



*Empowered lives.
Resilient nations.*

COVID-19

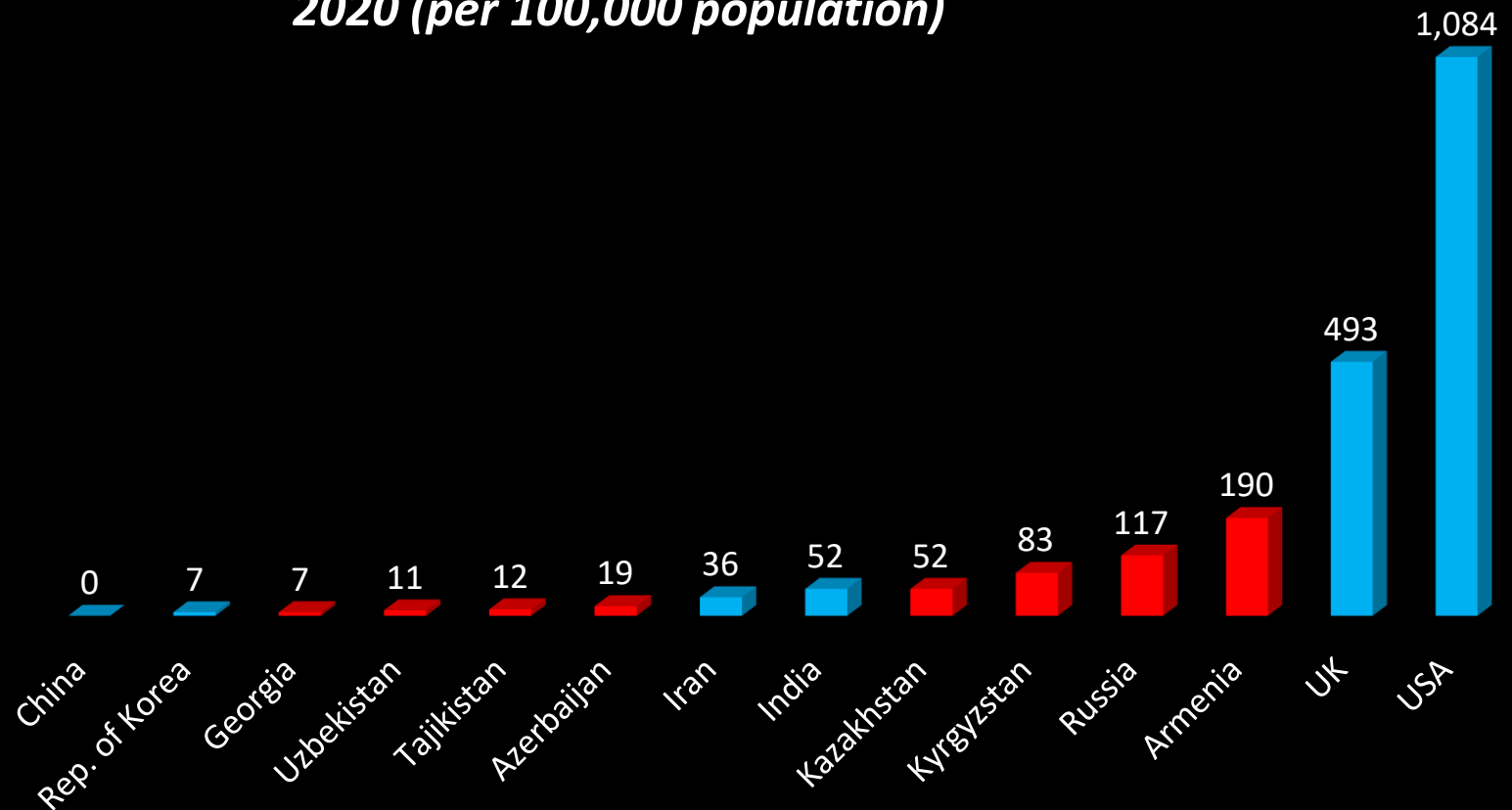
SOCIO-ECONOMIC IMPACT ASSESSMENTS

UNDP Overview of Central Asia and South Caucasus

Were the lockdowns in time? Or is the data picture too rosy?

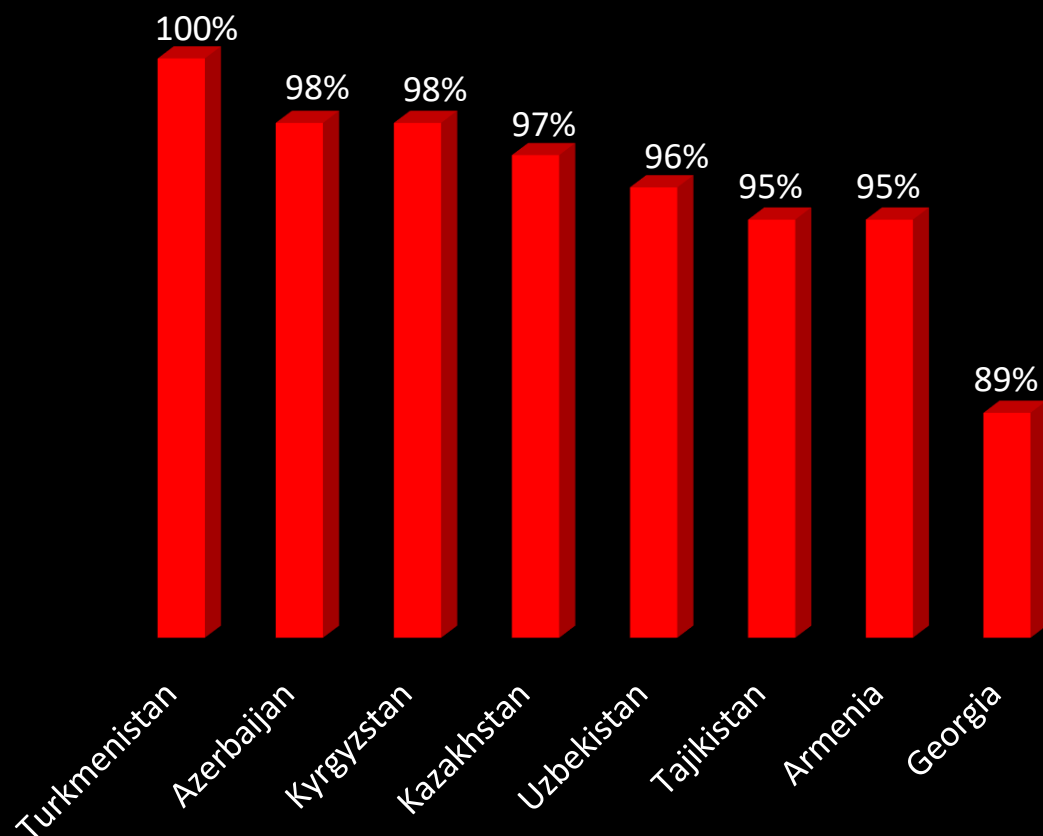
- COVID-19 data in Central Asia, Caucasus are:
 - Relatively favourable—particularly in Georgia, Uzbekistan, Tajikistan, Azerbaijan . .
 - . . . And much better than global “leaders”
- BUT:
 - Lack of widespread testing reduces numbers of reported cases
 - Other evidence points to overwhelmed health systems in some countries

*Confirmed active cases as of 25 August
2020 (per 100,000 population)*



Alternative estimates: A more worrisome view

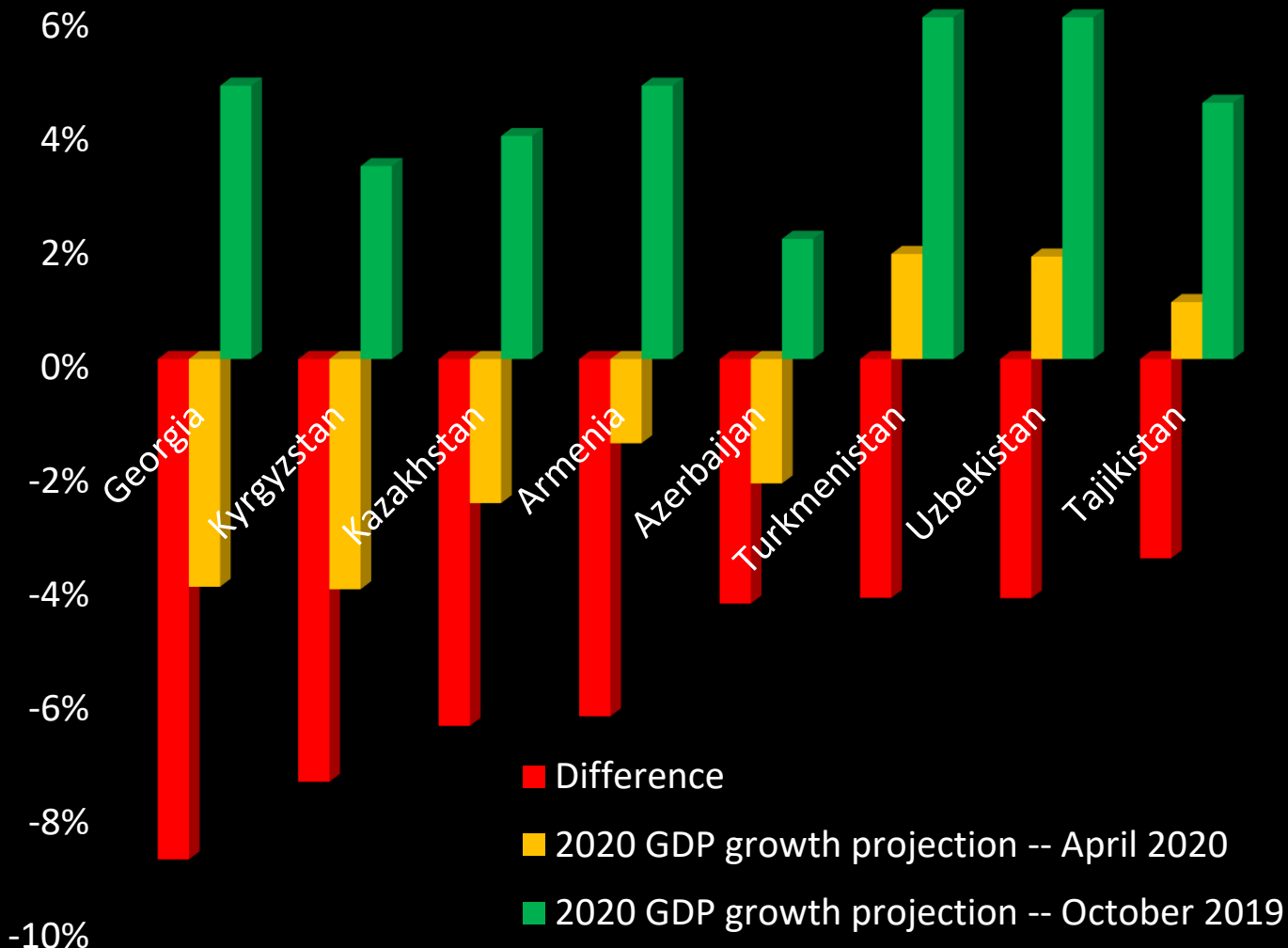
Estimated shares of “missed” COVID-19 infections



- “Infection-fatality ratios” (IFRs) estimate numbers of COVID-19 cases on the basis of:
 - Actual COVID-19 deaths, and
 - Sociological profiles of deceased and their contacts
- COVID-19 case estimates based on IFRs developed by Imperial College London suggest that the official (“headline”) data capture very small shares of actual cases





How bad will the macroeconomic shock be?

IMF 2020 GDP growth predictions—*Before* COVID-19, and *after*



- IMF in April estimated 2020 GDP declines of 4-8 percentage points (compared to October 2019 forecasts)
- Each updated forecast is more pessimistic
 - Example: IMF is now expecting 12% 2020 GDP decline in Kyrgyzstan
- These forecasts assume “V-shaped” recoveries . . .
 - But is this realistic, without a COVID-19 cure/vaccine (or herd immunity)?

Assessments within the UN Framework – Overview (excl Russia)

| | | SEIA | SERP |
|---|-----------------------|--|--|
| 1  HEALTH FIRST: Protecting health services and systems during the crisis | South Caucasus | | |
| | Armenia | SEIA assessment - completed SEIA report is being drafted | Response plan – draft |
| | Azerbaijan | SEIA assessment – completed SEIA report draft available | Response plan – not available yet |
| 2  PROTECTING PEOPLE: Social protection and basic services | Georgia | N/A Separate local assessment on Abkhazia. | Response plan - finalized |
| | Central Asia | | |
| 3  ECONOMIC RESPONSE & RECOVERY: Protecting jobs, small and medium-sized enterprises, and the informal sector workers | Kazakhstan | SEIA assessment completed SEIA report - draft available | Response plan - finalized |
| | Kyrgyzstan | SEIA assessment - completed SEIA report - finalized and published | Response plan - draft |
| 4  MACROECONOMIC RESPONSE AND MULTILATERAL COLLABORATION | Tajikistan | SEIA assessment -completed SEIA report draft | Response plan – finalized |
| | Turkmenistan | N/A | *Response and preparedness plan for infectious disease |
| 5  SOCIAL COHESION AND COMMUNITY RESILIENCE | Uzbekistan | SEIA assessment completed SEIA report is being drafted | Response plan – finalized (published) |

* No officially reported Covid-19 cases in Turkmenistan

Socio-economic Assessments – North and Central Asia (excl Russia)



- * Primary data collection in six countries focused on mostly on vulnerable groups/vulnerability and SMEs
- * Surveys driven by local offices and based on context and national circumstances
- * Other UN agencies/IFIs also working on SE assessments e.g. HH food security, gender, labor markets, remittances etc
- * Various coordination groups/task forces established in each country
- * Differentiated impact on countries: Varying case numbers and impacts of the pandemic, but all are dealing with the intense socioeconomic impacts due to supply and demand shocks.
- * Similarities in the types of impacts but varying degrees of intensity dependent on different vulnerabilities eg economic structure, viability of social systems, etc

MACRO-ECONOMIC VULNERABILITIES

- ❖ Significant declines in **GDP** in 2020 and major shocks affecting aggregate supply and demand.
- ❖ Economic vulnerabilities leading to micro-economic impacts at individual, household and SME level including:
 - ❖ **Demand:** falls in remittance inflows; falls in the incomes of many households during the lockdown period; reduction in demand – tourism, hospitality and services sectors; border closures and inability to operate; increasing HH costs for food and services.
 - ❖ **Supply:** temporary border closures affecting supply/value chains, and movement of people; slump in commodity prices; currency depreciation - raises the costs of imports and increases financial risks and debt servicing costs; fixed costs and weaknesses in micro and small enterprises
- ❖ These macro-economic vulnerabilities vary across countries. For example, commodity dependent countries face double shock of lower prices for oil and gas
- ❖ Combined with continuing waves of the infection places higher levels of uncertainty and increasing burdens on public policy and recovery settings – debt and fiscal space.
- ❖ Socio-economic impact assessments are highlighting disproportionate impacts on vulnerable groups/HHs, smaller enterprises and uneven geographic distribution (urban/rural).

Household and Individual Level

Development gains are **unwinding**: The agency of poverty and rising inequality

- From an income perspective; increasing unemployment and underemployment (approx. 10% higher in urban areas)
- Reduced income and increasing costs of food supplies, health costs, utilities eroding savings
- Majority of HH between 1-3 months savings
- While men may make up a larger percentage of the workforce, women are being disproportionately affected in the labor market
- Rising levels of income poverty (>10% depending on social welfare systems)
 - Multi-dimensional perspectives especially long-term education and health impacts
 - Gender impacts disproportionately affecting women and girls e.g. unpaid care work, school closures, GBV
- Inequalities rising in different groups: entrepreneurs, migrant labor and informal workers. Youth and women seem to be bearing greater impacts

Micro, Small and Medium Enterprises

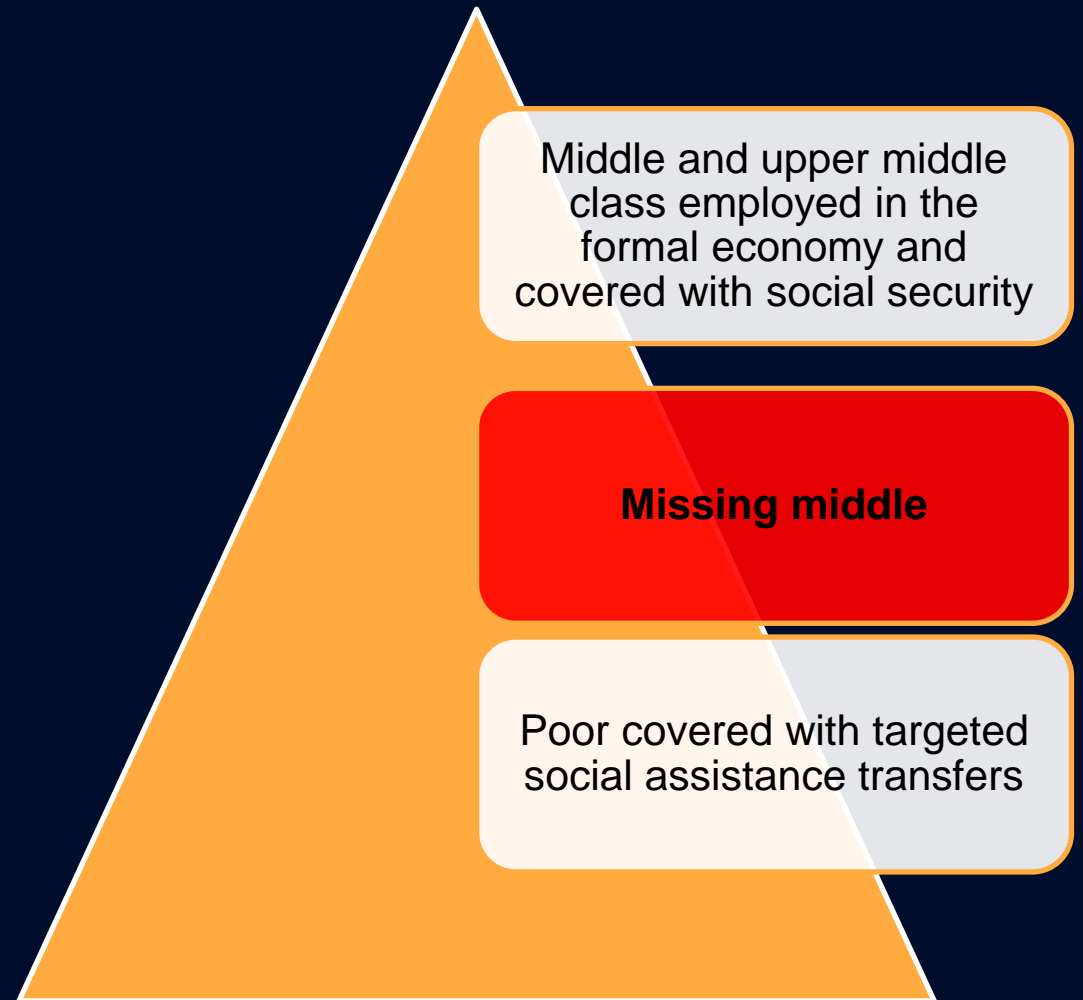
Operations and viability are being impacted in multiple ways:

- Micro and small enterprises seem most at risk given low liquidity, indebtedness and lower average returns, closely followed by medium
- Impact of costs and negative implications of; 1) loans and taxes; 2) labor costs; 3) production and commercial costs in a COVID environment
- Most significant supply side shock is disruption to value chains
- Largest demand side shocks in tourism, hospitality and services sectors
- High levels of informality / own account workers in most countries which is increasing vulnerability of the SMEs
- A small percentage of SMEs have adapted to COVID and recorded a net benefit
- High levels of dependency on support and stimulus as a result of first lockdown.
- Implications of ongoing shocks and deepening levels of impact and ability to maintain liquidity and support
- Regional disparities - informal business in service sectors in urban areas most affected

Social Protection Systems

Winners and losers – the missing middle

- **FORMERLY NON-POOR INFORMAL WORKERS** without basic security who have lost any possibility to earn, but do not meet property or other criteria for the guaranteed minimum income;
- **OCCASIONAL AND GIG WORKERS**, poor people who receive the guaranteed minimum income, but augment their income through occasional work—which now may also be lost;
- **LONG TERM UNEMPLOYED** who lost the eligibility for accessing unemployment benefits and with diminishing possibilities of finding a job as unemployment increases;
- **LABOUR MIGRANTS, SEASONAL WORKERS**, who are unable, or will face great difficulties and increased costs to move across borders and to earn money abroad.



Emerging policy responses

Social protection and insurance:

Social assistance: cash transfers, in-kind support, utility and financial obligations waivers/postponements

Social insurance: Unemployment benefits, pension support, social contribution waiver/subsidy

Labour markets: wage subsidies

Fiscal and monetary measures, economy incentives:

Burden sharing with the private sector

Business and personal tax eases (delays, deferrals,VAT),

Loans and capital injections

Bankruptcy measures

Demand creation measures including through voucher and direct subsidies

Monetary and fiscal incentives for digital transformation, as well as creation of new green economic sectors

SOME CONCLUSIONS

- If economies are to restart or move out of lockdown with confidence and provide some economic rebound, the role of health governance will need significant support;
- Deepening poverty and inequality are exposing weaknesses in governments services and causing rapid reforms or new forms of support to be developed. Human development trends are being reversed and social services and justice coming under increasing pressure, in turn potentially affecting social cohesion;
- Vulnerabilities in economic models and high levels of informality are highlighting vulnerable SMEs and sectors and returning to pre-existing conditions is increasingly unlikely. New forms of stimulus and economic conditions will be needed to assist rebounds in 2021
- Debt levels and financial conditions remain long-term factors influencing recovery and medium-term development outlook