



CAREC Economic and Financial Stability Cluster Forum

Tackling Inequality on an Uncertain Road to Recovery

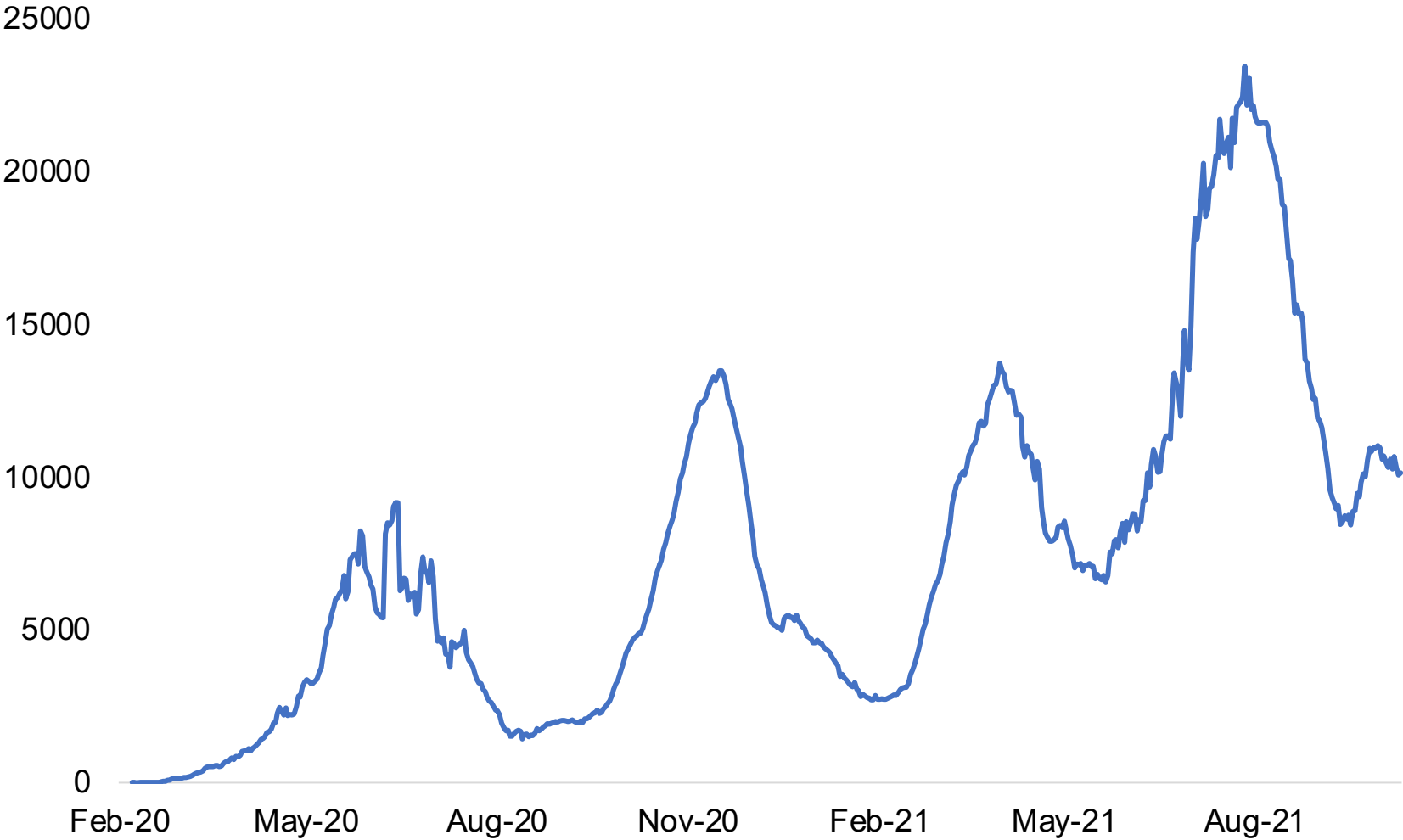
**High-Level Webinar
November 22, 2021**

Joint Development Partner Presentation
(ADB, IMF, World Bank)



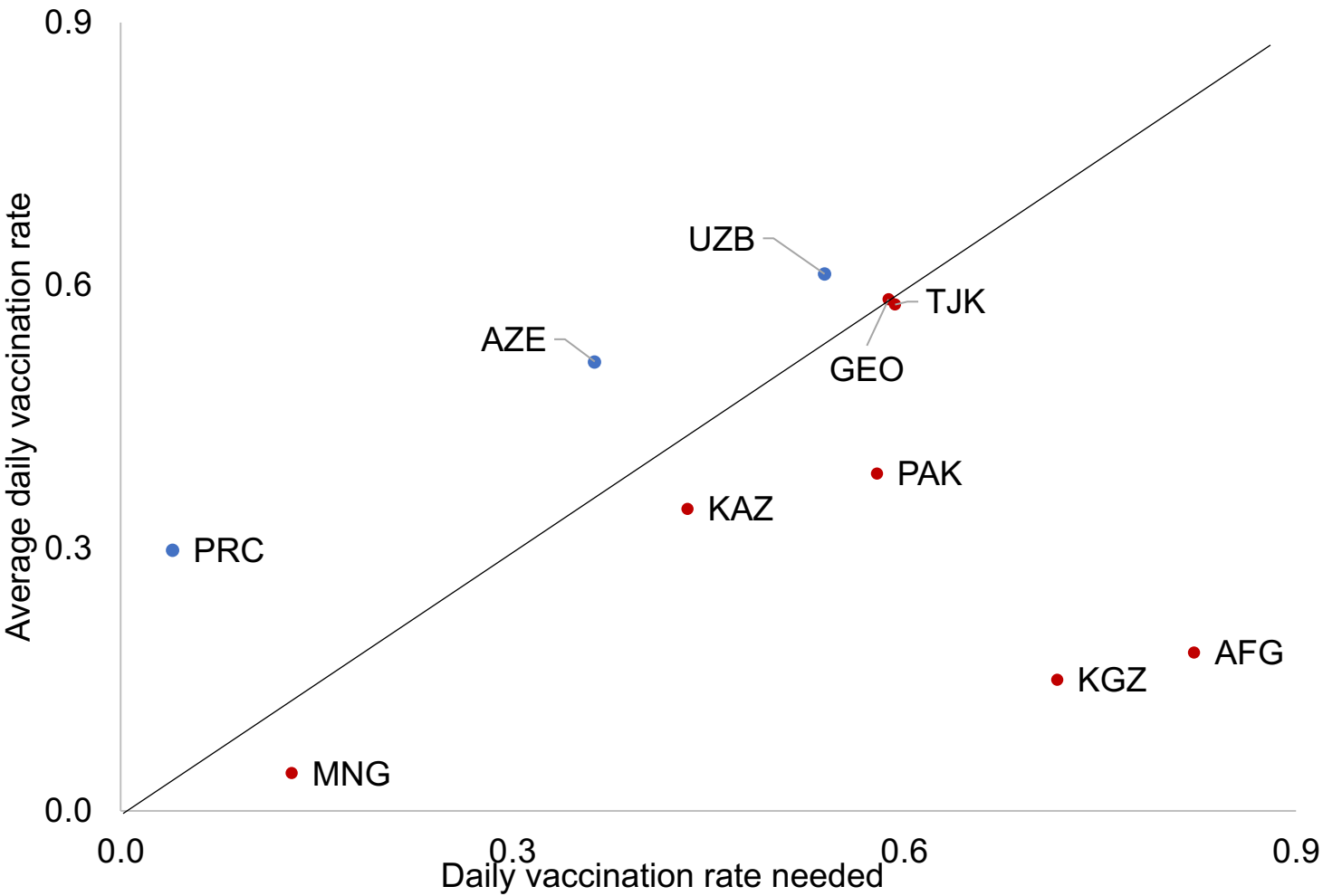
The COVID-19 pandemic continues to besiege the CAREC region

Daily new COVID-19 cases in CAREC, 7-day moving average



Note: CAREC excludes PRC.
Sources: Our World in Data.

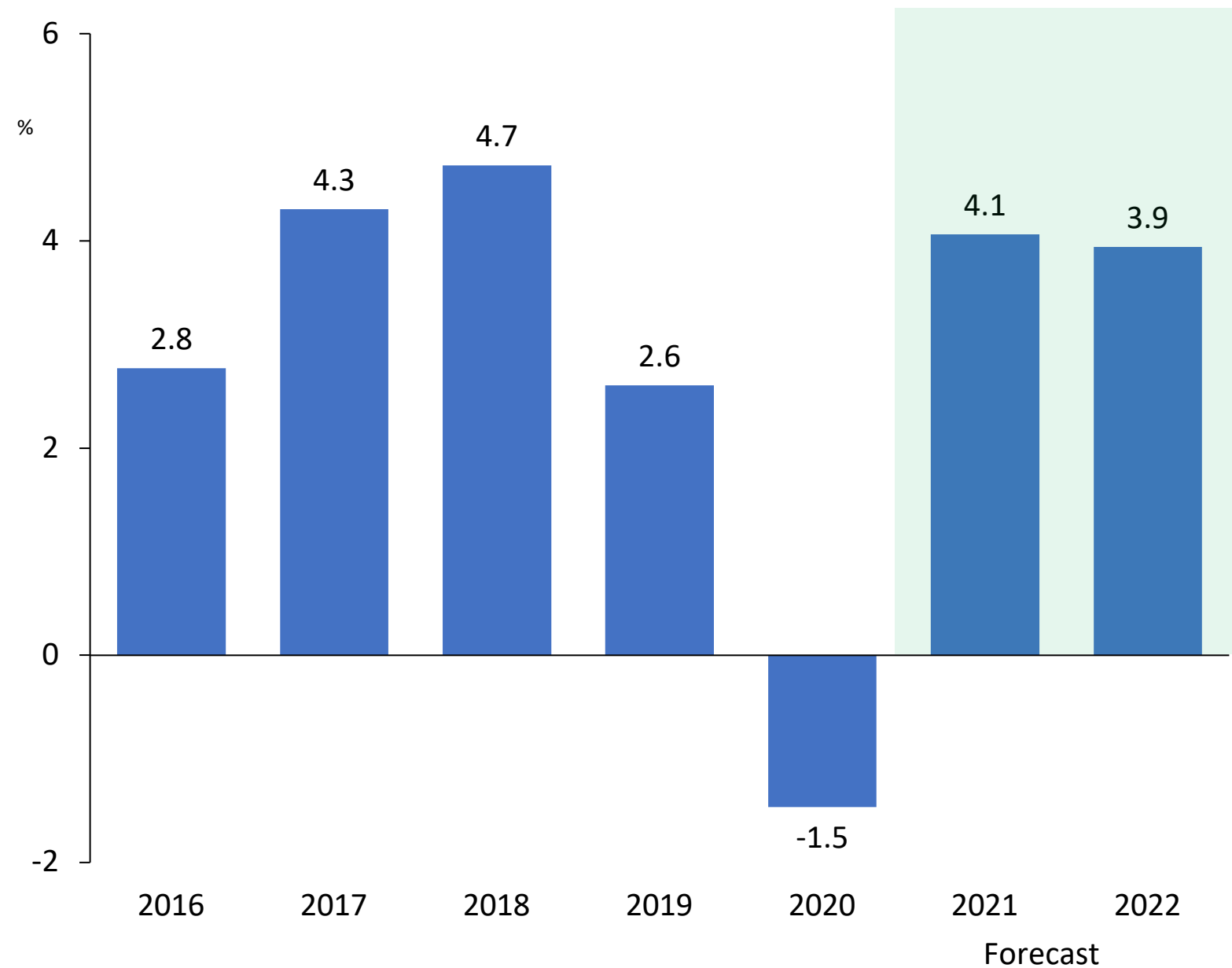
Gaps in Vaccination Rates across CAREC Economies, %



Note: Data are as of September 22, 2021. X-axis shows daily vaccination rates needed to reach 40% of population fully vaccinated by end-2021, assuming two-dose vaccines. Y-axis shows average daily vaccination rates in the preceding seven days.
Source: Our World in Data, IMF World Economic Outlook, October 2021

The growth outlook in CAREC is positive, but the speed of recovery varies

CAREC region, GDP growth, %



GDP growth, %

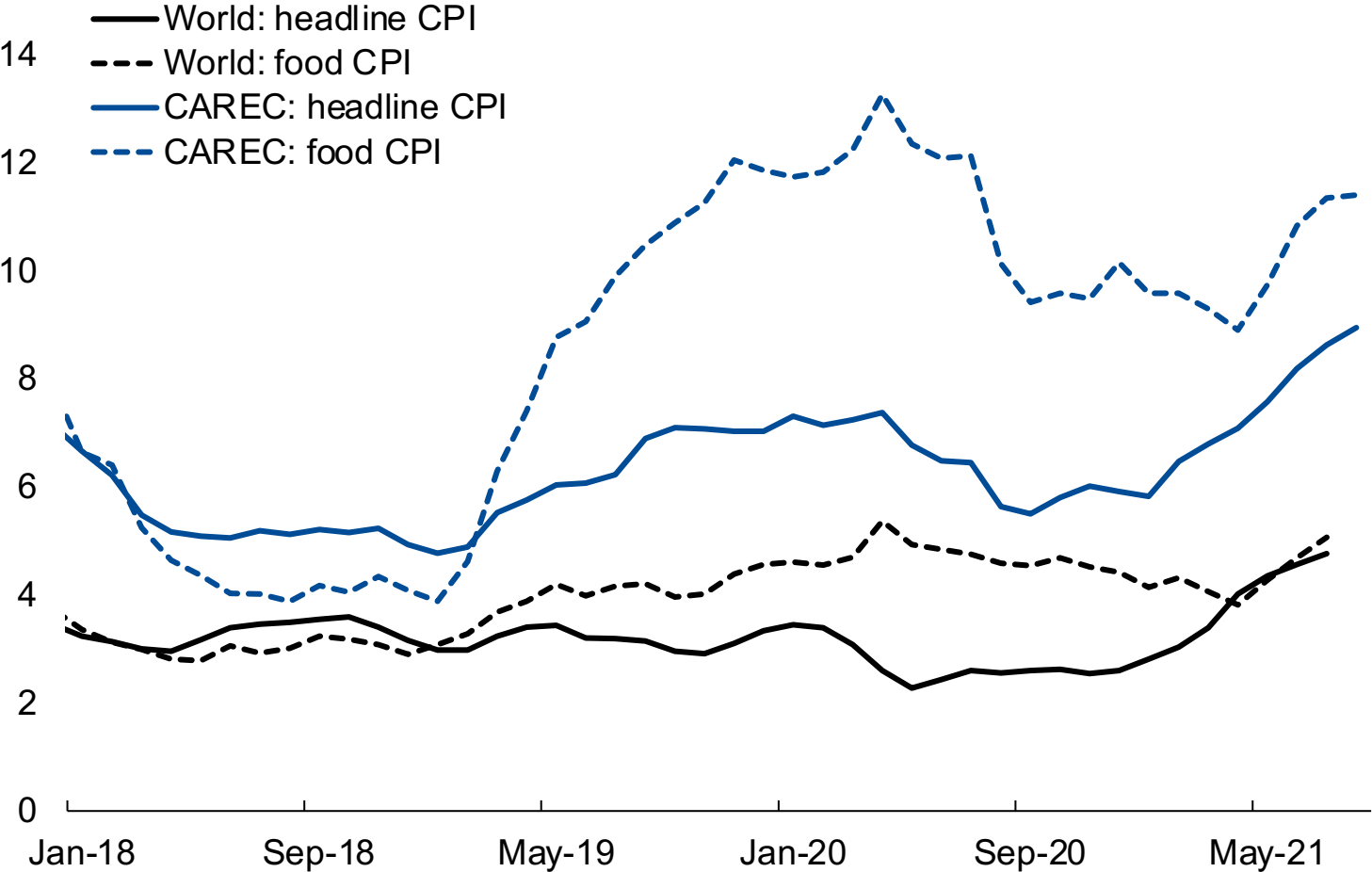
	2021f	2022f
Azerbaijan	3.0	2.3
Georgia	7.7	5.8
Kazakhstan	3.3	3.9
Kyrgyz Republic	2.1	5.6
Mongolia	5.2	7.5
Pakistan	3.9	4.0
PRC	8.0	5.6
Tajikistan	5.0	4.5
Turkmenistan	4.5	1.7
Uzbekistan	6.1	5.4

Notes: Regional growth is computed using weights derived from gross national income (GNI) in current US dollars following the World Bank Atlas method. The GNI data for 2018 are obtained from the World Bank's World Development Indicators Online. Weights for 2019 are carried over to 2022. Regional growth figure does not include figures for Afghanistan and the People's Republic of China.

Source: IMF, World Economic Outlook, October 2021

Inflation has picked up across CAREC countries, mainly driven by food prices

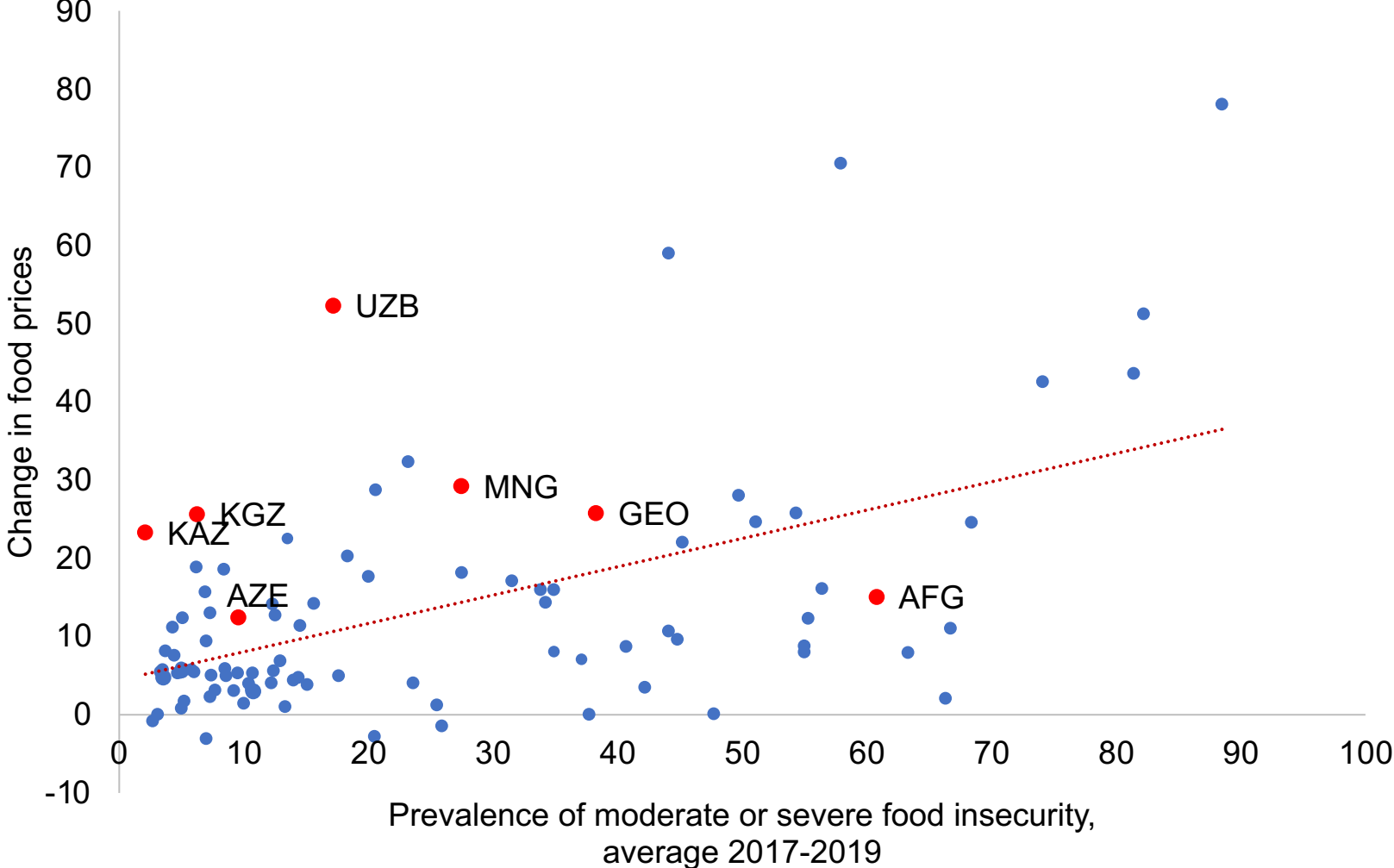
Headline and Food Inflation



Notes: The chart presents headline and food inflation year-over-year percent change, calculated as simple averages. CAREC includes 9 countries. TKM and AFG are not included due to lack of recent data. Latest data are as of Aug. 2021 except for TJK (Jul. 2021). Data were extrapolated based on latest available inflation growth rates as indicated. Data for the world are as of Jul. 2021.

Sources: IMF staff calculations, Haver Analytics; National Authorities; IMF, CPI database.

Food Price Inflation and Food Insecurity, %

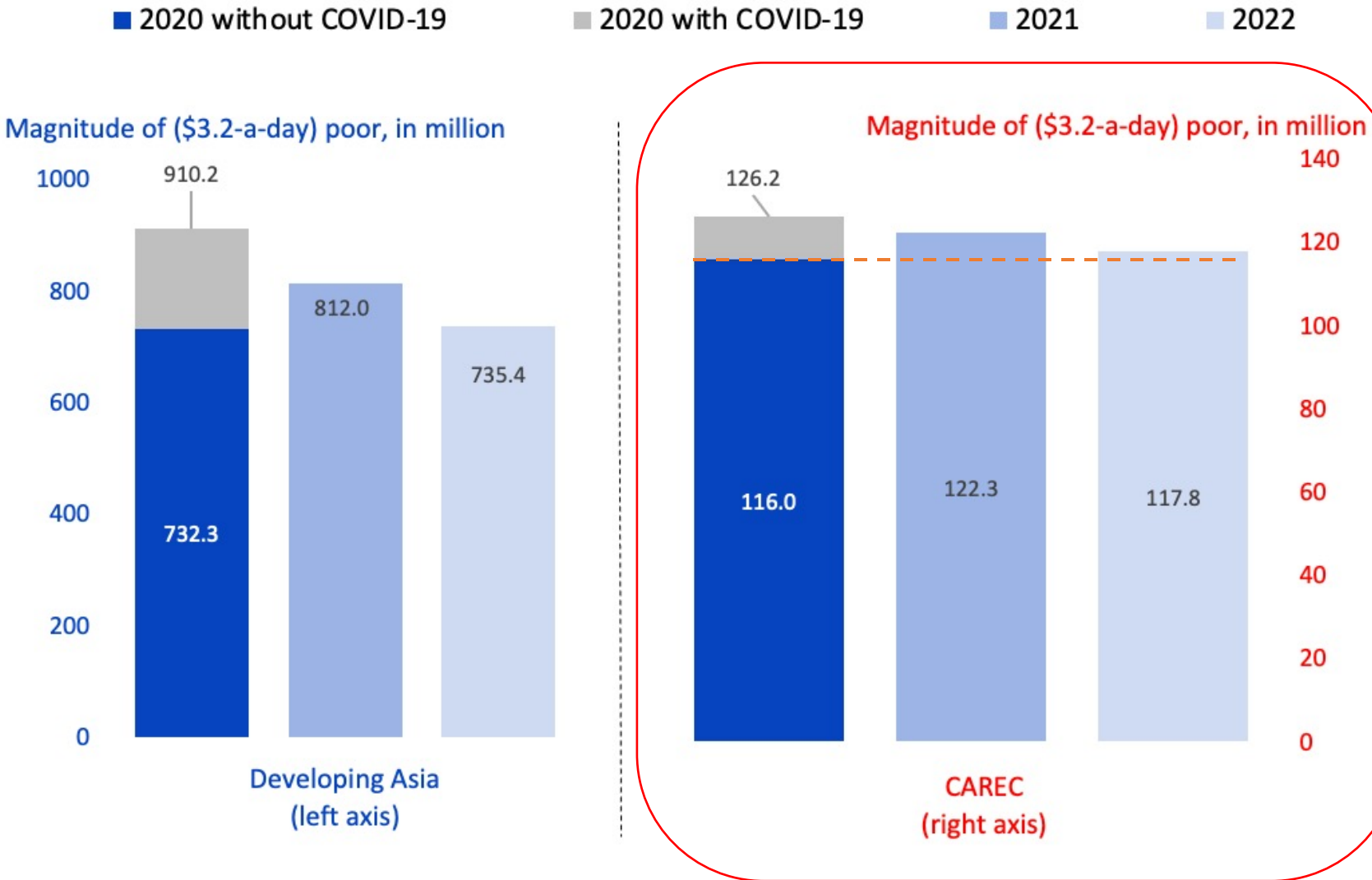


Note: Each dot corresponds to one country. The change in food prices is the current change between March 2019 and March 2021.

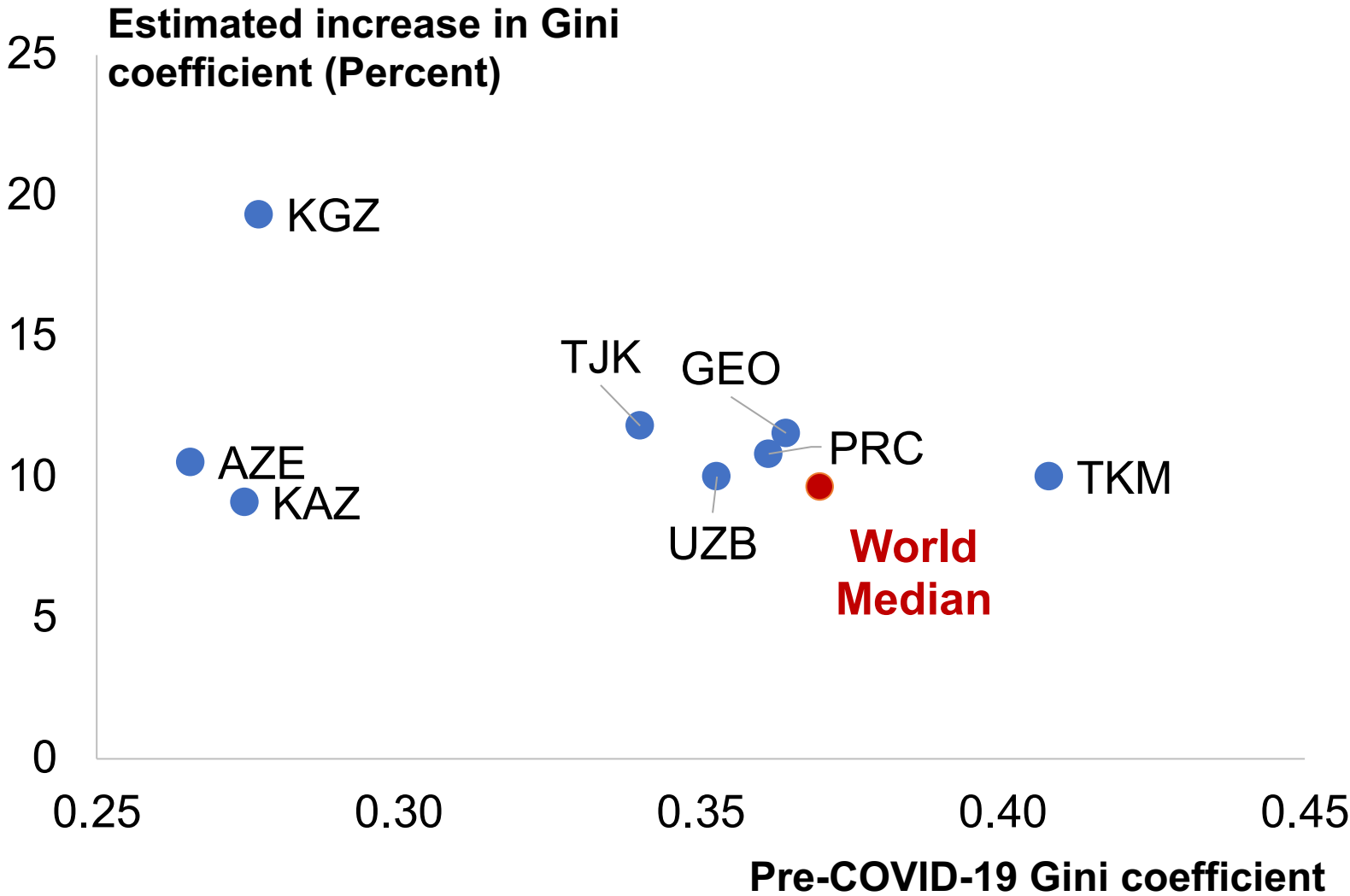
Source: IMF, World Economic Outlook, October 2021, Food and Agriculture Organization of the United Nations

Poverty reduction was set back in 2020, while income inequality within countries increased

Poverty estimates in CAREC (\$3.2/day poverty line)



Estimated Increase in Income Inequality (Percent)

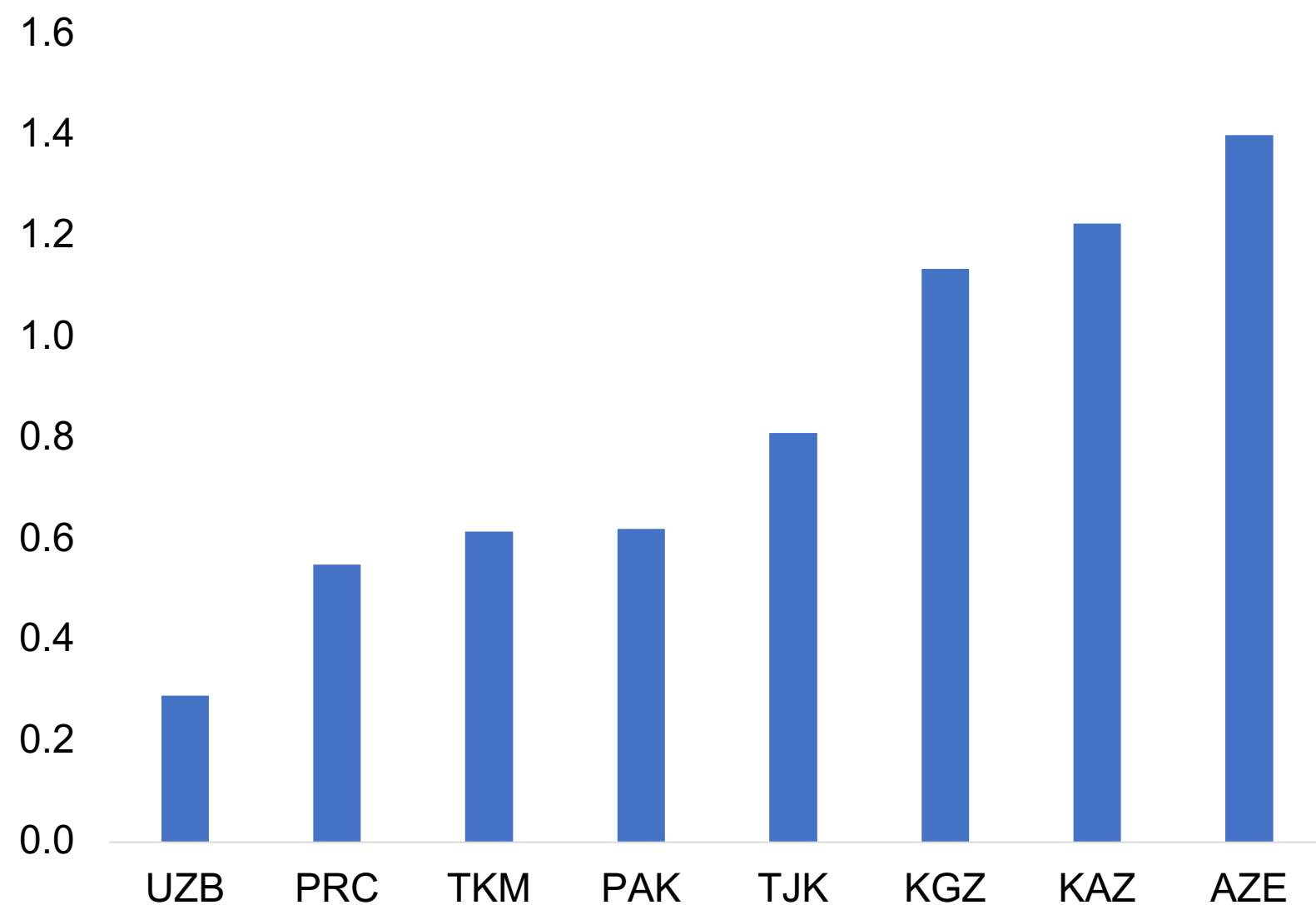


Notes: In these figures, CAREC excludes Afghanistan.
 Sources: World Bank. PovcalNet Database. March 2021 update.
<http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx> and Asian Development Bank estimates

Source: IMF, Fiscal Monitor, October 2020

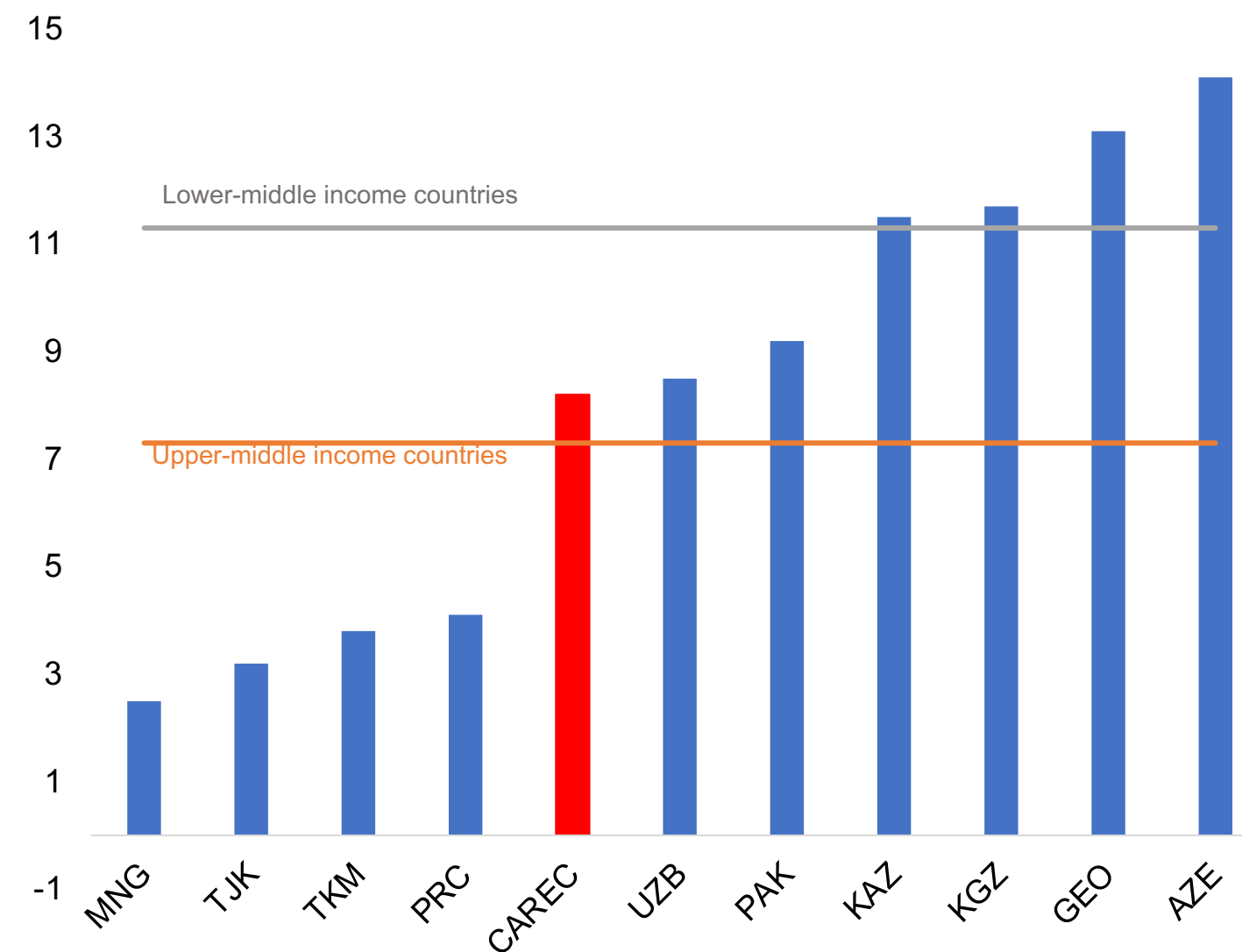
The pandemic has taken a heavy toll on labor markets

Unemployment rate, percentage points, 2020 change from average 2018–19



Source: ILOSTAT database, International Labour Organization modeled estimates

Working hours lost due to the COVID-19 crisis, %

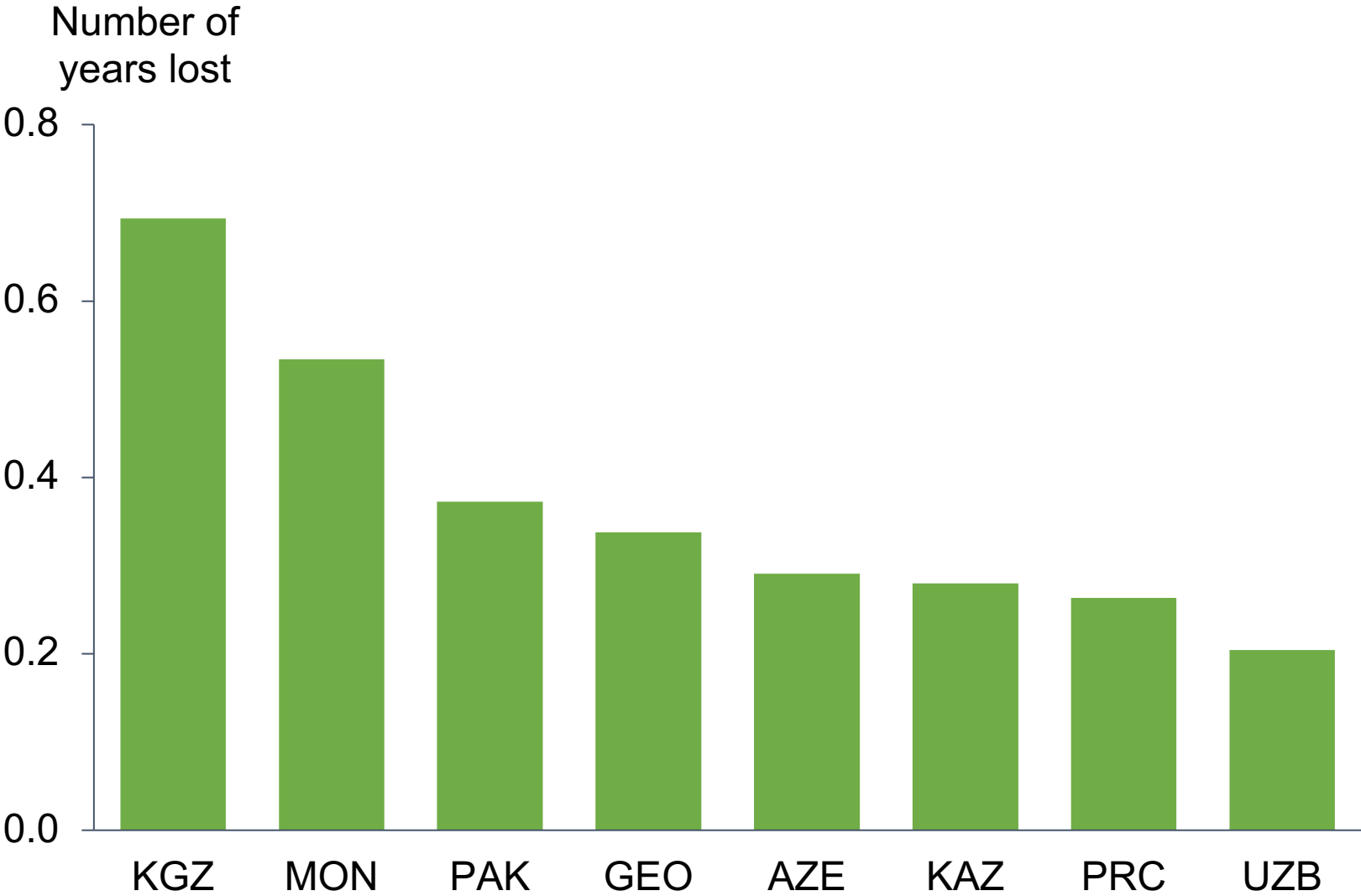


Note: This indicator represents the percentage of hours lost compared to the baseline (the latest pre-crisis quarter, i.e., the 4th quarter of 2019, seasonally adjusted).

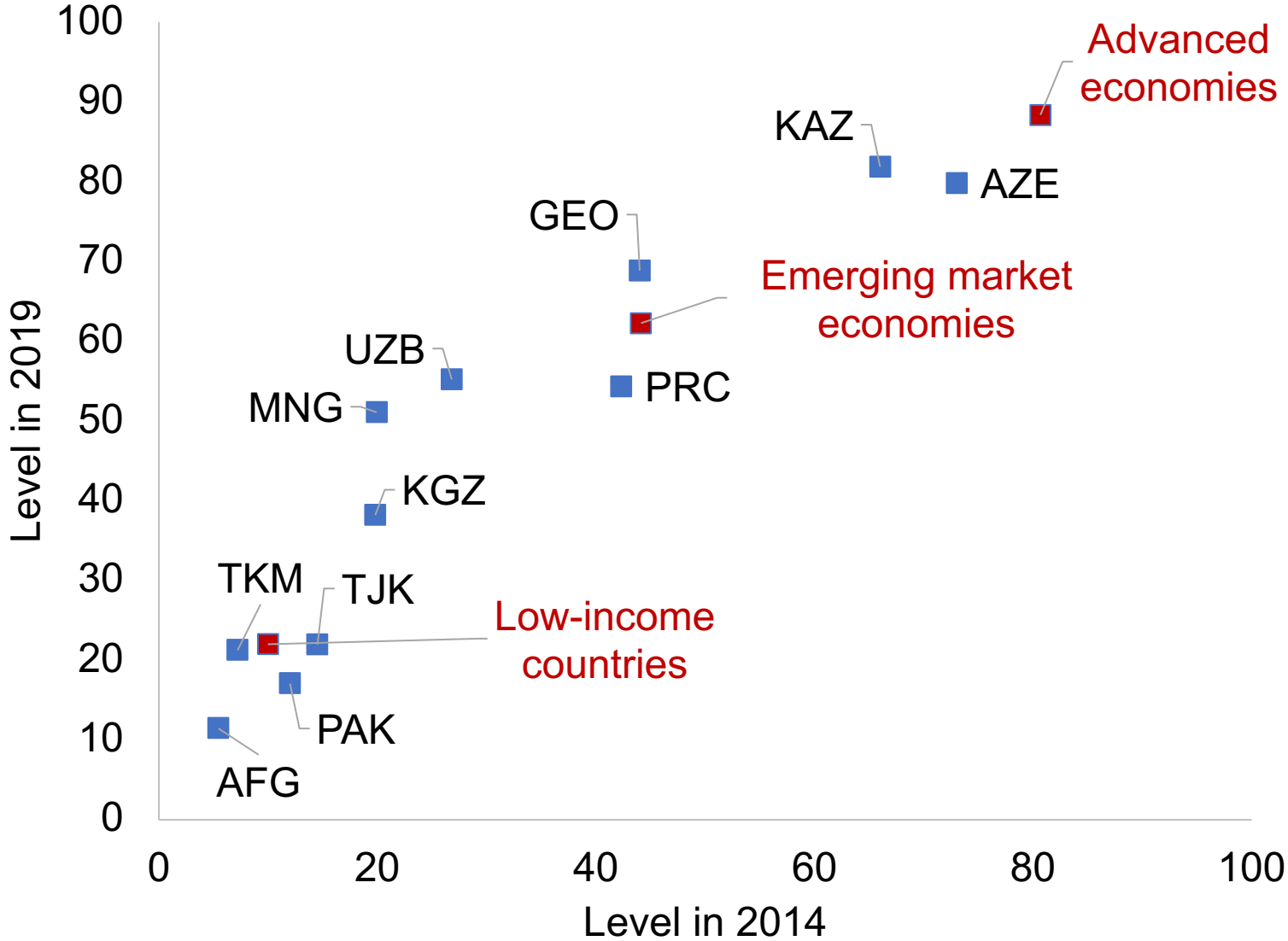
Source: ILOSTAT database, ILO nowcasting model, COVID-19 monitoring

School closures came at the price of learning

Losses in learning-adjusted years of schooling



Share of Individuals with Internet Access in the CAREC region

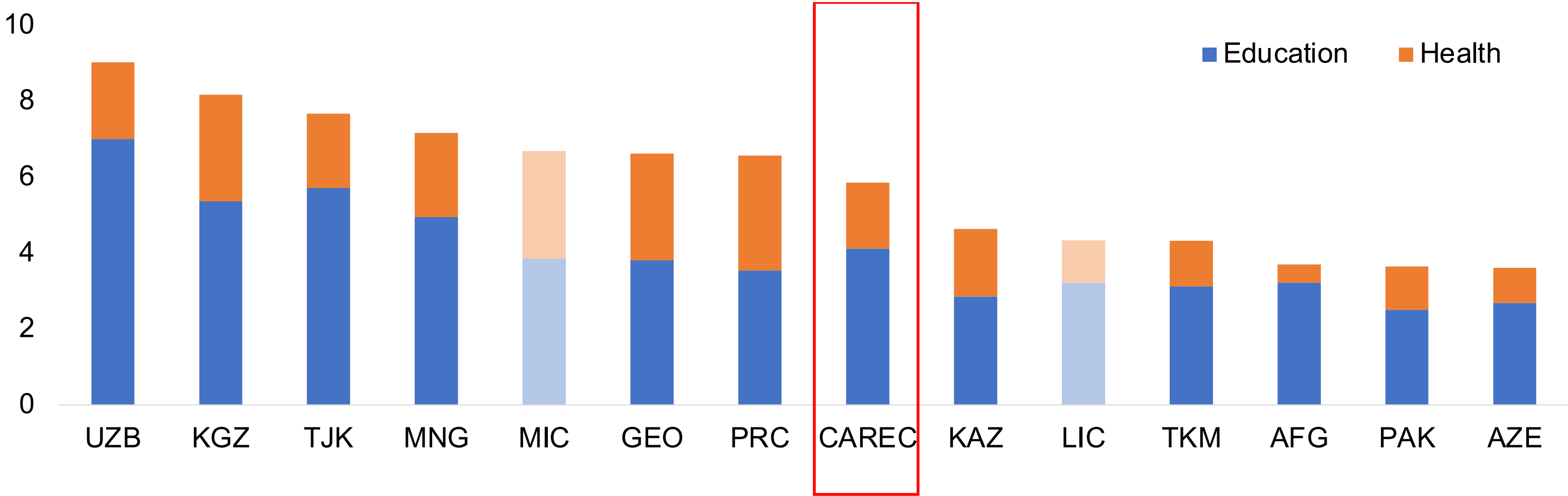


Sources: World Bank. Human Capital Index for 2020 learning-adjusted years of schooling; Asian Development Bank estimates, ADB

Note: For countries where data for 2019 are not available, the latest available value is shown on the y-axis, and the value for the preceding five years is shown on the x-axis.

Some CAREC countries lag their income peers in social spending

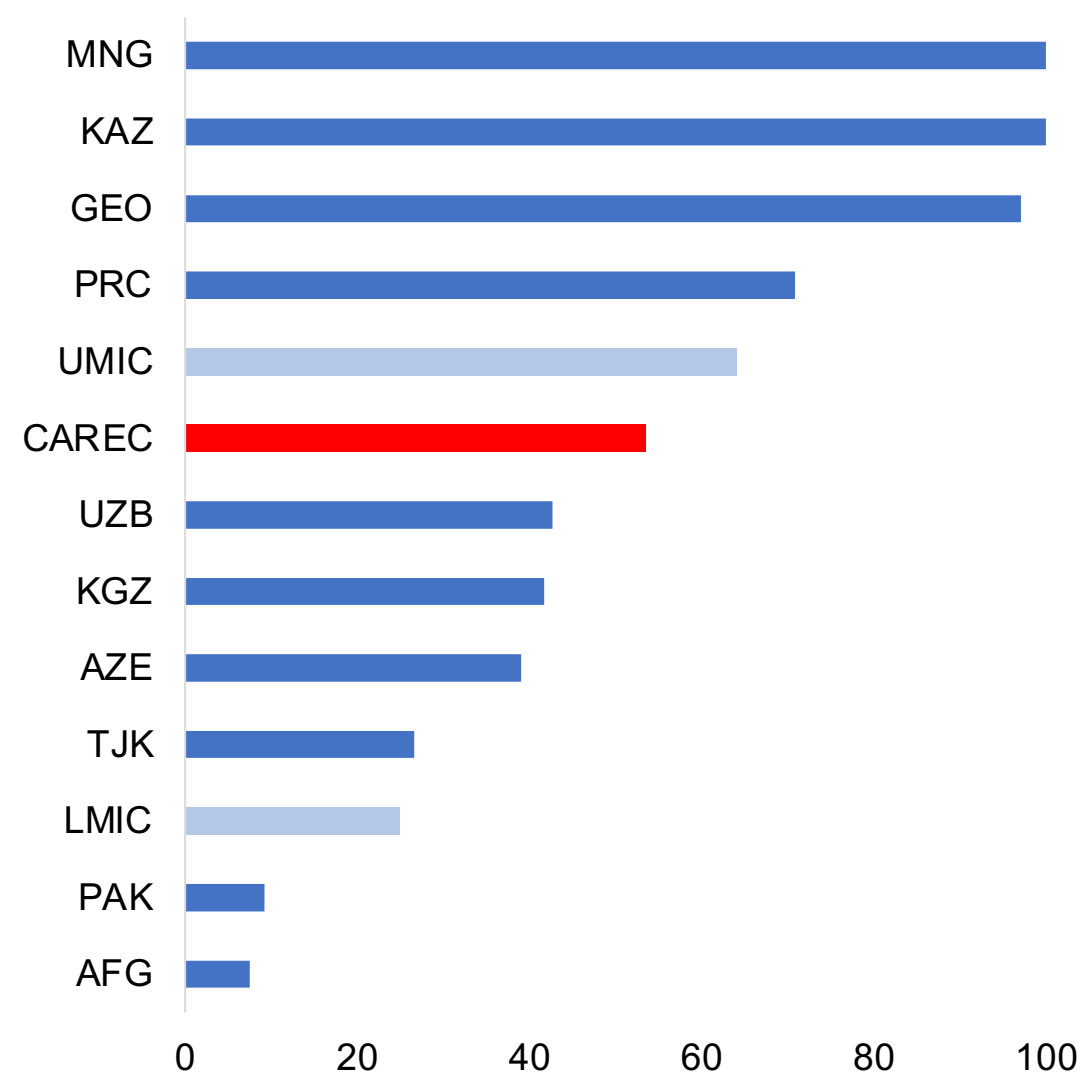
Government expenditure on education and health, percent of GDP



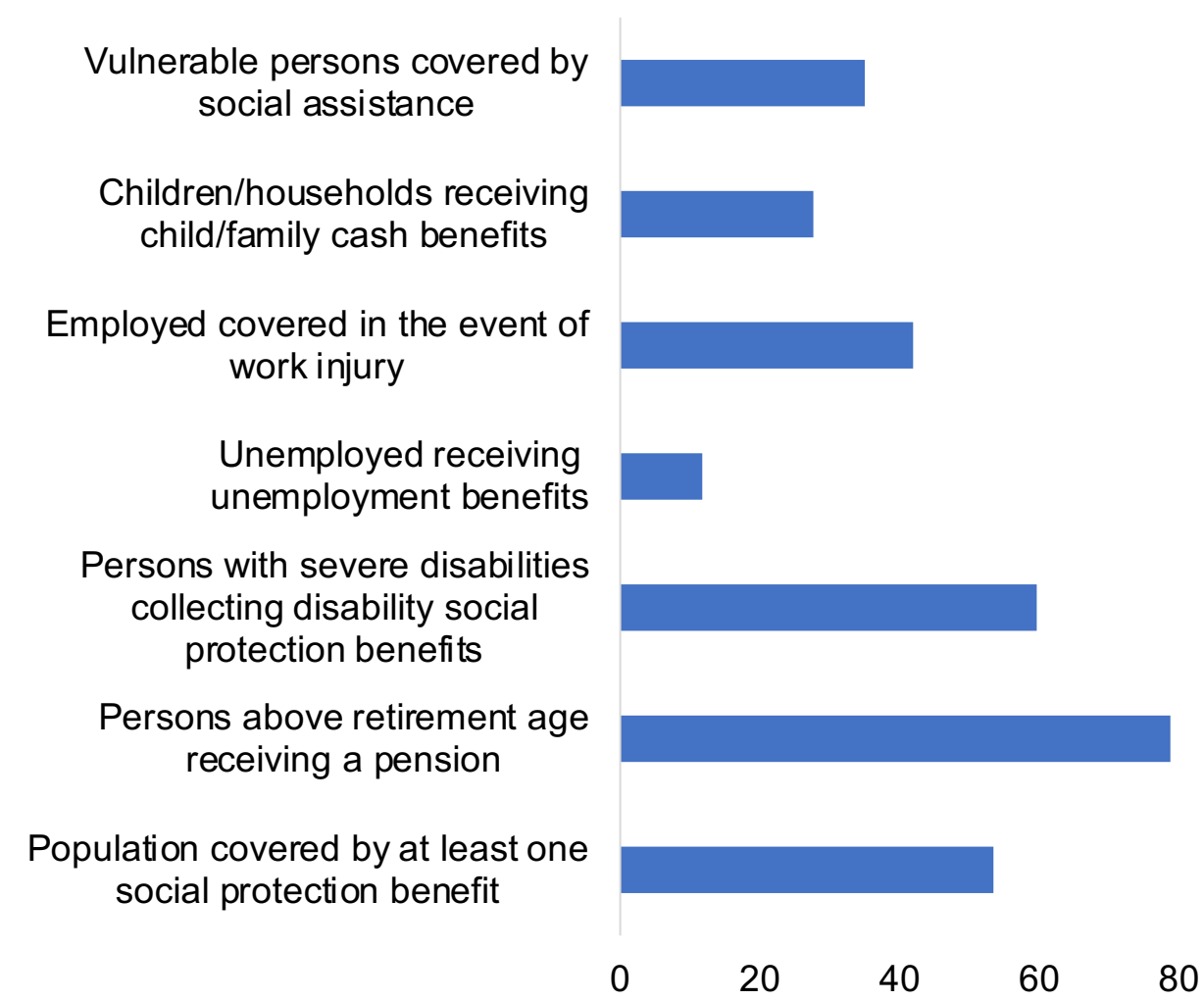
Note: Health expenditure is defined as Domestic general government health expenditure (% of GDP). Education expenditure is defined as Government expenditure on education, total (% of GDP). Health expenditure is as of 2018. Education expenditure is as of 2019. MIC = Middle Income Countries. LIC = Low Income Countries. CAREC regional aggregate excludes PRC. Source: World Development Indicators, World Bank

Progress made, but not enough in social protection coverage

Share of population covered by at least one social protection benefit (%)



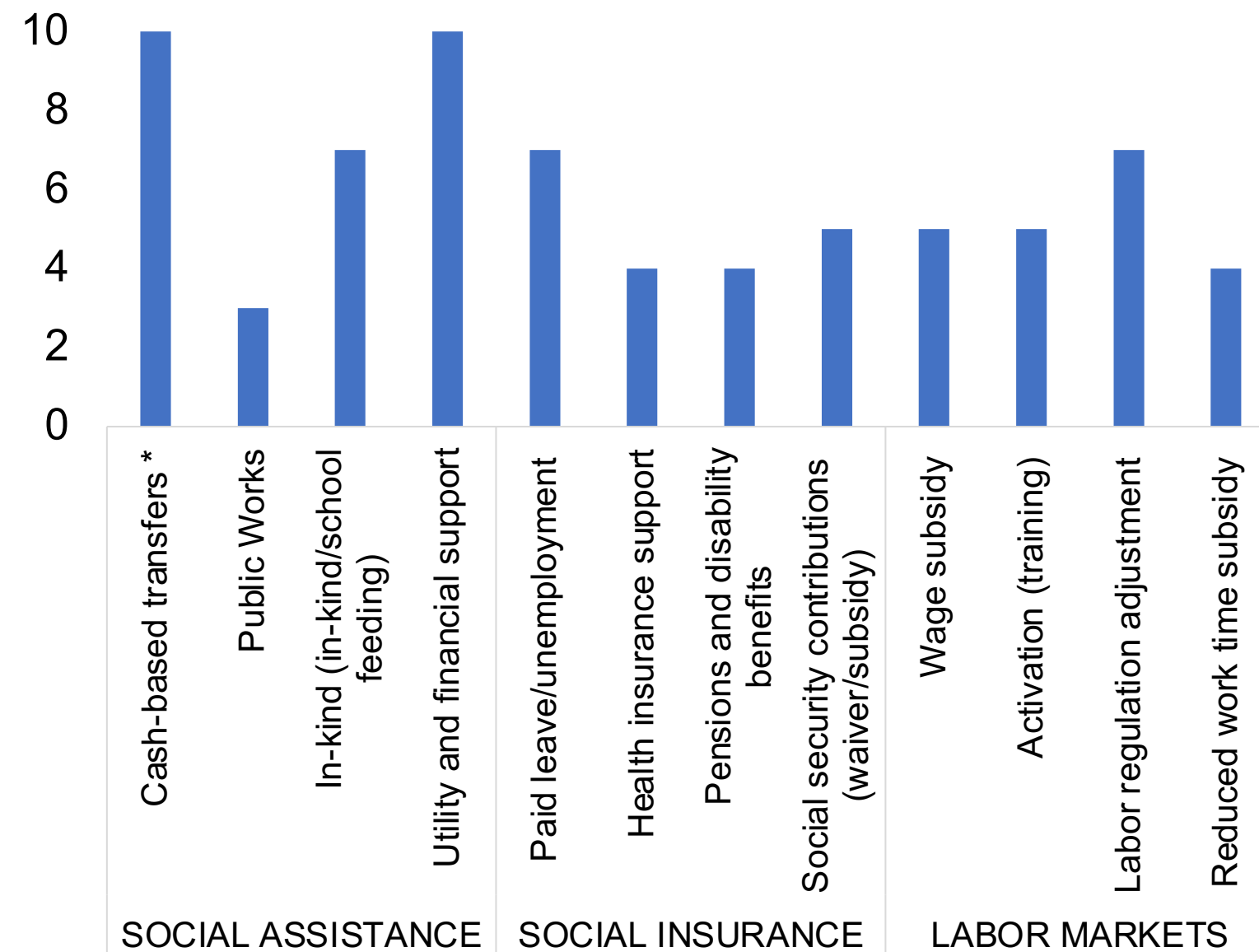
Share of population covered by the main components of social protection, CAREC region (%)



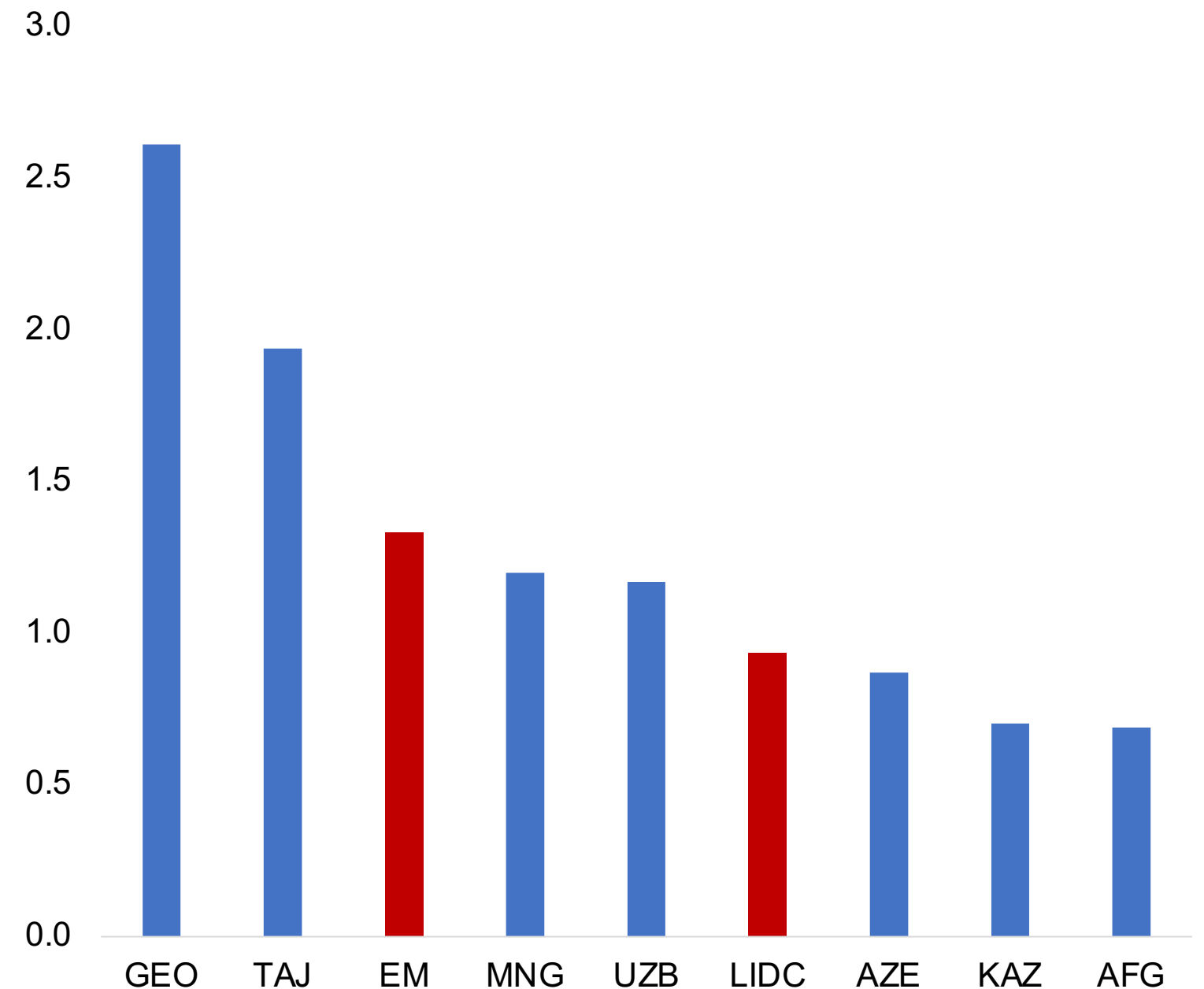
Note: Data in these graphs convey the share of the population effectively covered by a social protection system, as well as the coverage rates of the main components of social protection: child and maternity benefits, support for persons without a job, persons with disabilities, victims of work injuries and older persons. UMIC = Upper Middle Income Countries. LMIC = Low Middle Income Countries.
Source: ILOSTAT, International Labour Organization

COVID-19 demonstrated the region's ability to mobilize additional outlays on health and social protection

Social protection and job responses to COVID-19 in the CAREC Region, number of countries



Discretionary fiscal policy responses to COVID-19 crisis in health sector, % of GDP

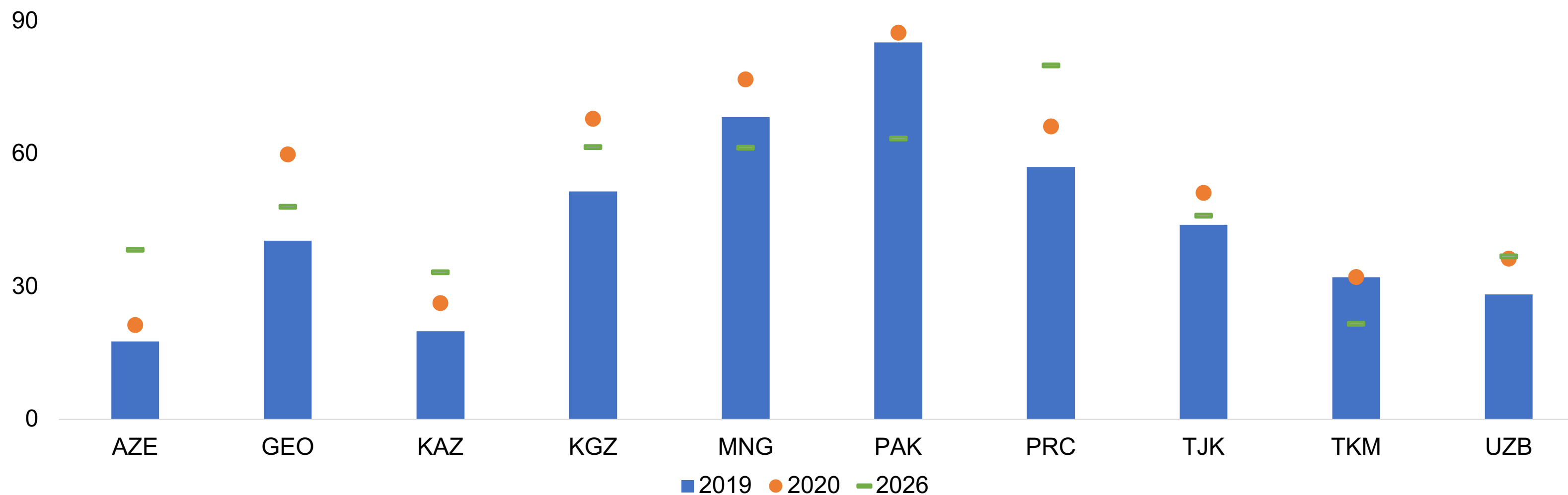


Source: Gentilini et al., *Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures (May 14, 2021) (Vol. 2)*: Global Database on Social Protection and Jobs Responses to COVID-19. COVID-19 Living Paper Washington, D.C.: World Bank Group.
<http://documents.worldbank.org/curated/en/129431621025702954/Global-Database-on-Social-Protection-and-Jobs-Responses-to-COVID-19>

Note: The chart summarizes key fiscal measures governments have announced or taken in health sector in response to the COVID-19 pandemic as of September 27, 2021. EM=Emerging Markets, LIDC = Low-Income Developing Countries
 Source: IMF Database of Country Fiscal Measures in Response to the COVID-19 Pandemic, October 2021

Rising debt levels may limit the room for further fiscal support

General Government Debt, percent of GDP



Sources: IMF, World Economic Outlook database October 2021

What are priorities in social spending policy for the coming years?

1. Prioritize spending to end the pandemic, including vaccine procurement and distribution
2. Prioritization of social spending and reducing spending inefficiencies will need to continue
 - Both the size and efficiency of social spending is important to achieve more inclusive recovery.
 - Take a medium-term view of social spending policies in the new normal
3. Focus on fiscal sustainability while creating room for needed health care and social spending
4. Support employment and facilitate structural reallocation, while cushioning the impact.
5. Build on COVID-19-related measures to strengthen social safety nets
6. Increased focus on improving health outcomes through more efficient spending in a post-COVID environment
7. Education budgets will need to be bolstered to make up for any learning loss during the lockdown period.

IFIs initiatives to assist member countries during the recovery

