

Statement by
Mr. Andrey Shirokov Managing Director
Eurasian Fund for Stabilization and Development
at the CAREC Ministerial Conference
November 17, 2021

Honorable Ministers, Dear Development Partners!

First of all, let me thank the Asian Development Bank for comprehensively supporting the CAREC Program and facilitating CAREC events. The Program is an important part of the regional development.

EFSD continues to provide financial and analytical support to member-states in response to COVID-19 pandemic. The emergency lending approved by the EFSD Council amounted \$650 mln to date. Despite observed economic recovery, the recipient countries remained highly vulnerable to external shocks, which could materialize in financing gaps. Therefore, the EFSD is currently in negotiation of medium-term budget support programs with the majority of recipient-states. Potential programs are multi-tranche and conditioned by implementation of macro stabilization and structural measures. The EFSD financing is coordinated with the key development partners in the region, including the IMF, the Asian Development Bank and the World Bank.

Economic dynamics of the next several years will be largely determined by macroeconomic and social policies to counter the consequences of COVID-19. As economic growth recovers, we expect that monetary policy stimulus in advanced economies will gradually wind down and the focus will be on inflation targeting over the medium term.

Keeping inflation within the target is one of the key macro policy challenges. Accelerating price growth in global markets significantly affects domestic inflation. The monetary authorities are likely to pursue a tighter monetary stance, which may negatively affect lending growth rates and domestic demand. However tighter monetary policies might be necessary to keep inflation at bay.

The key challenge for fiscal policy in the observed period would be growth of fiscal and quasi-fiscal risks, as well as maintaining debt sustainability. In this efforts, countries should pay due attention to the sustainability of funding for protected social expenditures, as well as key social programs and infrastructure projects.

The COVID-19 pandemic has exacerbated the challenges for health and social protection systems in the EFSD recipient countries. Given that the

costs of developing social sectors and protecting vulnerable population may increase significantly, including due to the potential impact of the pandemic on the economy and population, timely and sufficient support for the development of social sectors from key development partners will be crucial.

The EFSD is in the process of adopting its first mid-term strategy with the time horizon of 2022-26. Taking into account post-COVID challenges, in the strategic period the Fund intends to accelerate its actions on health and social security sectors, including enhancing mechanisms for providing emergency support in case of realization of budget risks associated with sudden shocks of non-economic nature (e.g., pandemic, natural disasters, droughts).

The EFSD continuously supports CAREC focus on openness and outreach. The Program has become an important framework that promotes cooperation of development partners and the governments on many levels and various topics.