescap.un.org/events/2020NCA_SDG</a><br><b>Participants Registration:</b><br>- <a href="https://bit.ly/2020NCA_SDG">bit.ly/2020NCA_SDG</a> |

#### Context

The ongoing COVID-19 pandemic has led to a deep recession in the global economy, including in the countries of North and Central Asia<sup>1</sup>. Recovery is expected to be uneven and depends as much on the pre-existing structural conditions and trends of respective economies as on the policy directions countries now choose. The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals<sup>2</sup> (SDGs) are the world’s most ambitious, comprehensive, and transformative development agenda. By **aligning their COVID-19 recovery to the 2030 Agenda to “build back better”**, countries can **ensure that mid- to long-term economic development is sustainable, inclusive, and resilient**.

The pandemic has caused a cascade of interconnected and cumulative crises highlighting and magnifying longstanding macro-economic and socio-economic weaknesses, inequalities, and vulnerabilities. Its impacts hit those most susceptible to unexpected shocks the hardest, and also negatively interact with underlying gender-based biases leading to disproportionately negative impacts on women. While countries were not on track to achieve all SDGs even before the COVID-19 pandemic, the crisis is a serious setback for development achievements and curtails the ability of countries to implement necessary transformational change. However, the crisis is also a wake-up call creating new awareness and political space for moving onto a sustainable development path.

<sup>1</sup> ESCAP defines the North and Central Asia Subregion as consisting of Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan, and the Russian Federation.

<sup>2</sup> Adopted by all member States at the United Nations Summit on Sustainable Development, in 2015:  
[https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A\\_RES\\_70\\_1\\_E.pdf](https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_RES_70_1_E.pdf)

Governments should embrace this opportunity and jointly with key stakeholders design recovery and long-term development in line with the 2030 Agenda and its SDGs.

***From an economic perspective, the COVID-19 crisis has a large negative impact on household incomes, business activity, and countries' macroeconomic fundamentals.*** The North and Central Asian subregion has been particularly hard-hit on several fronts:

***(1) Simultaneous steep contraction in demand and supply with GDP growth forecasted to be negative in 2020*** in almost all NCA countries<sup>3</sup>: Like other countries, most NCA countries, rightly putting health concerns first, early on reacted to the COVID-19 pandemic with a range of lockdown measures that are having severe impacts on the real economy causing simultaneous demand and supply shocks. It leaves many companies with liquidity problems to cover fixed and running costs and threatens employment security. Employment contraction has already begun on a large scale in many countries, both in terms of numbers of jobs and working hours, which reflect both layoffs and other temporary reductions in working time. Some governments were able to react with support measures, but for many companies, support - if it comes at all - is too little too late. In the medium-term it will most likely cause many business closures and further job losses. All this leads to significant losses in government revenues in the short and medium terms.

***(2) Undiversified structures of production and exports focused on hydrocarbons and minerals*** overexposed some countries to temporary global demand and price crashes that together with above mentioned overall demand and supply shocks delivered a double whammy to NCA economies<sup>4</sup>. Combined with rising unemployment and need for government support of micro, small and medium size enterprises (MSMEs) and vulnerable groups, NCA governments are facing revenue losses and a contraction of fiscal space<sup>5</sup>. Furthermore, general disruption of supply chains affects businesses and consumers (that highly depend on imports). In some NCA countries, dependence on food imports (also affected by temporary restrictions and supply interruptions) led to price increases<sup>6</sup>. While MSMEs play a major role as providers of jobs, particularly in low- and middle-income countries, they often lack access to credit, have few assets and are the least likely to benefit from fiscal measures in general and from the stimulus packages related to the current crisis.

***(3) Dependence on remittances from labour migrants:*** Several NCA countries rely on remittances from international labour migration (mainly to the Russian Federation) for a significant portion of GDP. Moreover, many rural households in economically depressed areas also rely on earnings from internal rural to urban migration, much of it spent on food and basic necessities. With the pandemic many were put out of work, resulting in sharp reduction in income especially for vulnerable population groups and negative knock-on effects on other economic sectors.

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<sup>3</sup> ESCAP (2020), "Can this time be different? Challenges and opportunities for Asia-Pacific economies in the aftermath of COVID-19", [https://www.unescap.org/sites/default/files/PBx114\\_Can%20this%20time%20be%20different\\_Challenges%20and%20opportunities%20of%20Asia-Pacific%20economies%20in%20the%20aftermath%20of%20COVID-19.pdf](https://www.unescap.org/sites/default/files/PBx114_Can%20this%20time%20be%20different_Challenges%20and%20opportunities%20of%20Asia-Pacific%20economies%20in%20the%20aftermath%20of%20COVID-19.pdf), p. 2; World Bank Global Economic Prospects dataset, accessed 5 Aug: <https://www.worldbank.org/en/publication/global-economic-prospects>

<sup>4</sup> ESCAP (2020), "Coping with COVID-19 and enhancing long-term resilience to future shocks: An assessment of fuel-exporting countries in Asia and the Pacific", <https://www.unescap.org/resources/assessment-fuel-exporting-countries-asia-and-pacific-coping-covid-19>; World Bank Global Economic Prospects dataset, accessed 5 Aug: <https://www.worldbank.org/en/publication/global-economic-prospects>

<sup>5</sup> IMF Fiscal Monitor DataMapper, "Revenue, % of GDP", April 2020, accessed 5 August 2020. [https://www.imf.org/external/datamapper/GGR\\_G01\\_GDP\\_PT@FM/ADVEC/FM\\_EMG/FM\\_LIDC](https://www.imf.org/external/datamapper/GGR_G01_GDP_PT@FM/ADVEC/FM_EMG/FM_LIDC)

<sup>6</sup> IMF World Economic Outlook DataMapper, "Inflation rate, average consumer prices, annual percent change", 2020, accessed 5 August 2020. <https://www.imf.org/external/datamapper/PCIPCH@WEO/WEOWORLD/VEN>

**(4) Significant size of the informal economy<sup>7</sup>:** It is estimated to employ between one and two thirds of the labour force<sup>8</sup> in most NCA countries, meaning many workers and businesses are left struggling with little government support, stimulus measures, and social protection. Self-employed persons and MSMEs are most likely to operate in the informal sector, often in economic sectors particularly hard hit by the COVID-19 lockdown, such as retail, hospitality, tourism, and other service industries. These sectors, moreover, are predominantly low-pay, characterized by decent work deficits (labour rights, job security and safety), and disproportionately employ women. Large informal economies also mean losses in potential tax revenue contributing to the limited fiscal space governments have for responding to COVID-19 related hardships in the first place. While women already carried a disproportionate share of unpaid care before the COVID-19 pandemic, this burden has increased because of school closures and the increased needs of older people and those who are ill.

**(5) Sustainability of fiscal policies space:** Even before the COVID-19 pandemic, some countries in North and Central Asia had high levels of government debt and thus while ensuring immediate support to vulnerable population groups and business is critical, the issues of debt sustainability and transparency needs to be tackled. Moreover, for some countries, stability of their currencies and inflation could also become issues of concern. Countries are taking a wide range of measures activating fiscal policies, particularly employment retention and social protection measures, including targeted cash transfers and automatic stabilizers, such as unemployment benefits, along with public investment and tax relief for low-income earners and MSMEs. A Job-rich recovery will lay the foundation for inclusive and sustainable fiscal policies, along with strong labour market institutions.

Out of the ***proposed cluster of Sustainable Development Goals to be discussed*** at the 2021 High Level Political Forum (HLPF), in New York, USA, this Session particularly focuses on four Sustainable Development Goals and their interlinkages as the world moves into the “Decade of Action” – from COVID-19 recovery towards longer-term development that is sustainable, inclusive and resilient.

**SDGs 1 (No Poverty):** While extreme poverty (defined by World Bank as earning less than \$1.90 USD per day), has been small in most NCA countries before the COVID-19 pandemic, the pandemic is pushing more people back into extreme poverty and places an even larger group into a situation of vulnerability (defined by World Bank as living on less than \$3.20 USD per day). Since many working-age people across NCA countries are self-employed, work informally, or are labour migrants, they are poorly covered by social protection schemes, and are particularly vulnerable to falling into poverty. Policy options must be found that provide some safety net for both formally and informally working persons, including minimum wages and social protection floors (SPF).

**SDG 5 (Gender Equality):** Gender inequality has been a significant barrier for economic development in the NCA region. Gender parity in labour force participation and the average number of years of education for women in the region are low and progress on all SDG indicators related to gender equality is limited<sup>9</sup>. Moreover, some evidence points to an increase in violence against women during the lockdowns. At the

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<sup>7</sup> OECD (4 June, 2020), “COVID-19 crisis response in Central Asia”, p. 1, accessed 4 July: [https://read.oecd-ilibrary.org/view/?ref=129\\_129634-ujyisqu30i&title=COVID-19-crisis-response-in-central-asia](https://read.oecd-ilibrary.org/view/?ref=129_129634-ujyisqu30i&title=COVID-19-crisis-response-in-central-asia)

<sup>8</sup> International Labour Organization, “Informal employment and informal sector as a percent of employment by sex – Annual,” ILOSTAT, Accessed 06-08-2020, <https://ilostat.ilo.org/data>; World Bank Group, “Informal employment (% of total non-agricultural employment)”, <https://data.worldbank.org/indicator/SL.ISV.IFRM.ZS>

<sup>9</sup> “SDG Progress”. 2020. *Data.Unescap.Org*. <https://data.unescap.org/data-analysis/sdg-progress#>.

same time, as mentioned above, women's burden of providing essential services in households further increased during the pandemic while disproportionately exposing them to loss of jobs and livelihoods.

**SDG 8 (Decent Work and Economic Growth):** NCA countries need to further diversify their economies and strengthen local and regional supply and value chains. Modernization of infrastructure, labor markets, and the creation of a circular economy are important steps towards vibrant economic progress and decent work in NCA. Reconstruction programs should focus particularly on supporting economic sectors and sources of livelihoods that (a) have suffered disproportionately from the socio-economic fall-outs of the COVID-19 pandemic, (b) provide decent work opportunities at large scale (complying with international labour standards, including occupational safety and health, freedom of association etc.), and (c) are future-oriented (such as STEM, ICT, digital economy, or green energy and energy-efficiency development efforts).

**SDG 10 (Reduced Inequalities):** The COVID-19 crisis magnifies pre-existing structural conditions of inequality and vulnerability between and within countries. However, rising inequality is not inevitable<sup>10</sup> - existing regional (rural-urban) or gender gaps in the workplace, education, and access to services in NCA countries need to be addressed, including strengthening the digital transformation of the economy.

**SDG 12 (Responsible Consumption and Production):** In comparison to the aftermath of the 2008 global financial crisis, political climates and prevailing public sentiment are more favourable for embarking on a "green recovery". The COVID-19 pandemic itself is a result of human overexploitation of nature; even so, its impacts may pale in the face of the various negative impacts we can expect from climate change. Circular economy and low-carbon consumption and production approaches give promising pathways for more sustainable economies at national and subregional levels.

## Session Objectives

This session aims to take stock of macro and socio-economic issues aggravated by the COVID-19 crisis in the NCA countries and discuss ways forward in terms of recovery and longer-term sustainable, inclusive and resilient economic development in line with the SDGs, and in particular SDGs 1, 8, 10 and 12. The conclusions of the session will be reported to the APFSD and the HLPF in 2021.

## Session Format

### Agenda:

| # | Time          | Activity   |
|---|---------------|--|
| 0 | 10:00 – 10:02 | Housekeeping announcements (2 min), MC, ESCAP  |
| 1 | 10:02 – 10:15 | Welcome (3 min) and Setting the Stage (7 min) by Session Moderator, <b>Mr. Hamza Ali Malik</b> , Director, Macro-Economic Policy and Financing for Development Division, ESCAP |

<sup>10</sup> FAO (18 Jun 2020), "Addressing inequality in times of COVID-19", accessed 7 July: <http://www.fao.org/3/ca8843en/CA8843EN.pdf>

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| <b>2</b> | 10:15 – 10:30 | <i>Presentation on The COVID-19 and the World of Work: from Crisis Response toward Inclusive Job-rich Recovery and SDGs (10 min)</i> , <b>Mr. Ramiro Pizarro</b> , Project Manager, ILO Office for Eastern Europe and Central Asia   |
| <b>3</b> | 10:30 – 10:45 | <b>Presentation</b> ( <i>green economic recovery</i> ) (10 min), <b>Ms. Lesya Nikolayeva</b> , Technical Officer, Resource Efficiency Unit, UNEP Europe Office   |
| <b>4</b> | 10:45 – 11:00 | <b>Presentation</b> <i>Gender Responsive Socio-Economic Recovery and SDGS (10 min)</i> , <b>Ms. Nargis Azizova</b> , Intergovernmental partnership, Normative and Knowledge Management Specialist, UN Women Regional Office for Europe and Central Asia (ECA RO)   |
| <b>5</b> | 11:00 – 11:25 | Reactions from respondents with focus on concrete cases and solutions (25 min; 3 min each): <ul style="list-style-type: none"> <li>- <b>H.E. Mr. Erkin Mukhitdinov</b>, First Deputy Minister of Employment and Labour Relations, Republic of Uzbekistan</li> <li>- <b>Ms. Aselia Isakova</b>, Head of the Legal Expertise Division of the Public Procurement Department under the Ministry of Finance of the Kyrgyz Republic</li> <li>- <b>Mr. David Advadze</b>, Acting Head of Division of Sustainable Development, Ministry of Economy and Sustainable Development of Georgia</li> <li>- <b>Ms. Aigul Kussaliyeva</b>, Director, Green Finance Intelligence, AIFC Green Finance Center</li> <li>- <b>Mr. Kadyr Baikenov</b>, Chairman of the Board, Confederation of Employers (Entrepreneurs) of the Republic of Kazakhstan; Chairman of the Board, Union of Engineering Companies of the Republic of Kazakhstan</li> <li>- <b>Ms. Gulnara Zhumageldiyeva</b>, Deputy Chair, Federation of Trade Unions of Kazakhstan</li> <li>- <b>Ms. Asel Kubanychbekova</b>, Founder, Women's Entrepreneurship Development Fund, Kyrgyz Republic</li> </ul> |
| <b>6</b> | 11:25-11:55   | Q&A from participants (30 min)   |
| <b>7</b> | 11:55-12:00   | Wrap-up (5 min)  |

### Guiding Questions for the Session:

1. Can - and if yes for how long - the countries in the NCA subregion sustain the momentum on expansionary policies, without adverse implications (e.g., debt sustainability concerns)?
2. How to finance the needed spending/investments for economic recovery and for the 2030 Agenda?
3. What policy tools and changes are needed to ensure that the recovery is inclusive, sustainable and resilient - and consistent with the ambitions of the 2030 Agenda?

4. How can the NCA countries accelerate structural economic transformation and diversification to ensure economic dynamism and decent employment in a manner that promotes inclusiveness and respects planetary boundaries?