

COVID-19 in NCA

Impacts, Responses & Strategies to Build Back Better

ESCAP Policy Brief
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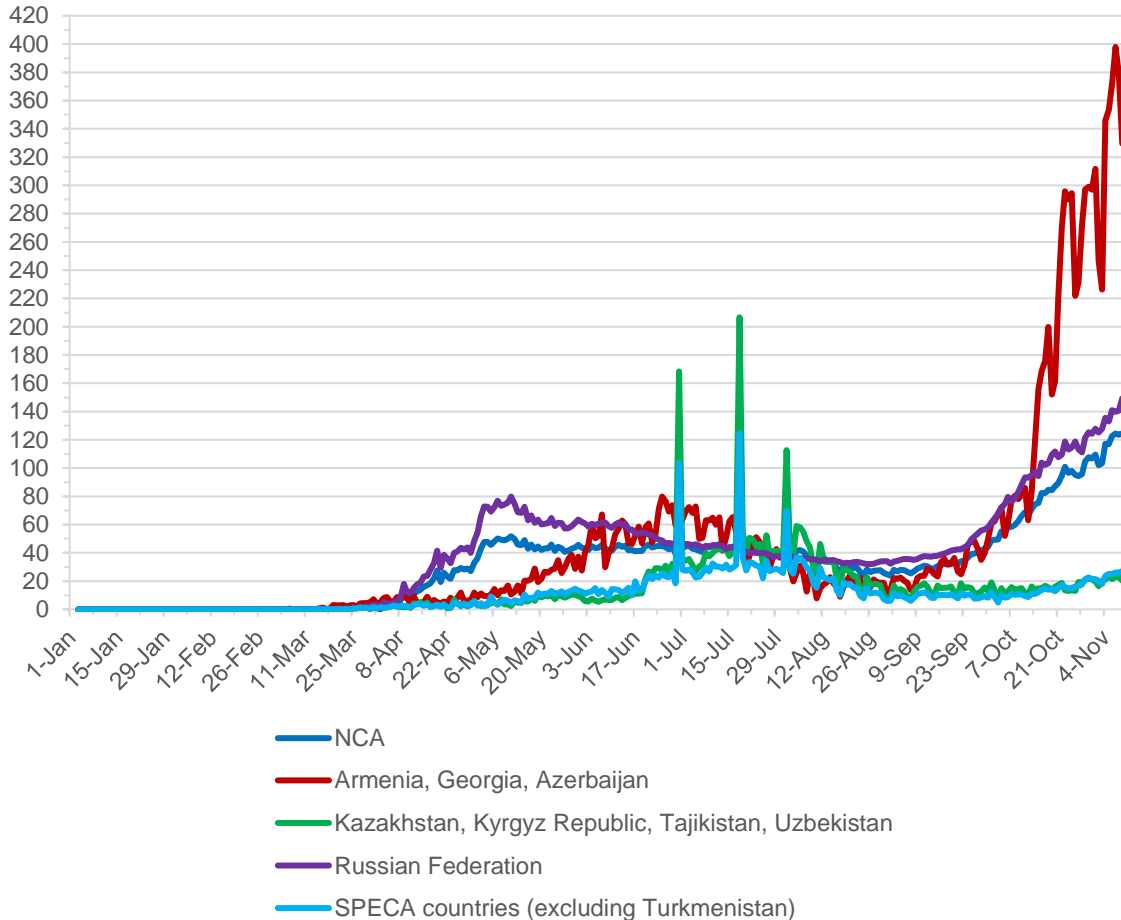
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A. Status COVID-19 pandemic in NCA/ SPECA



Daily new COVID-19 cases NCA & SPECA (per million people), Jan – Nov 2020



Source: World Health Organization COVID-19 Explorer

Chronic under-investment in health sector meant health systems became quickly over-stretched

- ❖ NCA countries lower than world average per capita health expenditure
- ❖ Adverse impacts on:
 - Availability & quality of **equipment, medical personnel, hospital capacity, testing**/ COVID-19 diagnosis, contact tracing
 - Ability to deliver reliable **statistics** & undertake information campaigns
 - **Access & affordability for poor & vulnerable** population groups (few clinics/personnel in rural areas, over-counter payments, PwDs, informal migrants)
 - **Delay of other vital health interventions** (e.g. vaccines, operations → heightened mortality)
 - Not enough support for **mental health** in times of crisis

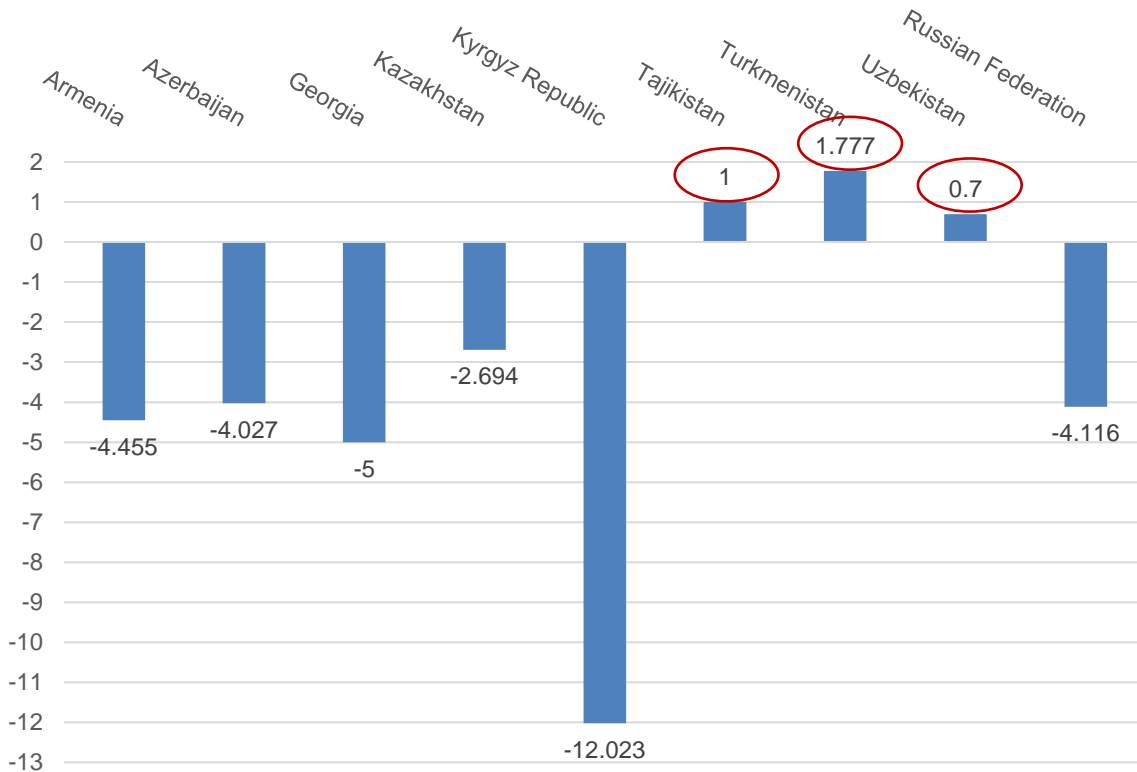
B. Economic Impacts



Structural economic challenges made NCA countries vulnerable to COVID-19 impacts

- ❖ Lack of economic diversification & precarious employment
 - Over-exposure to **commodity price slumps** (+carbon-heavy & employment poor economies)
 - Over-reliance on labour migration - **drops in remittances**
 - **Informal/precarious work** modalities – intersecting with vulnerable economic sectors
- ❖ Macro-economic & fiscal stability
 - **Debt** sustainability

Estimated GDP growth in North and Central Asia for 2020



Source: IMF World Economic Outlook Database, forecasts updated 7 October 2020

Strongly impacted sectors: Tourism Industry

Example Georgia:

- Impacts on the Georgian **hotels** – in March 2020 **40% less occupancy** than 2019 (TBC Capital)
- Predictions that **tourism industry will lose US\$1.2bn** in 2020 vs 2019 in optimistic scenario & **US\$2.8bn** in pessimistic scenario (Galt and Taggart analysts)
- To compare: Tourism revenues in 2019 reached US\$3.3bn (compared to 1.7bn only five years earlier)

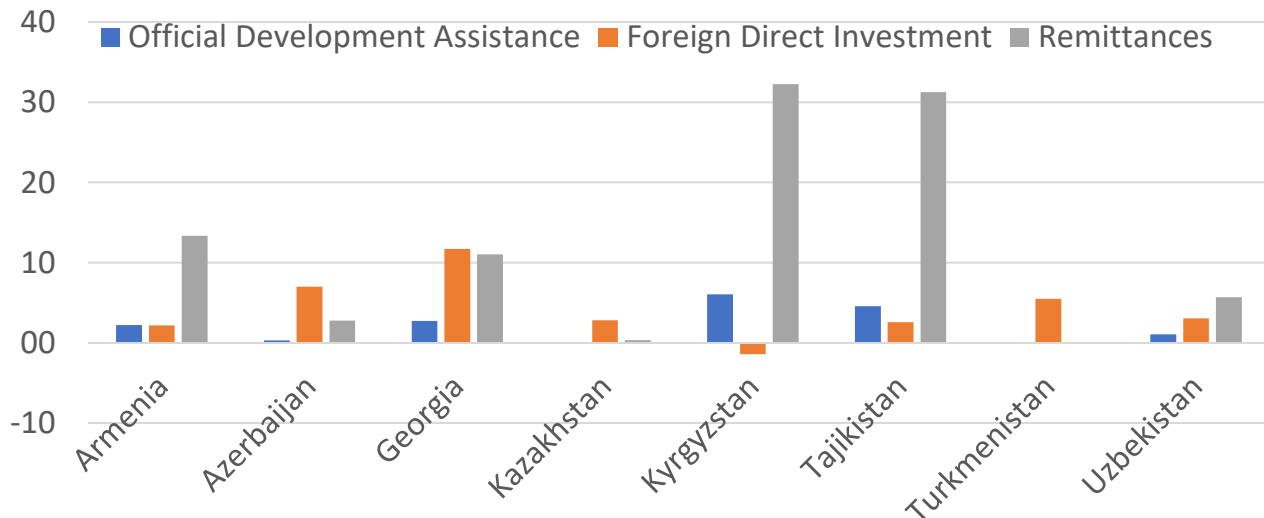
Country	Armenia	Azerbaijan	Georgia	Kazakhstan	Kyrgyz Republic	Russian Federation	Uzbekistan	Tajikistan
% of GDP, direct	4.84	2.75	11.55	1.88	3.88	1.51	1.81	2.58
% of GDP, total	11.83	7.25	26.34	5.18	8.34	4.97	4.52	6.43
% of employment, direct	4.60	2.62	10.91	1.68	3.55	1.56	1.66	2.35
% of employment, total	12.50	7.68	27.67	4.90	8.45	5.62	4.64	6.55

Contributions of the tourism industry to employment and GDP in NCA

(Source: World Travel and Tourism Council)

Overdependence on Remittances

Country	AR	AZ	GE	KZ	KG*	RU	TJ	TK**	UZ
Remittances as % GDP, 2019	11.20 %	2.70 %	12.70 %	30.30 %	28.50 %	0.60 %	28.60 %	0.0 % (2018)	14.80 %
Remittances, millions USD, H1 2019	610.5	503.9	1066.1	258.5	541.1	5100.8	996.9	–	3762.7
Remittances, millions USD, H1 2020	492.8	508.8	982.2	178.2	458.6	4640.2	849.9	–	3190.6
%Δ H1 remittances, year-on-year	-19.28 %	0.97 %	-7.87 %	-31.06 %	-15.25 %	-9.03 %	-14.75 %	–	-15.20 %



Foreign transfers % of GDP, 2017 (Source: OECD & World Bank data)

C. Social Impacts



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Vulnerability linked to AGE

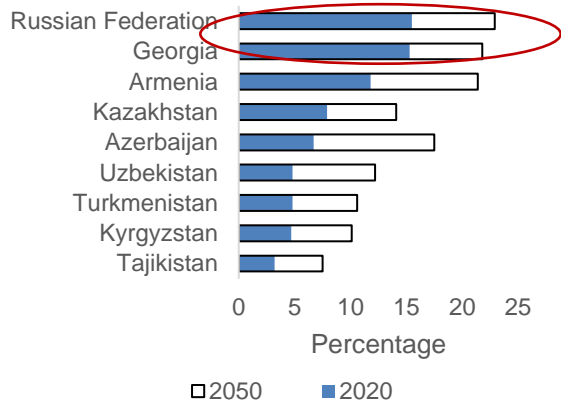
Older persons

- High-risk group for COVID-19 infections, severe cases & death
- Limited access to services
- Social isolation, neglect, abuse

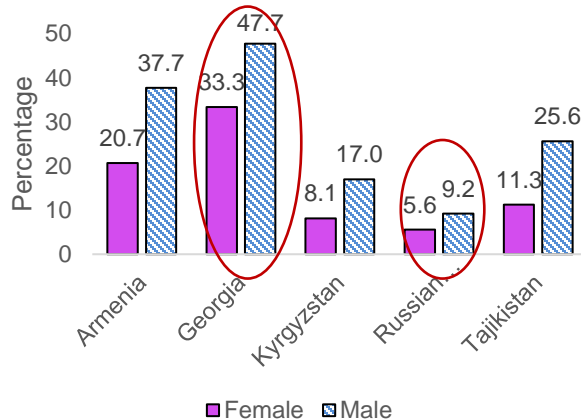
Youth

- Less affected by direct health impacts
- Negative educational outcomes & school-to-work-transition
- Stress, anxiety over future as less settled

→ **But extend & types of impacts depend on country context, e.g.:**



% population aged 65 or over in 2020 & projected for 2050 (Source: UNDESA)



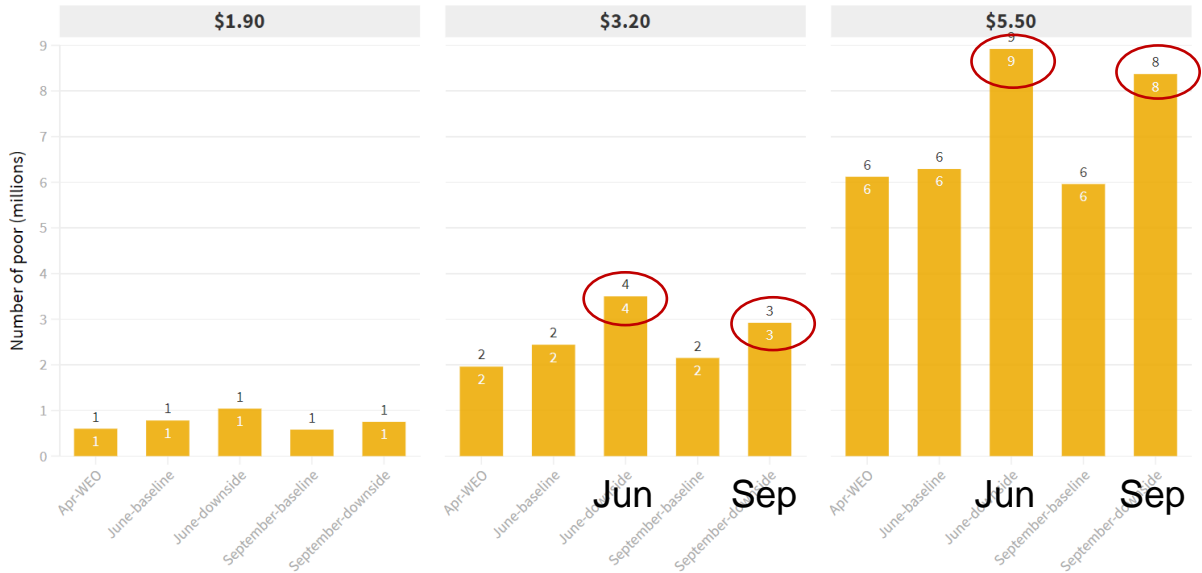
% labour force participation of older men & women (65-75 years old) (Source: ILOSTAT)

Vulnerability linked to GENDER

Women - disproportionately affected

- **Employment & income:**
 - More likely vulnerable employment, in hard-hit sectors (retail, hospitality, tourism), & frontline responders e.g. health professionals
 - *UN Women rapid gender assessment:* income women in Kazakhstan during 1st wave < 50%; self-employed women worst affected: 25 % lost job (vs. 21% men) & another 49% reduced working hours
- **Double burden from prevailing gender roles in NCA as caregivers:**
 - Childcare, care for persons with disabilities, elderly, sick, increased due to lockdowns & reduction in services
 - *UN Women assessment:* 70% of women spent more time on at least one unpaid domestic work activity
- **Domestic violence:**
 - Enforced confinement of families & increased stress levels
 - Kazakhstan, calls to support hotlines tripled; Kyrgyzstan, cases of domestic violence increased by 67%

Poverty & Inequality – Phenomenon of “MISSING MIDDLE”



Sources: [Mahler et al. \(2020\)](#), [PovcalNet](#), [Global Economic Prospects](#). • Note: The April estimates use growth rates from the April 2020 edition of the World Economic Outlook (WEO) and poverty data from the PovcalNet September update. The June estimates use the PovcalNet March update in combination with the June 2020 Global Economic Prospects (GEP) growth data. The September estimates use the PovcalNet September update with June 2020 GEP forecasts. Mahler et al. (2020) use the World Bank geographic regions, while all series presented here use the geographic regions in PovcalNet.

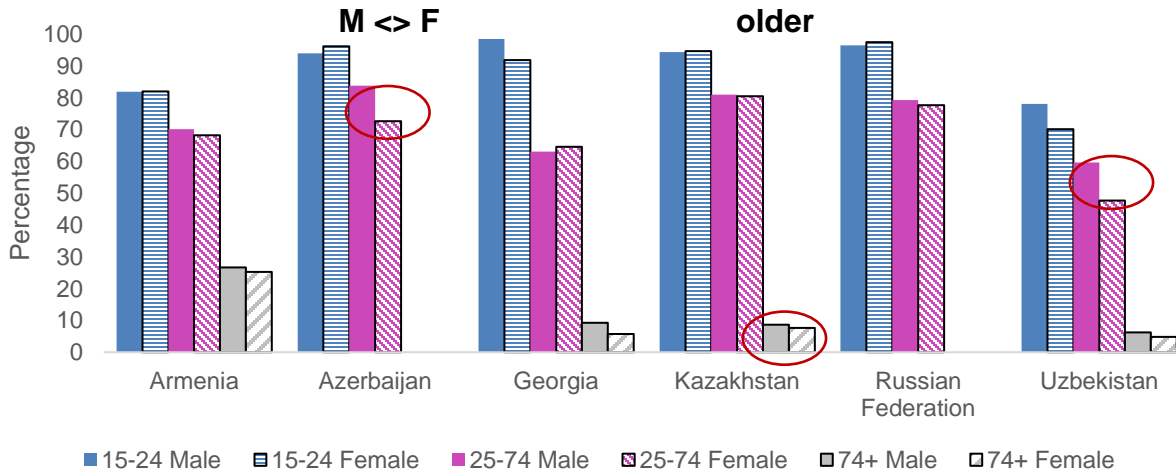
Chart reading: Comparing the April-WEO estimates with the September estimates gives the change in poverty due to update in the growth forecasts between April and June 2020, while comparing the June and September estimates shows the change in poverty due to the data update in PovcalNet.

Distribution COVID-19-induced poverty - World Bank’s Europe & Central Asia region, 2020 various estimates

Poverty & Inequality: DIGITAL DIVIDE

Accelerated digitalisation highlighted as positive impact of COVID-19

- Kyrgyzstan: 94 % HH mobile phone, only 12.5 % PC & 10 laptop-type device
- School closures affected >16 million learners in Central Asia & 48 % school children could not be reached by digital & broadcast remote learning
- Even with access: skill gaps in using ICT; shortages of quality online learning content



% of internet users by age and gender for select NCA countries (Source: ITU, ITC Indicator Database)

D. Environmental Impacts



Positive impacts:

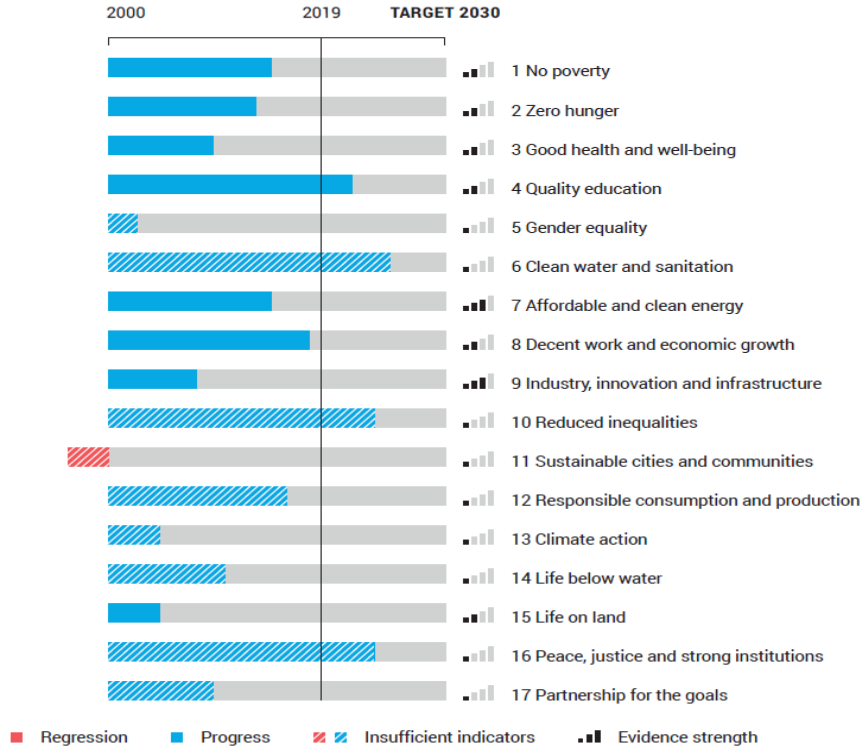
- Accelerated **digitalization transformation** (reduced travel + may diversify economy leading to less carbon intensity & pollution)
- Temporary **relief from air pollution** in some cities during first lockdowns → enhanced calls for structural improvements
- Heightened **appreciation for resilient & sustainable development** to better weather future crises, e.g. climate change

Negative impacts:

- **Increased use of disposable plastic** (hygiene, social distancing & restrictions in movement) - e.g. food deliveries, medical equipment
- Advocacy momentum on reducing plastic waste weakened
- With reduced fiscal space & overwhelming immediate socio-economic needs, environment is taking back seat → kickstarting **“green recovery” practically challenging**

E. Policy Recommendations

Snapshot SDG progress in NCA 2019



Source: Asia and the Pacific SDG Progress Report 2020

Protecting people and enhancing resilience

- **Protecting vulnerable** groups needs **multisectoral** approach with participation of **multiple stakeholders** (private & public sectors, NGOs)
- Address common causes of vulnerability → guarantee **access to social & health services, safe & fair working** conditions, adequate minimum incomes; expanded unemployment benefits
- Emphasize importance of **unpaid care work** & advocate for more **equal burden sharing** between women & men
- Support “**missing middle**” in short term, & then address long term **structural transformation & diversification** to create productive employment at scale
- **Reimagine & invest in education** to accelerate change in teaching & learning → skill sets required in modern, more digitalized, knowledge-based & innovation-focused economy

ii. Supporting economic recovery and supporting small and medium-sized enterprises (SMEs)






- Keep public **indebtedness at sustainable levels** → targeted & **efficient public spending**; enabling policy space for **additional financing sources/ mechanisms** (capital markets, innovative finance)
- Reform taxation to **widen tax base**, including through moving **business from informal to formal** sector
- Update & revise national policies, development strategies, & plans for action to **realize digital potential & digital economic transformation** that is sustainable & inclusive
- Embark on “**green recovery**”: accelerate implementation **SDGs & Paris Agreement** on Climate Change → use COVID-19 recovery stimulus packages for sustainable public procurement, investment in greener infrastructure & resource efficiency

iii. Restoring connectivity and supply chains

- COVID-19 pandemic cross-border → strengthen **regional cooperation** to build back better & ensuring continued cross-border transport & trade even while maintaining appropriate health & safety controls
- Fuller **regional integration on transport & ICT infrastructure & international trade facilitation** → priorities of VPoA
- Building resilience in **supply chains**, enhance trade relationships within the region & with major trading partners → implement Asia-Pacific Trade Agreement, Intergovernmental Agreements on Asian Highway Network, Trans-Asian Railway Network & Dry Ports
- Accelerated **digital trade facilitation** (NCA among lowest rates of implementing digital & sustainable trade facilitation in AP) → Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific

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