

# COVID-19 in North and Central Asia

Impacts, Responses and Strategies  
to Build Back Better



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For further information on this policy brief, please address your enquiries to:  
Nikolay Pomoshchnikov  
Head, ESCAP Subregional Office for North and Central Asia Email:  
pomoshchnikov@un.org

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# Summary

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North and Central Asian 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. The rising numbers of infected patients exposed the limited capacity of public health systems in the subregion to accommodate such an upsurge in demand for health-care services. Governments scrambled to overcome the bottlenecks of limited hospital beds, insufficient protective equipment and overstretched health-care 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 incomplete structural economic transformation increased the challenge of effectively targeting these measures. Inequalities and poverty levels are expected to increase, which will especially impact vulnerable population groups. The average gross domestic product growth rate of the subregion is estimated to be -3.2 per cent for 2020.

Vulnerabilities in the economic structure, which is dependent on commodity exports, migrant labour and remittances, and the prevalence of employment in the 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 reduced 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** – The pandemic highlights the vulnerabilities in social systems across the subregion. Emphasis needs to be placed on public health-care 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.

# Abbreviations

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GDP	gross domestic product
ICT	information and communications technology
IMF	International Monetary Fund
ILO	International Labour Organization
LDPE	Low-density polyethylene
MSMEs	micro, small, and medium-sized enterprises
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of the Petroleum Exporting Countries
SDG	Sustainable Development Goals
SMEs	small and medium-sized enterprises
SPECA	Special Programme for the Economies of Central Asia
WHO	World Health Organization

# I. Introduction

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In the North and Central Asia subregion – which includes Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, the Russian Federation, Tajikistan, Turkmenistan and Uzbekistan – the COVID-19 pandemic and its cascading social and economic impacts have mapped onto pre-existing conditions. Economies in the subregion had gradually recovered from the oil price crisis, however, Governments had varying degrees of fiscal space to implement emergency support and protection measures for households and businesses as 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 intraregional differences remain.

The lockdowns and restrictions Governments implemented to curb COVID-19 infections have caused workers to lose income, including in the informal economy, which is sizable in the subregion, and production and earnings have decreased for enterprises, including small and medium-sized enterprises (SMEs). Sectors such as tourism, hospitality, retail and other “close contact” services were particularly hard-hit. Additionally, the phenomenon of the “missing middle” has emerged in the subregion 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, the missing middle is a

newly vulnerable group consisting of formerly non-poor informal workers, occasional or “gig” and part-time workers, 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 they threaten the sustainable development gains achieved so far. Countries in North and Central Asia 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 reach all those most in need.

The COVID-19 crisis has exposed and amplified structural weaknesses in the economies in the subregion. On the one hand, the overdependence on commodities, such as oil and gas, in countries such as Azerbaijan, Kazakhstan and the Russian Federation, 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 Kyrgyzstan and Tajikistan, labourers lost jobs and income, and a significant number also became stranded in precarious situations. Since a large part of remittances goes into consumption in home countries, the dependents of labour migrants 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 began to implement lockdown measures was to minimize disruptions in supply chains and ensure continuity. This is especially important for landlocked countries in the subregion as regional trade and transport activities are crucial to maintain the 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 rapidly expanded socioeconomic support measures, Governments have taken on large amounts of new debt, including from international financial institutions 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 moved into a second wave. Increases in the number 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 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 continue well into 2022<sup>1</sup> – even if positive vaccine scenarios play out. What is needed now is an eye towards the medium and long term.

A key driver in economies impacted by the pandemic is digital transformation. Information and communications technologies (ICTs) 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 health-care systems.

As the pandemic evolved, accompanied by justified government measures to protect people's health, some sectors of the economy were able to reap the benefits of digitalization and quickly transition into online modes of working – such as, retail, finance and education. An accelerated uptake of digital technologies enabled these sectors to maintain their activities, sustain supply chains of essential products and services and leapfrog in their development. Digital connectivity based on broadband Internet availability enabled innovative solutions and adaptations to lifestyle patterns during the crisis. However, digitalization comes with its own set of challenges, such as the digital divide, availability of expertise and online privacy issues.

By reducing the capacity of countries and the global community 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 to make sure that support and investments to lift countries out of the crisis are future-oriented and sustainable – they must contribute to the resilience of nature and societies, and to the dynamism of economies.

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<sup>1</sup> Dr Soumya Swaminathan, WHO, virtual meeting, 15 September 2020;

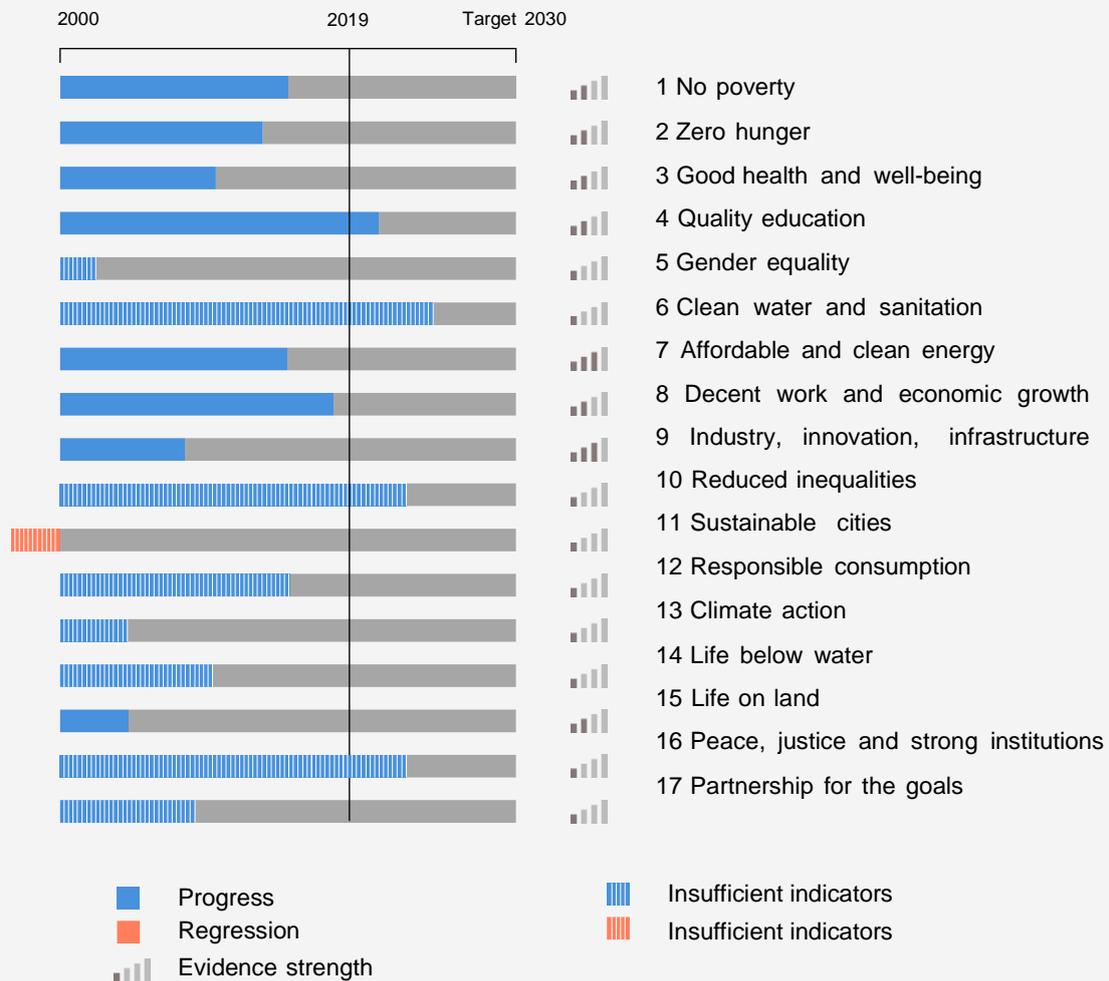
A multi-dimensional crisis calls for unparalleled multi-sectoral responses. “Building back better” needs to be embedded in a framework of integrated development policies. In 2015, when United Nations member States adopted the 2030 Agenda for Sustainable Development, they recognized the complex and interconnected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

However, as seen in figure 1, five years on, countries in the subregion were not on track in implementing this ambitious and transformative agenda. To be considered on track, the blue bars should meet or exceed the 2019 benchmark line, which is not the case for most of the Sustainable Development Goals (SDGs). Moreover, dotted rather than solid bars indicate a serious lack of data. The relative lack of progress means that populations, economies and Governments are more vulnerable to the COVID-19 pandemic than they might have otherwise been. The recovery should, therefore, be explicitly aligned with the spirit and goals of the 2030 Agenda to help countries weather this crisis and prepare for other impending crises, such as climate change.

ESCAP stands ready to support its member States in the subregion in developing and implementing integrated policies aligned with the SDGs, particularly to address structural challenges to protect people, to enhance regional connectivity for resilient supply chains and to support economic recovery and transformation. Regional cooperation among member States and between stakeholders is crucial to ensure a concerted regional approach to crisis recovery.

The capacity-building activities and meetings of ESCAP in the subregion will continue to prioritize regional cooperation as one of the key cross-cutting areas for socioeconomic recovery from the COVID-19 pandemic. This policy brief provides an analysis the multi-faceted impacts of the COVID-19 crisis itself and the types and results of immediate responses by governments and other actors. Then, the focus turns to the medium term and the long term, as countries will shift from emergency response to recovery and longer-term development. The brief also includes recommendations for subregional cooperation to help countries recover better.

Figure 1. Snapshot of SDG progress in 2019 for North and Central Asia



Source: ESCAP, Asia and the Pacific SDG Progress Report 2020. Available at <https://unescap.org/publications/asia-and-pacific-sdg-progress-report-2020>.

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

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## A. Status of the COVID-19 pandemic in North and Central Asia

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The emergence and spread of the COVID-19 virus in North and Central Asian countries varied depending on national circumstances, such as population profiles and mobility. The first case of COVID-19 in the subregion was reported in the Russian Federation on 31 January 2020, followed by official confirmations of cases in the Southern Caucasus and Central Asia in March and April.<sup>2</sup> To date, Turkmenistan has not officially confirmed any cases of COVID-19, however, it has experienced a surge of pneumonia cases.<sup>3</sup>

Countries in the subregion were relatively quick to implement strict measures to curtail the spread of COVID-19, including border closures, additional health screening and other requirements at border-crossings, as well as other containment measures. These measures often implied additional costs and delays in cross-border transport and trade, which adversely affected national and regional

supply chains. The increase in costs, delays and disruptions amplified pre-existing connectivity challenges in Asia and the Pacific. Countries in the subregion also introduced lockdowns, curfews, closures of businesses and schools, and restrictions on gatherings.

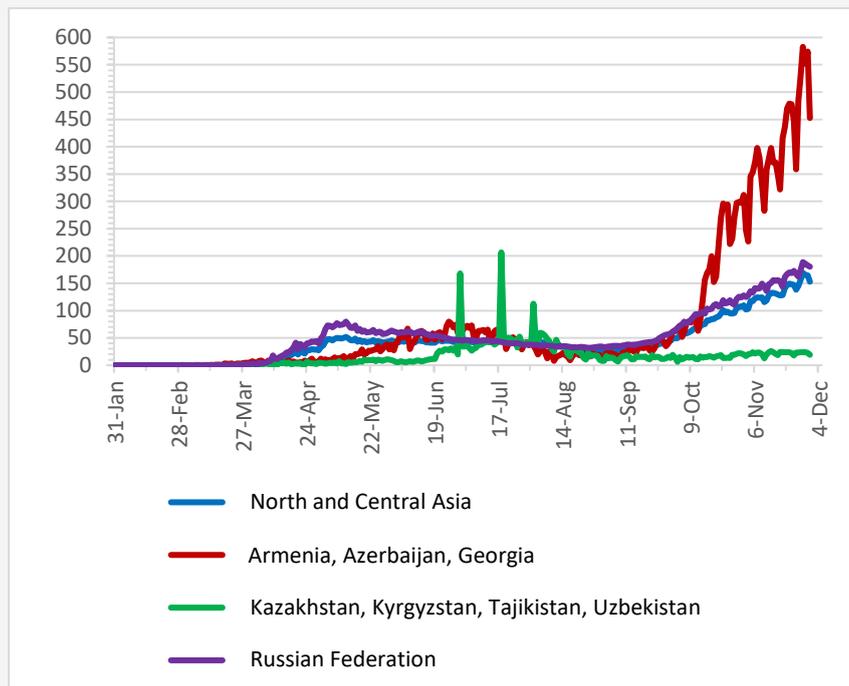
The Russian Federation was affected quite early, but its response was comparatively delayed leading to significant spread of the virus. In the Caucasus and Central Asia, while many of the measures succeeded in keeping case counts low through March and April, restrictive measures were relaxed at the end 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 countries in the subregion showed a decrease in cases during August, following the reinstatement of some travel restrictions and lockdown measures. However, in the Russian Federation and the Caucasus, cases started to rise again in September and were even more pronounced in October, entering a second wave. By the beginning of November, Central Asia had not shown a definite trend of a second wave, though infections were on the rise.

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<sup>2</sup> Based on reporting from [and https://eurasianet.org/tajikistan-finally-confirms-its-first-15-coronavirus-cases](https://eurasianet.org/tajikistan-finally-confirms-its-first-15-coronavirus-cases).

<sup>3</sup> Based on reporting from <https://eurasianet.org/turkmenistan-is-coronavirus-facade-slipping>.

Figure 2. Daily new COVID-19 cases in North and Central Asia, selected countries and country groups, January to November 2020



Source: World Health Organization COVID-19 Explorer. Available at <https://worldhealthorg.shinyapps.io/covid/>; <https://covid19.who.int/table> (accessed 7 December 2020).

As of 30 November 2020, there had been a total of 3,017,002 COVID-19 cases in the subregion. According to WHO transmission classifications, Armenia and Georgia were experiencing community transmission and most other countries reported clusters of cases. The Russian Federation retained the highest total number of cases in the subregion (at 2,295,654), mainly due to its significantly greater population. In terms of cases per million population, Armenia has the highest number (45,600), followed by Georgia (33,988), the Russian Federation (15,731), and Azerbaijan (11,657).<sup>4</sup>

There are significant challenges in data compilation, thus these official numbers do not reflect the full picture. UNDP has calculated infection-fatality ratios based on Johns Hopkins and Imperial College London data, showing the official data captured only a share of actual cases.<sup>5</sup> Moreover, discrepancies and subsequent adjustment in methodologies of counting the number of cases,<sup>6</sup> as well as differences in the prevalence of testing, access to it and quality of medical services are resulting in a degree of ambiguity in cross-country comparisons.

<sup>4</sup> WHO (10 November 2020), COVID-19 Weekly Epidemiological Update, accessed 14 November 2020. See [www.who.int/publications/m/item/weekly-epidemiological-update---10-november-2020](http://www.who.int/publications/m/item/weekly-epidemiological-update---10-november-2020).

<sup>5</sup> UNDP Presentation, Fourth North and Central Asian Multi-Stakeholder Forum on Implementation of the Sustainable Development Goals, 2 September 2020; [www.unescap.org/sites/default/files/SO\\_Mr\\_per cent20Agi\\_per cent20Veres\\_EN.pdf](http://www.unescap.org/sites/default/files/SO_Mr_per cent20Agi_per cent20Veres_EN.pdf).

<sup>6</sup> For example, in figure 2, the spike in cases, observed on 18 July, is a result of a decision on 17 July by the Government of Kyrgyzstan to retroactively classify all pneumonia cases in the country since 1 March 2020 as cases of COVID-19, as well as merging the two going forwards. This led to a one-day spike of 11,883 cases. Another spike in cases, observed on 1 August, is a result of a similar decision by the government of Kazakhstan on 17 July to count all cases of pneumonia as cases of COVID-19, effective at the beginning of the next month. This led to a one-day spike of 6407 cases.

## Public health systems in North and Central Asia are stretched to the limit by the COVID-19 pandemic

While countries in the subregion have made some progress in reforming public health systems to improve quality and access (World Bank, 2013), persistent weaknesses have been exposed by the pandemic. Underfunding has resulted in the deficiency of public health infrastructure and lower emergency-response capacity. Before the onset of COVID-19, health expenditure as a percentage of gross domestic product (GDP) of all countries in North and Central Asia were below the global average of 9.8 per cent – save Armenia at 10.3 per cent.

The numbers of hospital beds in all countries in the subregion are above the world average, but the numbers of acute-care hospital beds are below the WHO European region average except in the Russian Federation.<sup>7</sup> Similarly, while all countries in the subregion have more physicians than the global average, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan have some of the lowest numbers in the Europe and Central Asia region.<sup>8</sup>

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.<sup>9</sup>

Georgia, meanwhile, redesignated hospitals to treat COVID-19 patients in October and prepared additional surge-capacity personnel, and thus has not yet experienced shortages of equipment and caregivers.<sup>10</sup> The Russian Federation and Kazakhstan have built additional hospitals and reprofiled other facilities for COVID-19 treatment.<sup>11</sup> To respond to the pandemic, most countries in the subregion have also relied on external support packages from international donors and private contributions to procure equipment, including personal protective equipment for health workers, hospital beds and testing facilities.

Access to health-care services is another central public health challenge in the subregion. Out-of-pocket spending represents a considerable share of total health expenditure in all countries of the subregion (World Bank, 2013). This creates inequities in access to health care and quality of health services. While all countries in the subregion provide state-funded COVID-19 treatment to citizens, households carry an additional burden of increased pharmaceutical costs. Testing capacities for COVID-19 and the application of contact tracing methods have been limited due to constraints in capacity. Resources need to be further mobilized to increase the capacity of the health-care system and ensure public health security.

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<sup>7</sup> As per WHO definition, all North and Central Asian countries are part of the WHO European region. For list of all countries see [www.who.int/choice/demography/euro\\_region/en/](http://www.who.int/choice/demography/euro_region/en/).

<sup>8</sup> Based on data from World Bank <https://data.worldbank.org/indicator/SH.MED.PHYS.ZS?end=2012&locations=AM-AZ-GE-KZ-KG-TJ-TM-UZ-RU-Z7&start=2012&view=bar>.

<sup>9</sup> World Health Organization. "Policy responses for Armenia. 2. Ensuring sufficient physical infrastructure and workforce capacity." Updated 29 October 2020. See [www.covid19healthsystem.org/countries/armenia/livinghit.aspx?Section=2.1](http://www.covid19healthsystem.org/countries/armenia/livinghit.aspx?Section=2.1) per cent20Physical per cent20infrastructure&Type=Section.

<sup>10</sup> World Health Organization. "Policy responses for Georgia. 3. Providing health services effectively." Updated 10 October 2020. See [www.covid19healthsystem.org/countries/georgia/livinghit.aspx?Section=3.1](http://www.covid19healthsystem.org/countries/georgia/livinghit.aspx?Section=3.1) per cent20Planning per cent20services&Type=Section.

<sup>11</sup> See [www.inform.kz/en/almaty-arena-halyk-arena-to-become-temporary-covid-19-hospitals\\_a3665082](http://www.inform.kz/en/almaty-arena-halyk-arena-to-become-temporary-covid-19-hospitals_a3665082); and [www.euronews.com/2020/05/04/coronavirus-russia-hits-new-daily-covid-19-record-as-hospitals-struggle-to-cope](http://www.euronews.com/2020/05/04/coronavirus-russia-hits-new-daily-covid-19-record-as-hospitals-struggle-to-cope).

The increased strain on national health systems during the pandemic has substantially impacted their ability 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, reduced 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.<sup>12</sup>

The combination of greater general need for medical assistance and reduced access to services, especially in locations that depended on outreach services in addition to medical facilities, threatens the most vulnerable, in particular children, mothers, older people, people with disabilities and rural poor populations.

## Containment measures

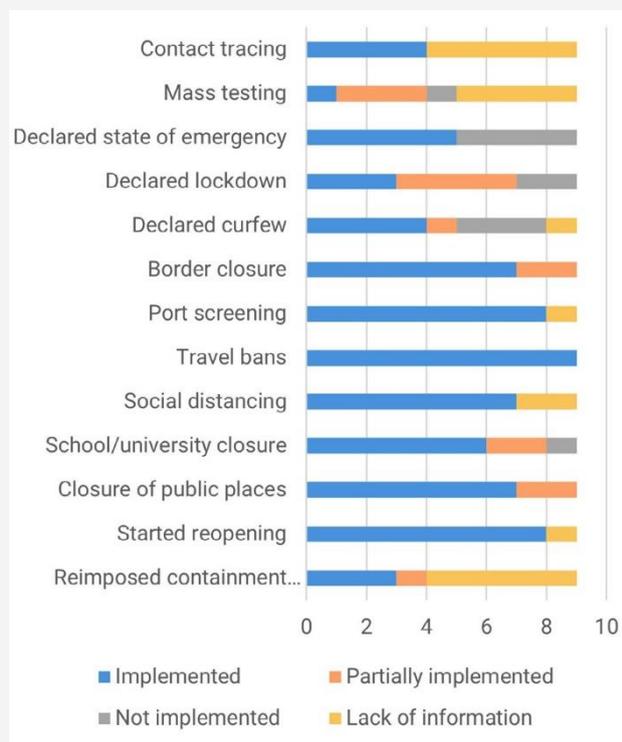
North and Central Asian countries have initiated a series of containment measures since recording the first confirmed cases of COVID-19. Almost all countries in the subregion implemented restrictions on movements and travel, port screening and border closures during the initial phases of the pandemic. These measures greatly impacted the movement of people, goods and services, with socioeconomic consequences which will be discussed in the following sections of this policy brief.

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 country's staged reopening plan. However, with the onset of second waves in many countries, some of these measures are being reintroduced, but 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.

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<sup>12</sup> Vujnovic, Melita, for WHO. "COVID-19 impact on SDG 3," 10 September 2020. See [www.unescap.org/sites/default/files/S3\\_Ms\\_per\\_cent20Melita\\_per\\_cent20Vujnovic\\_EN.pdf](http://www.unescap.org/sites/default/files/S3_Ms_per_cent20Melita_per_cent20Vujnovic_EN.pdf).

Figure 3. Measures to contain COVID-19 in North and Central Asian countries



Source: ESCAP based on IMF Policy Responses to COVID-19, and various national sources and news, as of 4 November 2020. Available at [www.unescap.org/covid19/policy-responses](http://www.unescap.org/covid19/policy-responses).

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## B. Social impacts

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The COVID-19 pandemic is exacerbating pre-existing inequalities and vulnerabilities in the subregion, and it is creating new vulnerabilities as levels of poverty have increased. To understand important aspects of preparedness or resilience to the current crisis, a good starting point is the UNDP Human Development Index (HDI) that combines a country's average achievements in health, education and income.

As can be seen in table 1, HDI values in the subregion are higher than the world average of 0.731. However, the inequality adjusted HDI value (which discounts for the human development cost of inequality) shows the picture is less positive, especially for Turkmenistan, Tajikistan and Kyrgyzstan. The other columns of table 1 provide data from the World Development Indicators of the World Bank. While access to basic services, such as drinking water and electricity, is on par with world averages, health-care systems show a larger degree of stress, echoing the above-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<sup>13</sup>) in the subregion are noteworthy as this represents a large part of the workforce that is most likely to be negatively affected by the crisis. The low number of broadband subscriptions shows a

large 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.

### 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 they experience 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. First, there are vulnerabilities in the health sphere. People are exposed to infection, and other health issues have been aggravated by the shift in focus of health-care capacities to pandemic 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. Further vulnerabilities arise from diminished incomes of households and fiscal space of governments and civil society organizations. 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 people, migrants and people with disabilities – who are more likely to work in insecure, informal employment.

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<sup>13</sup> UNDESA and ILO. [https://desa.un.org/unmigration/documents/retreat/UNpercent20WOMEN\\_Indicator\\_vulnerable\\_employment.pdf](https://desa.un.org/unmigration/documents/retreat/UNpercent20WOMEN_Indicator_vulnerable_employment.pdf).

Table 1: Development indicators for countries in North and Central Asia  
(latest available year)

	Human Development			Health systems			Standard of living			Digital connectivity	
	HDI rank	HDI value	Inequality adjusted HDI value	Health expenditure (per cent of GDP)	Hospital beds per 1,000 people	Physicians per 10,000 people	Vulnerable employment (per cent)	Rural population with access to electricity (per cent)	Population with basic drinking water sources (per cent)	Mobile cellular subscription per 100 people	Fixed broadband subscription per 100 people
	2018	2018	2018	2017	2010-2015	2010-2018	2018	2017	2017	2017	2017
Armenia	81	0.760	0.685	10.36	42	29	40.2	100	100	118.46	10.71
Azerbaijan	87	0.754	0.683	6.65	15	20.5	55.0	100	91	102.86	18.34
Georgia	70	0.786	0.692	7.60	26	51	49.2	100	98	137.26	19.23
Kazakhstan	50	0.817	0.759	6.19	67	32.5	5.3	100	97	136.81	4.17
Kyrgyzstan	122	0.674	0.610	5.34	45	18.8	33.9	100	87	156.19	21.37
Russian Federation	49	0.824	0.743	3.13	82	40.1	25.8	100	96	147.64	14.25
Tajikistan	125	0.656	0.574	7.23	48	17	45.2	99	81	111.53	0.07
Turkmenistan	108	0.710	0.579	6.93	74	22.2	34.3	100	99	162.86	0.09
Uzbekistan	108	0.710	-	6.41	40	23.7	40.1	100	98	75.92	10.39



Source: UNDP – Human Development Index, available at <http://hdr.undp.org/en/data>; and World Bank – World Development Indicators, available at <https://databank.worldbank.org/source/world-development-indicators>.

One major indicator of vulnerability is age, with older people and youth having higher levels of vulnerability, though for different reasons. Older people 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 among those 65 years and older.<sup>14</sup> Older people are also more vulnerable to secondary effects, such as social isolation, neglect and abuse, and limited access to services. Such vulnerabilities already existed before the pandemic but they were magnified under lockdowns or other restrictions of movement when more and more services shifted into the digital sphere.

Youth are less likely to be affected by the direct health impacts of COVID-19, but they face negative impacts on educational outcomes by school closures or in their school-to-work transition. Inequalities in accessing quality education that existed before the pandemic were intensified during lockdowns, when access to learning was available only through electronic devices and required a stable Internet signal (see box 1 for further discussion on education and learning activities during the pandemic). For older youth, the school-to-work transition may be interrupted as fewer employers are hiring. As the pandemic continues, young people are more likely to suffer from stress and anxiety as their employment prospects and financial security are less certain than those of older age groups.

<sup>14</sup> World Health Organization. “Coronavirus disease (COVID-19) Global epidemiological situation,” p. 1. 4 October 2020. [www.who.int/docs/default-source/coronaviruse/situation-reports/20201005-weekly-epi-update-8.pdf](http://www.who.int/docs/default-source/coronaviruse/situation-reports/20201005-weekly-epi-update-8.pdf).

Greater health risks and socioeconomic vulnerability interact with differentiated structural conditions in the subregion, such as age distribution, labour force participation and unemployment. As can be seen in Figure 4, in the subregion there are some countries with a relatively high proportion of older people (ageing societies), such as the Russian Federation or Georgia, and some with relatively young populations, such as Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Among the older population groups, labour participation varies greatly. It is highest in Georgia, which could be an indicator of insufficient social protection, such as pensions. Similarly, Kyrgyzstan has a large proportion of young people, and 20.5 per cent of youth were not in education, employment, or training even before the COVID-19 pandemic (as seen in figure 6). This is an ominous indication of 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 who depend on relatives' remittances to meet their basic needs. When juxtaposed with the health risk from COVID-19, a differentiated picture of vulnerability emerges.

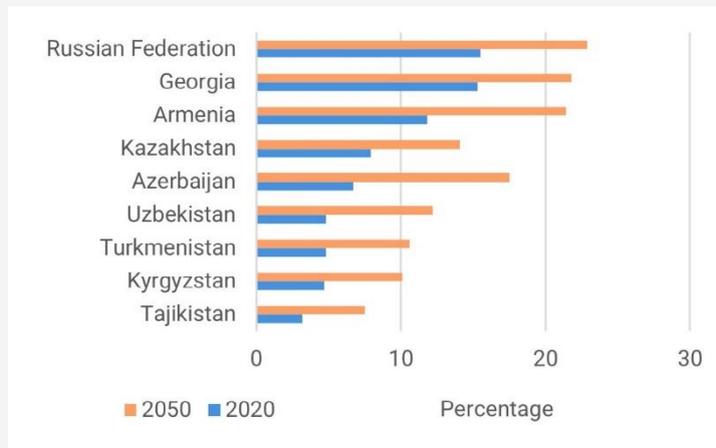
Experience has also shown that women are often disproportionately affected because they are more likely to be in vulnerable employment and are typically employed in sectors particularly hard-hit by the pandemic, such as the services industry and informal sectors. Women also make up a large proportion of frontline responders, such as health professionals.

A rapid gender assessment in countries of Europe and Central Asia 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 having reduced working hours. More than 14 per cent of women respondents lost their jobs and 41 per cent had a reduction in paid working hours (UN Women, 2020).

Moreover, due to prevailing gender roles in the subregion, women bear the double burden of exposure to the pandemic and a heavy workload, as many caregivers at home and in communities are women. Child care, care for people with disabilities, care for older people, care for those who are sick, including from COVID-19, and increased caregiving functions due to lockdowns and a reduction in services fall disproportionately on women. The above-mentioned 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).

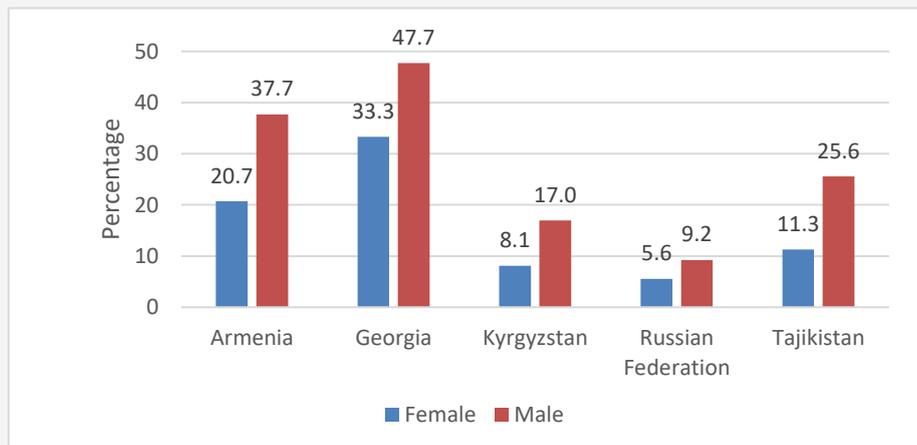
This has also affected their time and, therefore, the employment or livelihood activities they would otherwise take on. Furthermore, the enforced confinement of families and the increased stress levels caused by the uncertainty and concerns over income have had severe implications for women's safety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

Figure 4. Percentage of population aged 65 or over in 2020 and projected for 2050 in Central Asian countries



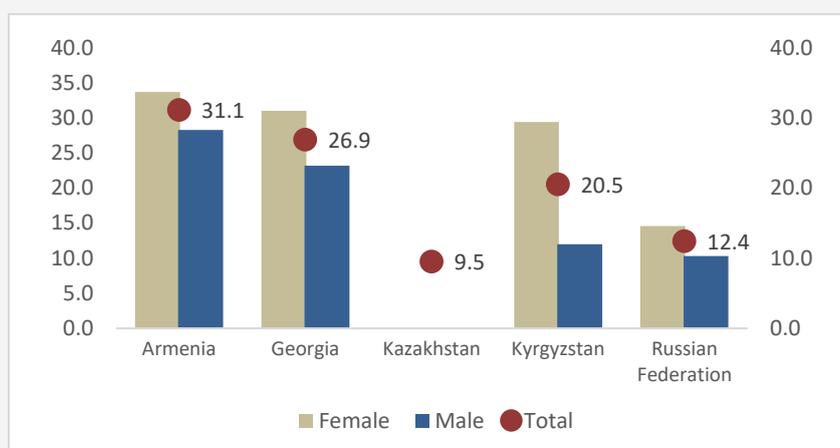
Source: United Nations, Department of Economic and Social Affairs, Population Division, 2019.

Figure 5. Labour force participation of older men and women (65–75 years old), latest available year



Source: International Labour Organization, ILOSTAT online database.

Figure 6. Proportion of youth (aged 15–24 years) not in education, employment, or training (percentage)



Source: Asia-Pacific SDG Gateway, 2018.

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

Many people with disabilities are poor and in vulnerable employment without adequate social protection. ESCAP research indicates that the difference in poverty rates between people with disabilities and the general population can be as high as 20.6 per cent, and people with disabilities are two to six times less likely to be employed than those without disabilities. During the pandemic, these disadvantaged circumstances make people with disabilities more vulnerable, especially those with existing health conditions.

For example, due to social distancing rules, support people had to temporarily pause their work to protect themselves and people with disabilities against additional infection risks. Many other essential support services are no longer available.

Migrants have also been severely affected by COVID-19 containment measures. Internal migrants are usually drawn to capital cities or to other educational and industrial centres. Experience from former crises has shown that migrants are among the first to be dismissed when companies face economic downturns. In destination countries, many migrants are dependent on food and basic supplies donated by international organizations, charities and embassies. Consequently, families of migrants stay without income and social safety nets back home.

Besides the consequences of financial hardship (consequences of overreliance on remittances to be discussed in the following section), migrants often work under hazardous conditions with limited or no access to health services and social protection. Living in overcrowded accommodations and travelling via crowded transportation routes increase migrants' exposure to infection.

Furthermore, migrants are likely to face significant challenges in accessing a COVID-19 vaccine. For legal labour migrants, the expiration of their residency and working permits in some destinations is a concern. In the Russian Federation, the president signed a decree that allows migrant workers to stay and work in the country until 15 December 2020 without providing the necessary documents,<sup>15</sup> which was a welcomed measure. Further support needs to be targeted towards migrant communities to help them retain a legal status and prevent the exacerbation of socioeconomic conditions. Other vulnerable groups that faced disadvantages, exclusion and discrimination even before the pandemic include ethnic minorities, prisoners and the lesbian, gay, bisexual and transgender (LGBT) community. This brief does not analyse all vulnerable groups comprehensively, however, it is important to highlight a group called the “missing middle” that emerged during the COVID-19 pandemic.

While the middle and upper-middle income groups 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, the missing middle is a newly vulnerable population group consisting of formerly non-poor informal workers, occasional or “gig” and part-time workers, long-term unemployed people, and labour migrants who have lost their source of livelihood, but do not meet criteria for State support. The missing middle is now more apparent, and people in this group are in a situation of vulnerability, living on less than \$3.20 per day or at the poverty line of \$5.50 per day. Government strategies must focus on 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 the subregion 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 the World Bank at \$1.90 per day), had been declining steadily in the subregion over the past few decades and was relatively small before the onset of the COVID-19 crisis. As can be seen in table 2, Uzbekistan had the highest number of individuals living in extreme poverty, with Tajikistan and Georgia each at about 5 per cent.

The COVID-19 induced crisis is increasing the number of extremely poor people across the subregion. This trend can be seen in figure 7 with the latest World Bank estimates of 1 million additional people for the Europe and Central Asia region. Figure 7 also shows the number of people living on less than \$3.20 per day will increase by 2–3 million and the number of people living on less than \$5.50 per day will increase by an even larger margin (6–8 million). On a positive note, the World Bank revised its estimates downward to some extent between June and September. Future developments will depend both on the severity and length of the pandemic in the subregion 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 were exhausted as the pandemic continued, of course, with negative longer-term impacts on multidimensional poverty, which goes beyond income and access to assets, such as remittances, and expresses itself through the lack of access to core social services, such as health and education, and also services such as heating or electricity.

<sup>15</sup> Russian Federation, Ministry of the Interior, Letter as of 15 September 2020 No. 1/10382: See <http://legallabor.ru/normativno-pravovaya-biblioteka/item/353-pismo-ministerstva-vnutrennikh-del-rf-1-10382>.

Unequal access and unmet needs are particularly being magnified by the COVID-19 crisis. Inequalities across multiple dimensions, including income, access to basic infrastructure and services or power (and “having a voice”), were already on the rise in the subregion before COVID-19. Of particular note for North and Central Asia are gender gaps in the workplace, education and 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 closing 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 individuals increasingly use digital tools and services to enable society and the economy to function during social distancing and lockdown measures.

While digital connectivity offers significant opportunities for online education, health care and social services and may improve the ease of doing business and reduce costs, the digital divide remains a concern. Poor broadband Internet infrastructure in low-income economies places them at risk of digital inequality compared to advanced economies, and digitally rich groups have better access than already-disadvantaged groups, including older people, 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.<sup>16</sup>

Lack of access to digital devices and broadband Internet can limit the use of digital products and services such as e-learning, e-health-care 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 people accessing the Internet. COVID-19 containment measures continue to increase dependence on digital services as a coping mechanism for societies and populations, and this further exacerbates the vulnerability of older people 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. The pandemic has also revealed inequality in access to and quality of education. School closures have affected more than 16 million learners in Central Asia alone. In West and Central Asia, UNESCO estimated 48 per cent of pre-primary to upper secondary school children could not be reached by digital and broadcast remote learning policies.<sup>17</sup> Even where digital learning is available, teachers and pupils face challenges such as skills gaps in using ICTs and shortages of digital learning content that lead to sharp declines in education quality. Box 1 provides brief case studies of two inspiring self-organized solutions to this challenge in the subregion.

Another factor in interrupted education is the emotional unrest and anxieties of students, which are 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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<sup>16</sup> United Nations Socioeconomic Framework in the Kyrgyz Republic (2020), as cited in UNESCO (2020), Krista Pikkat, Presentation; [www.unescap.org/sites/default/files/S3\\_Ms\\_per%20cent20Krista\\_per%20Pikkat\\_EN.pdf](http://www.unescap.org/sites/default/files/S3_Ms_per%20cent20Krista_per%20Pikkat_EN.pdf); and UNESCO, UNICEF, World Bank, Survey on National Education Responses to COVID-19 School Closures.

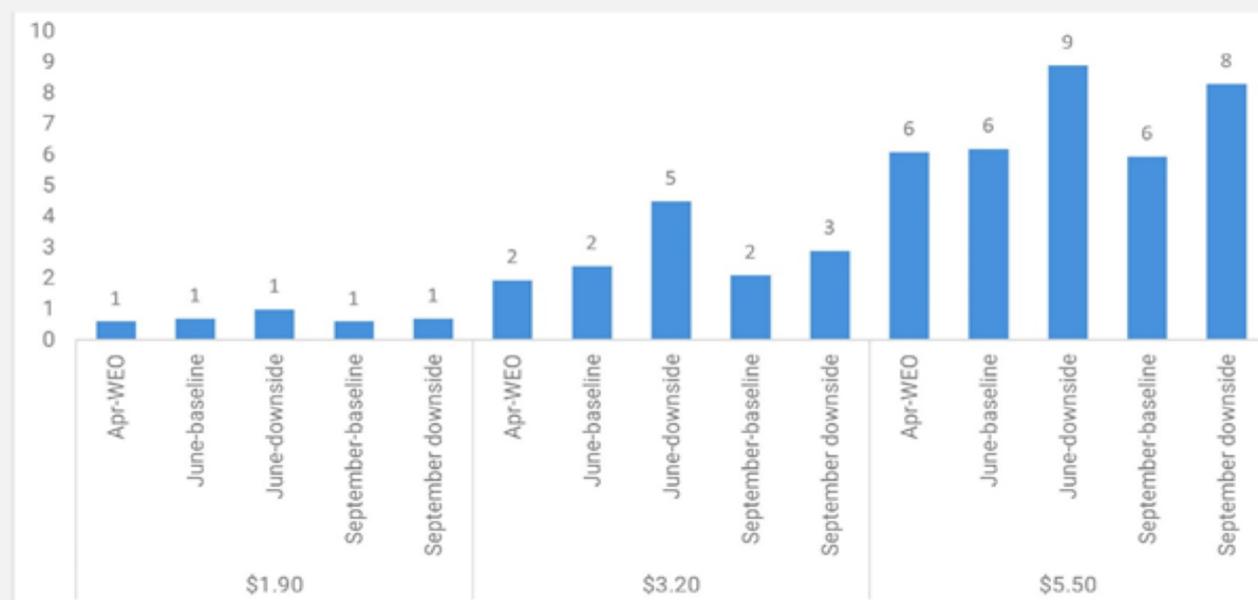
<sup>17</sup> UNESCO, UNICEF, World Bank Survey on National Education Responses to COVID-19 School Closures, as cited in UNESCO (2020), Krista Pikkat, Presentation; [www.unescap.org/sites/default/files/S3\\_Ms.%20Krista%20Pikkat\\_EN.pdf](http://www.unescap.org/sites/default/files/S3_Ms.%20Krista%20Pikkat_EN.pdf).

Table 2. Poverty levels in North and Central Asian countries pre-COVID-19, latest available year (percentage of the population)

Country	Extreme poverty (\$1.90)	Vulnerability to extreme poverty (\$3.20)	Below national poverty line
Armenia	2.10	3	25.70
Azerbaijan	–	–	–
Georgia	4.50	5	21.90
Kazakhstan	–	0	2.50
Kyrgyzstan	0.90	3	25.60
Russian Federation	–	–	13.20
Tajikistan	4.80	5	–
Turkmenistan	–	–	–
Uzbekistan	11.40	–	–

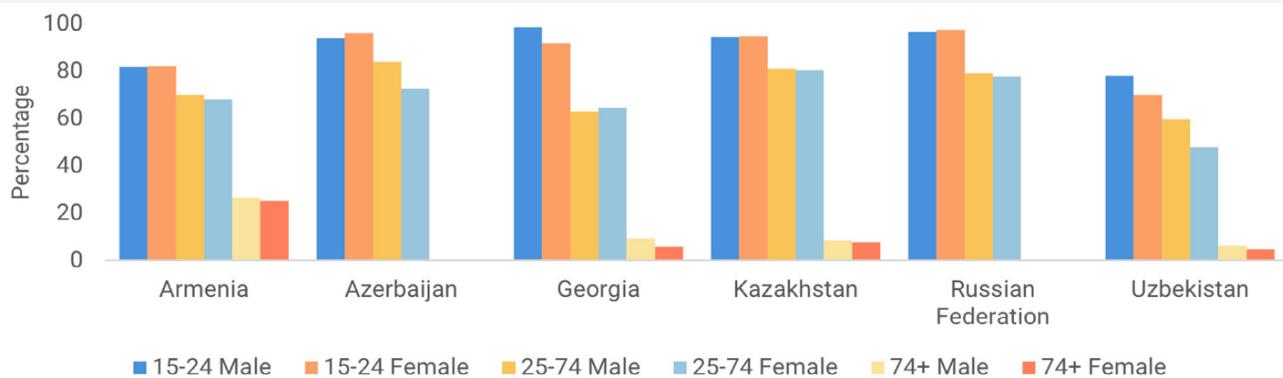
Source: ESCAP SDG Gateway. Available at <https://dataexplorer.unescap.org/>; State Committee of the Republic of Uzbekistan on Statistics. Available at <http://nsdg.stat.uz/goal/4>.

Figure 7. Estimated distribution of COVID-19-induced poverty by daily income level in Europe and Central Asia, 2020 (millions of people)



Source: PovcalNet Team, 5 October 2020. Available at <https://public.flourish.studio/visualisation/3697743/>.

Figure 8. Percentage of the population using the Internet in selected countries, by age and gender



Source: ITU, World Communication/ITC Indicators database online, 24th edition.

### Box 1. Closure of schools and universities facilitates e-learning

While digitalization of education had been a topic before the onset of COVID-19, it did not receive high priority and was financed more often than not by outside donors. Digitalization was project-based and hardware-focused rather than an embedded part of a government strategy.<sup>a</sup> Little attention was given to improve the skills of teachers – both in terms of technological know-how and pedagogical approaches suitable for online learning.<sup>b</sup>

Lockdown measures in response to COVID-19 catalysed e-learning as all actors in the education system had to use digital tools without any preparation. 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. 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. Her enthusiasm to produce e-lessons for her students is a great example of adaptation and inventiveness during the crisis, but further questions related to distance learning, such as adapting curriculums and assessments, have yet to be resolved within the pedagogical community.<sup>c</sup>

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).<sup>d</sup> 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 the

Commonwealth of Independent States. They share 2–3 video-tutorials daily 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.

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 progress toward the SDGs on quality education (Goal 4) and partnership for the goals (Goal 17).

Countries in the subregion share common challenges in modernizing education systems. Online learning environments require high-speed Internet connections and appropriate study conditions (both mental and physical). The accessibility and quality of online, digital or distance education, therefore, are limited by poverty fault lines and digital divides.

#### Notes:

- a. Based on <https://projects.worldbank.org/en/projects-operations/project-detail/P153496?lang=en>.
- b. Based on [https://foreignpolicy.com/2020/06/12/how-to-rethink-the-teaching-of-international-relations/?fbclid=IwAR0ozOf0qbv8DU9HW1OdvtoT2w-7HefE7oA8e8rXVV31q\\_899ltvsBsPAaA](https://foreignpolicy.com/2020/06/12/how-to-rethink-the-teaching-of-international-relations/?fbclid=IwAR0ozOf0qbv8DU9HW1OdvtoT2w-7HefE7oA8e8rXVV31q_899ltvsBsPAaA).
- c. Based on <https://blogs.worldbank.org/europeandcentralasia/improving-learning-outcomes-what-lessons-can-central-asian-countries-learn>.
- d. TeacherOnline101, <https://edu.org.kz/ru/c/shkola/sc/distancionnoe-obrazovanie/p/nurlan-imangaliev-ustaz-upgrade-operehode-shkol-k-distancionnomu-obrazovaniyu-problemy-i-resheniya>; Educational marathon, [www.iea.org/commentaries/the-coronavirus-pandemic-could-derail-renewable-energy-s-progress-governments-can-help](http://www.iea.org/commentaries/the-coronavirus-pandemic-could-derail-renewable-energy-s-progress-governments-can-help).

## Social protection

Social protection schemes are quite similar in the countries of North and Central Asia due to their common Soviet legacy. However, they differ significantly in terms of reach and scale. Among common social protection practices in the subregion are lump sums for every newborn, monthly allowances for women on maternity leave and for unemployed parents who have underage children and monthly pension allowances. People 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 social protection systems in the subregion are unemployment benefits as they only cover people that lost formal employment without accounting for the large proportion of informal workers. Measures are typically universal and not tailored to specific subgroups of populations. Lack of statistical data and analysis limits the ability of decision-makers 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 the most vulnerable and underprivileged population groups were addressed to some extent, at least temporarily. According to UNDP (2020), by September, the percentage of people 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 subsidized 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 people from November 2020 through February 2021. In Kyrgyzstan, the second package of relief measures included food-relief programmes designed to ensure access to basic commodities, alongside price ceilings on 11 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 fortified unemployment benefits in general. This approach is simpler where Governments have more substantial existing unemployment programmes. The Russian Federation has expanded eligibility for benefits and guaranteed them to be equal to the minimum wage in most cases; Armenia has likewise expanded eligibility.<sup>18</sup>

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 older people 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 systems and the 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.

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<sup>18</sup> See [www.unescap.org/sites/default/files/Georgia\\_COVID\\_per\\_cent20Country\\_per\\_cent20profile\\_per\\_cent20280820.pdf](http://www.unescap.org/sites/default/files/Georgia_COVID_per_cent20Country_per_cent20profile_per_cent20280820.pdf).

## C. Economic impacts

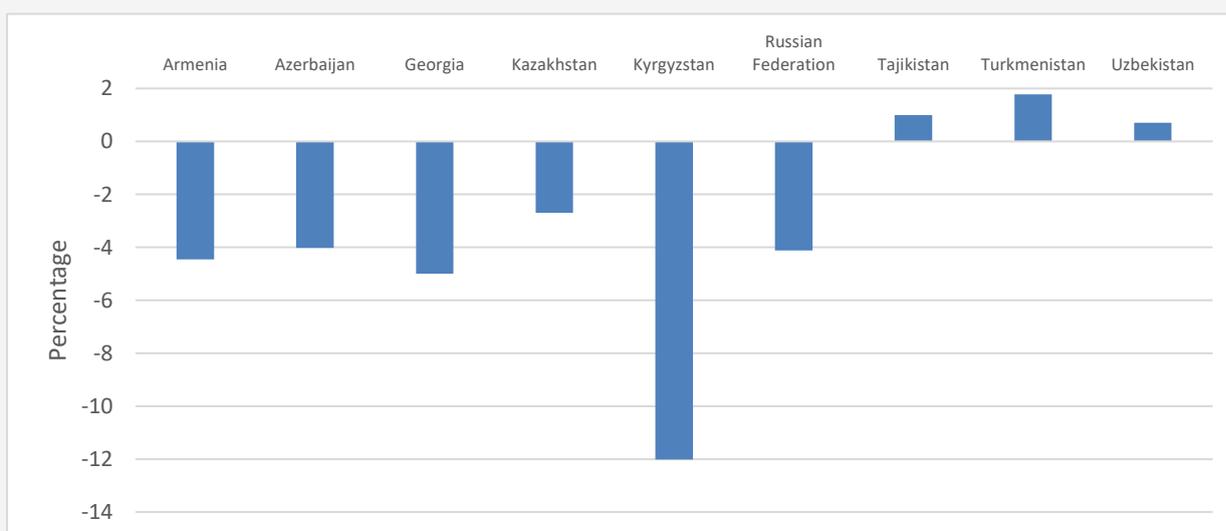
Recovery from COVID-19 in North and Central Asia poses a challenge to the developing economies of the subregion because of their commodity dependence in an era of significant price volatility, significant reliance on remittances and unofficial economic activity.

The regional economy is built on trade and transnational supply lines, and this has complicated response efforts and hindered the 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, including 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, migrant workers from countries heavily dependent on remittances, for example Kyrgyzstan and Tajikistan, have been either stranded abroad or forced to return home. Relatively undiversified economies in the subregion have seen shortages and rising inflation as needed imports have (temporarily) been affected by shortages in supply.

Thus, the International Monetary Fund (IMF) projected 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.

Figure 9. Estimated GDP growth in North and Central Asia, 2020



Source: IMF World Economic Outlook Database, October 2020.

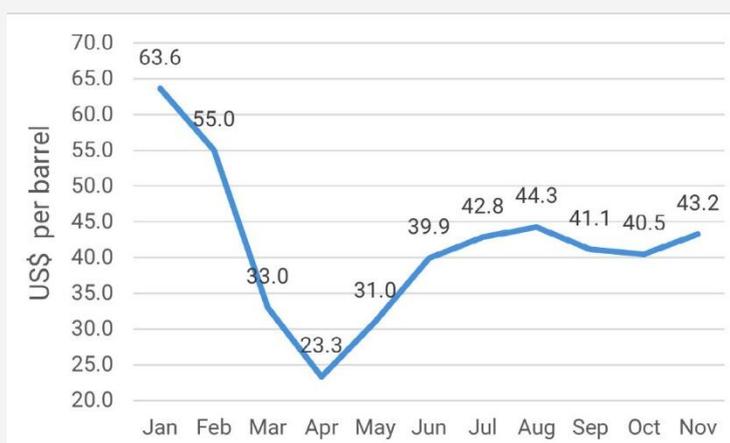
There are several structural reasons for such differentiated performance and outlooks. Kyrgyzstan, for instance, was very hard hit by the socioeconomic impacts of COVID-19 because of factors such as its strong dependence on remittances, the large size of its informal economy, high dependence on imports,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

By contrast, Uzbekistan 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 countries in North and Central Asia introduced bans on

exports of essential goods such as medical supplies – masks, disinfectants and medical suits – while Kazakhstan, Kyrgyzstan, the Russian Federation and Tajikistan temporarily banned exports of food products.<sup>19</sup> Import-dependent countries, such as Kyrgyzstan, have seen significant depreciation of their national currencies, combined with reduced access to imported food and basic commodities from abroad. In early March 2020, Kazakhstan banned the export of wheat out of fear of a domestic grain shortage, incensing Uzbekistan and Kyrgyzstan, both of whom rely heavily on imports of food from their neighbour. By the end of March, 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 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 related to the COVID-19 pandemic.

Figure 10. Price of Brent crude per barrel, 2020



Source: IMF Primary Commodity Price System.

<sup>19</sup> ESCAP Policy Responses to COVID-19 in Asia and the Pacific, 4 November 2020. [www.unescap.org/covid19/policy-responses](http://www.unescap.org/covid19/policy-responses).

## Over-reliance on commodity exports

Coupled with the impacts of COVID-19, economies in the subregion have been negatively impacted by a global collapse in oil prices, as seen in figure 10. Azerbaijan, Kazakhstan and Turkmenistan are all major oil exporters, and their 2019 oil revenues totalled between 20 and 35 per cent of GDP (IMF, 2020). Uzbekistan and the 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. Crude oil prices fell by more than 60 per cent from January until April before recovering somewhat, and they remain significantly lower than what would be needed to balance the budgets of exporters in the subregion.

An agreement of the Organization of the Petroleum Exporting Countries (OPEC) signed in June 2020 confirmed that production cuts will continue into the first half of 2022.<sup>20</sup> This two-year best-case timeline for the recovery of petroleum exports means that oil-exporting States in the subregion 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 that Governments will take 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.<sup>21</sup> Global demand for petroleum products may well recover slowly as the world struggles with subsequent waves of infections.

Azerbaijan revised its budget for 2020 in August to reflect lower oil prices of around \$35/barrel, transferring financial resources from its sovereign-wealth fund instead to help bridge the deficit, which has increased to 11.9 per cent of GDP.<sup>22</sup> 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, 90 per cent of exports from Turkmenistan were sales of natural gas to China. 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 macrofinancial 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 Armenia, Georgia and Tajikistan.

## 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 more difficulty in accessing the workplace. The lockdowns and restrictions implemented by Governments to curb COVID-19 infections have reduced income for workers, including in the informal economy and reduced production and earnings for enterprises, including SMEs. Sectors such as tourism, hospitality, retail and other “close-contact” services were particularly hard hit.

<sup>20</sup> “Statement: 11th OPEC and non-OPEC Ministerial Meeting,” 6 June 2020. [www.opec.org/opec\\_web/static\\_files\\_project/media/downloads/press\\_room/Statement per cent20- per cent2011th per cent20OPEC per cent20and per cent20non-OPEC per cent20Ministerial per cent20Meeting.pdf](http://www.opec.org/opec_web/static_files_project/media/downloads/press_room/Statement%20-%20per%2011th%20OPEC%20and%20non-OPEC%20Ministerial%20Meeting.pdf).

<sup>21</sup> IMF Policy Tracker via ESCAP, “Russian Federation: Policy responses,” 28 August 2020, p. 3. [www.unescap.org/sites/default/files/Russian per cent20Federation\\_COVID per cent20Country per cent20profile per cent20280820.pdf](http://www.unescap.org/sites/default/files/Russian%20Federation_COVID%20Country%20profile%20280820.pdf).

<sup>22</sup> IMF. “Policy Responses to COVID-19,” updated 24 October 2020. [www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19](http://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19).

Official unemployment statistics (which for many countries in the subregion are comparatively low), however, only show part of the story, namely employment in the formal economy. The significant size of the informal economy in most countries in the subregion 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 among the most vulnerable and those living at or below the national poverty line. During the COVID-19 crisis, people in informal employment and households depending on this income were particularly hard hit as most are not covered by government support schemes.

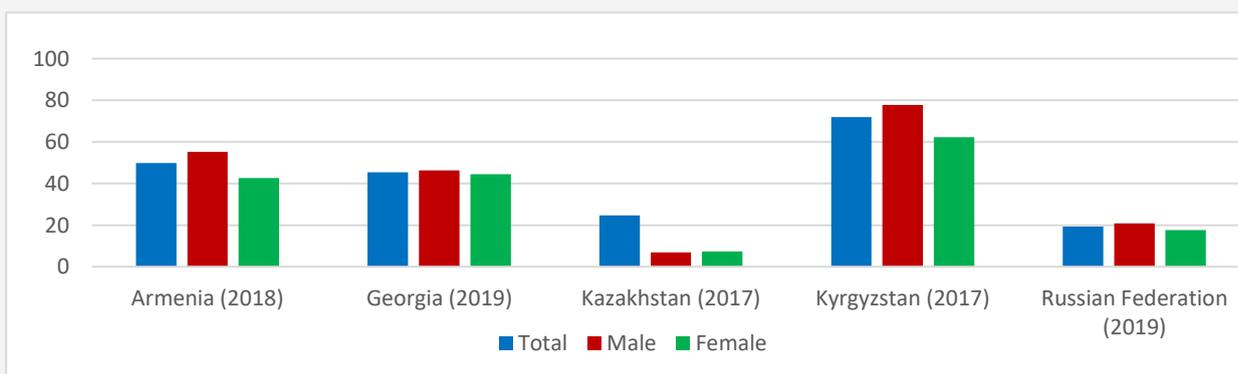
In countries where data are available, half or more of the total employed population work informally, as shown in figure 11. Informal and service industry jobs are disproportionately in MSMEs, but also include many self-employed people and women, and they are characterized by deficits of decent work conditions. As mentioned in the previous section on social impacts, 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 population of the subregion<sup>23</sup> 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 Central and Western Asia 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.<sup>24</sup>

One of the hardest hit sectors is tourism. In countries where tourism contributes a sizable amount to 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, revenue from tourism amounted to 39.5 per cent of total exports in 2019, and 25.2 per cent in Armenia.<sup>25</sup> Furthermore, as shown in figure 12, tourism not only contributes substantially to overall GDP, but also provides formal employment.

Figure 11. Percentage of the total labour force employed outside the formal sector



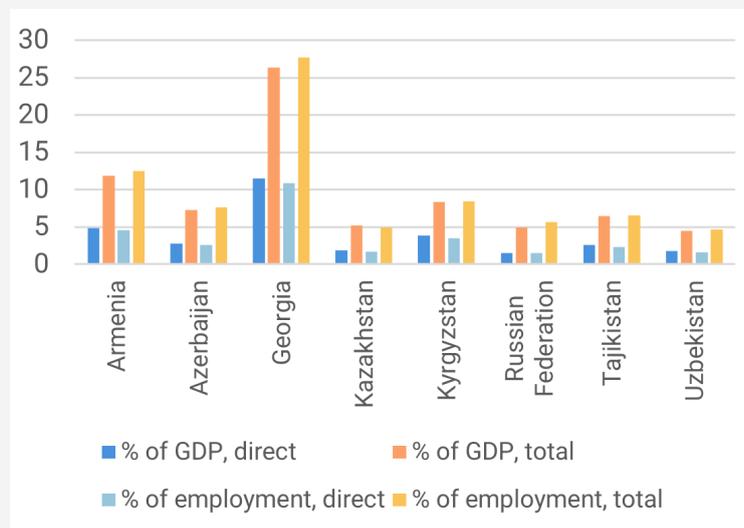
Source: ILOSTAT database. Available at <https://ilostat ilo.org/data>.

<sup>23</sup> Statistics based on 2018 World Development Indicators.

<sup>24</sup> ESCAP Policy Responses to COVID-19 in Asia and the Pacific, 4 November 2020. [www.unescap.org/covid19/policy-responses](http://www.unescap.org/covid19/policy-responses).

<sup>25</sup> World Bank. "International Tourism, receipts (per cent of total exports). <https://data.worldbank.org/indicator/ST.INT.RCPT.XP.ZS?end=2018&start=2017&view=chart>.

Figure 12. Contributions of the tourism industry to employment and GDP in selected North and Central Asian countries



Source: World Travel and Tourism Council. Data available at WTTC Data Gateway, <https://tool.wttc.org>.

While some Governments, such as the Government of Georgia, have directed targeted relief packages at hospitality and other travel-dependent industries, not all Governments in the subregion 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 travel restrictions caused by subsequent outbreak, further inhibiting government efforts to develop the tourism sector as an engine for sustainable growth.

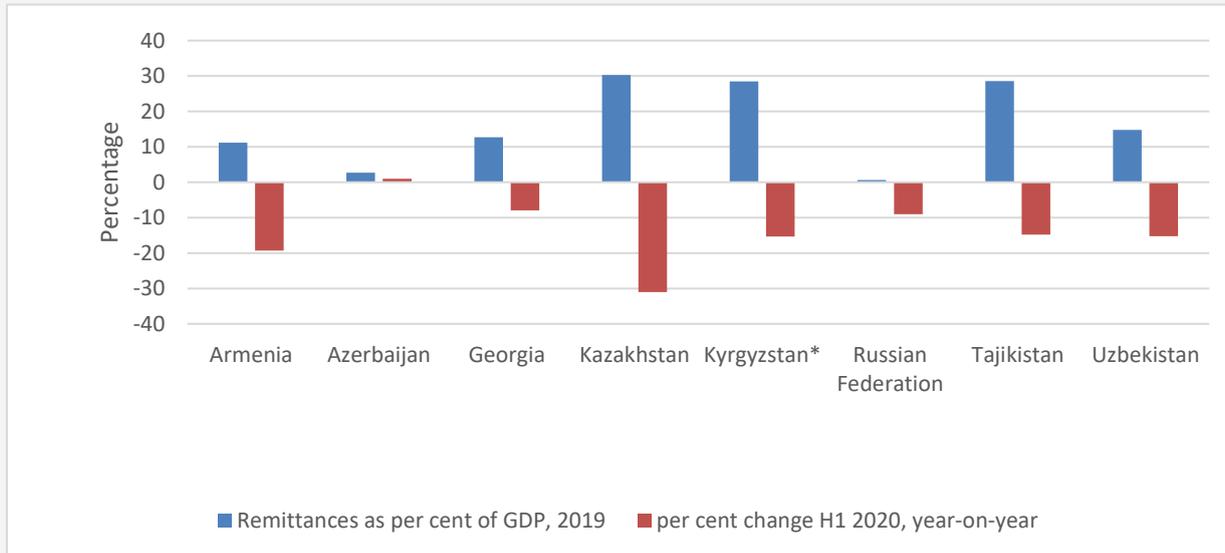
### Over-reliance on remittances

Remittances, particularly from the main destination countries in the subregion, the Russian Federation and Kazakhstan, are a major source of income, especially for many Central Asian families. Migrant labourers often are not protected by employment contracts, and they are usually employed in sectors particularly affected by containment measures. Many workers were stranded as borders closed or they were forced to return

home after being dismissed and losing their income (World Bank, 2020). Thus, migrants have been placed in situations of increased vulnerability, while their dependents abroad have faced a sharp reduction in income.

The Government of the Russian Federation 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 the International Organization for Migration 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 and shows a substantial reduction 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).

Figure 13. Remittances in selected countries in 2019 and effects of COVID-19



Source: World Bank Group. "Personal remittances, received, (per cent of GDP)" (2019); IMF, "Balance of Payments and International Investment Position Statistics" (2020), available at <https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52>.

Notes: \* Data for the second quarter for Kyrgyzstan are not yet available; change calculated based only on data from the first quarter.

\*\*IMF data set does not include information for Turkmenistan.

## Connectivity and supply chains

Disruption of trade across national borders is a critical issue for North and Central Asia, 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 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 countries in North and Central Asia 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. Countries in the subregion 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.<sup>26</sup> 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.

<sup>26</sup> ESCAP, "Monitoring the Transport Policy Response to COVID-19 along the Regional Transport Network in Asia and the Pacific", Available at: [www.unescap.org/our-work/transport/transport-facilitation-and-connectingsubregional-transport-networks/monitoring-transport-policy-response-covid-19](http://www.unescap.org/our-work/transport/transport-facilitation-and-connectingsubregional-transport-networks/monitoring-transport-policy-response-covid-19).

Technologies and ICT solutions have emerged to help ensure seamless and continuous international cross-border road transport connectivity and minimize adverse impacts during future crises and their 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 documentation and other checks (seamless) if used properly.

Freight transport proceeded with limited interruptions along the Trans-Asian Railway Network, making rail a vital link for the movement of essential goods and medical supplies. The pandemic has given further momentum to the digitalization of railway transport even in countries with relatively few digital services, and it has encouraged innovative solutions such as the 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 opportunity for railways to enhance their competitiveness.

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

However, existing shortcomings in transport connectivity in the subregion include infrastructure and operational shortages, as well as the lack of intermodal integration and digitalization, which 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 recovery of trade relationships and work against progress on sustainable regional supply chains. Member States of ESCAP adopted an agreement in 2016 to facilitate paperless trade, which acknowledged 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, can redefine the nature of production, distribution, delivery, consumption and transboundary trade. The trend of service delivery through digital means is expected to remain even after the pandemic ends, 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 accelerated the uptake of e-commerce.

This may require developing countries in the region to adjust their development priorities and focus on acquiring the capacity to effectively engage in rapidly digitalized production and consumption patterns. The digital divide is evident in the lack of meaningful access to the Internet for millions of MSMEs.

### Fiscal and monetary situation

While year-on-year inflation for 2020 remained at or below 5 per cent in the Caucasus, in Central Asia it reached 8 per cent in Kyrgyzstan, Tajikistan and Turkmenistan and 13 per cent in Uzbekistan.<sup>27</sup> Government responses to the public health crisis require unprecedented mobilization of resources, and most have announced fiscal relief packages.

Most countries in the subregion increased spending on public health services, social protection for individuals and households, and assistance to businesses, especially for MSMEs. This included epidemic prevention and the acquisition of medical supplies, sector specific financial support, unemployment benefits, the suspension of insurance payments and direct cash transfers to vulnerable households.<sup>28</sup> 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 countries.

Table 3. Fiscal balance sheets – Net government lending/borrowing as a percentage of GDP

Country	2018	2019	2020
Armenia	-1.75	-0.97	-5.82
Azerbaijan	5.48	8.10	-6.31
Georgia	-0.82	-1.82	-8.12
Kazakhstan	2.58	-0.57	-5.27
Kyrgyzstan	-0.59	-0.14	-7.28
Russian Federation	2.90	1.92	-5.29
Tajikistan	-2.78	-2.10	-6.00
Turkmenistan	-0.22	-0.35	-1.44
Uzbekistan	1.74	-0.26	-4.14

Source: IMF, World Economic Outlook database. Available at [www.imf.org/en/Publications/WEO/weo-database/2020/October](http://www.imf.org/en/Publications/WEO/weo-database/2020/October).

<sup>27</sup> IMF World Economic Outlook DataMapper, "Inflation rate, average consumer prices, annual percent change", 2020. [www.imf.org/external/datamapper/PCPIPCH@WEO/WEO\\_WORLD/VEN](http://www.imf.org/external/datamapper/PCPIPCH@WEO/WEO_WORLD/VEN).

<sup>28</sup> ESCAP Policy Responses to COVID-19 in Asia and the Pacific, last updated on 4 November 2020. [www.unescap.org/covid19/policy-responses](http://www.unescap.org/covid19/policy-responses).

Table 4. Size of relief packages in North and Central Asian countries

Country	Size of relief package	
	United States dollars	Percentage of GDP
Armenia	\$300 million	2.0
Azerbaijan	\$1.96 billion	4.3
Georgia	\$1.2 billion	7.6
Kazakhstan	\$13 billion	9.0
Kyrgyzstan	\$571 million	7.4
Russian Federation	\$52 billion	3.4
Tajikistan	\$33 million	0.6
Turkmenistan	None announced	0.0
Uzbekistan	\$1 billion	1.9

Source: ESCAP: Policy Responses to COVID-19 in Asia and the Pacific, last updated on 4 November 2020. [www.unescap.org/covid19/policy-responses](http://www.unescap.org/covid19/policy-responses).

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 foreign direct investment 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 achieving 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 outbreaks worsened in the subregion.<sup>29</sup>

Many projects come with outstanding debts, which may become difficult to service during the pandemic. While foreign direct investment 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.

<sup>29</sup> Green Belt and Road Initiative Centre. "Brief: Investments in the Chinese Belt and Road Initiative (BRI) in 2020 during the Covid-19 pandemic." <https://green-bri.org/investment-report-belt-and-road-initiative-bri-2020-covid19>.

## Government support measures

In response to the COVID-19 crisis, many Governments provided direct support for national health-care systems, financial aid to citizens affected by unemployment and lockdowns – vulnerable populations such as people with disabilities, women and children, and the self-employed, among others – and they attempted to stabilize businesses, particularly SMEs. The average support package in the subregion totals 3.7 per cent of GDP.<sup>30</sup> 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.<sup>31</sup>

However, attempting to maintain economic solvency has also entailed relief packages targeted specifically at SMEs. Most countries in North and Central Asia 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.<sup>32</sup> 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. Countries in the subregion 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.

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 the debt and risk class of existing private loans have been rolled out in Kazakhstan, Kyrgyzstan, the Russian Federation, Tajikistan and Uzbekistan (IMF, 2020).

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<sup>30</sup> MPFD Policy Brief, No. 116: An assessment of fiscal space for COVID-19 response and recovery in Asia-Pacific developing countries, 2 December 2020. [www.unescap.org/resources/mpfd-policy-brief-no-116-assessment-fiscal-space-covid-19-response-and-recovery-asia](http://www.unescap.org/resources/mpfd-policy-brief-no-116-assessment-fiscal-space-covid-19-response-and-recovery-asia).

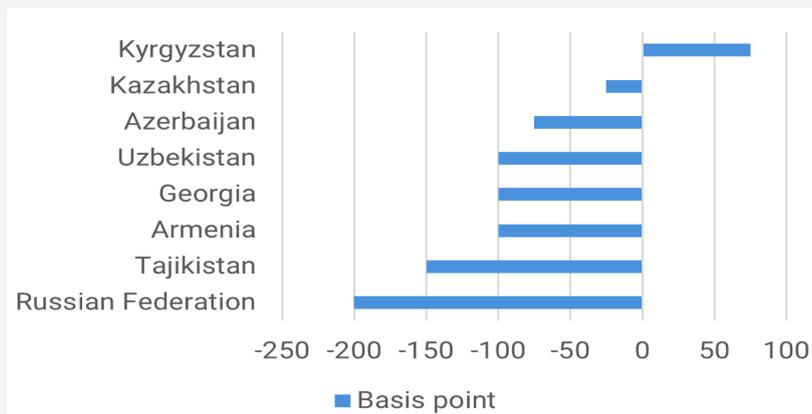
<sup>31</sup> UNESCAP, “Combating COVID-19 in Asia and the Pacific: Measures, Lessons and the Way Forward”, p. 3. [www.unescap.org/sites/default/files/xPB112\\_Combating per cent20COVID-19 per cent20in per cent20Asia per cent20and per cent20the per cent20Pacific\\_0.pdf](http://www.unescap.org/sites/default/files/xPB112_Combating%20COVID-19%20in%20Asia%20and%20the%20Pacific_0.pdf).

<sup>32</sup> IMF Policy Tracker via ESCAP. [www.unescap.org/sites/default/files/Georgia\\_COVID per cent20Country per cent20profile per cent20280820.pdf](http://www.unescap.org/sites/default/files/Georgia_COVID%20Country%20profile%202020280820.pdf).

The currencies of many North and Central Asian countries have depreciated against other major foreign currencies since the beginning of the pandemic. Notable exceptions include Armenia, whose dram depreciated initially but has since recovered to its pre-pandemic exchange rate vis-à-vis the United States dollar.

In Azerbaijan, the manat has maintained its prior fixed rate through the depletion of foreign currency reserves, and Turkmenistan has made efforts to centralize its domestic foreign currency supplies ahead of a future crisis, but it has not changed the exchange rate.

Figure 14. Interest rate changes since the beginning of 2020



Source: ESCAP, "Policy Responses to COVID-19 in Asia and the Pacific". Available at [www.unescap.org/covid19/policy-responses](http://www.unescap.org/covid19/policy-responses).

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## D. Environmental impacts

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This policy brief highlights impacts of measure to contain the COVID-19 pandemic on two environmental issues: 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 the 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. Seeing “blue skies” has heightened the population’s awareness of air pollution. Box 2 contains 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 systems in North and Central Asia, which were 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, including personal protective equipment to help combat COVID-19, such as face shields (polypropylene), gowns (low-density polyethylene), vinyl gloves (polyvinyl chloride), disposable bags, tubes, masks (plastic sheet and non-woven fabric) and other items, which the existing waste management system had trouble handling.<sup>33</sup>

Undifferentiated urban trash contains disposed-of medical materials that could spread disease. Increased demand for home delivery of food and groceries has increased the amount of packaging waste containing polypropylene, low-density polyethylene, high-density polyethylene, polyethylene terephthalate and polystyrene materials, among others.

When improperly managed, medical waste and personal protective equipment could cause long-term public health risks via uncontrolled incineration or dumping, leading to the release of toxins and potential secondary transmission of diseases.<sup>34</sup> 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 programmes for green technology and called on governments to actively support them.<sup>35</sup>

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<sup>33</sup> The hidden health effects of Coronavirus. [www.eurasia.undp.org/content/rbec/en/home/blog/2020/the-hidden-health-effects-of-coronavirus.html](http://www.eurasia.undp.org/content/rbec/en/home/blog/2020/the-hidden-health-effects-of-coronavirus.html).

<sup>34</sup> UNEP, COVID-19 Waste management Factsheets. [www.unenvironment.org/resources/factsheet/covid-19-waste-management-factsheets](http://www.unenvironment.org/resources/factsheet/covid-19-waste-management-factsheets).

<sup>35</sup> See [www.iea.org/commentaries/the-coronavirus-pandemic-could-derail-renewable-energy-s-progress-governments-can-help](http://www.iea.org/commentaries/the-coronavirus-pandemic-could-derail-renewable-energy-s-progress-governments-can-help).

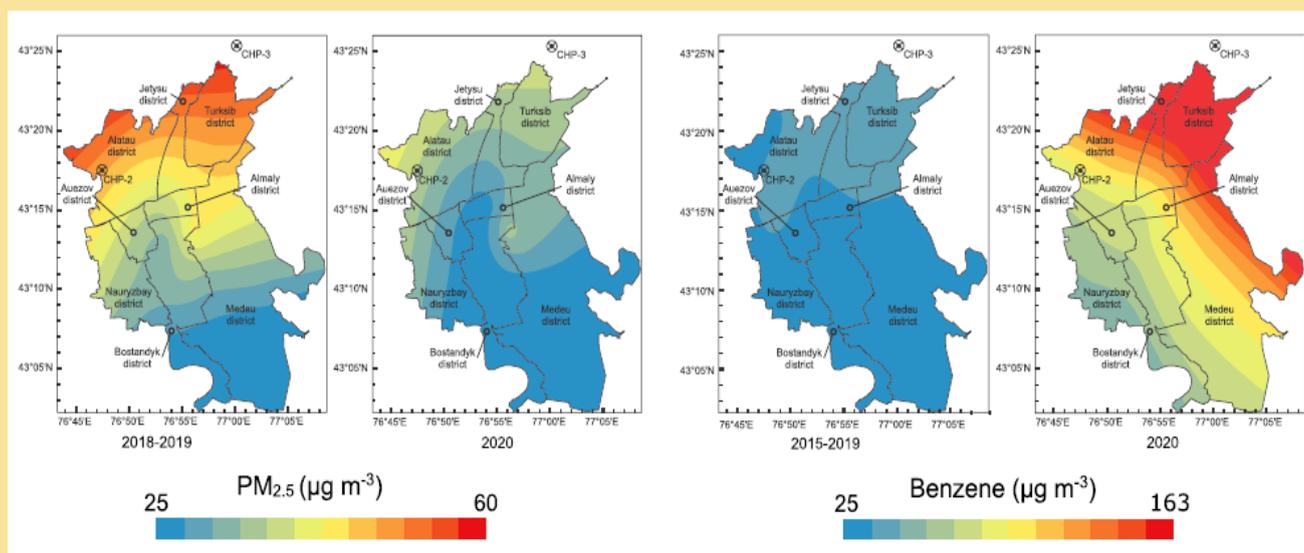
## Box 2. A COVID-19 induced air quality in Almaty, Kazakhstan

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.<sup>a</sup> 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), analysing indicators from seven stations (see Airkaz.org), even during lockdown the air was far from clean. For 18 days (out of 27 days studied) fine particulate matter (PM<sub>2.5</sub>) exceeded the daily limit of 25 micrograms/m<sup>3</sup> established by the World Health Organization. The study found that in 2020 (during the lockdown), there was a decrease in the concentration of PM<sub>2.5</sub> by an average of 21 per cent compared to the same time periods in 2018 and 2019.

In addition, the scientists noted a significant decrease in carbon monoxide and nitrogen dioxide concentrations by 49 per cent and 35 per cent, respectively, but an increase in ozone 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 in the same time periods in the years 2015 to 2019.

The results of the study indicate that the temporary reductions in certain pollutants were most likely attributable to a combination of a lack of transport and seasonal weather changes during the lockdown period. The increase in other types of pollutants is likely attributable to other primary pollution sources, such as Almaty's coal-based power plants that provide the city's heating. The study demonstrates the complex nature of air pollution in Almaty, which urgently needs further study through spatial inventories and source distribution studies.



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/m<sup>3</sup> in PM<sub>2.5</sub> is associated with a 15 per cent increase in mortality from COVID-19.<sup>b</sup> In the longer term, the need to improve air quality is primarily related to the detrimental impacts of air pollution on human health.<sup>c</sup> 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:

- a. More than 20,000 signatures were collected by a petition for the recognition of polluted air as the main problem in Almaty. <https://vlast.kz/novosti/37085-bolee-20-tysac-podpisej-sobrala-peticia-za-priznanie-zagraznennogo-vozduha-glavnoj-problemoj-almaty.html>.
- b. <https://projects.iq.harvard.edu/covid-pm>.
- c. [www.theguardian.com/environment/ng-interactive/2019/may/17/air-pollution-may-be-damaging-every-organ-and-cell-in-the-body-finds-global-review](http://www.theguardian.com/environment/ng-interactive/2019/may/17/air-pollution-may-be-damaging-every-organ-and-cell-in-the-body-finds-global-review).

# III. Way forward: Policy responses and recommendations

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Aligning short to medium term recovery efforts with long term developmental objectives, North and Central Asian 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 framework to support the socioeconomic response of Asia and the Pacific to the COVID-19 pandemic and the context in North and Central Asia.

## Protect people and facilitate inclusivity

### Restructure public healthcare funding to facilitate inclusivity

The budgeting processes for public health care needs to be reassessed in order to strengthen national ownership for providing quality health care for the population as a basic right and to more effectively tackle challenges and rigidities which link budgetary functions of the health-care

systems with the larger national systems of public financial management. The pandemic highlighted the need for an increase in government funding for public health-care systems to build the capacity to respond to changing epidemiological situations and achieve desired health outcomes. The trend of decreasing 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 health-care services.<sup>36</sup>

Governments can transition from facility-based budget allocations to population-based, so that funding follows the needs of communities rather than being directed to health-care facilities which may mostly exist in urban areas. This is especially important for North and Central Asia where a large share of the population lives in rural areas. To overcome the challenges in the health-care system and facilitate inclusivity, Governments can make the choice to prioritize health care in budget allocations and advance the agenda for universal health coverage.

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<sup>36</sup> Based on data available at <https://databank.worldbank.org/source/world-development-indicators#>.

## 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 and whole-of-government response that is multisectoral and delivered through a variety of stakeholders, including the private and public sectors, non-governmental organizations and civil society. Outreach to vulnerable groups needs to happen in the specific setting and environment where they are – homes, communities and other institutionalized settings – in order for the 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 their dignity and value. Such organizations, which are already making strides in serving 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.

Governments and communities have learned from the pandemic, and Governments should not roll these measures back but engage in targeted, continuous support of vulnerable people – the poor, older people, women, children, self-employed or informally employed people 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 migration and decriminalization of sex work, and fighting stigma through effective campaigns.<sup>37</sup>

## 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 skill sets for the modern, more digitalized, knowledge-based and innovation-focused economy.

This is an opportunity for Governments in the subregion to revisit learning pedagogies currently being applied in schools, universities and technical and vocational education and training 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.

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

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<sup>37</sup> WHO Regional Office for Europe (2020), Factsheet October 2020: Vulnerable Populations during COVID-19 Response, pp. 1–2.

## Digital transformation

### Step up digitalization efforts to facilitate connectivity

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

“Streamline, harmonize and digitalize” could be considered as the guiding principles of the trade and transport response during the pandemic and in its aftermath. 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 and 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 countries in North and Central Asia would ultimately build towards an electronic “single window” environment, which facilitates inclusive and resilient trade and transport.

## Facilitate inclusion of MSMEs

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

MSMEs that have adapted to the exigencies of pandemic-era business should be supported and encouraged as the 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, and food and agriculture, which will help achieve the twin goals of facilitating MSME 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 MSMEs to be eligible for state support. The adaptation of e-governance offers the potential to improve revenue collection through tax and permit administration, it allows for better targeted policies, and it increases access to support networks.

## Handle digital transformation responsibly

COVID-19 necessitated reliance on digital countermeasures, and it brings to light existing digital divides in the subregion. The digital divide may deprive residents of timely information updates and relief measures, and it may widen educational, health and economic divides and cause those without ICT skills to fall into an even more disadvantaged position during the pandemic. Hence, COVID-19 serves as a good opportunity for Governments to bridge the digital divide and promote universal and equitable access to ICT infrastructure.<sup>38</sup>

Community-based and private sector efforts can complement government measures to distribute laptops to people 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 integrate private and public services and strengthen the digital literacy competences of citizens by funding relevant programmes. 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 to make a sustainable digital economic transformation.

## Green economy strategies

### Invest in low carbon systems and infrastructure

The urban landscape contributes to a significant amount of emissions in the subregion and it needs to be rethought and upgraded to support decarbonization. Promoting public transportation use has been a key driver to reduce carbon emissions and achieve climate goals. However, COVID-19 has weakened some aspects of public transport and the sharing economy, given the fear of 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 a 15-minute journey 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, pedestrian and bicycle mobility and public transport in 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.

<sup>38</sup> UCLG. “Digital Technologies and the COVID-19 pandemic”.  
[www.uclg.org/sites/default/files/eng\\_briefing\\_technology\\_final\\_x.pdf](https://www.uclg.org/sites/default/files/eng_briefing_technology_final_x.pdf)<https://ilostat.ilo.org/topics/social-protection/>.

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

Energy transition roadmaps, such as the SDG7 Roadmap for Georgia, 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.

### Finance sustainable economies

In designing COVID-19 recovery packages, Governments should ensure that 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 are a promising financial tool. Governments in North and Central Asia 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 free up public funds.

Indebtedness is an area of concern for some countries in the subregion, thus reforming taxation to widen the tax base, including through moving business from the informal to the formal sector and increasing progressive taxes, is a crucial measure to increase available fiscal space. Governments can also provide taxation stimulus packages or impose taxation provisions to penalize activities that generate negative environmental impacts<sup>39</sup> (e.g., carbon emissions, solid waste, single-use plastics) in order to drive businesses to adopt cleaner operation and production methods.

Governments in the subregion ought to collaborate with international finance institutions 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 and to the United Nations proposal to move beyond deferment to cancellation for the most affected countries.

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<sup>39</sup> OECD. "Government support and the COVID-19 pandemic". [www.oecd.org/coronavirus/policy-responses/government-support-and-the-covid-19-pandemic-cb8ca170/](http://www.oecd.org/coronavirus/policy-responses/government-support-and-the-covid-19-pandemic-cb8ca170/)

# IV. Conclusion

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The unprecedented socioeconomic crisis resulting from the COVID-19 pandemic calls for unparalleled multisectoral responses. These responses need to go beyond emergency policy packages worth billions of dollars, even in the context of considerably squeezed policy and fiscal space.

Governments should maintain the momentum that they have built during the pandemic to implement practical new systems and policies. Sustaining policy support in the near-term will be challenging and, now 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 to go beyond a GDP-centric recovery and transform the social and economic structures that proved 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 use this window of opportunity to better link the SDGs with national strategies, plans and budgets.

Cross-cutting areas for recovery efforts in the North and Central Asia subregion include strengthened regional cooperation and evidence-based policymaking. 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 independently for the most part and with protectionist tendencies, a coordinated regional response is critical to

recovering. Most of the countries in the subregion are landlocked and they 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 that Governments continue their efforts to collect disaggregated and timely statistics to enable evidence-based policymaking. This is important across all SDG indicators, but especially with regards to vulnerable population groups and the 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 to be more effective in reaching those who require assistance.

The framework of the 2030 Agenda, as nationalized in the development strategies, policies and plans of countries in the subregion, 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 it should be an impetus to embrace and accelerate the achievement of the SDGs even though the multidimensional 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 of different segments of society to tailor policies and interventions to leave no one behind and to maximize development results within planetary boundaries.

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# Annexes

## Annex 1. Proportion of population covered by social protection floors/systems (SDG indicator 1.3.1, 2019 or latest available year (Percentage))

Country	Demographic group (year)	Population above retirement age receiving pension	People with disabilities collecting benefits	Unemployed population collecting benefits	Mothers with newborns receiving maternity benefits	Households with children receiving family benefits	Vulnerable persons covered by social assistance
Armenia	Male (2016)	62.3	—	—	—	—	—
	Female (2016)	72.6	—	—	61.0	—	—
	Total (2019)	65.2	100.0	0.0	61.6	30.2	19.6
Azerbaijan	Male (2016)	63.1	—	2.6	—	—	—
	Female (2016)	95.3	—	0.8	14.0	—	—
	Total (2019)	72.8	100.0	19.1	16.0	16.9	13.4
Georgia	Male (2016)	97.7	—	—	—	—	—
	Female (2016)	89.7	—	—	24.0	—	—
	Total (2019)	92.4	100.0	0.0	26.0	48.1	92.9
Kazakhstan	Male (2016)	—	—	6.8	—	—	—
	Female (2016)	—	—	4.5	44.6	—	—
	Total (2019)	99.6	100.0	8.9	44.2	57.4	74.2
Kyrgyzstan	Male (2016)	100.0	75.9	1.7	—	17.8	—
	Female (2016)	—	—	—	23.8	—	—
	Total (2019)	100.0	65.1	2.7	23.8	16.9	14.1
Russian Federation	Male (2017)	100.0	—	—	—	—	—
	Female (2017)	100.0	—	—	63.0	—	—
	Total (2019)	100.0	100.0	82.7	63.0	100.0	76.0
Tajikistan	Male (2016)	—	—	16.2	—	—	—
	Female (2016)	—	—	18.2	59.5	—	—
	Total (2019)	93.7	49.0	20.8	66.5	14.0	7.5
Uzbekistan	Male (—)	—	—	—	—	—	—
	Female (2017)	—	—	—	16.0	—	—
	Total (2019)	100.0	39.7	0.8	16.0	29.2	15.6

Source: ILO <https://ilostat ilo.org/topics/social-protection/>

## Annex 2. Comparing economic relief and support packages in North and Central Asia

Area	Instrument	Implementing countries
Fiscal instruments	Public emergency spending	<ul style="list-style-type: none"> <li>Funding for healthcare (purchase of medical supplies, hospital expansion, testing, salary increases for healthcare professionals)</li> </ul> (All NCA countries)
	Direct support for citizens	<ul style="list-style-type: none"> <li>Direct transfers / cash payments to citizens (Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, Uzbekistan)</li> <li>Additional unemployment benefits (Armenia, Azerbaijan, Georgia, Kazakhstan, Russian Federation)</li> <li>Subsidised utility bills (Armenia, Azerbaijan, Georgia, Tajikistan)</li> </ul>
	Direct support for small and medium-sized enterprises (SMEs)	<ul style="list-style-type: none"> <li>Subsidization of wages (Armenia, Azerbaijan, Georgia, Russian Federation)</li> <li>Concessional loans to SMEs (Armenia, Kyrgyz Republic, Kazakhstan, Tajikistan, Russian Federation, Uzbekistan)</li> </ul>
	Tax relief measures	<ul style="list-style-type: none"> <li>Delays in filing deadlines / holidays (Kyrgyzstan, Russian Federation, Tajikistan, Uzbekistan)</li> <li>Partial tax refunds (Georgia, Russian Federation)</li> <li>Additional exemptions for businesses / individuals (Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Russian Federation)</li> </ul>
Monetary and macro-financial instruments	Interest rates	<ul style="list-style-type: none"> <li>Lowering interest rates (Armenia, Azerbaijan, Georgia, Kazakhstan, Russian Federation, Tajikistan, Uzbekistan)</li> </ul>
	Reserve requirements	<ul style="list-style-type: none"> <li>Lowering reserve requirement ratios (Azerbaijan, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan)</li> </ul>
	Liquidity provision	<ul style="list-style-type: none"> <li>Provision of new credit facilities (Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, Uzbekistan, Turkmenistan)</li> </ul>
	Asset purchasing	Government and mortgage debt Corporate debt
Currency	Foreign exchange controls	<ul style="list-style-type: none"> <li>Opening of swap lines (Armenia, Azerbaijan, Georgia, Russian Federation)</li> </ul>

Source: IMF COVID-19 Policy Tracker (updated 24 October 2020). [www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19](http://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19).

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