

TACKLING CORONAVIRUS (COVID-19)
CONTRIBUTING TO A GLOBAL EFFORT

OECD EURASIA WEBINARS

High-level Covid-19 Crisis Discussion: Supporting Private-Sector Recovery in Central Asia

10 June 2020

10:00 – 12:00 (GMT+2: France, Belgium)
11:00 – 13:00 (GMT+3: Belarus, Moldova, Ukraine)
12:00 – 14:00 (GMT+4: Armenia, Azerbaijan, Georgia)
12:30 – 14:30 (GMT+4.30: Afghanistan)
13:00 – 15:00 (GMT+5: Tajikistan, Turkmenistan, Uzbekistan)
14:00 – 16:00 (GMT+6: Kazakhstan, Kyrgyzstan)
16:00 – 18:00 (GMT+8: Mongolia)

OECD Eurasia Competitiveness Programme



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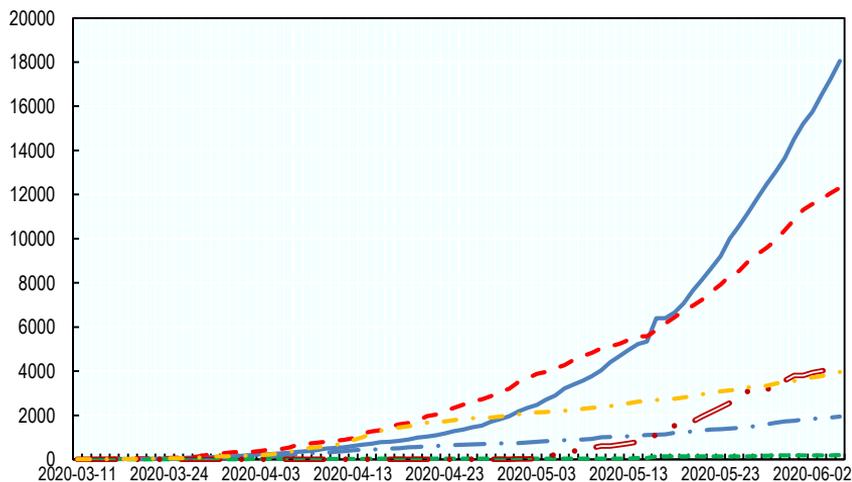


Covid-19 is challenging health systems in Central Asia

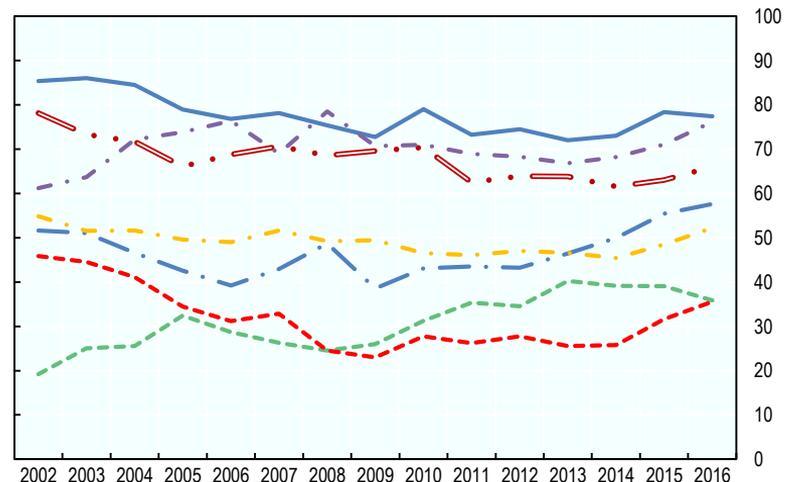
Covid-19 has reached Central Asia relatively late but spread quickly...

... putting already limited public health capacities under strain

Total confirmed Covid-19 cases



Out-of-pocket healthcare expenditure as percentage total health spending



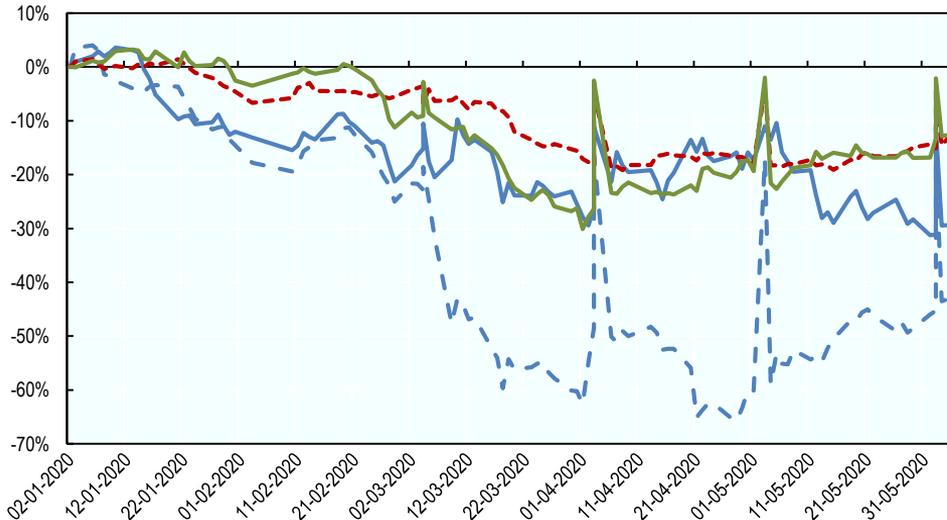
The challenges linked to deconfinement and returning labour migrants increase the second wave risk



Low export diversification could increase the economic cost

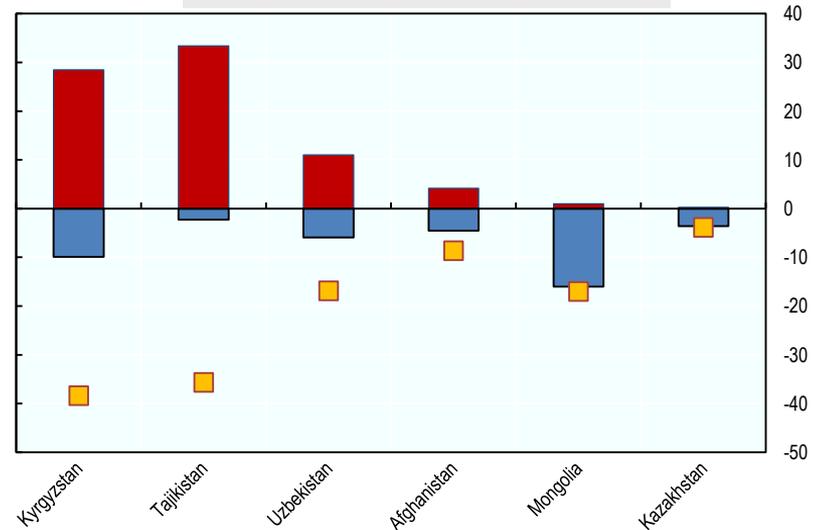
The global turndown has reduced demand and prices for many key exports...

— Bloomberg Natural Gas Subindex - - - Dow Jones Commodity Index Brent Crude
- - - Dow Jones Commodity Index Aluminum — Dow Jones Commodity Index Cotton



...with falling remittances likely to put pressure on household and public finances

■ Net personal remittance inflows, % of GDP
■ Current account balance (% of GDP)



A number of factors could exacerbate the economic impact

Governance and administration	<ul style="list-style-type: none">• Many governments hope to use the crisis as a catalyst for the digital transition, but digital infrastructure remains underdeveloped and regulatory barriers to digital and communication sectors are high.• A number of key policy areas are devolved to regional governments, which may struggle to cope with increased demand and the complexity of service delivery.
Fiscal	<ul style="list-style-type: none">• Many OECD countries have financed support packages through debt, but the ability of most Central Asian economies to do likewise is limited.• The narrowing fiscal space means that Central Asian governments will need to revise their tax systems and public finance management, whilst also ensuring that longer-term reform priorities do not suffer.
Financial	<ul style="list-style-type: none">• Weakness in the financial system raise questions about its ability to efficiently mediate the liquidity-support measures put in place by the authorities and call for more transparency and stability.• Across the region non-performing loans are likely to increase following the pandemic.
Labour	<ul style="list-style-type: none">• The private sector already struggles to create sufficient high-quality jobs for expanding formal labour markets; this task will be tougher in the years to come and require reforms to unleash firm growth.• Large numbers of grounded labour migrants could place labour markets and government services under further strain.
Trade	<ul style="list-style-type: none">• A co-ordinated regional approach will be necessary to overcome many existing trade facilitation challenges, particularly around border management.



How have countries in Central Asia reacted?

	Size of non-health support package (%GDP)	Containment					Macroeconomic and prudential regulations	Fiscal measures (for firms)			Deconfinement
		International movement restrictions	Domestic movement restrictions	Lockdowns	Additional health support	Income/job support	Monetary	Financial	Taxation	Selection of other measures	
AFG	2%	Yes	Yes	Limited	No	No	Yes	No	Admin	Partial regulatory simplification	N/A
KAZ	9%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Admin/Policy	Increased subsidised lending	Early
KGZ	0.2%	Yes	Yes	Limited	Limited	No	Limited	Yes	Admin	Inspection moratorium, amended procurement, awareness campaigns	N/A
MNG	13%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Admin/Policy	Accelerated digitalisation, sector specific policies, employment scheme	N/A
TJK	N/A	Yes	Limited	No	Limited	No	Limited	No	Admin	No	N/A
TKM	N/A	Yes	Yes	Limited	No	No	No	No	No	No	N/A
UZB	> 1.5%	Yes	Yes	Limited	Yes	Yes	Yes	Yes	Admin/Policy	Institutional re-organisations: Anti-Crisis Fund	Early



What are the main policy responses in OECD countries?

Measures to support workers

- In many OECD countries, governments have created or simplified **short term work** (STW) programmes, through which governments subsidise labour costs to maintain employment.
- Recognising that the economic crisis has a particularly heavy toll on the self-employed, many OECD countries have implemented **unconditional cash transfers** to manage liquidity.
- Most OECD countries have implemented **public childcare** options to working parents in essential services and direct financial support
- More broadly, direct financial support through universal basic income has increasingly been normalised as a means of **mitigating falling consumption and maintaining household finances**.

Measures to support firms

- **State-guaranteed loans** with delayed repayment schedules have been introduced in numerous OECD and non-member countries to help firm liquidity.
- **Public awareness campaigns with the support of business associations** have been launched to ensure that firms are aware of the support available to them and provide sanitary guidance.
- The crisis has **expedited digitisation processes** in numerous countries, with governments encouraging teleworking arrangements and providing financial support to help digital transitions.

Deconfinement has started in many OECD member economies with prolonged support measures



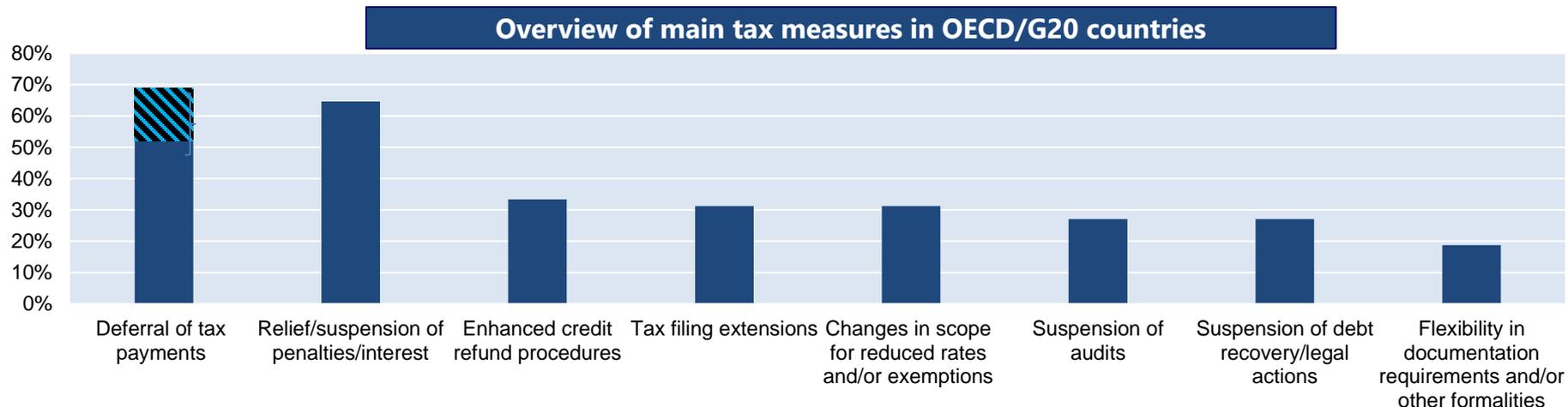
Tax measures have been key elements of policy responses

- **Tax administration measures**

- **Tax filing extension** in 30% of OECD and G20 countries, deferrals of tax, Social Security Contributions (SSC) payments, advance payments in 80% of OECD and G20 countries
- **Enhanced tax refunds:** 30% of OECD and G20 countries

- **Tax policy measures**

- **Reduction in employer SSCs** – in particular where the workers face reduced hours, but are retained
- Enhanced tax **loss provisions**



Long-term recovery and resilience will require addressing challenging structural issues

The Legal Environment for Business

Streamline and digitise business-related legislation, licenses, permits

Improve implementation of investment and business legislation, lower sectoral restrictions

Simplify tax policy, modernise tax administration and improve predictability

Ensure that **connectivity investment** is aligned with development and future trade needs

Increase regional co-ordination to address the many **'soft' infrastructure** barriers

Improve the **transparency and governance** of infrastructure investment

Connectivity

Digitalisation

Ensure **whole-of-government** approach to public sector digitalisation

Improve access to and quality of **digital infrastructure** – maximise cellular internet penetration

Tailor digitalisation efforts to on-the-ground realities and support businesses moving online

Address the barriers to **economic diversification** for quality job-creation and sustainability

Improve **competition**, particularly by addressing **SOE governance**

Work now to ensure **young labour market entrants** have the skills they need

Long-term structural reforms

Questions for discussion

- **What policies could be implemented to support fast private-sector recovery in Central Asia?**
- **With borders closed during the pandemic, how do you foresee the re-establishment of trade flows and the simplifications of customs procedures in the immediate future?**
- **Which fiscal measures have you heard today from your peers that you would consider adopting in your own countries?**

(2 minutes per intervention)



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Thank you

For more information

 <https://oecd.org/coronavirus>

 <https://twitter.com/oecd>

 contact@oecd.org

 <https://oecd.org/newsletters>

