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USAID's FUTURE GROWTH INITIATIVE

Looking ahead: Economic Policy Options for Covid-19 and Beyond in Central Asia

JULY 2020

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EXECUTIVE SUMMARY

Note: The contents of this report were written in late June and early July 2020. Due to continuous changes in the situation surrounding the Covid-19 pandemic, please note that all policy responses and macroeconomic forecasts have been updated to the latest available data at the time of writing.

Executive summary

The Covid-19 (coronavirus) pandemic is a uniquely devastating shock for the global economy. The outbreak caught even the world's largest and most sophisticated economies unprepared. Most governments around the world have been engaged in persistent experimentation, designing and continuously updating stimulus packages and interventions of unprecedented scale and scope. The Economist Intelligence Unit (EIU) developed this report to shed light on the economic impacts the global downturn is having in Central Asia and the policy options available to regional governments to respond to it.

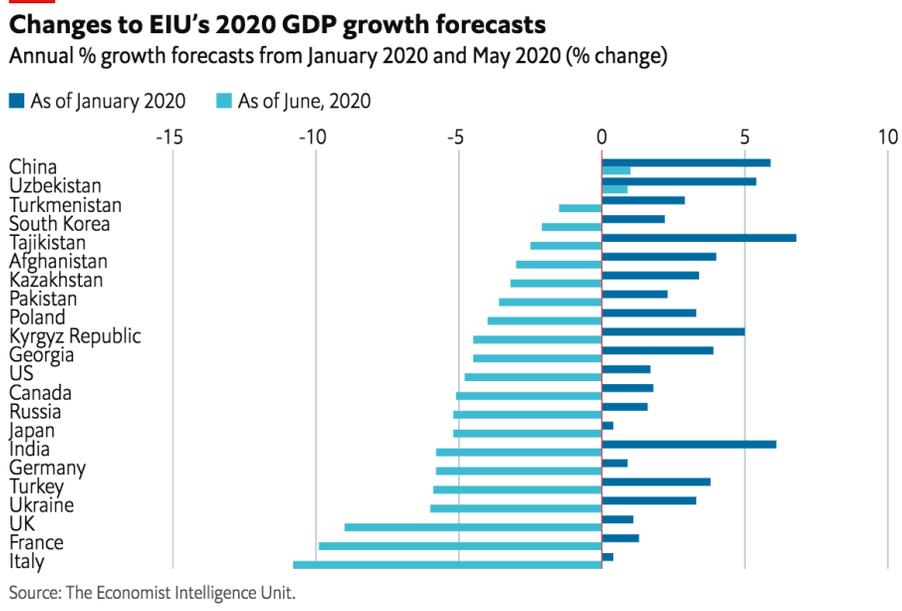
In Chapter 1, this report examines international economic impacts of and policy responses to the coronavirus pandemic. We explore the economic outlook in four regions critical for global and Central Asian economies – North America, East Asia, South Asia and Eastern Europe – and detail macroeconomic, business and population policy responses in ten countries in these regions. Detailed summaries for each country can be found in Annex I.

The coronavirus pandemic has weakened the economic outlook for every region in the world, but in different magnitudes and through different channels. The global economic outlook for 2020 has worsened dramatically, with expected growth rates ranging from a 1% expansion in China, to a 4-5% contraction in the US and Canada and a 9-10% contraction in the UK, France and Italy. In North America, for example, a very high number of cases resulted in severe containment measures that triggered an unprecedented surge in unemployment. In East Asia, a smaller number of cases and tighter labour markets meant a smaller shock to demand, but the region's reliance on exports means that weaker demand elsewhere will still see economies fall into recession.

In Chapter 2, we examine the impacts of the pandemic in Central Asia and the policies that regional governments have pursued in response. Detailed summaries for each country can be found in Annex I.

The prevalence of coronavirus in the region is still below the global average on a per-capita basis. However, major trading partners – particularly Russia and China – have been severely affected, and the region will feel the effect through lower demand and prices for commodity exports and decreased remittances and tourism inflows. The unprecedented external shock has exposed the structural vulnerabilities of regional economies – concentrated and undiversified portfolios of export goods and markets, commodity dependence, precarious public finances, as well as inadequate hard and soft infrastructure. The lack of robust social safety nets means that the most vulnerable in these economies are also at risk of losing access to basic necessities. Regional governments' responses have reflected the specific challenges faced by the region. Lockdowns were not imposed for as long as in some European countries, causing less direct economic damage. Instead, countries have sought to curb financial instability caused by second-round

economic distress in major trading partners. Nevertheless, the region's economies will be strongly affected, with only Uzbekistan's GDP expected to expand slightly this year, and the rest falling by 2-4%.



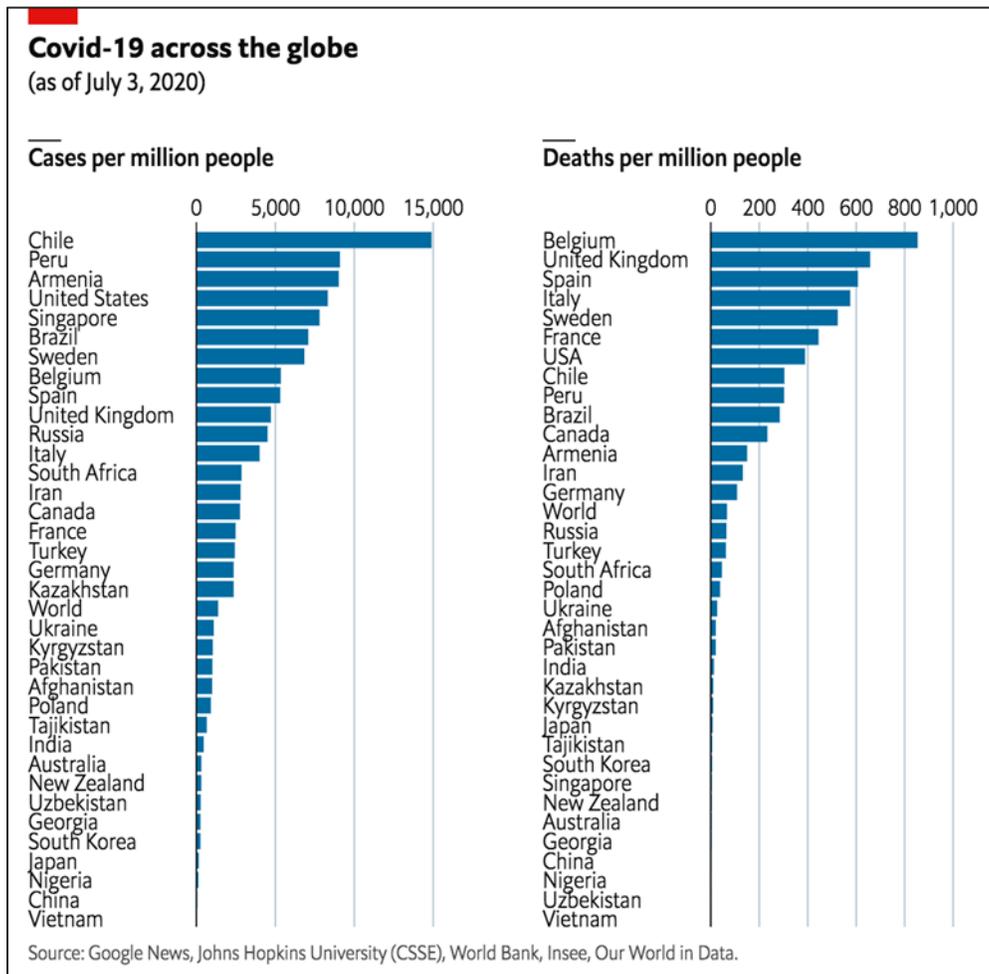
Chapter 3 outlines a range of policy options that governments in the region could pursue and relevant international examples. A general review of policy options and their expected effectiveness is outlined in Annex II.

The range of economic responses around the world has helped us identify a number of policy options for Central Asian economies in the short and long term. In the former category are *using the powers of the surveillance state safely* and *building public trust in government*. The single most important short-term measure for the economy is preventing a repeat of the drastic lockdown measures, and one of the most effective ways to achieve this is to keep track of current outbreaks. The scale of macroeconomic policy responses in the region are limited by governments' stretched fiscal positions and expensive access to finance. However, governments can consider *temporarily relaxing tight fiscal rules* on deficits and targeting their stimulus measures at the most vulnerable sectors, *acknowledging the region's uneven economic geography*. Further out, unwinding emergency restrictions on trade quickly in order to *improve regional cooperation* would help accelerate economic recovery. *Directing state support to growth areas* and *encouraging the digitalisation of public and private enterprises* would also lower costs for businesses and make the economy more resilient to future shocks.

Chapter 4 examines specific sectors that could offer a path towards greater economic diversification in the region. The pandemic has exposed Central Asian economic vulnerabilities stemming from highly concentrated and undiversified production and export capabilities, inadequate integration in global value chains, as well as underdeveloped private sectors. It is therefore incumbent upon governments in Central Asia to reduce business uncertainty and leverage existing comparative advantages to develop capacities in high-potential sectors, such as IT, Agriculture, Textiles, Renewables, Petrochemicals and others, while avoiding the protectionist trade measures that have proliferated in the wake of the current crisis.

1 COVID-19 OUTBREAK – GLOBAL IMPACTS AND RESPONSES¹

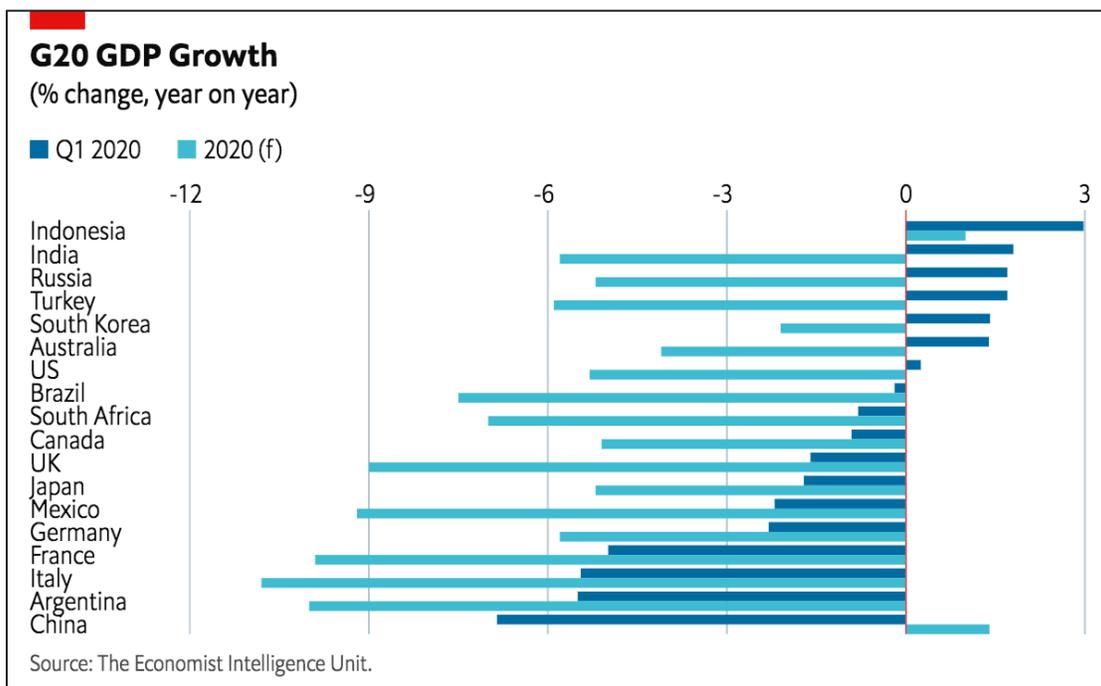
The coronavirus pandemic is a game-changer for the global economy. The outbreak has devastated the world’s largest and most interconnected economies. First reported in China in late 2019, it moved swiftly from east to west, spreading throughout Asia, Europe and, more recently, the Americas. As of late June 2020, the US topped the list of countries in terms of number of reported coronavirus cases. Also ranking high on the list were its G7 peers – France, Germany, Italy and the UK – as well as Spain, Brazil, Russia, India and Peru. Globally, 2020 and 2021 are likely to be lost years in terms of economic growth.



The economic shock of the coronavirus is likely to be most concentrated in the first half of 2020, with a partial recovery from mid- and late-2020 as quarantine measures are gradually lifted. However, potential second or third waves, or even the perceived threat of them occurring, could structurally weaken consumer demand for non-essential goods and services – including travel – thereby prolonging a global recession, possibly as part of a deflationary spiral that could take years to exit. These risks are likely to be compounded in the case that an effective vaccine for the virus is not found and/or released during 2021. In any case, the global economy is not expected to recover to pre-coronavirus levels before 2022. China is an outlier, as its GDP is not expected to contract this year. Other Asian economies are likely to

¹ All Covid-19-related data in this chapter come from John Hopkins University, and all macroeconomic economic estimates and forecasts from the Economist Intelligence Unit. All data is accurate as of the first week of July 2020.

be among the fastest to recover, with some (including India and South Korea) returning to pre-coronavirus real GDP levels in 2021. In contrast, G7 economies are expected to recover more slowly. GDP will return to 2019 levels in 2022 (Canada, Germany, the US), 2023 (the UK) or 2024 (France, Italy). Japan will be an outlier among the G7 countries, with real GDP not returning to pre-pandemic levels before 2025.



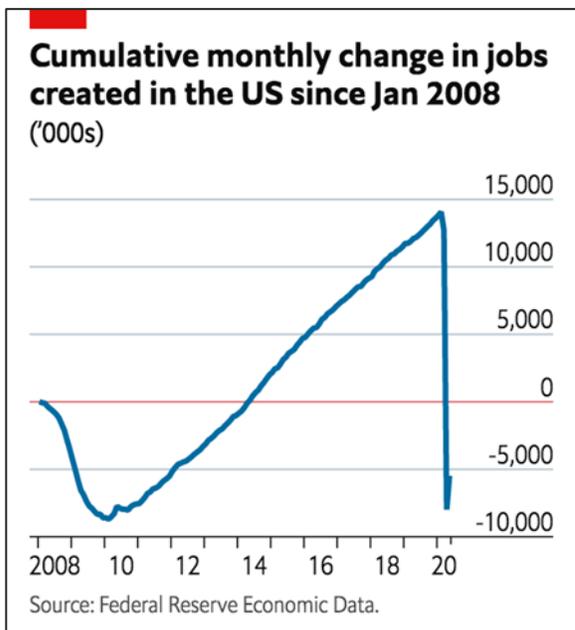
North America

The US and Canada have been severely affected by the coronavirus pandemic, with both reporting proportional cases and deaths at or far above the global average. The sudden stop to much economic activity prompted unprecedented action from governments and policymakers, notably to support workers facing a loss of income and to maintain liquidity in financial markets. Now, the focus is on returning the two economies to something approaching normality, although the speed with which this is being done in the US risks a second wave of nationwide infections. In 2020, both economies are set to shrink at the fastest rate since the Great Depression, while elevated unemployment and anxiety about personal finances is threatening only a tepid recovery in 2021.

Both North American countries have seen very high levels of coronavirus cases. As of July 3 2020, the US had around 8,300 cases per million people and Canada around 2,700, compared with a global average of just over 1,375. Mortality rates are also elevated. In Canada, 8.2% of cases proved fatal, while the rate in the US was 4.7%, just below the global average of 4.8%. Given the sophistication of North American healthcare systems, the expensive programmes rolled out by both governments and the prior warning that they had from outbreaks in China and Italy, these numbers are high.

The uncontrolled spread of coronavirus on the continent encouraged both governments to introduce lockdown measures in mid-March. The cessation of economic activity in many sectors led to immediate surges in unemployment as firms sought to control their costs. Supporting the labour market has formed

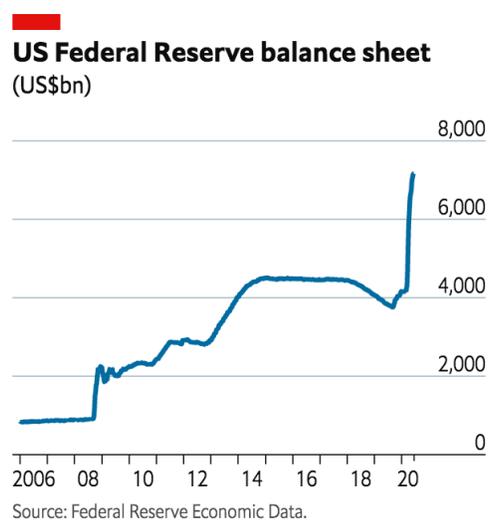
the cornerstone of government stimulus packages in both countries, although they took different approaches. In Canada, the federal government launched the Canada Emergency Wage Subsidy scheme, which pays firms 75% of employees' wages to companies that can show a decline in revenue of at least 15% over a qualifying period. The aim is to keep workers in their jobs during the period of acute disruption in the belief that this will enable the economy to function more smoothly once lockdown measures are lifted. The US has focused instead on providing support to the newly unemployed: the Coronavirus Aid, Relief, and Economic Security (CARES) Act provides a sum of US\$600 a week in federal aid to all unemployed workers, in addition to regular state unemployment benefits. The federal government also sent income taxpayers cash handouts worth US\$1,200.



Both economies have also made provisions for businesses. The Canadian government is paying the majority of the rent and offering interest-free loans to cover operating expenses for small firms. It has also launched a tiered system of loan guarantees for companies of different sizes. The US' Small Business Administration is offering a suite of options to smaller companies, including forgivable loans to cover employee wages and other day-to-day costs. (Funding for some of these programmes has been quickly exhausted.) Firms in both the US and Canada have also been offered tax relief, such as delayed filing without penalty, deferred income tax and value-added tax payments and the cancellation of customs duty on some imports. The CARES Act in the US also offers mortgage holders the option of a forbearance (where mortgage payments are reduced) for up to 360 days. The federal government in Canada has not offered mortgage relief, but it has bought up C\$50bn in insured mortgage debt, enabling six of the country's largest banks to offer mortgage payment deferrals for six months.

The measures outlined above are essentially demand-side policies, designed to limit the financial effect on businesses and consumers and keep them afloat. There has also been a major response on the supply side, with both the Federal Reserve (Fed, the US central bank) and the Bank of Canada (BOC, the Canadian central bank) lowering interest rates and intervening to keep financial markets liquid. The Fed acted with impressive speed once it became clear that the pandemic was threatening to seize up

financial markets. In addition to lowering its policy rate by 150 basis points (or to the zero lower bound) since the pandemic began, it has begun a new quantitative easing programme that is dramatically larger than those it conducted in the aftermath of the 2008-09 financial crisis. It is also buying up, or effectively guaranteeing, a much wider range of financial instruments, including, most significantly, corporate bonds. Finally, it set up swap-lines with a host of foreign central banks to ensure the continued availability of US dollars. The scale and speed of these interventions is likely to have prevented another global financial crisis. In Canada, the BOC has also been active, cutting interest rates by the same magnitude and launching several large asset-purchase programmes to maintain liquidity in financial markets.



That the US has been so severely affected by coronavirus is bad news for the global economy. The US is still the world's largest importer, so weak demand, from households in particular, means that the economic effects of coronavirus will be more severe for many export-oriented countries than if the US had recorded fewer cases. That said, the role of the Fed in staving off the risk of a collapse in financial markets in late March also needs to be acknowledged. As the operator of the world's reserve currency, the US has an outsized role to play in determining global financial conditions. By acting swiftly, the Fed limited the damage from the panic that was gripping investors around the world.

There have been some important differences in how both governments have approached lifting their lockdown measures. Given the geographical size of the countries and the wide disparity in the number of cases in different states and provinces, both took the step of devolving a level of responsibility to state and provincial leaders. However, the US administration has actively encouraged state governors to lift restrictions in a bid to limit the damage to the economy. This has not been the case in Canada. Consequently, some US states were under lockdown for a matter of weeks and have now been following the federal government's three-phase transition period for as long as the emergency measures were in place. Some states, including Georgia, which was hailed as a poster-child by the administration for opening up at the earliest opportunity, are now recording more cases of the virus than ever. There is a considerable risk that on-going transmission of the virus will necessitate lockdowns being re-imposed and further economic damage, although a nationwide 'second wave' is not our central forecast.

We expect that both North American economies will experience deep recessions in 2020. In the US, the economy will shrink by 5.3%, driven down by the impact of lockdown measures in April-May that prevented US consumers—who represent about two-thirds of the economy—from spending. This will make the pandemic recession the most severe crisis to hit the US economy since the Great Depression in the 1930s. The economy is likely to grow again in 2021, by 3.6%, although it will remain bogged down by high unemployment and on-going business caution. Overall, the economy will not return to its 2019 level until the second quarter of 2022. The decline in GDP in Canada in 2020 is likely to be of a similar scale, 5.1%. In addition to the pandemic, the economy is also being compromised by the huge decline in oil prices triggered by a price-war between Saudi Arabia and Russia. The pace of recovery in 2021 will be tepid, held back by high household debt levels, concern about renewed outbreaks of the virus and on-going low oil prices.



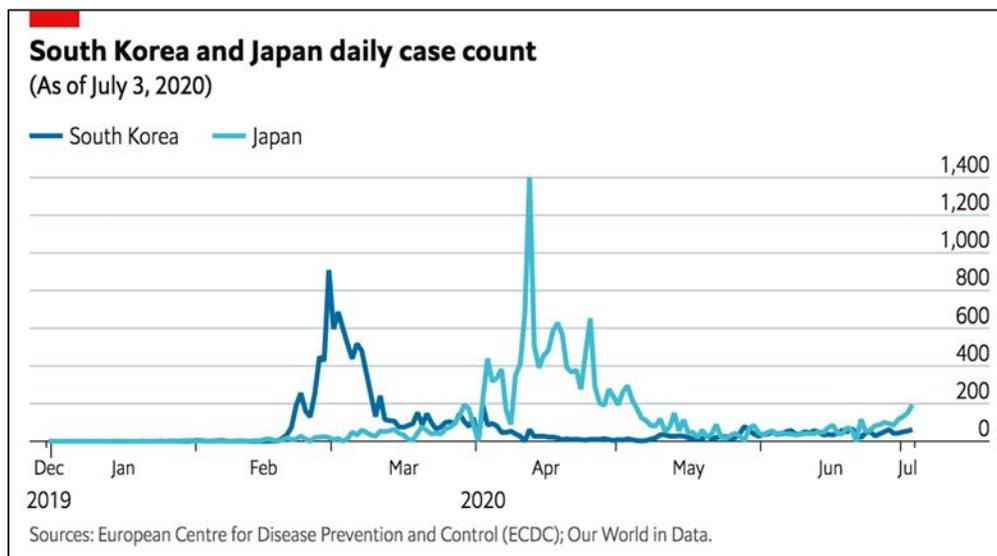
East Asia

East Asia was where the coronavirus pandemic began, with the initial outbreak traced to the Chinese city of Wuhan. At first it seemed that the virus might be contained thanks to a city-wide quarantine, but cases were recorded in South Korea and Japan in late January. These economies have succeeded in keeping the number of cases and fatalities relatively low and avoiding economically damaging lockdowns. However, the cost of stimulus packages remains very high and, at least in the case of Japan, economic weakness prior to the pandemic has hampered resilience in 2020. Consequently, both economies will experience deep recessions this year. Together with China, these East Asian economies represent a quarter of global output, but will exert a negative pull on the world economy.

South Korea and Japan's geographical proximity to and economic links with China meant that they were among the first countries to confirm cases of coronavirus: Japan on January 16th and South Korea four days later. Despite this disadvantage, the number of cases per million people has remained low in both countries, at 150 in Japan and 250 in South Korea as of July 1. This is well below the global average of over 1,375. The mortality rate in South Korea remains low at 2.2% but in Japan it has reached 5.2%, just over the global average of 4.8%.

The differing rates at which coronavirus spread in Japan and South Korea was influential in determining each government's response. South Korea saw one of the steepest accelerations in new cases anywhere in the world, from a single case on February 18 to more than 1,000 less than ten days later. Nevertheless, the government acted quickly, harnessing the country's technological capability to introduce a contact-tracing system. The system receives data from more than 20 organisations, including the police, credit card companies and mobile phone networks. When an individual is confirmed as sick, their movements are traced and local public health centres inform those people who have come into contact with them. Those people are then tested. Individuals testing positive and who have symptoms are quarantined at special coronavirus facilities, while those that are asymptomatic are told

to self-isolate. Access to such rich personal data was enabled in legislation passed after the 2015 MERS outbreak, which demonstrated the need for tracing the movements of infected persons. Within six weeks of first hitting 1,000 cases a day, the number had been brought down to single figures again. The success of the contact-tracing programme, combined with adherence to social distancing among the rest of the population, meant that a lockdown, and the enforced economic hit that comes with it, was not required in South Korea.



Japan's experience was a little different. Initially, the government relied on social distancing. Although this was more effective than in many European states, it still failed to stop a gradual rise in cases. On April 16, it imposed a nationwide state of emergency, which gave prefecture governors the discretion to close public facilities and places of work, while visitors from more than 100 countries were banned from entering. These measures brought down the daily case count by more than 90% and the state of emergency was lifted on May 25. The number of daily cases has since remained fairly static, at around 50.

The South Korean administration has issued three supplementary budgets for 2020, in March, April and May. The first two budgets contained measures to tackle the acute phase of the crisis, including cash handouts to families to stimulate consumer spending, and support for firms in ailing strategic industries, such as carmakers, airlines, shipbuilders and oil refiners. There have also been tax incentives on new car purchases and for firms that increase their level of investment. The third budget, branded South Korea's 'New Deal' has loftier aims. It hopes to create more than half a million new jobs in artificial intelligence and increase digitalisation in the country's least-developed regions. There are also sizable allocations for green technology and to expand unemployment insurance to cover all workers.

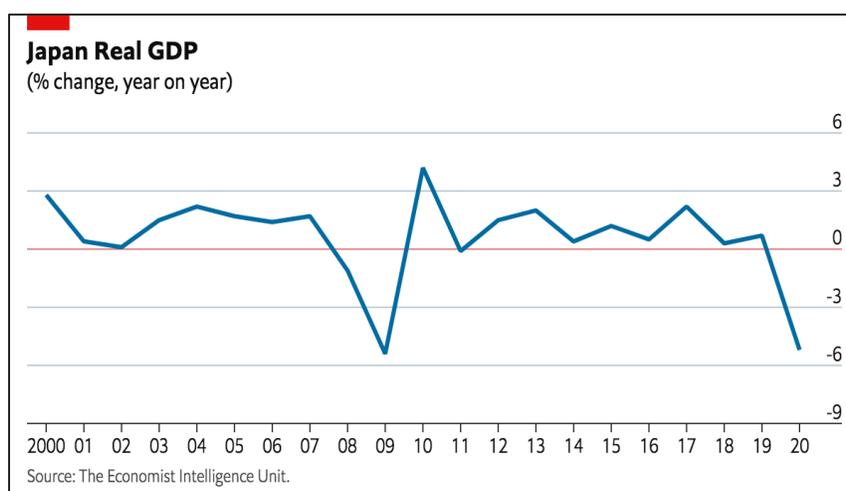
In Japan, the government has launched two supplementary budgets, one in April and one in May, each worth approximately US\$1trn, or a combined 40% of GDP. For businesses, the measures include lending and credit guarantee schemes, longer deadlines for tax filing, the cancellation of some taxes for SMEs and subsidies for freelancers and sole traders. Individuals have received cash handouts. Although the country's rigid labour market has prevented the sort of spike in unemployment seen in the US, there have been measures for the labour market too, including making more workers eligible for

subsidies for temporary paid leave and an expansion of annual leave to allow parents to care for children whose schools have been closed.

Monetary policy has played a smaller role in East Asia's coronavirus response than in North America. This is partly because the Bank of Japan (BOJ) and the Bank of Korea (BOK) had fewer levers to pull. The BOJ was already running a negative policy interest rate, while the BOK reduced its rate by 75 basis points to a record low of 0.5% in two stages. However, both central banks have sought to maintain liquidity in financial markets. The BOK agreed a currency-swap deal with the Federal Reserve (the US central bank) to maintain South Korea's access to US dollars, while the BOJ has offered interest-free loans to banks.

Although the number of cases of coronavirus has been much lower in South Korea and Japan than many countries in Europe and North America, and both countries avoided the additional economic pain of lockdowns, the pandemic will still trigger deep recessions. South Korea's economy is highly export oriented, which means it will feel the chill from weaker demand in China, the US and Europe, even if the decline in domestic spending is shallower than in most comparable economies because of the government's effective containment of the disease. The economy is expected to shrink by 2.1% in 2020, followed by an expansion of 3.4% in 2021 as global demand for electronics exports begins to recover. Investment will also be lent some support by the government's measures to expand digital infrastructure.

In Japan, the pandemic arrived at a particularly bad time, with the economy already struggling from an increase in the rate of consumption tax and the damage caused by Typhoon Hagibis. The economy shrank in the fourth quarter of 2019, which meant that it entered recession after another fall in January-March 2020. That the state of emergency was imposed in April means that the economy will shrink again in the second quarter. The impact of government stimulus measures will be felt in the second half of the year, but will not be enough to stop the economy shrinking by 5.2% in the year as a whole. The postponement of the Tokyo Olympics to 2021 will give some added impetus to the economy in that year, although the scale of the boost will depend on international restrictions and the desire of tourists to travel abroad.



The impact of recessions of this magnitude on the global economy, combined with much slower growth in China – expected to be just 1% in 2020 — will be considerable. China, Japan and South Korea alone

represent just under 25% of world GDP. We expect that this group will subtract from global growth in 2020, while their diminished appetite for imports will also subdue the export receipts of their trading partners. The substantial deterioration in Chinese growth in 2020 will be felt in Central Asia. China is Uzbekistan’s biggest export market (absorbing 20% of the total) and its biggest supplier (representing 20% of imports). China is also the second largest export market and second largest import destination for Kazakhstan. Both economies supply China with oil and gas through pipelines completed in recent years under the auspices of China’s Belt and Road Initiative. China’s developing energy interests in the region have enabled Central Asian economies to gain greater access to China’s domestic market for other export categories, such as agriculture. Weaker import growth in China would, therefore, extend beyond the energy sectors in Central Asia.

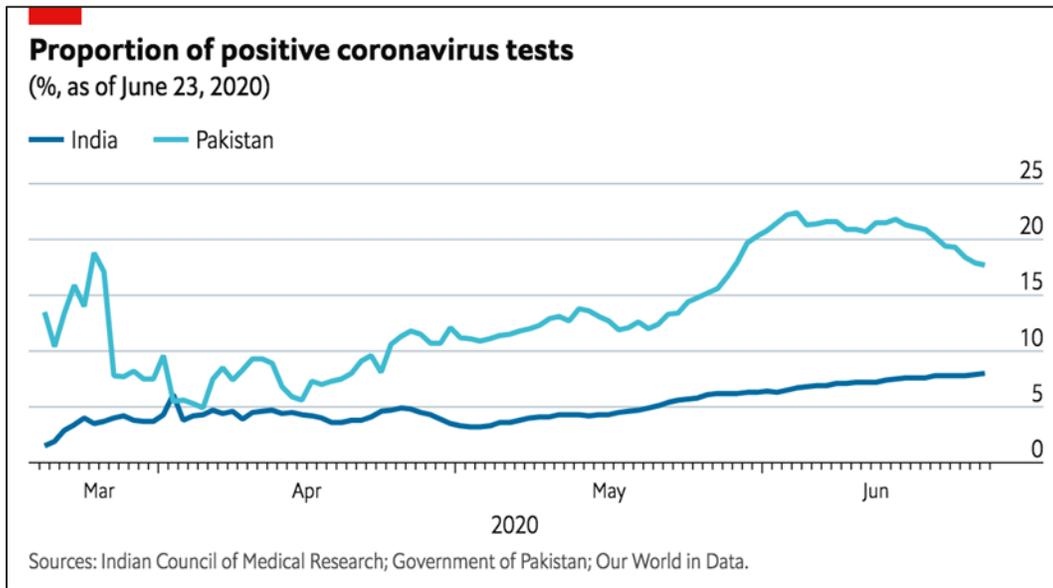


Source: The Economist Intelligence Unit.

South Asia

South Asian economies confirmed sufficient cases of coronavirus to impose stringent lockdown measures in March. These measures have now been largely lifted, yet the number of cases is continuing to rise. This raises the risk of some regions having to re-enter quarantine. Stimulus measures from governments and central banks have been forthcoming and have combined conventional measures of soft loans for businesses, cash transfers for the poor and adjustments to tax and trade policies. The fate of India is important for the global economy, and the steepest recession in its history is likely in 2020.

At the time of writing in early July, our featured countries in South Asia—India, Pakistan and Afghanistan—all had incidence and mortality rates below global averages. The number of cases per million people was roughly similar in Afghanistan and Pakistan (at 999 and 1013 respectively), with India on 417, as of July 1. The mortality rate was highest in India (3%), with just over 2% in Pakistan and 2.5% in Afghanistan. However, the trends are not encouraging. The number of new cases per day is rising sharply in India in particular. The data is noisier for Pakistan but still appears to be heading upward. In Afghanistan, the number of new cases looks to be in decline. We note that all three countries are increasing their numbers of tests, but we balance that against the fact that India and Pakistan have moved out of lockdown with the virus still out of control. This is demonstrated by the fact that the proportion of tests being returned as positive is rising.



The three South Asian economies began to close in late March, as it became evident that the coronavirus outbreak in China had spread internationally. In India, the entire country was put under lockdown—one of the strictest regimes in the world—and most activities were restricted for two months. Limits remain on travel, public gatherings and schools. Pakistan began to ease its lockdown in mid-April and most measures had been lifted a month later. The government in Afghanistan began to unwind its restrictions at the end of May, but limits will remain in place for another three months in the capital, Kabul, and other major cities.

The Indian government and monetary authorities have assembled a conventional stimulus package and a complementary set of macroeconomic policy adjustments. The combined value of the measures is estimated at around 10% of GDP, making it of a comparable size to those in the US and many Western European economies. The biggest single tranche of the stimulus—around one-third—has been directed at maintaining liquidity for firms of all sizes through a wide range of soft loans, but with special attention to micro and small enterprises. Another large chunk of the stimulus is designed to provide concessional credit to farmers and street vendors and the expansion of existing schemes to offer work to day labourers.

A group of strategic and/or particularly vulnerable sectors has been identified, including fishing, construction, real estate and agriculture, and businesses in these industries have been offered government-guaranteed loans. The social safety net has also been increased and cash transfers have been made to rural workers, women, the disabled and low-income senior citizens. The Reserve Bank of India (the central bank) has lowered its policy repo rate by 115 basis points to 4% and has sought to increase the volume of lending to commercial and state-owned banks.

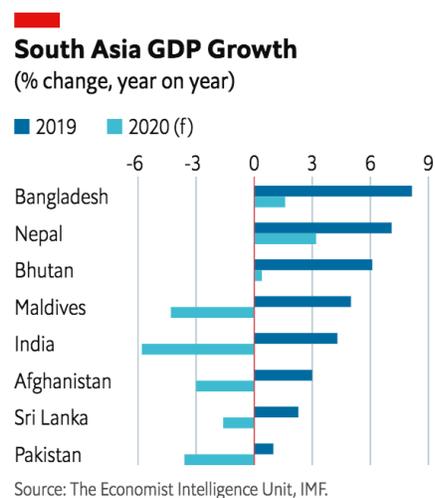
In Pakistan, the central bank implemented a major loosening of what was previously quite a tight monetary policy; it reduced its main interest rate by 525 basis points to 8% and reduced banks' capital requirements by 100 basis points. The same institution is also refinancing banks to provide long-term loans at a lower rate to those involved in modernising or expanding their manufacturing facilities. It has also made available cheaper loans to firms in strategic sectors and has relaxed some rules around consumer loans that will make it easier for households to borrow more. The government is also

attempting to provide similar support to the labour market as that attempted by the US administration, by offering loans to firms to cover wages in the hope that it limits redundancies. Other initiatives include topping up the pay of daily-wage workers and cash transfers to low-income families.

The policies pursued in Afghanistan are simpler by necessity. The government’s main policy package amounts to around 6% of GDP. Around one-third of this funding has come from the national budget and the rest has been supplied by international donors and multilateral institutions. The bulk of the package is directed at two areas: building new emergency care facilities and creating jobs. The government is funding new labour-intensive projects such as dam construction, expanding food-processing capacity and tree planting. It is also sourcing food for labourers, street vendors and other vulnerable groups in Kabul, as well as distributing cash and food to the newly unemployed.

All three governments have made adjustments to their trade policies, partly to make it easier to maintain supplies of emergency equipment and food and partly to reduce the costs of firms exposed to the plunge in external demand. The Indian finance ministry has reduced import tariffs on medical equipment and drugs, testing kits and PPE, imposed restrictions on some export categories and extended the deadline for filing goods and services taxes. In Pakistan, the government has cut import duties, sales and taxes on health equipment and food staples and pushed out tax filing dates. In Afghanistan, the import of some agricultural products has been banned to protect local industry, while import taxes have been waived on medical equipment.

The size of the Indian economy means that the economic performance of the region will also be significant for the global economy. We expect Indian GDP to shrink by 5.8% in fiscal year 2020/21 (April-March). This would be the country’s steepest contraction in its history. The countrywide lockdown will deeply depress private consumption and investment in the first half of the year and growth in some sectors, notably travel and tourism, will be slow to come back, given the continuing prevalence of the virus. In Pakistan, the economy is estimated to have shrunk by 3.6% in fiscal year 2019/20, thanks to a combination of the effects of the domestic lockdown and a big fall in remittances from Pakistanis working abroad, especially in the Gulf. We forecast an expansion of 0.8% in 2020/21, partly because of the low base of comparison. The government will be forced to resume its previous process of fiscal consolidation and its efforts to reduce balance-of-payments stresses, which means growth is likely to remain sluggish for several years. The Afghan economy is likely to shrink by around 3% in 2020, reflecting increased joblessness and the absence of a social safety net that enables the poorest to continue to spend.



Eastern Europe

Economies in Eastern Europe have seen fewer cases on a proportional basis than hotspots in the EU and parts of Asia. However, there have been sufficient incidences to warrant expensive lockdowns, which will ensure that all three featured economies suffer recessions in 2020. Government support packages have been forthcoming and have focused on soft loans for businesses, strengthening social security measures and lowering the tax burden. A very weak

performance in both the EU and Russia will mean that export demand for Polish and Ukrainian goods will fall steeply, compounding the difficulties of the domestic economies.

In Eastern Europe, coronavirus has spread particularly widely in Russia, which has recorded almost four times as many cases per million people as the global average. Meanwhile, as of July 3, coronavirus incidence in Poland (916 cases per million), Ukraine (1,096) and especially Georgia (252) have been below average. All four nations have experienced mortality rates below the global average of 4.8%, with Russia the lowest, at 1.5%.

The spread of coronavirus in Poland and Ukraine has followed a very similar pattern, albeit with Ukraine about ten days behind its north-western neighbour. However, the imposition of lockdown measures in both countries in mid-March appears to have halted the rise in new cases at approximately 400 a day, although there has also been no evidence of any decline either. In Georgia, the virus has been much more contained and the number of cases appears to be on a downward trajectory, with fewer than ten new cases a day.

Governments in the region have responded to the virus with comparable sets of economic policies. The Polish stimulus package is worth an estimated 13% of GDP, approximately one-third of which was in the form of returnable subsidies for firms struggling to pay their operating costs. A much smaller programme has been established for firms with poor credit ratings or high levels of debt (or both) that prevent them from accessing the main scheme. Firms have also been offered grants to cover 50% of employees' wages for three months. Another major area of the programme is a loosening of the tax regime, with VAT and retail tax collections deferred. There are additional measures for smaller firms. Sectors facing especially difficult conditions, such as tourism, have also received direct financial support and preferential loans.

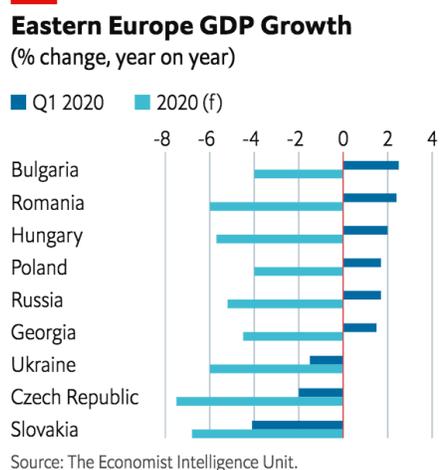
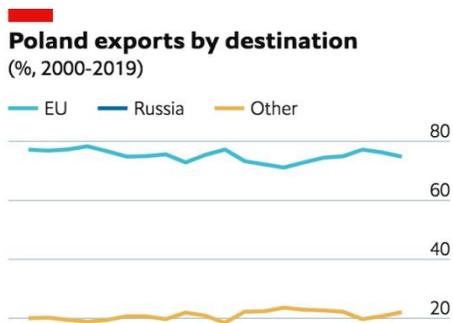
The Ukrainian government's stimulus package is smaller than the Polish equivalent, at an estimated 7% of GDP, but is targeted at similar areas: access to existing government-backed credit schemes has been broadened and deepened and the largest state-owned bank has offered loan holidays to SMEs. The government has agreed to pay 50% of the wages lost by workers struck by the virus. With regard to tax, firms have been exempted from land taxes and rent on state properties, small firms have been granted extensions to filing their returns and exemptions to social security contributions.

The Georgia package is of a size proportional to that in Ukraine (6% of GDP) and is to be partly funded by assistance from multilateral organisations. Around 15% of this consists of soft loans for businesses to manage their existing costs, while there is a separate pool of funding set aside to guarantee commercial loans. Further help has been made available for the agriculture, construction and tourism industries, which includes cash handouts for farmers and mortgage guarantees for homebuyers. As in Poland and Ukraine, the Georgian government has made tax concessions, whereby firms can defer income and property taxes until later in the year.

A feature of all three stimulus packages is a focus on the most vulnerable members of society. In Georgia, large families, those with disabilities and chronic diseases and those with low incomes are all eligible for a combination of cash handouts, government support for utilities bills and free medicines. In Poland, the government has created food-aid schemes through which local councils arrange meal deliveries to elderly, lonely, disabled and quarantined citizens. In Ukraine, cash handouts have been made to self-employed parents and pensioners and the unemployed are eligible for help with utilities.

Housing evictions have been suspended. Retailers must also notify the government before altering the price of staple goods, such as wheat and eggs.

By comparison to other regions, Eastern European central banks have been less active. The National Bank of Poland (NBP) was constrained by the fact its policy interest rate stood at only 1.5% before the pandemic began, although it has trimmed it to the zero lower bound. The NBP's counterpart in Georgia has taken 25 basis points from its policy rate, to 8.5%, while in Ukraine the policy rate has been lowered from 11% to 8%. Central banks in the region have also conducted other crisis-management operations: the NBP cut its reserve requirement for banks from 3.5% to just 0.5% to spur lending while the National Bank of Ukraine enacted a cut of similar size.

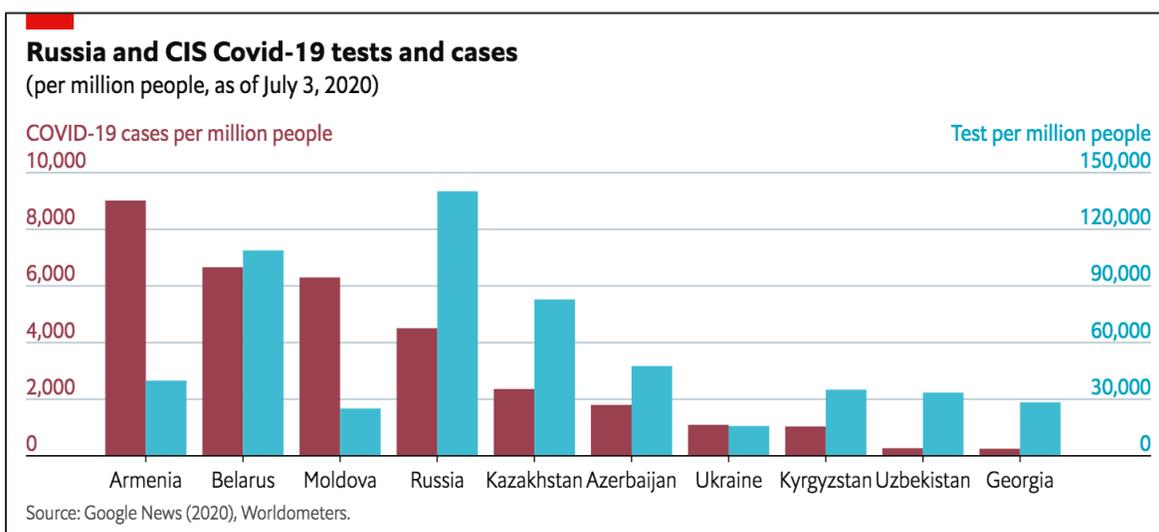


These four Eastern European economies are not of a sufficient size to drive the global economy. Instead, their own economic performance is partly determined by the performance of their biggest trading partners. This is especially the case for Ukraine, an export-oriented economy that will be hit by a decline of 7% in the size of the EU economy in 2020. We do not expect Eastern European economies to find much respite by looking to Russia: we expect the twin crises of the pandemic and the fall in oil prices to result in a fall of more than 5% in the Russian economy this year. The Russian recession will be particularly consequential for Central Asia; Russia is the largest export market for Kazakhstan (taking around 40% of total exports) and Turkmenistan (15%) and the second largest for Kyrgyzstan (30%), Uzbekistan (20%) and Tajikistan (15%). Russia is also a major source of imports for all five economies, which would face procurement problems and/or higher prices if Russia were to curtail shipments of particular export categories. Poland, which has recorded consistently strong economic growth in recent years, is likely to see its economy contract by 4% in 2020. This smaller decline relative to the EU and Russia is attributable to a less extensive spread of the virus, which meant that the country's period under lockdown was shorter. We expect Ukraine to be hit by its third major economic crisis in less than 15 years, after the global financial crisis and the annexation of Crimea by Russia in 2014-15. Measured simply by the size of the economic contraction, the pandemic is likely to be the least severe of the three, although GDP will still fall by 6% this year. The recession in Georgia will be driven by a decline in tourism, with household consumption also suffering because of hefty falls in the value of remittances from Georgians living abroad, whose employment is likely to have been disrupted. The economy is set to drop by around 4.5% this year. In all three economies, we expect growth to return in 2021. Any impression of a rapid expansion next year should be tempered by acknowledging the very low base of comparison in 2020.

2 COVID-19 OUTBREAK IN CENTRAL ASIA: IMPACTS AND RESPONSES

While early in the pandemic Central Asian economies had managed to escape major outbreaks of coronavirus and mortality rates among those who have contracted the disease had been low, as of early July the region has seen a significant rise in cases. The region's economies will still suffer a big deterioration in 2020 owing to exposure to other weakening economies, either through the channel of energy exports (Kazakhstan, Uzbekistan) or remittance inflows (Kyrgyzstan, Tajikistan). Central banks have spent reserves to limit the depreciation of currencies and the support of multilateral lenders has staved off the threat of a financial crisis. But the economic health of the region depends on a recovery in major trading partners, particularly Russia and China.

The countries of Central Asia have seen relatively few cases of coronavirus on a proportional basis, likely a consequence of low population densities and their relative lack of integration into global economic systems. That being said, the region has seen a recent spike in the number of cases in early July. The number of cases per million as of July 3 was around 2360 cases in Kazakhstan, 658 in Tajikistan, 1036 in Kyrgyzstan and 270 in Uzbekistan. Mortality rates have been around or below 1% in Kazakhstan, Tajikistan and Uzbekistan while Kyrgyzstan has a rate of 1.1%, compared with the global average of 4.7%. The government in Turkmenistan has not provided any information about possible outbreaks in the country.



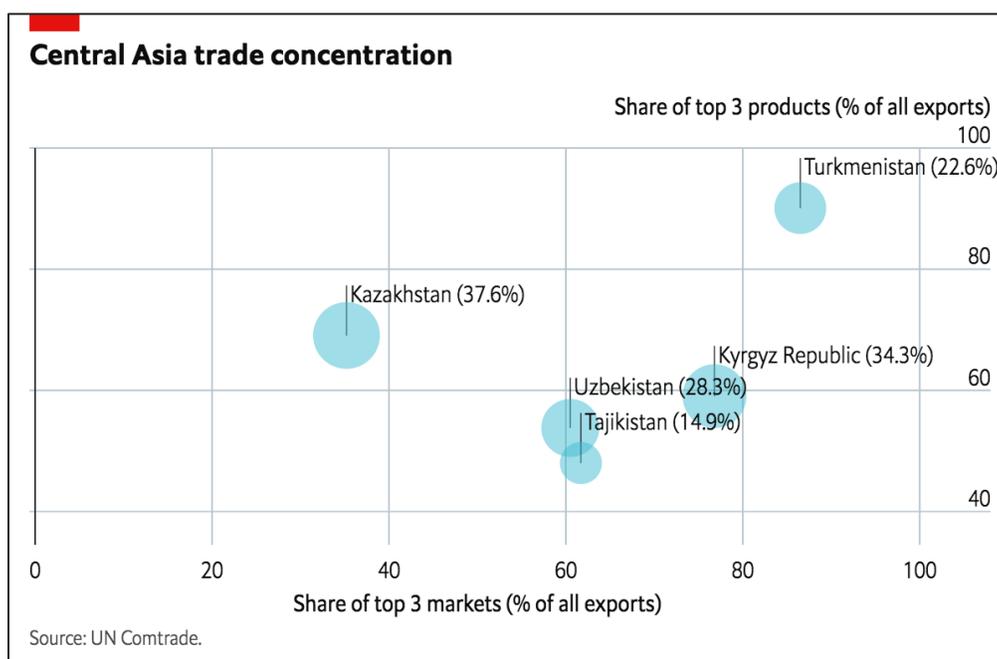
Governments in the region imposed restrictions on freedom of movement between mid-March and early April. In Turkmenistan these measures were relatively loose (some large-scale, government-mandated gatherings were allowed to proceed) but in Kyrgyzstan and Uzbekistan restrictions were more similar to those in Europe or North America, with all public spaces and non-essential shops and workplaces closed. Given the geographical size of the country, the government in Kazakhstan declared a state of emergency and regional administrations decided upon the extent of their lockdown. In the four countries publishing information on their policies, each began to relax their restrictions in May. The lockdowns in Kazakhstan, Uzbekistan and Kyrgyzstan have not prevented the general trend in new cases from rising

in recent weeks, with reported second wave (or a prolonged first wave) flaring up as of mid-July.² As a result of rising cases, Kazakhstan and Uzbekistan have imposed second lockdowns, while the Kyrgyz government considered but ultimately decided against re-imposing a state of emergency.³

Nevertheless, the policy responses from governments in Central Asia have reflected the fact that the nature of the economic shock is different to many advanced economies, as well as the specific challenges faced by the countries in the region. The first wave lockdowns were not imposed for as long as in some European countries and thus caused less direct economic damage. This could change with the second wave outbreak, but for now, countries in Central Asia have sought to curb financial instability caused by weakness elsewhere in the global economy and by second-round economic distress in major trading partners.

Undiversified, commodity-dependent export markets have been hit hard

Regional economies are relatively open and depend on a non-diversified portfolio of export markets and products – mostly commodities – which leaves them highly exposed to external shocks in terms of external demand and global price fluctuations. The regional ratio of trade turnover to GDP averages 65% and at least 60% of countries’ export earnings come from commodities, such as oil, gas, ores, metal, and cotton.⁴ Moreover, exports are concentrated in a few key markets, particularly China, Russia and Western Europe, whose economies have been hit hard by the Covid-19 outbreak.



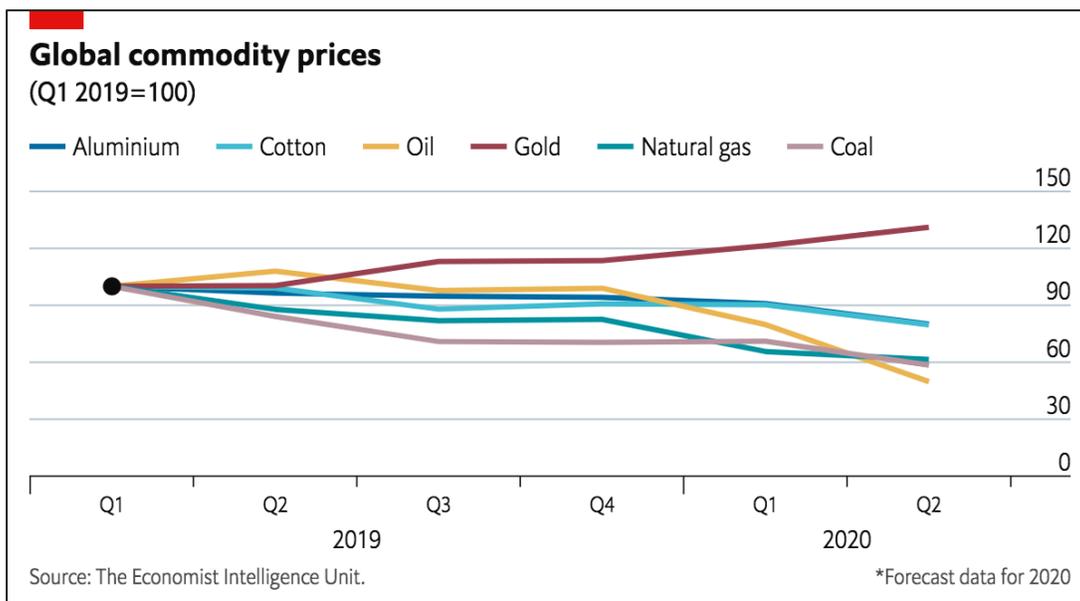
Note: The size of the bubble and the data next to it represents % of exports in country's GDP

² <https://www.aljazeera.com/news/2020/07/covid-19-cases-soar-central-asia-200708124145894.html> ; <https://uk.reuters.com/article/us-health-coronavirus-centralasia/central-asia-struggles-with-resurgent-coronavirus-after-reopening-idUKKBN24922Q> ; <https://astanatimes.com/2020/07/kazakhstan-declares-july-13-as-day-of-national-mourning-for-covid-19-victims/> ; <https://www.reuters.com/article/health-coronavirus-uzbekistan-lockdown/uzbekistan-to-introduce-second-lockdown-from-july-10-idUSS0N2DV00E>

³ <https://uk.reuters.com/article/us-health-coronavirus-centralasia/central-asia-struggles-with-resurgent-coronavirus-after-reopening-idUKKBN24922Q> ; <https://astanatimes.com/2020/07/kazakhstan-to-reintroduce-two-week-lockdown-to-deal-with-covid-19-spike/>

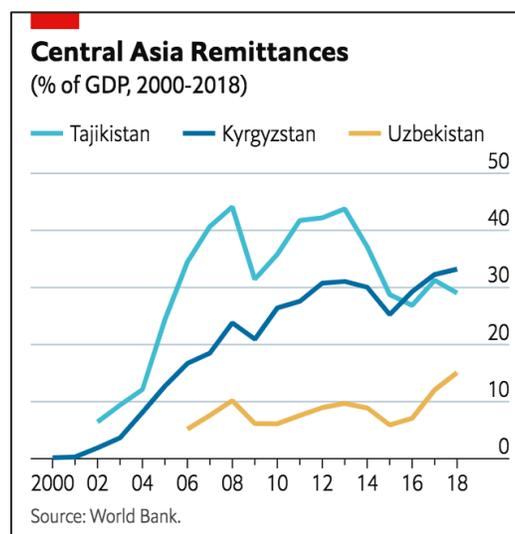
⁴ https://unctad.org/en/PublicationsLibrary/ditcom2019d1_en.pdf

Simultaneously, the pandemic contributed to a collapse in demand and resulting significant price decreases in a number of Central Asia's key export products, compounding the falling trade volumes with a decreased nominal value of the remaining exports.



Critical income from remittances also suffers

Alongside trade flows, the pandemic, and countries' policy responses, have interrupted the cross-border movement of labourers, who provide vital flows of remittances that help sustain consumption and reduce poverty in many Central Asian economies. Remittances account for some 15% of Uzbekistan's GDP, and around 29% of Tajikistan's and 33% of Kyrgyzstan's economic output.⁵ Significant losses of remittances due to layoffs in Russia, border closures, and declining wages may significantly worsen the current account deficits of the region's leading recipients of remittance flows. Migrants returning home to markets lacking adequate numbers of jobs in the private sector also create additional pressure on governments' fiscal systems, due to increased demands on state-funded services without additional tax revenues.

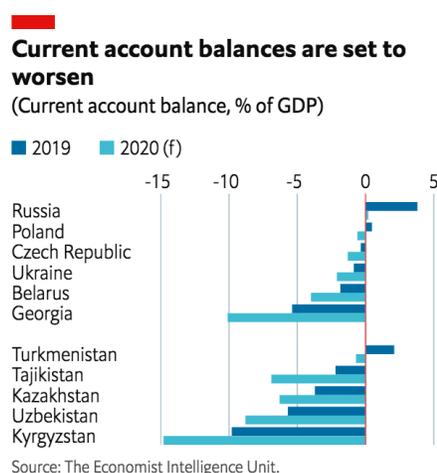
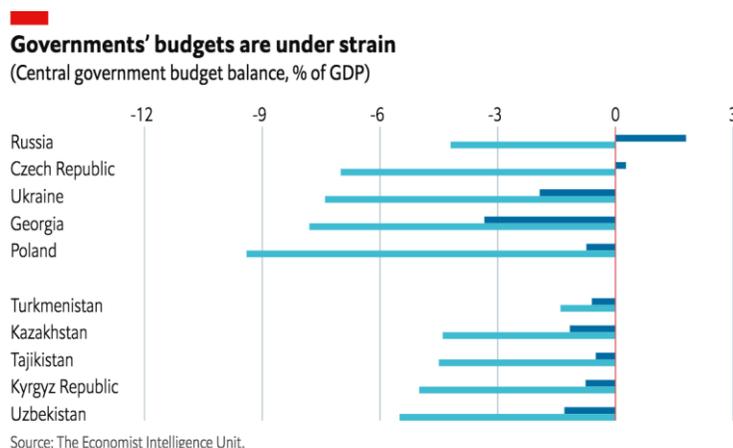


Pandemic shirks an already limited fiscal space

Central Asia's governments already operate with fiscal restraints as a result of structural economic challenges, particularly the reliance on commodity exports, under-developed financial markets, and weak institutional governance. Regional governments generally run tight fiscal policy because of the

⁵ <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=KG-TJ-UZ>

variability of tax revenues due to the impact commodity prices and remittances have on domestic demand. The shallowness of regional financial markets forces governments to borrow from investors abroad. Regional governments will have to increase budget deficits to finance emergency support measures and economic stimulus plans in response to the Covid-19 outbreak. All governments in the region have announced and started to implement fiscal stimulus packages, ranging from initial estimates of 1.5% of GDP in Uzbekistan, to 5.6% in Kyrgyzstan, and 9% in Kazakhstan.⁶ Packages include measures to provide the health sector with the means to combat the epidemic and support businesses and households. (For details of individual packages, see the country summaries in Annex I.)



Among the measures familiar from other regions include a loosening of tax obligations. In Uzbekistan, deadlines for paying property, land and agricultural taxes have been delayed. Kazakhstan has gone further, making firms exempt from these taxes for the remainder of 2020, likewise sole traders do not have to pay income tax for the same period. The governments in Kazakhstan and Kyrgyzstan have also temporarily waived businesses' social-security contributions. Central Asian administrations have also sought to improve the supply of credit, a particularly important factor in economies with a history of high interest rates. The Kyrgyz government has made soft loans available to businesses in priority sectors such as food production. This administration, and its counterpart in Kazakhstan, has expanded existing government-guaranteed credit schemes. In Tajikistan, the central bank has permitted commercial banks to restructure customer loans and offer grace periods from repayment but it has not obliged them to do so.

The burden of external debt is limiting governments' ability to finance the response

Long-term debt burdens are a concern if economic growth stagnates. Reliance on commodity exports has failed to return Central Asian countries to prior growth paths after successive crises and the region's governments and businesses pay a premium to borrow. The countries for which the World Bank has

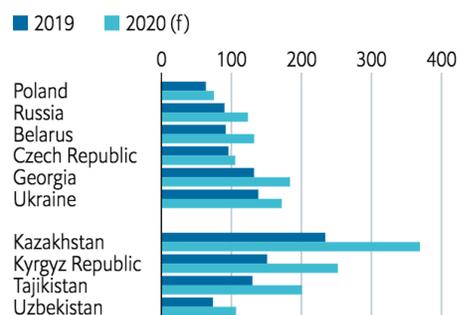
⁶ Calculations based on IMF data. <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

collected data – Tajikistan, Uzbekistan, and the Kyrgyz Republic – had risk premiums of around 29%, 10%, and 14% respectively in 2019 (Tajikistan data is available from 2017).⁷ The IMF estimates Kazakhstan’s public debt to GDP ratio to be around 20%, Kyrgyzstan’s at 56%, and Turkmenistan’s at 29%. Uzbekistan’s public external debt burden was estimated to be at 26% of GDP and Tajikistan’s at roughly 39% as of 2019.⁸

China’s role as a frequent lender of last resort has also significant bearing on the fiscal capacity of Central Asian governments to respond to the pandemic with spending plans. High debt burdens undermine growth and the lack of transparency associated with much of the debt coming from China further undermines trust of foreign investors. Although Kyrgyzstan owes 45% of its government debt to China’s Export-Import Bank, the country’s public debt burden decreased from an estimated 65% of GDP in 2015 to 47% of GDP as of Q1 last year.⁹ Total external debt to GDP ratio also decreased over that time, suggesting the private sector has deleveraged some. Tajikistan owes nearly half its government debt to China, and drew criticism last year over the controversial decision to cede rights to a silver mine in Dushanbe to Chinese investors.¹⁰ Similarly, the lack of clarity on Turkmenistan’s debt exposure to China has also long undermined trust of international observers and foreign investors.¹¹ Governments and businesses in the region should be cautious in managing debts owed to China.

Debt burden is expected to increase, limiting countries’ fiscal space

(Total external debt stock as a percentage of exports of goods)



Source: The Economist Intelligence Unit.

Policy responses constrained by fiscal considerations

Given the financial constraints, macroeconomic measures have focused primarily on stabilising currencies, which, if they had been allowed to depreciate, would have pushed up the cost of imported food and goods. Central banks in Kyrgyzstan and Kazakhstan raised their policy interest rates in the early days of the crisis (in late February and early March respectively) when it appeared that the outbreak in China was transforming into a global pandemic and investors began withdrawing portfolio funding from emerging markets. The National Bank of Kazakhstan then cut the rate back to almost its pre-pandemic level in April, when it became clear that global financial markets were not at imminent risk of collapse and that domestic demand was going to need a boost. The central banks in Uzbekistan and Tajikistan have cut their policy rates, but not on the scale or to the levels seen in many economies in Asia or Europe, given higher structural levels of inflation.

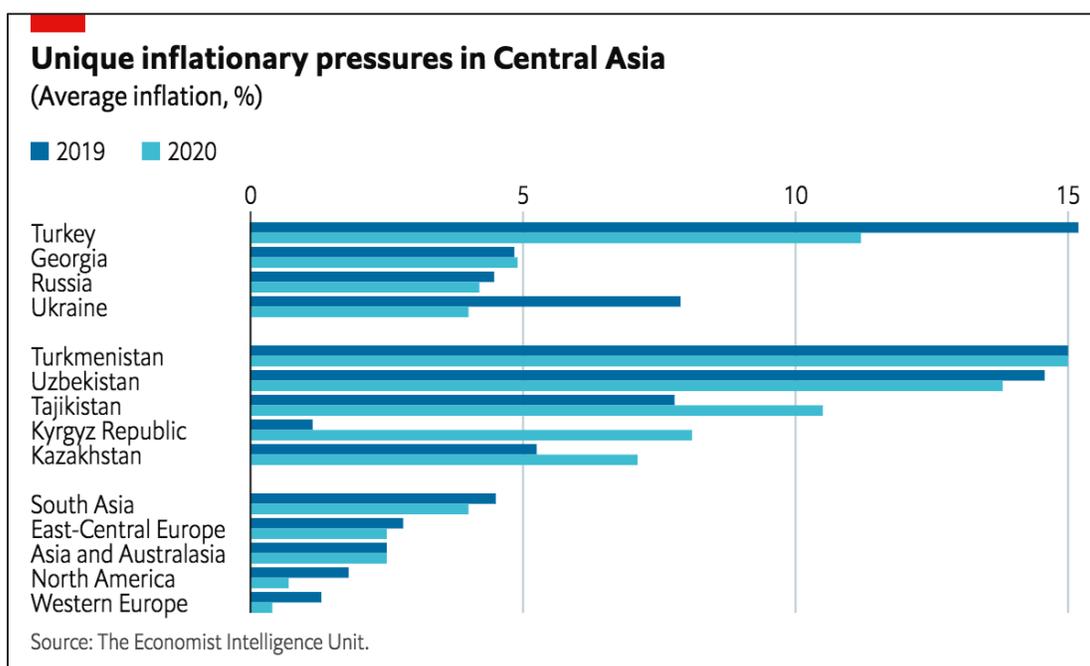
⁷ <https://data.worldbank.org/indicator/FR.INR.RISK?locations=TJ-UZ-KZ-KG-TM>

⁸ https://www.imf.org/external/datamapper/CG_DEBT_GDP@GDD/CHN/FRA/DEU/ITA/JPN/GBR/USA/KAZ

⁹ <https://eurasianet.org/data-show-kyrgyzstan-weathering-debt-load>

¹⁰ <https://www.rferl.org/a/silver-lining-tajikistan-defends-controversial-decision-to-give-mine-to-china/30199786.html>

¹¹ <https://eurasianet.org/borrowing-blind-why-we-dont-know-how-much-eurasia-owes-china>



Two further characteristics of the Central Asian policy response to the pandemic are applications for multilateral aid and price controls. Uzbekistan has received a total of US\$900m from the IMF, World Bank and Asian Development Bank to contribute to its national economic stimulus programme; Tajikistan has received over US\$200m from the same three institutions. Kyrgyzstan has received two emergency IMF loans to help to pay the salaries of public-sector workers, buy protective medical equipment and expand the social safety net. In all Central Asian economies, tax revenue is relatively low as a proportion of GDP and is often concentrated in a small number of sectors, a risk-factor for public finances if these industries are disrupted. Governments in several states have also imposed price controls and export restrictions on staple food products to prevent prices for these goods escalating at a time when incomes for many have been compromised. Efforts have also been made to stimulate export competitiveness. For example, the Uzbek government is reimbursing farmers' transport costs for goods destined for export. But on balance the region's administrations have tightened trade policy in response to the pandemic.

Difficult outlook ahead

Although the number of cases of coronavirus is low on a proportional basis, and the duration and severity of lockdown measures was relatively short, the economic effects of the global recession induced by coronavirus will be painful. We expect real GDP in Kazakhstan, Tajikistan, Turkmenistan and Kyrgyzstan to shrink in 2020 and growth to slow significantly in Uzbekistan.

The primary drivers of the deterioration will vary a little by country. In Kazakhstan and Uzbekistan, weaker demand for energy will pull down exports. The export-oriented energy industry accounts for around one-half of Kazakh GDP, while Uzbek gas exports to China are also less likely to weaken. In Kyrgyzstan and Tajikistan, private



consumption is supported by inflows of remittances from migrant workers in Russia. However, we expect remittances to fall sharply in 2020 as Russian firms slough off casual and temporary workers amid the twin crises of the pandemic and the oil-price war. Kyrgyzstan and Uzbekistan could benefit from a risk aversion-related rise in gold prices, provided that their usual supply chains remain operational.

3 POLICY OPTIONS FOR CENTRAL ASIA

The challenge facing Central Asian governments in navigating the best course through the pandemic is enormous. These economies have narrow and uneven economic bases, there is a low level of trust in government among the populations and fiscal positions have already deteriorated quickly. Furthermore, the policy prescription followed in advanced economies is not necessarily suitable for their markets. Nevertheless, there are a range of short- and long-term options for countries in the region to ensure that short-term stimulus spending is efficient and effective and that long-term growth can be made more resilient.

The economic policy response seen in many advanced economies, of deep cuts to interest rates and broad government schemes to keep workers in their jobs, is not an obvious optimal response for Central Asian economies. This is partly because the type of economic shock is different. For many advanced economies, especially those with very loose labour markets, the primary effect of the pandemic has been to create a surge in unemployment, which, without help, would lead to a plunge in private consumption. In Central Asia, the shock is largely a consequence of recessions in major trading partners, primarily Russia, China and the EU, which will reduce demand for commodity exports and weaken remittances sent back home.

The tools available to governments and policymakers are also not the same. Reducing policy interest rates will not deliver the same magnitude of stimulus in Central Asia because banking systems are less robust and a greater proportion of the economies is informal. Lowering interest rates may stimulate some domestic spending in the formal sector, but it also risks broader economic instability. Interest rates remain high across the region in order to keep a lid on consumer price inflation—Central Asian economies are highly sensitive to changes in food prices—and, most important of all, to prevent currencies from depreciating. Weaker currencies would mean higher import costs and more expensive external debt repayments, as a high proportion of external debt in the region is dollarised.

The impact on the labour markets has also been less marked in the region as lockdowns were imposed for a shorter duration. Schemes that cover a high proportion of wages for a big share of the working-age population can be very expensive, even for economies with cheap access to international borrowing. The fiscal positions of all economies in the region, however, were relatively weak before the pandemic and have since become more precarious, given weaker revenue collection from exports, as well as income, property and agricultural taxes. Stimulus measures have to be well targeted in order to justify a further deterioration in public finances and the high cost of borrowing for these economies that are forced to offer high yields in bond markets.

Short-term policy options

Using the powers of surveillance states safely

As Central Asian economies unwind their restrictions on freedom of movement, the single-best development is ensuring that they can avoid being closed down again. In turn, this means maintaining the best possible control over any future outbreaks. Increasing the level of testing in mid-2020 would be more challenging for Central Asian economies than it was for Vietnam in February, but given the relatively low number of cases, especially in Kyrgyzstan, Tajikistan and Uzbekistan, it is not impossible. The second part of the surveillance system is deploying the tools, such as neighbourhood wardens, mobile phone and social media tracking to identify and monitor outbreaks. Some examples in the region already exist: Kazakhstan is already using a video camera system, known as Sergek, to monitor compliance with quarantine. A mobile app, Smart Astana, is also installed onto the phones of those in mandatory quarantine in the cities of Almaty and Astana that returns geolocation data to the Ministry of Health. These programmes should be expanded, but crucially, best practices for keeping data private, anonymised and secure is crucial.



Example: **Vietnam's** successful surveillance



One of the most successful examples of controlling the spread of the virus in the world has been Vietnam, despite its geographic exposure to China and underdeveloped healthcare system. This was partially thanks to its comprehensive testing programme, but also contributing to the country's success was the government's extraordinary existing powers of surveillance. The tools that keep the Communist Party in power – neighbourhood wardens, mobile phone and social media tracking – were all deployed against coronavirus and achieved a level of control over infected districts that is impossible in most other economies.¹²



Example: **South Korea's** extensive data collection



Following the first confirmed case of Covid-19 in South Korea, health authorities began conducting an epidemiological survey to determine the point of infection and possible close contacts. Authorities collected huge amounts of data on its citizens, using mobile phone movements and credit card transactions. The country provides an example of good practices in keeping data safe, through its existing Personal Information Protection Act (PIPA)¹³, which imposes strict compliance requirements on entities that collect any information that could be used to identify a specific person.¹⁴

¹² <https://blogs.worldbank.org/health/containing-coronavirus-covid-19-lessons-vietnam>; <https://www.ft.com/content/0cc3c956-6cb2-11ea-89df-41bea055720b>; <https://www.bbc.co.uk/news/world-asia-52628283>

¹³ <http://koreanlii.or.kr/w/images/0/0e/KoreanDPAct2011.pdf>

¹⁴ <https://blogs.thomsonreuters.com/answeron/south-korea-covid-19-data-privacy/>

Building trust in government

Increasing surveillance risks weakening trust in governments in a region where this is already very low. However, the pandemic also offers opportunities to build trust. These include adopting simple, clear and effective communication about the virus, the government's response and its implications for day-to-day life. The government in Uzbekistan has taken a step in this direction by launching a traffic light system during its period of easing lockdown restrictions. Each region is given a colour that corresponds to the extent of local cases and a level of permitted activities. Governments can also build trust by showing a paternalistic attitude towards the most vulnerable in society. Food voucher schemes, the cancellation of utilities charges and an increase to the state pension would protect those at greatest risk and reinforce the message for others that government advice should be followed.



Example: **Thailand's** public awareness campaigns

Thailand has been able to keep its cases under control despite being a top destination for Chinese travellers. Aggressive public awareness campaigns have been a key tool used for containing the spread of the virus. These have ranged from a video by Bangkok's train operator, BTS SkyTrain, featuring BTS staff showing hygiene best practices going viral to Thai media and television showing graphic images of how Covid-19 infected people can contract pneumonia which could lead to death.¹⁵ As a result of these campaigns, over 90% of the Thai population has shown awareness and expressed importance in protecting themselves from contracting the virus in a government-led survey with over 25,000 respondents.¹⁶ Moreover, the Thai Ministry of Public Health introduced a self-reporting online tool, available in Thai, English and Chinese.¹⁷

Supporting people outside of the formal economy

Central Asia already faced challenges with public service delivery prior to the Covid-19 outbreak, but given the importance of the informal sector to the region's economies, providing support and social services across the population is particularly important. By supporting the informal economy, governments can also increase trust in the state, and enhance formalisation, while also helping gather data on informal workers. For instance, governments in South Asia have focused on providing aid to daily-wage workers and street vendors, and similar outreach in Central Asia would be an effective policy, given the large proportion of informal workers in these economies. Although increasing state pensions and providing tax relief is helpful for those inside the system, similar measures would be beneficial for those not part of the formal economy.

¹⁵ <https://www.aljazeera.com/news/2020/03/viral-asia-takes-coronavirus-songs-dances-200311063529703.html>

¹⁶ http://www.xinhuanet.com/english/2020-06/08/c_139123914.htm

¹⁷ <https://cmsdm.net/Self-Screening/>



Example: **Morocco's** expanded unemployment scheme



Morocco has expanded its unemployment scheme beyond the formal sector, to support households working in the informal sector.¹⁸ Households benefiting from non-contributory health insurance (RAMED) received a mobile payment of DRH800-1200 (US\$80-120) in April, depending on household composition. Other households, which do not benefit from RAMED, are able to claim cash support by registering online. Digital payments allow data from the informal sector to be collected. In April, 85% of eligible households in the informal sector were covered.¹⁹

Relax fiscal rules temporarily

Although fiscal positions are precarious, directing funding and assistance towards those with the highest propensity to spend achieves multiplier effects and is an efficient use of revenue. We encourage governments in the region that have previously tried to instil fiscal discipline through legislation limiting the size of fiscal deficit or the debt to GDP ratio to consider suspending these rules temporarily. These rules have been amended elsewhere, not only in advanced economies with large fiscal space, such as Germany, but also in developing economies, such as Indonesia, where the government suspended a constitutional rule to permit a wider fiscal deficit in response to the pandemic. In Kyrgyzstan, the government is currently unable to run a budget deficit wider than 3% of GDP or commit to borrowing that would push the debt to GDP ratio above 65%. The scale of the global recession generated by the pandemic is sufficient for these rules to be discarded until economies have recovered. Likewise, economies with access to domestic financing, such as Kazakhstan, through its sovereign wealth fund, should use the opportunity to expand government spending beyond previously mandated levels to support newly unemployed and low-income families, sole traders and small and medium-sized enterprises. Finally, continuing to tap multilateral lenders is critical: in Uzbekistan a presidential decree permitted the government to request soft and long-term loans from the World Bank, IMF and Asian Development Bank.

¹⁸ <https://www.moroccoworldnews.com/2020/04/299162/morocco-invites-informal-workers-without-ramed-to-apply-for-stipends/>

¹⁹ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#M>



Example: Relaxations of **Indonesia's** fiscal regulation



In April the Indonesian government issued an emergency regulation allowing for the relaxation of its fiscal rules, including temporarily scrapping the cap of 3% for the GDP budget deficit for 2020-2022, to give policymakers greater flexibility in responding to the pandemic.²⁰ The government will be permitted to exceed the 3% limit for three consecutive fiscal years until 2023 when the cap will return. This move will facilitate a fiscal stimulus that officials estimated will push the budget deficit to 5.1% of GDP in 2020, from 2.2% in 2019.²¹

Using targeted measures where possible

The economic geography of Central Asia is very uneven. The most productive and valuable sectors are often highly concentrated in sub-national regions. Given that the virus has infected different geographical areas to different extents, it is possible for governments to deploy their stimulus measures in a targeted way to make it as efficient as possible. For example, the OECD notes that around 50% of the Kyrgyz tourism industry, which represents around 5% of GDP, is clustered around Issyk-Kul Lake. Furthermore, almost three-quarters of international visitors to the area are from Kazakhstan. This could mean that the region is in particularly acute distress and that its fate is likely to be highly influenced by national policy in Kazakhstan. Using local-level data to understand the needs of specific regions will ensure a more effective deployment of stimulus.



Example: **Japan's** support for the tourism sector



The Japanese government is developing the Go To Travel Campaign which aims to boost domestic tourism within Japan once it is suitable. The plan is expected to include travel vouchers for up to a maximum of ¥20,000 per visitor (only Japanese residents are eligible), per stay.²² This may not be feasible on a national scale due to fiscal constraints, but within specific areas of the countries that are tourism hubs, such as the Issyk-Kul Lake in Kyrgyzstan, this could be essential to reviving the local economy.

²⁰ <https://www.reuters.com/article/us-health-coronavirus-indonesia-budget/indonesia-plans-to-relax-budget-deficit-limit-amid-coronavirus-idUSKBN2110R4>

²¹ <https://www.fitchratings.com/research/sovereigns/indonesia-relaxes-fiscal-rules-in-response-to-coronavirus-07-04-2020>

²² https://www.meti.go.jp/main/yosan/yosan_fy2020/hosei/pdf/hosei_yosan_gaiyo.pdf;
<https://www.japantimes.co.jp/news/2020/05/27/national/japan-wont-pay-half-visitors-expenses/#.XuPKbNNKhQI>



Example: **Philippine's** support for the agriculture sector



The Philippine government has implemented measures to support food security by providing farmers with financial support and forming new localised supply chains.²³ The country's agricultural sector employs around 30% of the workforce and so is of key importance for sector-specific support. The P31bn (US\$615.4m) 'Plant Plant Plant' programme aims to enhance inputs, provide seeds and boost production in the main island groups of Luzon, the Visayas and Mindanao. As part of this, P8.5bn (US\$168.8m) will be allocated to the Rice Resiliency Project, which seeks to increase domestic rice production from 87% of consumption to 93%. The Philippines' Department of Agriculture has also put measures in place to strengthen linkages between food producers and the market through four food supply chain clusters around the country: two on Luzon, one in the Visayas and one on Mindanao.

Re-allocating production to deal with the emergency

Many countries around the world have reorganised different sectors' activities to adapt to the Covid-19 pandemic. This can be particularly useful for regions whose economic output has been hit by external demand shock, such as Central Asia. Specifically, Afghanistan, Tajikistan and Kyrgyzstan's garment industries could be reorganised to produce PPE clothing and other materials needed by healthcare workers. Similarly, Uzbekistan, Kazakhstan and Turkmenistan's petrochemical and medical industries could potentially shift production to PPE and medical equipment.



Example: **Indian** incentives for reallocating production to PPE



The Indian state of Tamil Nadu announced a special incentive package to industries, including MSMEs, to shift manufacturing to produce equipment necessary to combat Covid-19. The state government said it will encourage companies to manufacture invasive ventilators, N-95 masks, PPE, multi-parameter ICU monitors and anti-viral drugs used to treat Covid-19. Manufacturers have been told to commence production before July 31, 2020. The incentives include waiving any prior approval and a 30% capital subsidy subject to a ceiling of INR0.2bn on the investment made in eligible fixed assets. The capital subsidy will be disbursed as equal instalments over five years against investments made for making essential equipment, including modifications and upgrades to existing lines, the state government said. A 6% interest subvention will also be provided to manufacturers on working capital loans availed from commercial banks. A waiver of 100%

²³ <https://oxfordbusinessgroup.com/news/how-state-support-and-agritech-solutions-are-enhancing-philippines-food-security-during-covid>;
<https://www.fas.usda.gov/data/philippines-philippine-government-launches-plant-plant-plant-program>

stamp duty will also be provided.²⁴ As of April 11, at least eight firms have offered to manufacture these items in response to the incentive package.²⁵

Transparent and coordinated use of pandemic-related aid

A key resource that many countries are relying on in this crisis is bilateral and multilateral aid focused on supporting the health and social sector. In August 2020, the EU launched the US\$3.4million Central Asia Covid-19 Crisis Response Program (CACCR) aimed at providing Central Asian countries, with a primary focus on Kazakhstan, with essential medical supplies and equipment needed acutely, supporting the recovery and preparation for a second wave, as well as building resilience within health systems to be better prepared for future pandemics.²⁶ This approach should be applied to all aid packages flowing into the region in order to ensure that the immediate needs of the region are met while also facilitating long-term preparedness and resilience. Transparent and coordinate approach by donors and recipient countries is critical and laying out exactly how and where aid will be directed is crucial in maintaining such transparency.

Long-term policy options

Improving regional cooperation

Among the most common government responses to coronavirus in the region has been to impose export restrictions on food staples and medical equipment. Although governments naturally have a duty of care to make such items available at times of crisis, non-tariff barriers should be removed as quickly as possible as part of the recovery in business confidence. Such protectionist measures destroy the value chains built across the region that, over time, have lowered prices and supported job creation. Instead, economies in the region have the opportunity to adopt the World Trade Organisation's recommendations on trade facilitation, which seek to lower the cost and increase the speed of international trade. The WTO's research indicates that the region has particular room to improve in the areas of processing customs declarations electronically and enabling the electronic payment of taxes. The pandemic has highlighted the dependence of all countries in the region on international trade – particularly the value of export receipts – and deepening cooperation in this

²⁴<https://www.financialexpress.com/industry/sme/tamil-nadu-offers-incentives-to-promote-production-of-covid-19-combat-gears/1917443/>

²⁵<https://timesofindia.indiatimes.com/city/chennai/8-firms-offer-to-supply-ppe-kits-to-tamil-nadu/articleshow/75089933.cms>

²⁶<https://astanatimes.com/2020/07/eu-launches-3-4-billion-program-to-help-central-asia-fight-covid-19/>

area will speed the process of recovery. The ongoing C5+1 cooperation talks between the five Central Asia Republics and the United States aim to address common security and environmental challenges, improve regional trade flows, and enhance prospects for US trade and investment with the region. These talks serve as key examples of how the region's countries can engage in intra-regional and global cooperation to address some of the most pressing challenges facing them.²⁷ Moreover, the five Central Asian Republics have engaged in the Central Asia + Japan Dialogue, which aims to establish political dialogue, develop intra-regional cooperation, promote businesses and facilitate intellectual and cultural exchange amidst the coronavirus pandemic.²⁸ Japan's highly diversified, productive and innovative economy, as well as some of its innovative policy responses to the Covid-19 outbreak, can serve as a source of best practices, but also long-term strategic partnerships. Regional governments should deepen similar existing dialogues, such as the one with South Korea²⁹, and explore potential for new relationships particularly with strong performing innovative economies.



Example: **New Zealand's** trade facilitation measures



New Zealand's government has implemented a number of measures to ensure trade facilitation and, together with the trade ministries of Australia, Brunei Darussalam, Canada, Chile, Lao People's Democratic Republic, the Republic of the Union of Myanmar, Nauru, Singapore, the United Arab Emirates and Uruguay, has committed to ensuring that trade continues uninterrupted, removing trade-restrictive measures on essential goods, protecting supply chains and keeping air and seaports open.³⁰ The Ministry of Foreign Affairs and Trade initially reduced tariffs on certain medical and hygiene products before removing these tariffs temporarily. New Zealand Trade and Enterprise (NZTE) has established a website specifically to provide resources and support to exporters during the Covid-19 crisis.³¹ Moreover, New Zealand, together with Singapore, has built on the Joint Ministerial Statement with a Plurilateral Declaration on Trade in Essential Goods such that signatories agree to remove any tariffs on goods essential to the Covid-19 response and restrict non-tariffs barriers to these goods.³²

Deepen the digitalisation of public services

²⁷ <https://uz.usembassy.gov/c51-fact-sheet-central-asian-u-s-forum-to-enhance-regional-economic-environmental-and-security-cooperation/>; <https://www.state.gov/united-states-strategy-for-central-asia-2019-2025-advancing-sovereignty-and-economic-prosperity/>; <https://astanatimes.com/2020/07/central-asia-foreign-ministers-meet-with-us-secretary-of-state-pompeo-for-c51-high-level-talks/>

²⁸ <https://astanatimes.com/2020/08/central-asia-to-cooperate-with-japan-to-modernize-economy/>

²⁹ http://www.mofa.go.kr/eng/brd/m_5676/view.do?seq=320762&srchFr=&srchTo=&srchWord=&srchTp=&multi_itm_seq=0&itm_seq_1=0&itm_seq_2=0&company_cd=&company_nm=&page=2&titleNm

³⁰ <https://www.mfat.govt.nz/en/trade/covid-19-and-trade/>; <https://www.beehive.govt.nz/release/canada-australia-chile-brunei-and-myanmar-join-nz-and-singapore-committing-keeping-supply>

³¹ <https://covid19.nzte.govt.nz/>

³² <https://www.beehive.govt.nz/release/covid-19-response-new-zealand-and-singapore-launch-initiative-ensure-free-flow-essential>

Several Central Asian governments, including those in Kazakhstan, Uzbekistan and Kyrgyzstan, had begun the process of moving public services online before the pandemic hit. The pandemic should be used to provide a spur, not a delay, to these efforts. Digital access to government services, such as tax, customs and healthcare, is not only cheaper for both the government and business, but also reduces opportunities for local rent-seeking and improves transparency. It would remove the requirement for face-to-face interaction for simple transactions if coronavirus, or a similar disease, were to return. Lastly, it provides an opportunity for the public sector to take the lead in demonstrating the benefits of greater digitalisation across the economy in a region where e-commerce, for example, has very low penetration.



Example: **Canada's** digital solutions



The Canadian government has launched a number of digital solutions to support public health awareness, mental health, and data modelling, along with measures that are in place to reduce points of contact.³³ These include offering alternative options to traditional paper forms; reducing wait times by offering a quicker way to submit mandatory information to Border Services Officers on arrival; and allowing for real-time data collection to support public health measures. One specific example is ArriveCAN, which was developed by the Public Health Agency of Canada with the Canada Border Services Agency as a mobile solution that allows travellers to provide the information required by law on arrival at a Canadian port of entry.³⁴

Support digitalisation in the private sector

Digital technology holds significant economic potential in the Central Asian region, especially in countries such as Kazakhstan and Uzbekistan that are turning to economic diversification to decrease their reliance on natural resources. Despite this potential, Central Asia remains one of the least digitally connected regions in the world. As discussed above, governments in the region have already taken steps toward e-government and digitalisation of public services but more needs to be done in the private sector, especially evident from the recent closures of non-essential businesses and offices as a result of the pandemic and the subsequent shift to e-commerce and teleworking. Governments must increase firms' awareness of the digital landscape, support businesses' online development through access to consultants and potentially even collaborating with technology companies to develop and provide digital solutions to SMEs. The broader effect of digitalisation is boosting SMEs' competitiveness and ability to penetrate new, previously unreachable markets.

³³ <https://www.canada.ca/en/public-health/services/diseases/coronavirus-disease-covid-19/digital-tools.html>

³⁴ https://apolitical.co/en/solution_article/fast-digital-government-response-to-covid-19



Example: **Japanese** support for SME digitalisation



The Japanese Ministry of Health, Labour and Welfare offers a subsidy to SMEs to introduce teleworking during the Covid-19 pandemic. The subsidy covers half of the cost for equipment installation, training, consultations with experts and others, up to ¥1m per company.³⁵ The Ministry of Economy, Trade and Industry also offers an IT Introduction Subsidy, for SMEs to improve the efficiency of businesses, to acquire new customers and increase values using IT tools.³⁶

Improving formalisation of private sector and revenue mobilisation

Covid-19 has put pressure on Central Asia countries' already weak fiscal positions and increased public debt. Measures to support businesses, such as tax cuts, and specific health measures have further depleted state revenues and are weighing on public budgets. In the short term, CAR countries could leverage external partners such as international finance institutions (IFIs), but better domestic resource mobilisation will be needed over the medium- and longer-term. This might provide an opportunity for countries to explore new fiscal options, especially better tax policies and modernised and digitalised tax administration to broaden the tax base and increase tax efficiency. For example, with the support of the World Bank, Kazakhstan has been able to digitalise tax administration for businesses, which allows firms to register, declare, and pay taxes online. One interesting example is addressing multinational corporate tax avoidance. France, Denmark and Poland are excluding tax haven-registered companies from coronavirus-related aid.³⁷



Example: **UK's** large scale tax digitalisation initiative



In 2015, the United Kingdom announced its 'Making Tax Digital' (MTD) initiative, which is part of the government's plans to make tax administration more effective, efficient and easier

³⁵ <https://www.nikkei.com/article/DGXMZO59461770S0A520C2EA4000/>

³⁶ <https://www.shigotozaidan.or.jp/koyo-kankyo/joseikin/kinkyutaisaku.html>

³⁷ <https://www.ft.com/content/2c3cc564-8eac-11ea-a8ec-961a33ba80aa> ; https://www.senat.fr/cra/s20200422/s20200422_0.html#par_227 ; <https://www.pb.pl/rzad-i-nbp-oglosza-plan-pomocy-firmom-relacja-987800> ; <https://www.businessinsider.com/coronavirus-companies-tax-havens-banned-denmark-poland-bailout-2020-4?r=US&IR=T>

for individuals and businesses to get their tax right.³⁸ The UK's HM Revenue and Customs (HMRC) will guide businesses on how to keep digital records, ensuring that they have the correct software to do so. Through the MTD, HMRC aims to become one of the most digitally advanced tax administrations in the world. Over one million firms have signed up to the service since its pilot launch in 2018 and latest figures show that MTD for VAT alone was already forecast to deliver additional tax revenue of £1.2bn by 2023/24, with steady state savings of around £300m each year.³⁹

Maintaining market-driven reforms

Prior to the pandemic, the Uzbek government was in the process of introducing market-driven reforms to an economy that had long been largely closed. In recent years, the government has revised the tax code, lowering personal, corporate, property and small-business taxes, increased state wages, pushed up health spending and broadened the social safety net. It hopes that by making the economy more friendly towards business, these changes will eventually strengthen its fiscal position. However, the budget fell into deficit in 2019 after years of surpluses, as it awaited a planned increase in private investment. Although tax relief for businesses and consumers, and other additional spending, will push the budget deficit even wider in 2020 – the EIU forecasts a deficit equivalent to 5.5% of GDP – we do not think that the government should change course. Opening up the economy offers the potential for more foreign investment, a more affordable cost of living and a more diverse industrial base. The promise of these long-term benefits should not be sacrificed in favour of short-term interventions.

Supporting specific growth areas

Existing government stimulus packages have focused on maintaining access to credit for firms of all sizes and boosting social safety nets for the most vulnerable. These are measures suited to the acute phase of a crisis. However, given our forecasts that global growth will remain subdued in the next five years, thanks to only a slow recovery in consumer and business confidence and higher levels of public-sector debt, economies will still require support in the years to come. Here, regional governments should focus subsequent stimulus efforts on high-productivity areas capable of rapid growth, and ideally that encourage diversification.

³⁸ <https://www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital>

³⁹ <https://www.taxjournal.com/articles/covid-19-and-tax-digitalisation>; <https://www.gov.uk/government/news/making-tax-digital-for-vat-pilot-open-for-business#:~:text=From%201%20April%202019%2C%20under,Making%20Tax%20Digital%2Dcompatible%20software.>



Example: **South Korea's** long term support for growth



In early June, South Korea announced a Won76trn (US\$62bn) 'New Deal' spending plan to help reshape the economy in the aftermath of the pandemic.⁴⁰ Previous spending has so far been focused on overcoming the pandemic, but this long-term plan envisions the creation of 550,000 jobs by 2022. The plan seeks to promote the use of 5G networks and AI across industries and foster digitalisation in South Korea's least developed areas, which includes having 100,000 AI and software programming specialists. Additionally, it aims to expand data infrastructure in six key sectors – finance, health, transportation, public service, industry, and SMEs.⁴¹ The plan is also aimed at supporting start-ups focused on green technologies as part of an attempt to boost the country's sustainability and energy efficiency.⁴²

Preventing the exacerbation of economic and social inequalities through inclusive education

The Covid-19 pandemic risks deepening existing and creating new economic and social inequalities with potential long term negative effects on populations in remote areas, women, informal sector participant, and those in low-paid and low-skill employment. A key policy area that can prevent aggravating these existing inequalities is education provision. The pandemic has disrupted education provision across all levels globally. Pre-pandemic, Central Asia was already facing low levels of learning and educational inequality, with the region's countries performing considerably below functional literacy according to the OECD Programme for International Student Assessment (PISA). Income inequality plays a large role in learning inequality with factors such as access to teaching, distance learning and learning materials at home, as well as household contribution to home schooling falling with lower income brackets. Amidst the pandemic, the region's educational prospects have worsened, with school closures adversely impacting students from disadvantaged backgrounds, minority groups and students with disabilities. World Bank estimates show that the loss in lifetime earnings in Europe and Central Asia ranges from US\$568 per student per year under an optimistic scenario, to US\$2,433 under a pessimistic scenario. The pandemic's blow to education and learning is expected to be long-lasting, with an estimated US\$44billion in economic loss expected in Central Asia alone as a result. While Central Asian governments have taken acute action to deliver emergency education through non-traditional modes, more needs to be done in terms of protecting education budgets, improving access, quality and resilience of distance learning, focusing curricula on skills (as well as digital skills) rather than knowledge and equipping teachers with tools, strategies and time aimed at recovering learning losses.

⁴⁰ http://www.moef.go.kr/com/synap/synapView.do?atchFileId=ATCH_00000000014034&fileSn=3

⁴¹ <https://www.asiapacific.ca/publication/south-koreas-new-deal-example-post-covid-economic-recovery>

⁴² <https://www.bloomberg.com/news/articles/2020-06-01/south-korea-unveils-62-bln-post-virus-plan-to-reshape-economy>



Example: **Mexico's** innovative education delivery system



Mexico's long-established educational TV Telesecundaria, which combines short educational videos with sessions that use lesson plans and different materials to deliver learning, has proven to be a great channel for continuous education provision in the country, particularly during the pandemic and lockdowns.⁴³ Amidst the coronavirus pandemic, the Mexican Ministry of Education announced that it would expand the TV educational services from preschool through to tertiary education, all of which would be broadcast via free and cable TV as well as online. While 2018 data shows that 66% of Mexican homes have access to the internet, with this figure falling in rural areas, data shows that 93% of homes in Mexico have at least one television, indicating that TV educational services would prove a better mode of delivering education rather than solely relying on online teaching, particularly in countries that have large rural communities. In the case of multiple children at different education levels living in one home, classes are repeated at multiple time slots.⁴⁴

4 SECTOR-SPECIFIC POLICY OPTIONS FOR CENTRAL ASIA

The coronavirus pandemic presents a fundamentally different external shock than those in the past due to its effects on the real economy from lockdowns and unprecedented pressure on global value chains. Uncertainty may account for up to half of projected coronavirus-related economic contractions in some instances. The pandemic has exposed Central Asian economic vulnerabilities stemming from highly concentrated and undiversified production and export capabilities, inadequate integration in global value chains, as well as underdeveloped private sectors. It is therefore incumbent upon governments in Central Asia to reduce business uncertainty, leverage existing comparative advantages, while avoiding the protectionist trade measures that have proliferated in the wake of the current crisis.

IT sector

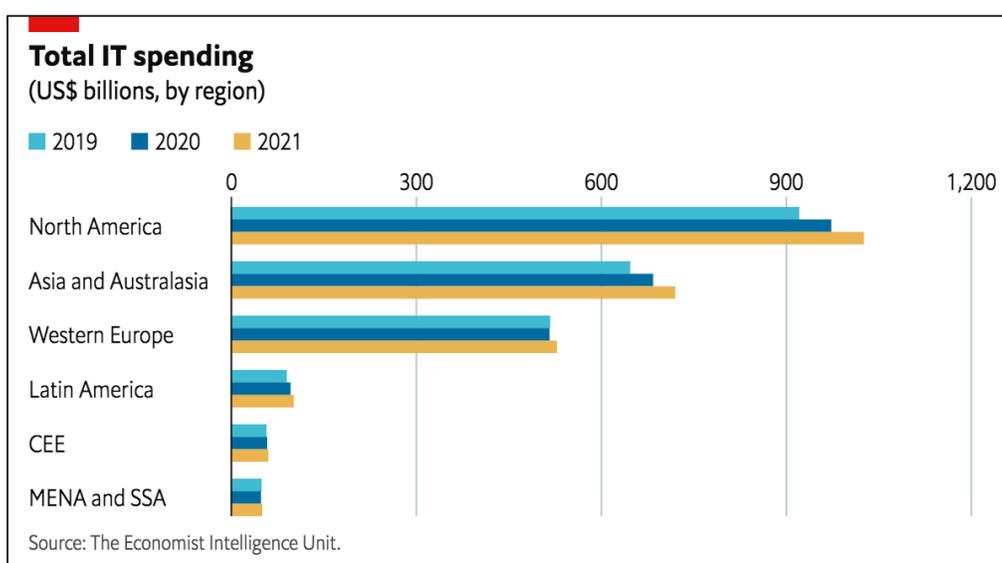
IT is an attractive sector to develop because it is relatively less affected by trade restrictions, provides functions that support other industries in the economy, requires highly-skilled labour, and allows regional economies to make use of Russian language skills and person-to-person contacts. With trade protectionism a rising concern globally, and in Russia in particular, the tech sector is likely to offer counter-cyclical relief from commodity price cycles. Furthermore, IT supports a wide range of other sectors, offering economy-wide productivity gains and the basis for better state services and a stronger domestic manufacturing sector. More than any other sector, IT has the potential to provide the most

⁴³ <https://blogs.worldbank.org/education/successful-examples-scaling-teaching-and-learning-response-covid-19>; <http://documents1.worldbank.org/curated/en/659411587145759242/pdf/Rapid-Response-Guidance-Note-Educational-Television-COVID-19.pdf>; <https://www.bbc.co.uk/news/world-latin-america-53917882>; <https://edition.cnn.com/2020/08/22/americas/mexico-covid-19-classes-on-tv-intl/index.html>

⁴⁴ <https://www.ctvnews.ca/health/coronavirus/mexican-children-go-back-to-school-through-television-1.5077267>

“cross-pollination” to improve the competitiveness of other non-oil sectors and to develop regional IT leaders capable of exporting their services.

The coronavirus outbreak highlighted the relative resilience of the digital economy and IT sector, due to the widespread and cross-sectoral use of digital technologies. Even as global consumer demand is hit hard, businesses are investing in digital solutions that allow them to function during and after the pandemic. For instance, according to the International Data Corporation (IDC), global spending on AI technologies is expected to reach around US\$50.7bn in 2020, representing an increase of 32% year on year.⁴⁵ This is a larger increase than previously anticipated, primarily the result of companies across various sectors viewing the technology as key to their post-pandemic operations. This is particularly true of the healthcare, insurance and education sectors, where data processing capability is essential to tracking and evaluating the impacts of coronavirus. Overall, IT spending across the world is expected to take a hit in 2020, but will recover quickly.



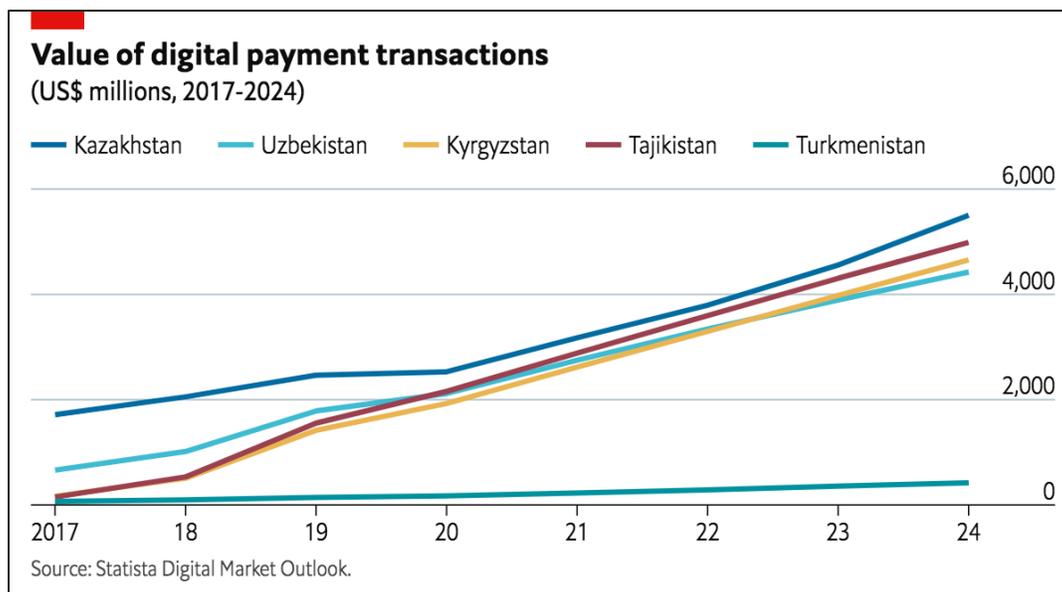
Another significant benefit to advancing the digitalisation of services is facilitating trade in the aftermath of the pandemic, by increasing the ease and transparency of SMEs’ access, simplifying procedures, and reducing the need for physical contact in customs. This is particularly important to support the expansion of merchandise production in Central Asian economies, as domestic markets are frequently too small and face import competition. Reducing trade friction is crucial to supporting the growth of intra- and inter-regional trade.

Countries in Central Asia have made some progress developing the sector in recent years, but much more needs to be done. For instance, the “Digital Kazakhstan” programme designed to support tech start-ups and drive non-oil economic growth has shown success thus far. The sector generated US\$1.97bn in profits in 2019, with a significant portion of activity coming from digitalising and updating public services, and related investments into rural broadband.⁴⁶ The question is how an expansion of relevant educational capacity and increased private investment into other sectors complement the IT sector. In particular, developing manufacturing capabilities and expertise to support the Industrial

⁴⁵ <https://www.idc.com/getdoc.jsp?containerId=US46400220>

⁴⁶ <https://astanatimes.com/2020/06/kazakhstans-digitization-program-brings-additional-2-billion-into-the-economy/>

Internet of Things (IIoT) is a vital precondition for regional manufacturers to compete in markets abroad. For instance, the IoT market in Kazakhstan is expected to grow on average by more than 25% annually in money terms between 2021 and 2024.⁴⁷ This has potential to accelerate as a result of the pandemic, as existing businesses are looking to reduce person-to-person exposure and prevent supply chains or production disruptions, while the digitalisation of services similarly reduces person-to-person contact and thus the risk that a lockdown will be required.



Uzbekistan is still developing an indigenous start-up scene, launching its first IT Park in 2019. In December, an exchange platform for Indian and Uzbek IT start-ups was launched in an attempt to bolster person-to-person contacts, market knowledge, and open up service export opportunities.⁴⁸ Similar efforts are being made with Finland and other external partners.⁴⁹ Uzbekistan needs to build a start-up ecosystem that is sufficiently large and connected to regional markets, including Russia, in order to use IT as a catalyst to support growth across the broader economy. Training and retaining talent are necessary for the sector’s sustainable growth. Fostering the use of fintech in particular may help advance banking sector reforms, improve access to financial services in the country’s provinces, and support the growth of the country’s SMEs. The concentration of market power in state banks and the country’s largest firms is a structural challenge for growth if export markets see weak recoveries, and broadening the application of software for competitiveness gains is crucial.

In Kyrgyzstan, the development of the IT sector and digitalization of the economy are fairly nascent. As of 2018, total investment into the sector was less than 0.4% of GDP.⁵⁰ The Eurasian Development Bank noted that Kyrgyzstan lags other member countries with its cluster initiatives, an important policy to create self-sustaining sector hubs for things like tech that tap into local research institutions and make use of existing competitive advantages.⁵¹ Current government spending plans in response to Covid-19

⁴⁷ [https://www.tadviser.ru/index.php/Статья:Интернет вещей, IoT, M2M \(рынок Казахстана\)](https://www.tadviser.ru/index.php/Статья:Интернет вещей, IoT, M2M (рынок Казахстана))

⁴⁸ <https://www.azernews.az/region/159658.html>

⁴⁹ <https://www.uzdaily.uz/ru/post/52200>

⁵⁰ <http://www.tazabek.kg/news:1458087>

⁵¹ Eurasian Development Bank, Status of Cluster Development in EDB Member States

omit any major investments into educational institutions and do not seem focused on the “soft infrastructure” needed to leverage clusters for growth. Belarus could provide a good example of the path Kyrgyzstan could follow to expand the IT sector and find niches to operate within global value chains. The country’s sizeable migrant population in Russia and existing cultural and linguistic ties provide a strong base to improve person-to-person contacts to leverage knowledge of the Russian language in order to serve the country’s largest logical complementary IT market.⁵² This hinges not only on the business climate, but also the efficacy of state educational programs to prepare the workforce for these roles. The recent announcements offering free tertiary education to ethnic Kyrgyz individuals regardless of their nationality are an important area to follow, both in trying to attract labour from neighbouring countries and developing and funding programs for sector-specific needs.⁵³

Critically, greater efforts to invest into broadband capacity, particularly in rural areas, are needed to make best use of regional labour cost advantages and ensure that economic development does not widen inequality. According to the 2020 Speedtest Global Index, Kazakhstan and Kyrgyzstan just made it into the top 100 countries in terms of mobile internet speed (95th and 97th, respectively), while Tajikistan (124th) and Uzbekistan (130th) are among the worst of the 140 countries ranked.⁵⁴ Turkmenistan has not been ranked on its mobile internet speed, but is the second last (only to Venezuela) out of 174 countries in terms of fixed internet speed. In Uzbekistan, foreign investments into “hard” IT infrastructure have been dominated by Chinese firms under the “Digital Silk Road” policy initiative.⁵⁵ With the coronavirus outbreak depressing the lumen of outbound projects, establishing alternative sources of investments is critical. In Tajikistan, the World Bank and Republic of Korea are currently supporting an encouraging Smart Cities programme in Dushanbe, but these initiatives have limited value for growth and development without addressing deep rural-urban inequalities and structural governance problems.⁵⁶ An operating and regulatory environment can be unpredictable, making things difficult for investors and consumers. Last March, sales taxes and surcharges were announced that would have almost doubled the cost per gigabyte of traffic to \$6.50, making it more difficult for people (particularly from low income households) and businesses to connect.⁵⁷ Although these changes were later redacted, the cost and the unpredictability of it are a constraint. Furthermore, the lack of fixed line penetration on the market also hinders efforts to develop tele-education opportunities, a necessity when responding to the likelihood of recurrent outbreaks of the coronavirus.⁵⁸

Importantly, the IT sector can also support longer-term improvements in the transparency and efficacy of services, which are much needed in the region. For instance, in Kazakhstan, the creation of a national health registry unifying medical data through a “medical passport” is a prime example of a digitalisation initiative with the potential to create positive network effects for the healthcare sector, while contributing to post-coronavirus recovery and resilience against future outbreaks.

⁵² https://24.kg/obschestvo/156815_studentyi_izrossii_pomogut_srasprostraneniem_russkogo_vazyika_vkyrgyzstane/

⁵³ https://24.kg/obschestvo/162428_etnicheskie_kyrgyzyzi_mogut_poluchit_besplatnoe_obrazovanie_vvuzah_kyrgyzstana/

⁵⁴ <https://www.speedtest.net/global-index>

⁵⁵ <https://kun.uz/en/47794861?q=%2Fen%2F47794861>

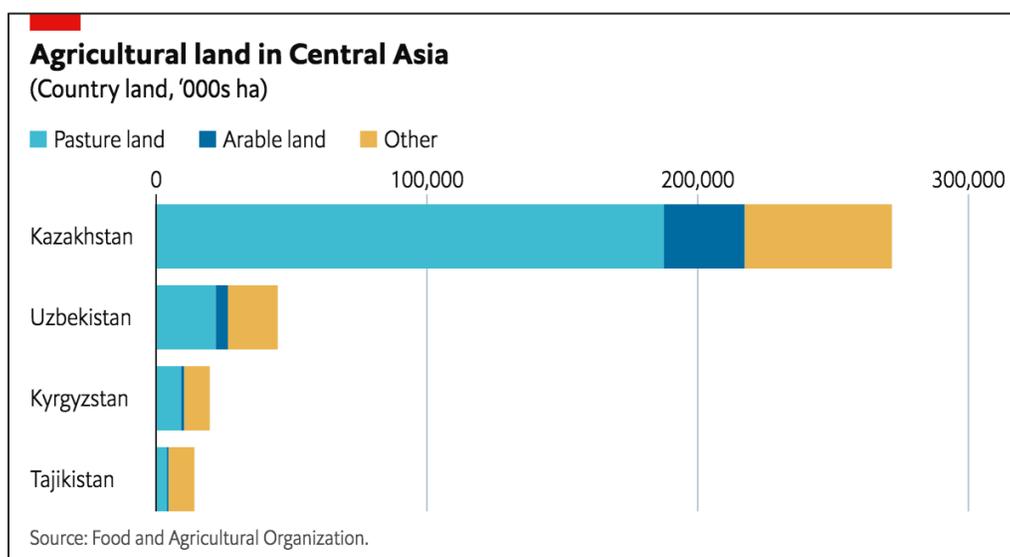
⁵⁶ <https://www.smart-energy.com/industry-sectors/policy-regulation/tajikistan-digital-transformation-wins-korea-and-world-bank-support/>

⁵⁷ <https://eurasianet.org/tajikistan-internet-just-got-way-more-expensive>

⁵⁸ <https://www.globenewswire.com/news-release/2020/06/22/2051455/0/en/World-Bank-critical-of-Tajikistan-s-telecom-sector.html>

Agriculture and Food Processing

The Central Asia region has the potential to trade a great deal more food and finished food products intra- and inter-regionally given labour costs and available land. Global prices for agricultural products have been hit relatively less by the coronavirus outbreak compared to other commodities. In previous global recessions, demand for energy commodities and metals in particular fell significantly, reflecting relatively high income elasticity. In contrast, growth in agricultural demand slowed more mildly, and typically remained positive during recessions, as its demand is more closely linked to population growth than income growth.



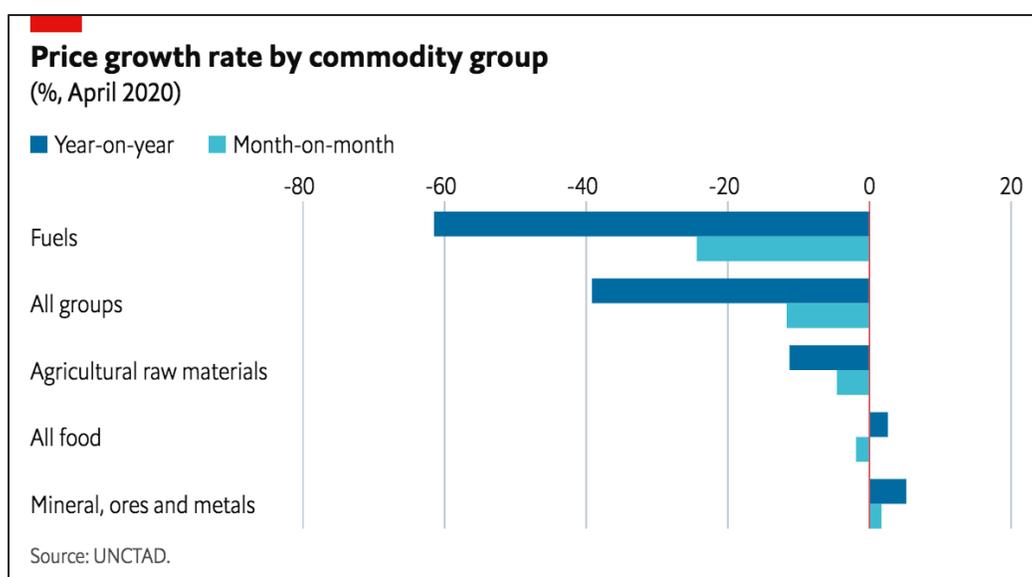
Agricultural productivity has structurally become more competitive in Central Asia since the 2000's, but further productivity gains require greater use of machinery and digital upgrades of equipment to replace aging stock.⁵⁹ This provides an opportunity to boost domestic production – and reduce imports – while exploiting comparative labor cost advantages with Russia in particular to export to its large agricultural services market. Russia and the Eurasian Economic Union (EAEU) offer a potential upside by creating scope to harmonise phytosanitary policies within the bloc and with external trade partners. However, progress thus far has been limited due to Russia's divergent counter-sanctions on EU imports and the subsequent disruption of legal precedents over unilateral trade policies, and concerns between Kazakhstan and Kyrgyzstan about Chinese imports. China is an obvious export outlet as its demand for imported foodstuffs has grown, but protectionist tariffs and increasingly politicised trade policies are a hindrance. The expansion of export infrastructure enabling sales to the Caucasus and Turkey, with the potential to reach markets further in the Middle East as well, offers scope for potential export growth in the future.

For instance, the Central Asian fruit sector is an export opportunity worth exploring in order to contribute positively to regional economic development.⁶⁰ Over 85% of the regions exports of fruits including cherries, grapes, apricots and plums are exported to Russia and other countries in the region, but the

⁵⁹ <https://doc-research.org/2018/10/farewell-agriculture-productivity-trends-competitiveness-agriculture-central-asia/>

⁶⁰ <http://documents1.worldbank.org/curated/en/533791576731672430/pdf/Central-Asia-s-Horticulture-Sector-Capitalizing-on-New-Export-Opportunities-in-Chinese-and-Russian-Markets.pdf>

region’s exporters are not maximising their economic gain as they face prices almost 30% lower than those charged by competitors. Moreover, while exporting fruits to China could be a very lucrative option; this comes with multiple obstacles including strict food safety standards, a lack of sophisticated logistics and quality control mechanisms and little brand recognition that Chinese consumers value. For instance, Kyrgyzstan’s export potential of fresh apricots, cherries and plums was estimated at US\$17.1million per annum but as of 2018, the country’s exporters only realised 21% of this value potential. Similarly, Uzbekistan realises only some 32% of its fruit export potential.⁶¹ To reach this potential a better enabling environment for production and trading must be established. Foster cooperation and collaboration between the region’s smallholders, greater investment in skills and knowledge through extension services that focus on post-harvest methods, on-farm storage and use of new technology, as well as private sector investment in cold chain storage and processing capacity after harvest are needed. Meanwhile, public sector investment is required in food safety standards and training, quality control, research and development and export promotion.



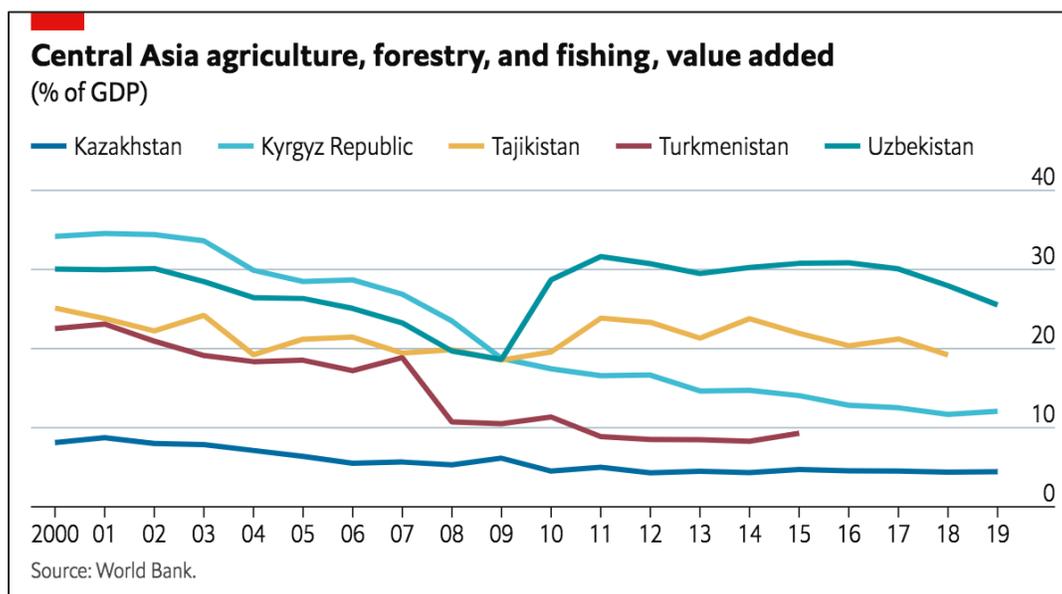
Despite significant potential and some productivity improvements, the region’s agricultural sector has faced difficulties in recent years. The coronavirus disruption could provide an impetus for necessary reforms in the region. Kazakhstan’s agricultural sector has suffered from a global trend in declining FDI flows, forcing producers to increase investments into fixed assets themselves. Low levels of labour productivity and legacies of support schemes that privileged larger enterprises undermine the sector’s competitiveness. A lack of access to water is one of the biggest structural hurdles limiting the productivity of the country’s agricultural base.⁶² Investment into water management, land reclamation, irrigation, and drainage has increased in recent years, but still contends with several decades of systematic underinvestment and incomplete reforms privatising land ownership. A push to lease large tracts of arable land to foreign investors was met with large protests in 2016, and was delayed for five years.⁶³ In the current state, such initiatives could be economically salient now to generate growth and address

⁶¹ <http://documents1.worldbank.org/curated/en/533791576731672430/pdf/Central-Asia-s-Horticulture-Sector-Capitalizing-on-New-Export-Opportunities-in-Chinese-and-Russian-Markets.pdf>

⁶² <https://www.adb.org/sites/default/files/publication/445446/kazakhstan-diagnostic-study-highlights.pdf>

⁶³ <https://www.reuters.com/article/us-kazakhstan-president-land/in-rare-climbdown-kazakh-leader-delays-land-reforms-for-five-years-idUSKCN10T1UY>

the impacts of coronavirus. Trade disruptions from pandemic-related export bans create opportunities for domestic investments that would support food security and improve regional trade balances. Kazakh policymakers announced plans to almost double the country’s poultry production to reduce imports, which account for roughly 50% of demand.⁶⁴ Investments into logistics, storage, and processing are also necessary, as the coronavirus outbreak exposed how deficiencies in those three areas led to large losses when trade disruptions occurred, particularly for fresh produce like cabbage.⁶⁵



Similarly, Uzbekistan’s push for liberalisation of the agriculture sector, which has the potential to improve productivity and competitiveness, could receive more support in the current context. The government had planned to begin easing centrally-planned export targets for cotton and wheat this year to shift away from direct management of the country’s export sectors and current account. Crops such as cotton and wheat face an uncertain future – coronavirus’ effect on longer-term consumer demand is still not fully visible, nor is it clear that Uzbekistan has the required “soft infrastructure” and policies in place to compete with larger grain exporters trying to exploit this moment. Alignment of trade policies with the EAEU and improved physical access to the Chinese market would go a significant way towards realising the full export potential of the country’s fruit and vegetable production.⁶⁶ There is a pressing need for investment into food processing. In 2019, meat prices had risen by almost 25% by December, due to shortages in domestic production, rising demand and rising imports of cattle and sheep from Kazakhstan.⁶⁷ Increasing domestic production, in particular, is necessary to reduce inflationary pressure on consumer prices and support the expansion of the country’s growing food services sector, a corollary sector that supports tourist flows.

In Kyrgyzstan, agriculture could also provide strong growth potential with increased state support and reforms to enable farming to be conducted at greater scale to improve productivity and realise potential

⁶⁴ <https://www.poultryworld.net/Meat/Articles/2020/3/Kazakhstan-to-expand-poultry-production-in-turbulent-times-557484E/>

⁶⁵ <https://cabar.asia/en/impact-of-covid-19-on-food-security-in-kazakhstan/>

⁶⁶ <http://documents.vsemirnyjbank.org/curated/ru/736791587367284788/pdf/Central-Asia-s-Horticulture-Sector-Capitalizing-on-New-Export-Opportunities-in-Chinese-and-Russian-Markets.pdf>

⁶⁷ <https://kun.uz/ru/news/2020/01/28/rost-tsen-na-myaso-v-uzbekistane-sderjivalsya-za-schet-importa-jivogo-skota>

export gains. Agriculture and forestry provided 12% of GDP in 2019 and employed up to a quarter of the workforce.⁶⁸ Given the country's land endowment and shared EAEU membership, it is unlikely Kyrgyz producers can compete with products such as grain exports from Kazakhstan in foreign markets. However, it can improve its food security and target specific products for export. Food imports accounted for 11% of all imported merchandise in 2018, and marginal gains would aid the country's trade balance and support economic development in other sectors, as food commodity prices are volatile.⁶⁹ Further, productivity growth would free up more labour and capital for sectors such as tourism and IT. Projects focused on legal reforms, expanding the state's revenue base, and streamlining subsidies and protections would improve long-term growth. Importantly, the country needs to further develop effective private or public institutions to improve agricultural market effectiveness and transparency by providing technical assistance and fostering coordination between growers necessary for scaling up of the production.⁷⁰ Local institutions tasked with offering aid and support to farmers in emergencies and long-term development in terms of know-how, market inputs or infrastructure need adequate resources and training to deliver these services. Short term policies that could support the agricultural sector in Kyrgyzstan include strengthening links between smallholders and improving producers' access to financial tools. Furthering the work of the FAO aimed at improving the legislative and institutional framework to lower imported seed costs for farmers and improve high-quality seed production domestically - which would improve climate change resilience - would reinforce initiatives aimed at improving the allocation of state and private sector resources between farmers sharing water sources and related collective action problems.⁷¹

In Tajikistan, agriculture accounts for around 20% of GDP, but the coronavirus outbreak has put a serious dent in the sector's ability to generate returns in the short term, as border closures and measures to support the healthcare sector across the region have had a significant impact on price inflation in Tajikistan.⁷² The sector is now heavily exposed to price swings for cotton, a demanding cash crop that state authorities prioritised over others because of its historical role as an export. The government banned food exports in a bid to control domestic price inflation, but this along with similar policies across the region are likely to cause short-term disruptions and price fluctuations when trade is normalised. Structural reforms strengthening land ownership along with transparent and efficient land use are critical in the longer term.⁷³ These reforms are vital to realise any potential gains as China and regional governments in particular, but also other large global food importers, such as Turkey and countries in the Middle East, review their respective food security strategies and seek to diversify sources of imports where practical.

In Turkmenistan, agriculture and forestry only accounted for less than 8% of GDP and very little in the way of export capability. The government sets high tariffs on imported foodstuffs, protecting domestic producers, but exposing potential exporters to reciprocal trade barriers. President Berdymukhamedov has set a goal of improving the country's competitiveness across a wide range of sectors including

⁶⁸ <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=KG>

⁶⁹ <https://data.worldbank.org/indicator/TM.VAL.FOOD.ZS.UN?locations=KG>

⁷⁰ <https://eurasianet.org/kyrgyzstans-farming-puzzle-a-rich-nation-reliant-on-others>

⁷¹ https://akipress.com/news:646689:Quality_seeds_bring_climate_resilience_to_Kyrgyz_agriculture/

⁷² <https://eurasianet.org/food-security-in-the-time-of-coronavirus-a-eurasianet-briefing>

⁷³ <https://www.agrilinks.org/post/tajikistans-path-prosperity-depends-creating-accessible-equitable-market-land>

agriculture, but little has been achieved in terms of the quality of the business environment, land reform, and development of agricultural market systems.⁷⁴ The government has signaled a desire to join the World Bank’s Doing Business projects as an observer, which would be a positive step towards following international best practices and improving the country’s attractiveness for foreign investment.⁷⁵

Tourism

Tourism has been decimated globally this year due to lockdowns, border closures, and a collapse in discretionary spending on travel and hospitality. The OECD notes that long-term development of the sector will now require contingency planning for continued outbreaks, diversifying tourist sites to reduce visitor density, restoring consumer confidence, and stimulating demand via programs like voucher schemes.⁷⁶ Initiatives such as a proposed “Silk Road visa” allowing visitors access to all five Central Asian republics or the Kazakh government’s suggestion to create a common visa for the Commonwealth of Independent States (CIS) are good examples of how changes to “soft infrastructure” may be necessary to support the sector’s development, not just investments into hospitality facilities.⁷⁷



There has been some encouraging activity in the region. For instance, Kazakhstan’s government plans to spend approximately US\$4bn on 140 projects in the tourism sector to support post-coronavirus recovery, providing a strong base on which private sector investment and targeted development aid can add value.⁷⁸ Similarly to other countries in the region, however, inadequate conditions for guest housing and related amenities and services drag down on the sector’s potential to draw large volumes of tourists and contribute significantly to economic growth and diversification.⁷⁹ There is an urgent need for higher

⁷⁴ <https://turkmenportal.com/blog/28148/prezident-turkmenistana-provel-zasedanie-kabineta-ministrov>

⁷⁵ <https://en.trend.az/business/economy/3258004.html>

⁷⁶ <https://www.oecd.org/coronavirus/policy-responses/tourism-policy-responses-to-the-coronavirus-covid-19-6466aa20/>

⁷⁷ <https://astanatimes.com/2019/10/kazakh-president-proposes-single-visa-regime-for-cis/>

⁷⁸ <https://kapital.kz/economic/87455/na-turisticheskiye-proyekty-v-kazakhstane-napravyat-1-62-trln-tenge.html>

⁷⁹ https://tengrinews.kz/kazakhstan_news/pochemu-v-kazakhstan-ne-edut-turisty-404989/

levels of investment to make the sector more sustainable, but projects face limitations from the highly seasonal nature of travel in the region.

In Uzbekistan, the tourism sector has performed well in recent years, with 2019 annual figures showing 26% growth year-on-year as of Q4 to reach 4.94 million visitors. The long-term impact of Covid-19 on tourist flows is unknown, but Uzbekistan has a relatively strong base to build on. The government has created a certification scheme for tourist operators covering health and public safety guidelines pertaining to coronavirus, and launched a fund to pay tourists US\$3,000 if they're infected while visiting.⁸⁰ Visa regime liberalization for 45 countries, including most of Europe and China, have provided a boost by lowering the administrative barriers and costs of travel, but nearly 85% of visitors as of end of 2019 came from Central Asia.⁸¹ Hospitality ventures received tax breaks and tax holidays till October 1, but many will still struggle unless international travel begins to normalise.⁸² Last year, new-build hotels and accommodations increased the available number of rooms by 37% and 1,400 new tour operators were launched.⁸³ Further investment into capacity and service quality is needed to utilise the country's competitive advantage and attract more visitors from further abroad outside of the CIS.

Kyrgyzstan is theoretically well-equipped geographically and naturally to attract inflows of tourists year-round. In 2019, tourism contributed around 5% of GDP and an estimated 2 million people visited as tourists, and the government has a strong ambition to grow the sector significantly.⁸⁴ Nevertheless, the sector faces significant capacity, as well as hard and soft infrastructure constraints and requires significant improvements in hospitality facilities to overcome the effects of highly seasonal tourist inflows. Basic infrastructure is currently inadequate, as regional governments note that the lack of access to clean water and utilities make it difficult to attract tourists.⁸⁵ The lack of roadside service facilities makes traveling around the country an unattractive proposition to many holidaymakers who prefer a higher degree of comfort and ease.⁸⁶ The creation of a state tourism agency meant to manage tourist facilities at least provides an institutional point of contact and potential for activity coordination. The expansion of flight connectivity with growing markets like India will create opportunities to market the country's natural beauty to tourists more likely to take advantage of lower costs and the shorter flight time.⁸⁷ However, ultimately, greater development of country's tourism amenities and basic services is needed to expand the country's draw with a broader base of travellers. In terms of "soft" infrastructure, the attempts to offer Chinese nationals visa-free access to the country have been met with public backlash, an important limiting factor in considering sustainable expansion for the sector.⁸⁸ Similar deals with other countries may have a more positive reception and impact, and extensions of lockdowns domestically and internationally could provide some time for officials to open negotiations meant to streamline soft barriers such as visa issuance. Investments into transport infrastructure and easing border crossings

⁸⁰ <https://www.silkroadbriefing.com/news/2020/07/05/uzbekistan-will-compensate-us3000-visiting-tourists-catch-covid-19/>

⁸¹ <https://www.thejakartapost.com/travel/2019/02/02/uzbekistan-gives-visa-free-entry-to-visitors-from-45-countries.html>

⁸² <https://www.intellinews.com/afc-capital-uzbekistan-s-response-to-covid-19-could-see-economy-and-society-emerge-stronger-180947/>

⁸³ <https://www.pv.uz/ru/news/razvitie-turizma-v-uzbekistane-osnovnye-pokazateli-i-plany-na-budushee>

⁸⁴ <http://www.stat.kg/ru/statistics/turizm/>

⁸⁵ https://24.kg/vlast/163093_premier-ministr_rasskazal_chno_meshaet_razvitiyu_turizma/

⁸⁶ <https://www.timesca.com/index.php/news/26-opinion-head/21260-central-asia-countries-aim-to-make-tourism-sustainable-and-profitable-business>

⁸⁷ <https://www.businesstoday.in/sectors/aviation/indigo-to-develop-flight-network-to-russia-kyrgyzstan-other-central-asian-nations/story/413705.html>

⁸⁸ <https://eurasianet.org/kyrgyzstan-talk-of-visa-waiver-for-chinese-tourists-sparks-ire>

for tourists visiting from Uzbekistan are needed to capture more value. The Kyrgyz and Uzbek governments already cooperate on tourism policies, but more work is needed to reduce visa irregularities, ease border crossing wait times, and encourage more visitors, as Uzbekistan is likely to be the largest driver of regional economic growth in the coming years.⁸⁹ In Tajikistan, especially in the regions outside of Dushanbe, the inadequate business and investment climate and a lack of necessary infrastructure both “hard” (including air terminal capacity and flight connectivity) and “soft” (including service quality and workforce with diverse language skills) are preventing the full development of the country’s rich natural capital. The tourism sector in Turkmenistan faces an even more challenging situation and is undermined by inadequate international connectivity, poor business environment and limited information available to foreign tourists. Encouragingly, the government takes part in talks with the United Nations World Tourism Organization (UNWTO), but limited progress has been achieved in developing the necessary “hard” or “soft” infrastructure.⁹⁰

Globally, the UNWTO estimates that international tourism will have declined somewhere between 58% and 78% for the year depending on when travel restrictions end.⁹¹ The coronavirus outbreak has undoubtedly delayed investment decisions, but countries in Central Asia can benefit from investment to support future travel volumes if they set themselves apart as alternative, rising international travel destinations, with relatively low numbers of coronavirus cases and a number of comparatively low-cost and less explored destinations. Greater investment into capacity and service quality is needed to develop countries’ competitive advantage in the sector and to attract more visitors from further abroad as well as from within the CIS and neighbouring regions. Importantly, projects such as the planned expansion of Samarkand International Airport and improved road and rail infrastructure should remain firmly on the agenda despite the current downturn.

Light Industry

Manufacturing for export faces an uncertain climate globally, constrained not just by the current coronavirus shock, but also growing trade tensions between the US, China, and EU and a long-term international trend towards protectionism going back to the global financial crisis in 2008-09. Without the creation of well-paying jobs outside of extractive industries, the combined effects of the export market and export goods concentration will deepen institutional and economic challenges in Central Asia. However, the disruption to trade and investment patterns could provide an impetus for greater diversification and international integration of Central Asia’s manufacturing capacities. Trade tensions between China, the US and the EU and the pressure on global value chains to regionalise and ‘reshore’ are likely to reshape the way companies approach their supply chains. Japan is leading a trend towards thinking in terms of diversification to avoid over-exposure to any single market rather than wholesale reshoring, and given the difficulties in changing value chains, that approach seems to be an attractive one for many MNCs.⁹² Countries in Central Asia might be able to attract investment and expand their light industrial sector by pitching to companies looking to sell in the Russian and Chinese markets, but

⁸⁹ <https://www.carecinstitute.org/wp-content/uploads/2020/02/03.Analysis-of-Cooperation-in-the-Tourism-Sector-between-Uzbekistan-and-Kyrgyzstan.pdf>

⁹⁰ <https://en.trend.az/casia/turkmenistan/3248254.html>

⁹¹ <https://www.travelpulse.com/news/impacting-travel/unwto-calling-for-responsible-restart-of-tourism.html>

⁹² <https://www.reuters.com/article/us-health-coronavirus-japan-production-a/japan-wants-manufacturing-back-from-china-but-breaking-up-supply-chains-is-hard-to-do-idUSKBN23F2ZO>

hoping to place intermediate levels of production in other markets to mitigate risks. This could present an opportunity for regional economies to make use of their competitive advantages, including abundant labour and raw materials, as well as access to trans-Eurasian rail routes, to capture more value-added production by exporting components for end-use manufacture and assembly in other markets, particularly if trade integration within the EAEU deepens.

However, considerable work remains to improve the business climate. FDI has increased, but not at levels matching the ambitions laid out by president Mirziyoyev in developing the Uzbek economy.⁹³ Foreign investors remain concerned about capital controls and their ability to protect their investments and withdraw money.⁹⁴ As supply chains are reshaped in the wake of coronavirus, continued currency and trade policy reforms will go a long way towards making Uzbekistan a more attractive investment destination. State-led privatisation in other sectors will also be a test for foreign investors, as state authorities reportedly seek to completely divest the state from 1,117 companies.⁹⁵ This will be particularly important for small-scale manufacturers supporting the oil and gas sector as the changes in ownership should, in theory, increase opportunities to competitively bid. The improvement in regional logistics and partial opening of the economy since 2016 will still create new business opportunities. For example, the country's textile manufacturers are currently pursuing contracts with European clients.⁹⁶ On the whole, coronavirus has struck during a period of greater securitisation of investment policies in the EU, US, China, and Russia. Reforms in the opposite direction, particularly in a high-growth, high-yield market, will be more attractive to investors.

Furthermore, inadequate transport infrastructure to move manufactured goods remains a significant obstacle. Per the World Bank's 2018 Logistics Performance Index rankings of 160 countries, Tajikistan comes at 134th, Turkmenistan at 126th, Kyrgyzstan at 108th, Uzbekistan at 99th, and Kazakhstan at 71st.⁹⁷ Kazakhstan has led the region in infrastructure development due to greater resources and institutional capacity, but even its flagship Nurlu Zhol initiative is unlikely to match the World Bank's estimate that annual infrastructure investments worth 3.93% of GDP through 2040 are necessary to sustain growth.⁹⁸ Since rail shipping does not generate the same economies of scale as large container ships, it is most effective at serving inland markets or serving an intermediary role in regional supply chains.⁹⁹ Moreover, trade disruptions such as export bans, changing tariff levels in response to trade tensions between the US, EU, and China, and increased border scrutiny raise costs further for Central Asia's exporters because of the logistic constraints the region's geography provides. The development of adequate and interconnected transport infrastructure therefore remains a critical priority in the region.

During the pandemic, some advances were made in the trans-Eurasian rail transportation space.¹⁰⁰ As borders were closed and air freight suspended, rail transportation was seen as the next best replacement. The Trans-Caspian rail route, also known as the Middle Corridor, underwent significant changes including the establishment of a regular Turkey-Kyrgyzstan railway route along the Middle

⁹³ <https://www.intellinews.com/comment-uzbek-government-preparing-to-privatise-some-of-its-industrial-crown-jewels-177545/>

⁹⁴ <https://www.trend.az/casia/uzbekistan/3241892.html>

⁹⁵ <https://eurasianet.org/testing-tashkents-reforms-can-uzbekistan-attract-fdi>

⁹⁶ <https://kun.uz/en/news/2019/12/25/atabek-nazirov-many-foreign-investors-are-still-afraid-to-invest-in-uzbekistan>

⁹⁷ <https://lpi.worldbank.org/international/global>

⁹⁸ <https://www.oecd-ilibrary.org/sites/a8bff43d-en/index.html?itemId=/content/component/a8bff43d-en>

⁹⁹ https://transportgeography.org/?page_id=2773

¹⁰⁰ <https://jamestown.org/program/coronavirus-pandemic-provides-surprising-momentum-to-trans-eurasian-rail-transportation/>

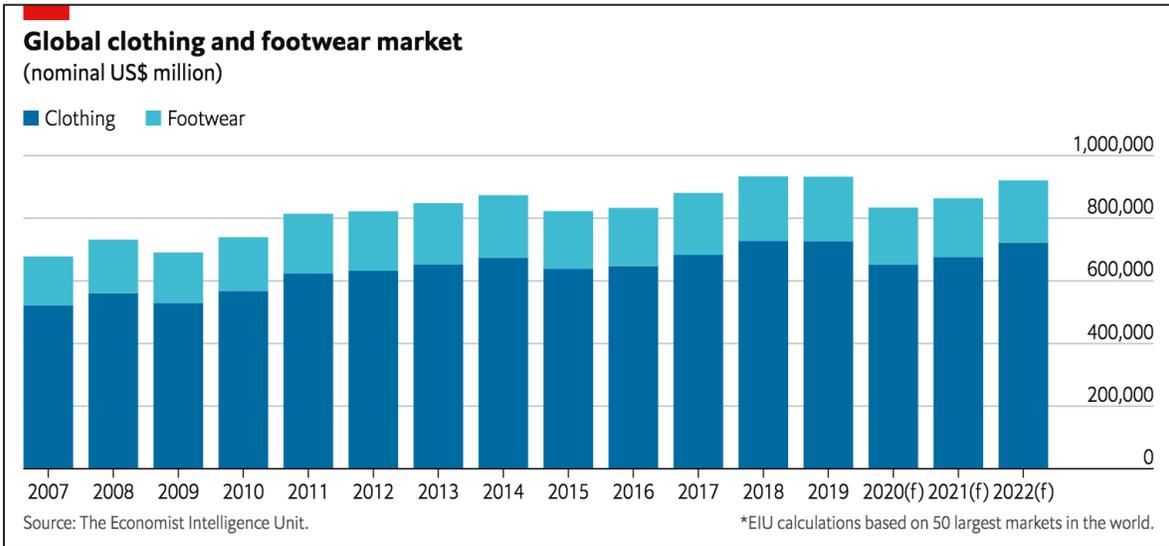
Corridor and the announcement of a Tashkent-Istanbul multimodal transport corridor by the Uzbek government. Moreover, the China-Kyrgyzstan-Uzbekistan road/railway route was launched in July which is 295 kilometres shorter than the existing rail link between China and Uzbekistan via Kazakhstan, saves 5 days in travel time and is 20% cheaper. The region's governments should strive to maintain momentum with such developments in order to build up rail infrastructure which is essential to facilitate smooth supply chains during the current pandemic and in potential future ones and take advantage of the lower cost (almost eight-fold) of rail freight relative to air freight during such times of crises when limited supply of air freight is inflating its price.¹⁰¹

Textiles

Textiles have historically been competitive due to the region's cotton wealth, but offered relatively little value-add for exports. The coronavirus outbreak has created pressure for businesses around the world to diversify supply chains to reduce exposure to any single market, namely China. Textile exports are already a source of earnings for Central Asian economies. For example, Uzbekistan exported some US\$1.6bn worth of textiles in 2018, while Tajikistan, the smallest economy in the region, exported about US\$130m worth. However, even in these countries, it is cotton in its raw form that plays a crucial role, with pure cotton yarn and raw cotton accounting for around 10% of exports in both Uzbekistan and Tajikistan, the majority of it flowing to China, Russia, Iran and Turkey to feed local textile industries.¹⁰² While cotton production in other countries is also accompanied by higher-value textile production, Central Asia exports mostly low value-added forms of raw or primary processed cotton. Countries in Central Asia have an opportunity to develop their value chains in the textile industry, stretching from primary raw material production to fabric and garment production. However, closer cooperation and investment are required to make Central Asia recognisable on the global apparel market. Local industries are mainly represented by SMEs and no major global producers have entered the garment market so far. Embracing international quality standards, including labour standards, and improving and ensuring consistency of the regulatory environment would go a long way in attracting much-needed capital to expand production capacities and improve technology and design capabilities, which are currently mostly limited to reproducing international models. Uzbekistan has been taking steps towards processing all of its cotton fibre at home by 2021. Abundant petroleum resources can also be utilised in the production of artificial fabrics in the future, which would allow the region to offer a greater variety of textile goods, from synthetics to premium pure cotton and woollen garments.

¹⁰¹ <https://www.forbes.com/sites/wadeshepard/2020/03/31/china-europe-rail-is-set-to-boom-as-covid-19-chokes-air-sea-and-road-transport/#56d6e79437db>

¹⁰² <https://comtrade.un.org/>

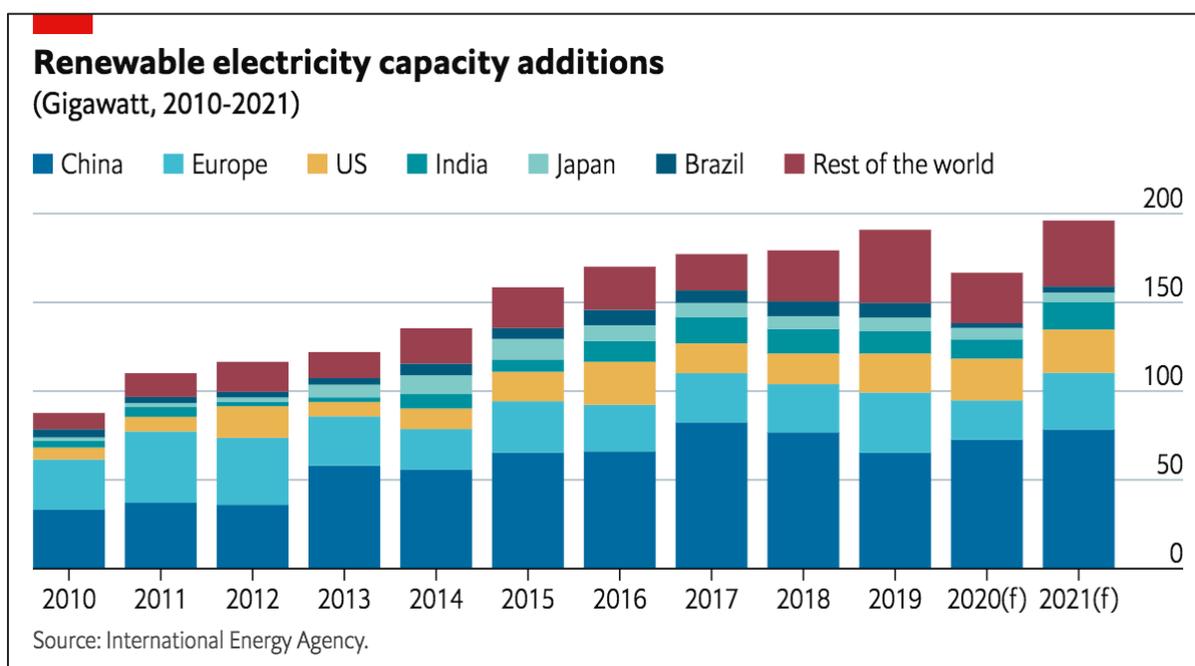


Renewables

Renewable energy is an area with significant growth potential, both globally and regionally, aided by proximity to China and its renewable energy supply chains. Renewable energy is a particularly attractive sector, as coronavirus has significantly damaged investor returns on oil and gas, and made renewables projects competitive or superior at generating returns.¹⁰³ Many economies around the world have put support for the green economy, including renewable energy sources and related technologies, at the core of their large-scale economic response packages. For instance, one third of Germany's new stimulus plans support green energy, including significant support for electric vehicle adoption and clean hydrogen.¹⁰⁴

¹⁰³ <https://www.weforum.org/agenda/2020/06/covid-19-is-a-game-changer-for-renewable-energy/>

¹⁰⁴ <https://www.bloomberquint.com/technology/lessons-from-germany-s-green-virus-recovery>



Tajikistan and Kyrgyzstan have tapped some of their vast hydropower potential, meeting about 50% and 25% of their domestic electricity needs, respectively.¹⁰⁵ Importantly, both governments have already committed to the CASA-100 initiative, which would enable the countries to fulfil unmet demand for electricity in Pakistan and Afghanistan through the development of hydropower plants. Demand for electricity in South Asia has outstripped supply for decades and is projected to grow significantly in the future. In Tajikistan, household subsidies in the form of low electricity tariffs, alongside the government's limited financial capacities have jeopardised the development of the massive Rogun Dam, which would be the largest hydropower station in the region and a source of substantial export capacity. This dam faces growing concerns about the government's ability to service its debt and source funding to complete construction.¹⁰⁶ Recent cooperation with Uzbekistan to develop hydropower capacity for its needs shows that Tajikistan can, in the right context, attract FDI, but its policies make it an unattractive investment for power assets serving the domestic market.¹⁰⁷

In Uzbekistan, the current crisis is an opportunity to deepen demand-led growth and build out the country's service exports, but both require investments into basic infrastructure, including electric power generation. Current state plans aim to reduce natural gas' share of the energy mix from 83% to 50% by 2030 with concomitant increases in renewable energy and nuclear power.¹⁰⁸ Continued population growth is straining the country's ability to provide adequate levels of power, and continued imports of hydropower from Tajikistan – prone to cut-offs due to low water levels – provide a strong structural case to develop the country's capacity to localise production of renewable energy value chains and stability of domestic energy provisions.¹⁰⁹ Given the trends for greater securitization of investment policies in advanced economies, reforms aimed at attracting greater investment into renewable energy sector in

¹⁰⁵ <https://www.euractiv.com/section/central-asia/news/kazakhstan-approves-new-green-projects-in-a-bid-to-cut-fossil-fuels-in-half-by-2050/>

¹⁰⁶ <https://www.intellinews.com/tajikistan-s-massive-rogun-hydropower-dam-a-blessing-or-a-curse-169691/>

¹⁰⁷ <https://menafn.com/1099687591/Tajikistan-Uzbekistan-to-build-two-joint-hydropower-plants>

¹⁰⁸ <https://world-nuclear-news.org/Articles/Uzbekistan-plans-route-to-cleaner-electricity-mix>

¹⁰⁹ <https://www.rferl.org/a/tajikistan-limits-power-due-to-low-water-at-hydroelectric-dam/30753912.html>

emerging economies, such as greater transparency and competitiveness on bids for power markets, could be particularly effective in renewable energy sector, where companies frequently compete on crowded markets in developed markets and would welcome growth opportunities elsewhere.

Technical potential for installed renewable electricity capacity
(Megawatt)

	 Kazakhstan	 Kyrgyzstan	 Tajikistan	 Turkmenistan	 Uzbekistan
 Small Hydro	4,800	1,800	23,000	1,300	1,800
 Wind	354,000	1,500	2,000	10,000	1,600
 Solar PV	3,760,000	267,000	195,000	655,000	593,000
 Biomass	300	200	300	N/A	800

Source: UNDP.

Other renewable energy sources, namely wind and solar, have barely entered regional energy mixes, with early efforts now being made in Kazakhstan. Last year, Astana was able to attract US\$613m in renewables investments, providing the base for an expansion of manufacturing capability to service its own needs and export them to trade partners. In Kyrgyzstan, ventures like Astra Solar – a monocrystalline ingot and wafer producer – have signed agreements with external partners that could bolster the creation of industrial clusters.¹¹⁰ Tapping into renewables supply chains with Russian, Chinese and European firms to develop indigenous production capabilities would lower domestic installation costs, improve energy security, and offer a potential niche within which regional economies could compete. However, this requires comprehensive reforms in the national electricity markets towards de-monopolisation and de-regulation, including the elimination of restrictions on private ownership and foreign capital investment, which is necessary to attract investment for the development of the renewables sector.¹¹¹

Petrochemicals

Though regional governments, particularly Uzbekistan, have taken initial steps to develop their petrochemicals sectors, the coronavirus outbreak has seriously damaged market prospects for export earnings in the short term.¹¹² Petrochemicals and petroleum products, including natural gas to liquid production, have taken a large hit because of reduced demand stemming from lockdown measures. However, demand from packaging and medical applications are helping the industry in the short term,

¹¹⁰ <https://www.pv-magazine.com/2019/04/02/hevel-partners-with-kyrgyzstans-monocrystalline-wafer-manufacturer-astra/>

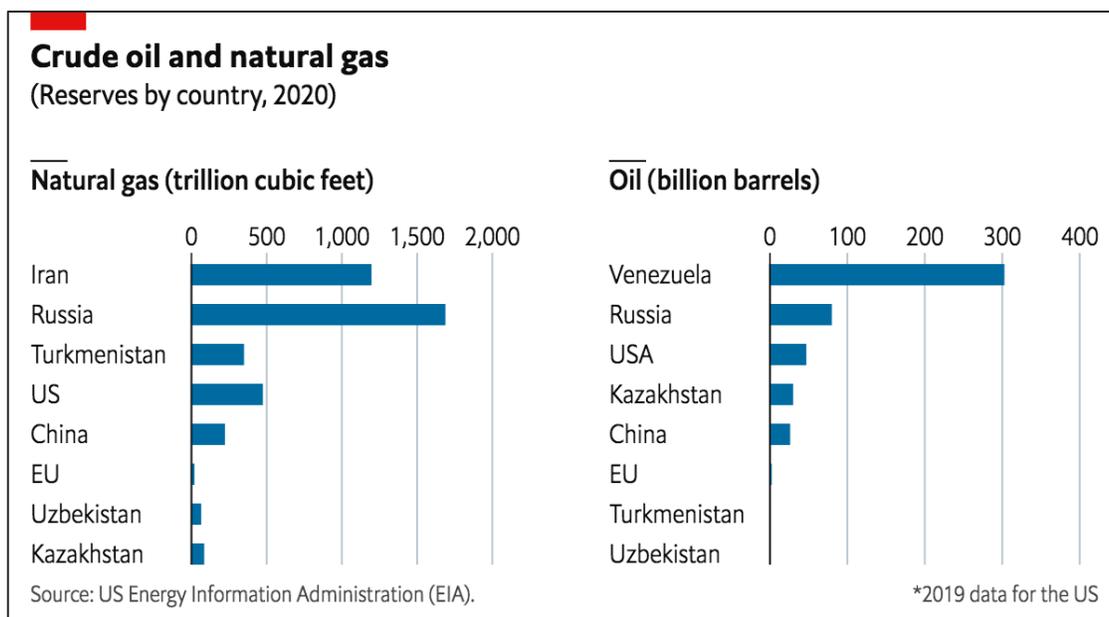
¹¹¹ <https://www.adb.org/sites/default/files/publication/522901/adbi-wp993.pdf>

¹¹² <https://www.prnewswire.com/news-releases/uzbekistan-to-build-a-new-petrochemical-plant-to-use-mto-technology-300851585.html>

and demand growth of key end-use petrochemicals is expected to recover sharply in 2021.¹¹³ There is not yet a clear picture for how much damage the virus, related lockdowns and new processes and customer preferences will have had on demand for end-use products. Nevertheless, petrochemical capacities in the region would add value to regional oil and gas reserves, and provide feedstock and save domestic manufacturers import costs, making production for export more competitive.

Kazakhstan and Uzbekistan have a competitive advantage in the most basic element of the petrochemical industry, namely cheap and abundant feedstock. However, despite the countries' vast raw material base, their internal consumption of polymers strongly depends on imports. With the development of basic petrochemical products, further opportunities in polymer end-user industries could open doors for investors. Synthetic polymers are essential components of packaging materials, pipes, engineering materials, as well as components needed for automobile and electronics production. Some pioneering projects in deep petrochemical processing have already been implemented. In the Atyrau region, Kazakhstan's largest production of plastic bags and polyethylene film was launched in 2012 and currently consumes imported polypropylene and polyethylene granules from a new plastic containers plant opened in Uzbekistan in late 2017.¹¹⁴

Nevertheless, much more needs to be done in terms of logistics and infrastructure, access to capital, as well as qualified labour, in order to attract investments in integrated value chains in the petrochemicals sector that can complement the development of the manufacturing sector in the region.



Overall, Central Asian economies can attract manufacturers if they lower trade and investment barriers, further improve physical connectivity, and target production for sectors with an existing base of domestic demand and complementary markets adjacent to Central Asia. At present, Russia and other Central Asian economies are the best export outlets for value-added goods that would improve the region's trade balance. Taking part in renewable energy supply chains – dominated by Chinese firms – may also

¹¹³ <https://www.offshore-technology.com/comment/covid-19-demand-growth-petrochemicals/>

¹¹⁴ https://www.bcg.com/Images/BCG-Investing-In-Central-Asia-report-ENG_tcm26-212857.pdf

provide an economic boost, and help reduce regional consumers' exposure to natural gas price swings. Making best use of existing industries – textiles and oil and gas – can build on existing competitive advantages and lower feedstock costs for manufacturers.

ANNEX I – COUNTRY SUMMARIES

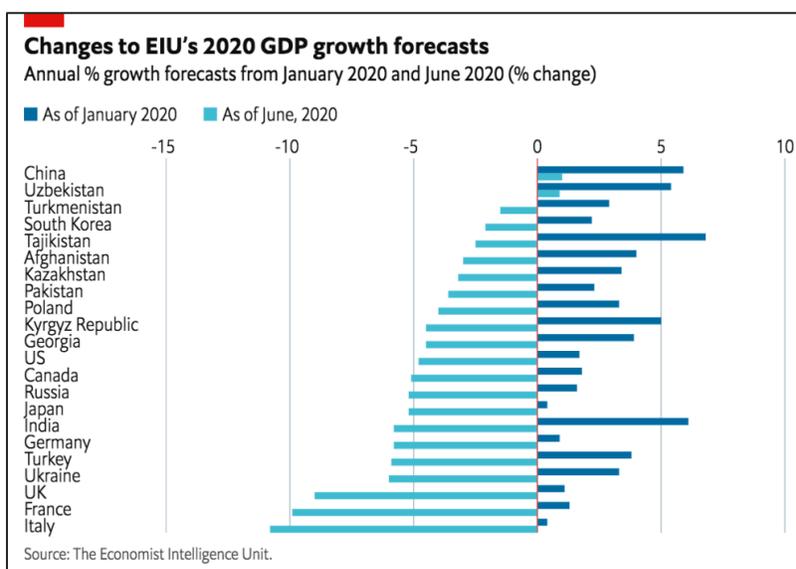
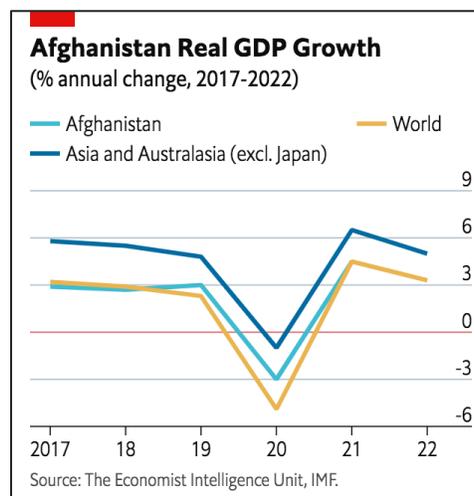
COVID-19 POLICY RESPONSE SUMMARY: AFGHANISTAN



Economic growth forecast

The IMF expects the economy to contract by around 3% in 2020.¹¹⁵ National-accounts data published by the National Statistic and Information Authority (NSIA) show real GDP growth of 4% in 2019, as increased wheat output drove a 20.8% expansion in the agricultural sector.

This offset declines in the small industrial and services sectors. In 2020, existing risks posed by the fragile security situation and the uncertain political environment will be compounded by the coronavirus outbreak and the impact of the recent lockdown on economic activity. A report by a local think-tank, the Biruni Institute, estimates that up to 6 million Afghans (in a labour force estimated at 14.5 million) had lost their jobs owing to the lockdown, which suggests there has been a large impact on the economy in a country without a functioning welfare system.¹¹⁶ Food shortages due to border closures led to a temporary price spike and the IMF expects end-June inflation to rise above 5%.¹¹⁷ Lockdown measures were abandoned by June, and the government is stepping up bread distribution. Ongoing military and financial support from international governments and organisations will provide some support for the economy, but the prospects for investment remain weak. Dissatisfaction with the policy response to the outbreak could lead to social and political instability, and if export controls in the region remain in place, post-pandemic recovery could be tepid.



Macroeconomic policies

¹¹⁵ <https://www.imf.org/~media/Files/Publications/CR/2020/English/1AFGEA2020002.ashx>

¹¹⁶ <https://news.trust.org/item/20200515102659-oz0yq>

¹¹⁷ <https://www.imf.org/~media/Files/Publications/CR/2020/English/1AFGEA2020002.ashx>

On April 26, Afghanistan's government amended its budget to allocate AFN8 billion (US\$100 million, 0.5% of GDP) to emergency pandemic response.¹¹⁸ On May 16, the government adopted a US\$1.1 billion (5.7% of GDP) response package, with US\$392 million sourced from the national budget and the remainder from international donors.¹¹⁹ Combined, the IMF, World Bank, and Asian Development Bank will provide loans and grants totalling US\$640 million (3.3% of GDP) for pandemic response, including construction of new emergency medical care facilities and improving the health system's flexibility.¹²⁰ The Financial Stability Committee has been meeting on a regular basis to assess signs of liquidity stress and monitor price stability and the Da Afghanistan Bank (DAB) has suspended administrative penalties and fees to facilitate liquidity, but few details have been reported by the authorities.

From April 20, the government waived import taxes on medical equipment and PPE, such as masks and gloves.¹²¹ Whilst the main stimulus package committed the government to banning imports of certain agricultural products, for instance fruit juice, to protect local producers, other measures aim to increase cross-border trade. Following border closures, Afghanistan and Pakistan reached an agreement on March 31 allowing Afghan traders to import food and medicine from Pakistan.¹²² On May 17, the Torkham and Chaman border points with Pakistan opened for 24 hours a day, 6 days a week, allowing unlimited cargo traffic in both directions, helping to restore food supply.¹²³

Business support policies

Afghanistan has introduced limited business support measures, including the extension of tax filing deadlines for businesses and individuals from March 20 to May 20.¹²⁴ Sector-specific support has been direct to the agriculture

¹¹⁸ https://www.budgetmof.gov.af/images/stories/DGB/BPRD/National%20Budget/1399_Budget/1399%20Budget%20Amendments.pdf ; <https://tolonews.com/fa/business/%D8%A8%D9%88%D8%AF%D8%AC%D9%87%E2%80%8C%DB%8C-%D8%B3%D8%A7%D9%84-%D9%86%D9%88-%D9%85%D8%A7%D9%84%DB%8C-%D8%A7%D8%B2-%D8%B3%D9%88%DB%8C-%D9%85%D8%AC%D9%84%D8%B3-%D9%86%D9%85%D8%A7%DB%8C%D9%86%D8%AF%D9%87%E2%80%8E%DA%AF%D8%A7%D9%86-%D8%AA%D8%A3%DB%8C%DB%8C%D8%AF-%D8%B4%D8%AF>

¹¹⁹ <https://tolonews.com/fa/business/%D8%AA%D8%A7%DB%8C%DB%8C%D8%AF-%D8%A8%D8%B3%D8%AA%D9%87-%D9%85%D8%A7%D9%84%DB%8C-%D8%AD%DA%A9%D9%88%D9%85%D8%AA-%D8%A8%D8%B1%D8%A7%DB%8C-%D9%85%D8%A8%D8%A7%D8%B1%D8%B2%D9%87-%D8%A8%D9%87-%D9%88%DB%8C%D8%B1%D9%88%D8%B3-%DA%A9%D8%B1%D9%88%D9%86%D8%A7>

¹²⁰ <https://www.imf.org/en/News/Articles/2020/04/29/pr20193-afghanistan-imf-executive-board-approves-disbursement-to-address-the-covid-19> ; <https://tolonews.com/business/600m-foreign-aid-pledged-covid-19> ; <https://mof.gov.af/dr/%D8%A8%D8%A7%D9%86%DA%A9-%D8%A7%D9%86%DA%A9%D8%B4%D8%A7%D9%81-%D8%A2%D8%B3%DB%8C%D8%A7%D8%A6%DB%8C-%D9%85%D8%A8%D9%84%D8%BA-%DB%B4%DB%8C-%D9%85%DB%8C%D9%84%DB%8C%D9%88%D9%86-%D8%AF%D8%A7%D9%84%D8%B1-%D8%A2%D9%85%D8%B1%DB%8C%DA%A9%D8%A7%D8%A6%DB%8C-%DA%A9%D9%85%DA%A9-%D8%A8%D9%84%D8%A7%D8%B9%D9%88%D8%B6-%D8%B1%D8%A7-%D8%A8%D9%87-%D9%85%D9%86%D8%B8%D9%88%D8%B1-%D9%85%D8%A8%D8%A7%D8%B1%D8%B2%D9%87-%D8%B9%D9%84%DB%8C%D9%87-%D9%88%DB%8C%D8%B1%D9%88%D8%B3-%DA%A9%D8%B1%D9%88%D9%86%D8%A7-%D8%A8%D9%87> ; <https://www.adb.org/news/adb-president-afghanistan-president-discuss-covid-19-support-40-million-grant> ; <https://www.thekabultimes.gov.af/2020/05/09/world-bank-approves-400-million-grant-for-afghanistan/> ; <https://www.worldbank.org/en/news/press-release/2020/05/07/world-bank-approves-400-million-to-sustain-afghanistans-reform-momentum-mitigate-covid-19-crisis#>

¹²¹ https://www.budgetmof.gov.af/images/stories/DGB/BPRD/National%20Budget/1399_Budget/1399%20Budget%20Amendments.pdf ; <https://www.thekabultimes.gov.af/2020/04/20/virus-pandemic-govt-announces-two-months-relief-in-taxes-for-medical-firms/> ; <https://import-export.societegenerale.fr/en/country/afghanistan/regulations/customs>

¹²² <https://www.thekabultimes.gov.af/2020/05/03/cabinet-extends-lockdown-period-till-end-of-ramadan/> ; <https://tolonews.com/fa/business/%D9%BE%D8%A7%DA%A9%D8%B3%D8%AA%D8%A7%D9%86-%D9%88%D8%A7%D8%B1%D8%AF%D8%A7%D8%AA-%D8%AE%D9%88%D8%B1%D8%A7%DA%A9%D9%87-%D9%87%D8%A7-%D9%88-%DA%A9%D8%A7%D9%84%D8%A7%D9%87%D8%A7%DB%8C-%D8%B7%D8%A8%DB%8C-%D8%B1%D8%A7-%D8%A7%D8%AC%D8%A7%D8%B2%D9%87-%D9%85%DB%8C-%D8%AF%D9%87%D8%AF> ; <https://tolonews.com/fa/business/%D8%AA%D8%A7%DB%8C%DB%8C%D8%AF-%D8%A8%D8%B3%D8%AA%D9%87-%D9%85%D8%A7%D9%84%DB%8C-%D8%AD%DA%A9%D9%88%D9%85%D8%AA-%D8%A8%D8%B1%D8%A7%DB%8C-%D9%85%D8%A8%D8%A7%D8%B1%D8%B2%D9%87-%D8%A8%D9%87-%D9%88%DB%8C%D8%B1%D9%88%D8%B3-%DA%A9%D8%B1%D9%88%D9%86%D8%A7>

¹²³ <https://eurasiatimes.com/islamabad-opens-pakistan-afghanistan-border-at-chaman-and-torkham/>

¹²⁴ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19> ; <https://home.kpmg/xx/en/home/insights/2020/04/afghanistan-tax-developments-in-response-to-covid-19.html> ; <https://www.orbitax.com/news/archive.php/Afghanistan-Providing-Extended-42116> ; <https://www.kakaradvocates.com/practice-areas/taxation/>

centres.¹³⁵ The government has taken steps to repatriate its citizens, with over 15,000 flown home from the United Arab Emirates as of June 1 on over 100 flights.¹³⁶

The budget amendment plan allocates AFN1.9 billion (US\$25 million) to addressing urgent healthcare needs. This includes the establishment of testing labs, including at border crossings, setting up special wards to boost care capacity, procuring hospital beds and critical medical supplies.¹³⁷ The main US\$1.1 billion stimulus package is also partly directed at healthcare-related investment, but the government has published no details.¹³⁸ Testing capacity remains limited and far underserves demand. According to the government, there is capacity to test 2,000 samples per day but labs are receiving between 10,000 and 20,000 samples a day.¹³⁹

The main stimulus package also commits the government to projects such as building dams, creating cold storage units, establishing food processing capacity, and planting up to 13,000 saplings, efforts costing AFN21 billion (US\$270 million) intended to create short-term employment for thousands.¹⁴⁰ As part of the package, the government approved a scheme worth AFN500 million to provide food to labourers, street vendors and vulnerable families in Kabul, particularly those who lost their income due to lockdown measures.¹⁴¹ A further US\$300 million in support for low-income families in the form of cash and food packages was announced on June 10, with help from the World Bank and other development partners.¹⁴²

¹³⁵ <https://tolonews.com/fa/afghanistan/%D8%B4%DB%8C%D9%88%D8%B9-%D9%88%DB%8C%D8%B1%D9%88%D8%B3-%DA%A9%D8%B1%D9%88%D9%86%D8%A7%D8%9B-%D8%B4%DB%8C%D9%88%D9%87%E2%80%8C%D9%87%D8%A7%DB%8C-%D9%86%D8%B8%D8%A7%D8%B1%D8%AA%DB%8C-%D8%AF%D8%B1-%D8%A7%D9%81%D8%BA%D8%A7%D9%86%D8%B3%D8%AA%D8%A7%D9%86-%D8%B1%D9%88%DB%8C-%D8%AF%D8%B3%D8%AA-%DA%AF%D8%B1%D9%81%D8%AA%D9%87-%D8%B4%D8%AF%D9%86%D8%AF;>
<https://www.devdiscourse.com/article/headlines/979933-coronavirus-afghanistan-approves-plan-to-impose-lockdown-in-kabul>

¹³⁶ <https://gulfnnews.com/uae/covid-19-afghanistan-repatriates-more-stranded-citizens-from-the-uae-than-india-and-pakistan-1.71798730>

¹³⁷ https://www.budgetmof.gov.af/images/stories/DGB/BPRD/National%20Budget/1399_Budget/1399%20Budget%20Amendments.pdf;
<https://tolonews.com/fa/business/%D8%A8%D9%88%D8%AF%D8%AC%D9%87%E2%80%8C%DB%8C-%D8%B3%D8%A7%D9%84-%D9%86%D9%88-%D9%85%D8%A7%D9%84%DB%8C-%D8%A7%D8%B2-%D8%B3%D9%88%DB%8C-%D9%85%D8%AC%D9%84%D8%B3-%D9%86%D9%85%D8%A7%DB%8C%D9%86%D8%AF%D9%87%E2%80%8E%DA%AF%D8%A7%D9%86-%D8%AA%D8%A3%DB%8C%DB%8C%D8%AF-%D8%B4%D8%AF>

¹³⁸ <https://tolonews.com/fa/business/%D8%AA%D8%A7%DB%8C%DB%8C%D8%AF-%D8%A8%D8%B3%D8%AA%D9%87-%D9%85%D8%A7%D9%84%DB%8C-%D8%AD%DA%A9%D9%88%D9%85%D8%AA-%D8%A8%D8%B1%D8%A7%DB%8C-%D9%85%D8%A8%D8%A7%D8%B1%D8%B2%D9%87-%D8%A8%D9%87-%D9%88%DB%8C%D8%B1%D9%88%D8%B3-%DA%A9%D8%B1%D9%88%D9%86%D8%A7>

¹³⁹ <https://tolonews.com/fa/health/%D9%87%D8%B4%D8%AF%D8%A7%D8%B1-%DA%A9%D9%85%DB%8C%D8%AA%D9%87-%D8%A8%DB%8C%D9%86%E2%80%8C%D8%A7%D9%84%D9%85%D9%84%D9%84%DB%8C-%D9%86%D8%AC%D8%A7%D8%AA-%D8%A7%D8%B2-%D8%A8%D8%B1%D9%88%D8%B2-%D9%81%D8%A7%D8%AC%D8%B9%D9%87-%D8%A7%D9%86%D8%B3%D8%A7%D9%86%DB%8C-%D8%AF%D8%B1-%D8%A7%D9%81%D8%BA%D8%A7%D9%86%D8%B3%D8%AA%D8%A7%D9%86>

¹⁴⁰ https://www.budgetmof.gov.af/images/stories/DGB/BPRD/National%20Budget/1399_Budget/1399%20Budget%20Amendments.pdf;
<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

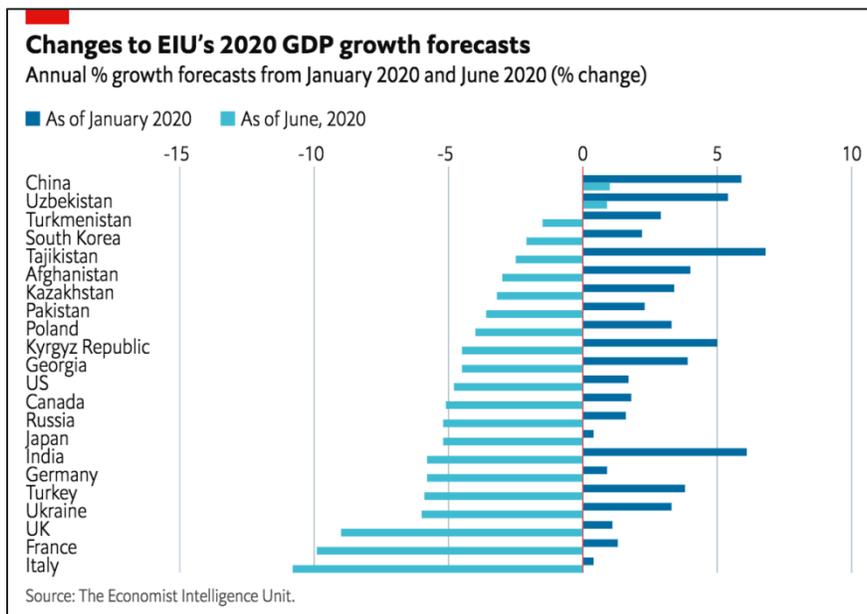
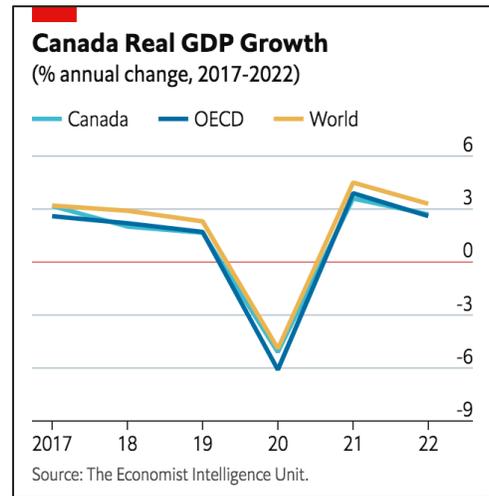
¹⁴¹ https://www.budgetmof.gov.af/images/stories/DGB/BPRD/National%20Budget/1399_Budget/1399%20Budget%20Amendments.pdf

¹⁴² <https://tolonews.com/fa/business/%D8%AD%DA%A9%D9%88%D9%85%D8%AA-%D8%B3%D9%87%E2%80%8C%D8%B5%D8%AF-%D9%85%DB%8C%D9%84%DB%8C%D9%88%D9%86-%D8%AF%D8%A7%D9%84%D8%B1-%D8%B1%D8%A7-%D8%A8%D8%B1%D8%A7%DB%8C-%D9%86%DB%8C%D8%A7%D8%B2%D9%85%D9%86%D8%AF%D8%A7%D9%86-%DA%A9%D9%85%DA%A9-%D9%85%DB%8C%E2%80%8C%DA%A9%D9%86%D8%AF>



Economic growth forecast

As of early June 2020, in view of the huge disruption to economic activity caused by the measures taken to slow the spread of the coronavirus, Canada’s real GDP is expected to contract by 5.1% in 2020. This is a much sharper contraction than during the global financial crisis and is in stark contrast to the pre-pandemic forecast of 1.8% growth for real GDP. Canada's already struggling oil and gas sector, and its exports, will take a big hit from the unprecedented slump in global oil prices, and the impact on the economy from both demand and supply shocks will be significant. The closure of most non-essential businesses, a sharp decline in consumer spending and a spike in unemployment will cause real GDP to contract sharply in the first half of this year. Fiscal stimulus and deep cuts to interest rates will provide some cushion, and will help to support a gradual return to economic expansion from later this year. However, high household debt levels and concerns about renewed outbreaks of the virus, as lockdown restrictions are eased, are likely constrain private consumption. Real GDP is expected to return to full-year growth in 2021, expanding by 3.6%. This will be supported by continued solid expansion in government spending, a pick-up in private consumption and investment, and a partial recovery in exports, although growth is unlikely to recover to 2019 levels before 2022. In the longer term, real GDP growth is expected to average 2.4% per year over 2022-24. This will be supported, in part, by continued public investment in infrastructure, and stronger export growth, driven by recovering demand in the US (Canada's main export market) and enhanced trade ties with the EU and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) members.



Macroeconomic policies

The Canadian Government has made a fiscal commitment of CA\$205 billion or about 9.8% of GDP for its response to COVID-19. This is allocated as follows: CA\$4 billion (0.2% of GDP) supporting the health system, around CA\$116 billion (5.5% of GDP) in direct aid to households and businesses, and around CA\$85 billion (4.1% of

GDP) in liquidity support through tax deferrals.¹⁴³ Healthcare is mainly a provincial responsibility, and an additional budget for this component is available from each provincial government. For example, the government of Ontario has pledged CA\$3.3 billion in additional healthcare resources for the COVID-19 response.¹⁴⁴ The federal economic response to COVID-19 also relies on the Bank of Canada's monetary policy, with key interventions such as: lowering the overnight rate (the main policy interest rate), which has gradually dropped from 1.75% in January 2020 to 0.25% (as of May 21).¹⁴⁵ Additionally, the Bank of Canada has established several large-scale asset purchase programs to increase liquidity in core funding markets. These include: Government of Canada Bond Purchase Program (GBPP) (CA\$5 billion per week has been announced), Canada Mortgage Bond Purchase Program (CMBP) (up to CA\$500 million per week), Bankers' Acceptance Purchase Facility (BAPF) (weekly purchase size will be around CA\$10 billion).¹⁴⁶ The Bank of Canada is also enhancing two existing tools to support the liquidity of financial institutions, term repo operations and Standing Liquidity Facility (SLF), and is rolling out a new program, the Standing Term Liquidity Facility (STLF).¹⁴⁷ On March 13, the Office of the Superintendent of Financial Institutions announced it would lower the Domestic Stability Buffer (DSB), previously at 2.25% of risk-weighted assets, down to 1.00%, allowing an increase in up to CA\$300 billion in additional lending capacity across large banks.¹⁴⁸

In the space of trade facilitation, the federal government announced the waiving of tariffs on certain medical goods, including PPE, such as masks and gloves, through the Certain Goods Remission Order (COVID-19).¹⁴⁹ Furthermore, on March 23, 2020, the Canadian Food Inspection Agency (CFIA) announced the prioritisation of critically important services including: "food safety investigations and recalls, animal disease investigations, inspection services; export certification; import inspection services; emergency management and laboratory diagnostics".¹⁵⁰ On April 17, the CFIA and the United States Department of Agriculture (USDA) granted a six-month extension to allow approved facilities to continue to export certain animal products, by-products and pet foods. This measure was intended to maintain the trade flow of animal products between the two countries during the emergency.¹⁵¹

Business support policies

The federal government has announced multiple credit programs intended to support businesses during the COVID-19 emergency, such as the Business Credit Availability Program (BCAP) consisting of: Loan Guarantee for Small and Medium-Sized Enterprises (EDC) (up to CA\$6.25 million for participating companies), Co-Lending Program for Small and Medium-Sized Enterprises (BDC) (up to CA\$12.5 million for participating companies), BDC's Mid-Market Financing Program (loans ranging between CA\$12.5 million and CA\$60 million for medium-sized businesses) and EDC's Mid-Market Guarantee and Financing Program (guarantee of 75% of new operating credit and cash-flow loans – ranging in size from CA\$16.75 million to a maximum of CA\$80 million). Furthermore, the Canada Emergency Business Account (CEBA) provides interest-free loans of up to CA\$40,000 to small businesses and not-for-profits, to help cover their operating costs during a period where their revenues have been temporarily reduced. The Large Employer Emergency Financing Facility (LEEFF) provides bridge financing to Canada's largest employers, offering financing of about CA\$60 million or more. The government of Canada is also

¹⁴³ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#C>

¹⁴⁴ <https://budget.ontario.ca/2020/marchupdate/index.html>

¹⁴⁵ <https://www.bankofcanada.ca/core-functions/monetary-policy/key-interest-rate/>

¹⁴⁶ <https://www.bankofcanada.ca/markets/market-operations-liquidity-provision/covid-19-actions-support-economy-financial-system/>

¹⁴⁷ <https://www.bankofcanada.ca/markets/market-operations-liquidity-provision/covid-19-actions-support-economy-financial-system/>

¹⁴⁸ https://www.osfi-bsif.gc.ca/Eng/osfi-bsif/med/Pages/nr_20200313.aspx

¹⁴⁹ <https://www.cbsa-asfc.gc.ca/publications/cn-ad/cn20-19-eng.html>

¹⁵⁰ <https://www.inspection.gc.ca/covid-19/cfia-information-for-industry/critical-activities-during-covid-19-pandemic/eng/1587076768319/1587076768647>

¹⁵¹ <https://www.inspection.gc.ca/covid-19/cfia-information-for-industry/extension-for-approved-facilities-to-continue-to-e/eng/1587150643753/1587150740513>

allowing businesses to defer the payment of income tax, GST/HST (value-added taxes), as well as customs duty owing on imports.¹⁵²

To support job retention, the federal government is implementing three programs: the “Canada Emergency Wage Subsidy” (CEWS), covering 75% of an employee's wages (up to CA\$847 per week) for eligible employers; a “Temporary 10% Wage Subsidy”, a three-month measure that will allow eligible employers to reduce the amount of payroll deduction required to be remitted to the Canada Revenue Agency (CRA); and an extension of the “Work-Sharing program”, the program provides Employment Insurance (EI) benefits to eligible employees who agree to reduce their normal working hours and share the available work while their employer recovers.¹⁵³ Other support for companies includes the Canada Emergency Commercial Rent Assistance (CECRA), a federal program aimed at lowering rent by 75% for small businesses that have been affected by COVID-19.¹⁵⁴

The federal government has announced multiple programs to support specific industries during the COVID-19 situation, including energy, tourism, air transportation, culture, heritage and sports as well as the charitable sector.¹⁵⁵ It is also promoting innovation in COVID-19 solutions through institutions such as the Industrial Research Assistance Program (NRC IRAP) and Innovation, Science and Economic Development Canada's (ISED) Innovative Solutions Canada (ISC).¹⁵⁶ The federal government has also announced a series of measures intended to support the agriculture, agri-food, aquaculture and fisheries sectors, including funding packages and lending schemes to support continuity, stability, capacity building of the supply chain, purchase of PPE and funding for additional costs in light of COVID-19.¹⁵⁷

Population support policies

The federal government has announced multiple programs to support individuals facing financial hardship, including temporary wage top-ups for low-income essential workers (up to CA\$3 billion) to support the wages of low-income essential workers; increasing the Canada Child Benefit (up to an extra CA\$300 per child for 2019-20); Special Goods and Services Tax credit payment, a one-time special payment through the Goods and Services Tax credit for low- and modest-income families. The Canada Emergency Response Benefit (CERB) is a key program providing a taxable benefit of CA\$2,000 every 4 weeks for up to 16 weeks to eligible workers who have lost their income due to COVID-19 (applicable to the self-employed). The federal government is also allowing the deferment of personal tax payments (income tax, GST/HST, customs duty). The federal government has also announced multiple initiatives to support the employability of youth, including skills development, placements and financial relief.¹⁵⁸

Healthcare is mainly a provincial responsibility in Canada. Both the Ministry of Health (regulator) and Ontario Health (an agency grouping health-delivery stakeholders) have published comprehensive guidance on the management of the emergency.¹⁵⁹ The provincial government has also provided comprehensive guidance on the closure and progressive reopening of economic activities.¹⁶⁰ Comprehensive guidance on international travel was produced by the federal government.¹⁶¹ The federal government has pledged more than CA\$275 million to support research and large-scale efforts towards countermeasures to combat COVID-19, addressing clinical and epidemiological aspects.¹⁶²

¹⁵² <https://www.canada.ca/en/department-finance/economic-response-plan.html#businesses>

¹⁵³ <https://www.canada.ca/en/department-finance/economic-response-plan.html#businesses>

¹⁵⁴ <https://www.cmhc-schl.gc.ca/en/finance-and-investing/covid19-cecra-small-business>

¹⁵⁵ <https://www.canada.ca/en/department-finance/economic-response-plan.html#industry>

¹⁵⁶ <https://nrc.canada.ca/en/support-technology-innovation/industrial-research-assistance-program-innovative-solutions-canada-covid-19-challenge-program>

¹⁵⁷ <https://www.canada.ca/en/department-finance/economic-response-plan.html#industry>

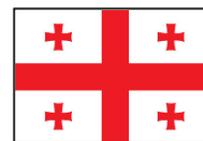
¹⁵⁸ <https://www.canada.ca/en/department-finance/economic-response-plan.html#individuals>

¹⁵⁹ http://www.health.gov.on.ca/en/pro/programs/publichealth/coronavirus/dir_mem_res.aspx

¹⁶⁰ <https://www.ontario.ca/page/framework-reopening-our-province>

¹⁶¹ <https://www.canada.ca/en/public-health/services/diseases/2019-novel-coronavirus-infection/latest-travel-health-advice.html#>

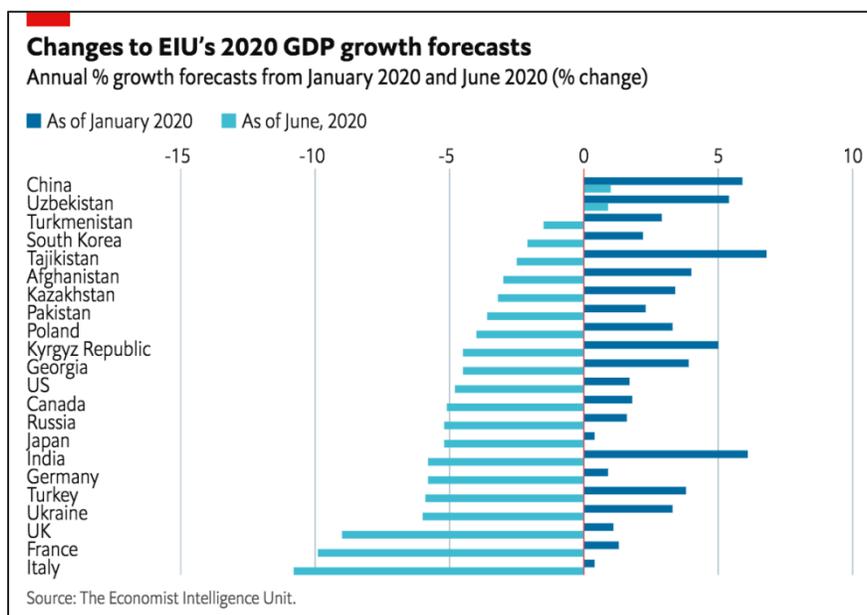
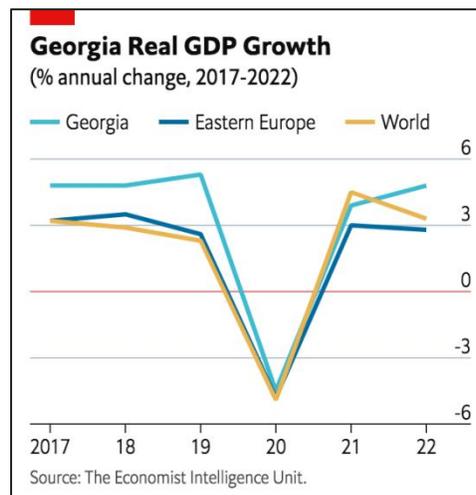
¹⁶² <https://www.canada.ca/en/public-health/services/publications/diseases-conditions/covid-19-government-canada-research-response.html>



Economic growth forecast

As of June 2020, the Georgian economy is expected to experience a sharp contraction of 4.5% in 2020. This will be the result of plummeting private consumption and remittance inflows. According to government estimates, remittances from abroad fell by 9% in March.

The tourism sector, one of the drivers of Georgian economy, will experience severe cutbacks. Although Georgia aims to open its borders for tourists on July 1, travel restrictions still in place in other countries, as well as a fear of contagion, will undermine consumer confidence. Private consumption is not expected to recover in 2020. In 2021 the economy is expected to recover with growth of 3.9%, in line with modest global recovery. This will be supported by an increase in private consumption, and recovery of external trade and tourism. However, such growth figures will be the result of the low base in 2020. In 2022-24 investment and exports are expected to support average GDP growth of about 4.8%. This will make Georgia one of the strongest performing economies in the region. However, Georgia's goods exports potential will be limited by its low-value export base.



Macroeconomic policies

The Georgian government announced the country's Anti-Crisis Plan on April 24, including expenditure of GEL3.5 billion (US\$1.1 billion, or 6% of GDP) for economic relief and pandemic response.¹⁶³ This was divided into GEL350 million (US\$115 million, 0.6% of GDP) for the healthcare pandemic response, GEL 2.11 billion (US\$690 million, 3.5% of GDP) for measures to support businesses, and GEL1.04 billion (US\$338 million, 1.7% of GDP) for social measures to support the population.¹⁶⁴ On June 9, the government presented a restructured budget to implement the measures listed in the Anti-Crisis Plan, which was boosted by a total of US\$1.47 billion (7.4% of

¹⁶³ <https://stopcov.ge/en/Gegma>

¹⁶⁴ <https://stopcov.ge/en/Gegma>

GDP) in international financial support, mainly from the Asian Development Bank, International Monetary Fund and German Reconstruction Credit Bank.¹⁶⁵

The National Bank of Georgia (the central bank) has sought to provide monetary stimulus while supporting banks' liquidity. On April 29, the National Bank of Georgia cut the policy rate, which had remain unchanged at 9% since January, by 0.5 percentage points to 8.5%.¹⁶⁶ From April 8, the National Bank began regular swap operations to support financial sector liquidity, providing US\$200 million to commercial banks and US\$200 million to microfinance organisations, distributed in proportion to participating financial institutions' market shares, with a cap of 25% for a single institution.¹⁶⁷

The Anti-Crisis Plan also sought to boost imports by adopting an automatic VAT refund mechanism, with VAT surplus funds doubled for businesses to receive an additional GEL600 million (US\$197 million).¹⁶⁸ By contrast, the government limited exports of medical goods, creating a committee to examine and approve or block individual consignments, prompting some producers to halt exports.¹⁶⁹

Business support policies

Under the Anti-Crisis Plan, the government created a credit scheme offering a total of GEL500 million (US\$157 million) to businesses, including GEL300 million (US\$94 million) for SMEs.¹⁷⁰ The government further allocated GEL330 million (US\$108 million) to guarantees for 90% of commercial loans.¹⁷¹

The Anti-Crisis Plan also supports businesses through deferral of obligations.¹⁷² A deferral until November 1 of income tax, paid by employers in Georgia, was designed to support employers' wage payments for employees earning less than GEL1,500 (US\$470) per month.¹⁷³ Companies forced to suspend activity during containment measures can apply for a deferral until November 1 of all income tax, as well as property tax.¹⁷⁴ Furthermore, self-employed persons losing income due to the pandemic, including those working informally, can apply for a one-time transfer of GEL300 (US\$95).¹⁷⁵

Throughout May, the Georgian government announced sector-specific support measures under the Anti-Crisis Plan for the agriculture, tourism and construction sectors. A total of GEL60 million (US\$19 million) was made available in loan subsidies for hotels, particularly targeting SMEs and family-owned businesses, with an additional GEL5 million (US\$1.6 million) to support tourism companies and tour guides, including loan subsidies and support for the introduction of World Trade Organisation recommendations.¹⁷⁶ Moreover, property and income tax were deferred until November 1 for 18,000 companies in the tourism industry, with income tax deferred until the end of 2020 for hotels, travel agencies and catering facilities serving tourists.¹⁷⁷ The Anti-Crisis Plan for agriculture includes direct payments to farmers with less than 10 hectares of land, totalling GEL37 million (US\$12 million). A GEL23 million (US\$7.4 million) agricultural credit scheme offers 50% grants on loans for purchase of machinery, greenhouses and irrigation systems and implementation of international food standards, with grant proportions up to 80% available for dairy, viticulture and honey production.¹⁷⁸ To support the construction sector, the government has aimed to stimulate property purchases with a mortgage guarantee and subsidy scheme totalling GEL84 million

¹⁶⁵ <https://bm.ge/ka/article/yvelaferi-rac-2020-wlis-ganaxlebuli-biujetit-icvleba/58193/>

¹⁶⁶ <https://www.nbg.gov.ge/index.php?m=340&newsid=3924&lng=eng>; <https://civil.ge/archives/349188>

¹⁶⁷ <https://www.nbg.gov.ge/index.php?m=340&newsid=3907&lng=eng>

¹⁶⁸ <https://stopcov.ge/en/Gegma>

¹⁶⁹ <https://bm.ge/ka/article/ra-principit-xdeba-samedicino-pruduqciis-eqsportis-shezgudva---regulirebis-saagentos-ganmarteba/52404>

¹⁷⁰ <https://stopcov.ge/en/Gegma>

¹⁷¹ <https://stopcov.ge/en/Gegma>; <https://bm.ge/ka/article/yvelaferi-rac-2020-wlis-ganaxlebuli-biujetit-icvleba/58193/>

¹⁷² <https://stopcov.ge/en/Gegma>

¹⁷³ <https://stopcov.ge/en/Gegma>

¹⁷⁴ <https://home.kpmg/xx/en/home/insights/2020/04/georgia-tax-developments-in-response-to-covid-19.html>

¹⁷⁵ http://gov.ge/index.php?lang_id=GEO&sec_id=541&info_id=75972

¹⁷⁶ http://gov.ge/print.php?gg=1&sec_id=541&info_id=76051&lang_id=GEO

¹⁷⁷ http://gov.ge/print.php?gg=1&sec_id=541&info_id=76051&lang_id=GEO

¹⁷⁸ http://gov.ge/print.php?gg=1&sec_id=541&info_id=76109&lang_id=GEO

(US\$26.5 million). Support for ongoing construction through underwriting and purchasing of social housing totalled GEL350 million (US\$112 million).¹⁷⁹

Population support policies

On March 21, Georgia declared a state of emergency and as a result the country closed its borders to non-citizens, cancelled public events and required all non-essential economic activity and inter-regional travel to cease.¹⁸⁰ Public and private schools and universities were closed from March 2, and remained so until the end of the academic year on June 15.¹⁸¹ Quarantine measures and lockdowns restricting travel into and out of individual municipalities were declared at a regional level, with the country's four largest cities going into lockdown on April 15.¹⁸² The state of emergency was lifted on May 22, and by June 1 all non-essential shops and most businesses had been permitted to resume normal activity.¹⁸³ Some restrictions remained in place by mid-June, with non-state educational institutions closed until July 15, public gatherings limited to ten people (previously three), and a 14-day quarantine obligation for citizens arriving from abroad.¹⁸⁴ In mid-June, inter-city rail and air travel resumed, and the government adopted a law temporarily requiring use of face masks in public places.¹⁸⁵

In March, the government acted to improve healthcare capacity by opening 25 COVID-19 wards at existing medical institutions and postponing planned non-urgent operations for four months.¹⁸⁶ The restructured budget announced on June 9 allocates GEL285 million (US\$93.44 million) to the containment of the virus and pandemic response, and GEL60 million (US\$19 million) to the development of medical infrastructure.¹⁸⁷ A targeted approach reserved COVID-19 testing to persons exhibiting symptoms of the virus, with auxiliary antibody testing used to sample case numbers in Tbilisi.¹⁸⁸

The Anti-Crisis Plan implemented a range of measures totalling GEL83 million (US\$26 million) in value to support the population, especially vulnerable populations, with social benefits of GEL70-100 (US\$23-32) paid monthly to families assessed as vulnerable, families with many children, and disabled persons.¹⁸⁹ Additionally, the government committed to covering three months of utility bills for 1.8 million households with low consumption figures, at a total cost of GEL170 million (US\$55 million).¹⁹⁰ Local authorities have provided food and medicine to vulnerable households, the elderly, and persons with chronic diseases.¹⁹¹ Further, the restructured budget allocated GEL450 million (US\$147 million) to make six GEL200 (US\$65) monthly payments to employees who had lost income due to COVID-19.¹⁹² From mid-March, the Central Bank advised commercial banks to allow customers to defer debt repayments for three months, with customers included on an opt-out basis; from May, banks offered to adjust existing loans for individuals who had lost their jobs or income due to the pandemic.¹⁹³

¹⁷⁹ http://gov.ge/index.php?lang_id=GEO&sec_id=541&info_id=76282

¹⁸⁰ <https://matsne.gov.ge/en/document/view/4830610?publication=0> ; <https://matsne.gov.ge/ka/document/view/4840082?publication=0>;

¹⁸¹ <https://www.mes.gov.ge/content.php?id=10165&lang=eng> ; <http://mes.gov.ge/content.php?id=10325&lang=eng>;

<https://stopcov.ge/en/Gegma>

¹⁸² http://gov.ge/files/76338_76338_444796_COVID-19angarishi...pdf ; <https://civil.ge/archives/350740>

¹⁸³ <https://agenda.ge/en/news/2020/1278> ; http://gov.ge/files/76338_76338_444796_COVID-19angarishi...pdf ;

<https://imedinevs.ge/ge/sazogadoeba/146903/dgeidan-saqalaqtashoriso-transportis-modzraoba-ganakhlda> ; <https://civil.ge/archives/342486>

¹⁸⁴ http://gov.ge/files/76338_76338_444796_COVID-19angarishi...pdf ; <https://civil.ge/archives/342486>

¹⁸⁵ <https://bm.ge/en/article/vanilla-sky---domestic-flights-will-be-resumed-in-georgia-from-june-15/57771>;

<https://agenda.ge/en/news/2020/1854>

¹⁸⁶ <https://bm.ge/ka/article/saqartveloshi-iqmneba-25-ew-cxelebis-centri---tengiz-cercvadze/52742> ;

<https://imedinevs.ge/ge/covid19/133121/jandatsvis-saministro-gegaturi-operatsiebis-otkhi-tvit-gadadebas-gegnavs>

¹⁸⁷ <https://bm.ge/ka/article/yvelaferi-rac-2020-wlis-ganaxlebuli-biujetit-icvleba/58193/>

¹⁸⁸ http://gov.ge/files/76338_76338_444796_COVID-19angarishi...pdf ; <https://civil.ge/archives/342486>

¹⁸⁹ <https://stopcov.ge/en/Gegma>

¹⁹⁰ <https://stopcov.ge/en/Gegma>

¹⁹¹ <https://www.interpressnews.ge/ka/article/595233-cqaltuboshi-koronavirusis-gavrcelebis-saprevencio-gonisziebebi-mimdinareobs-aseve-grzeldeba-shechirvebuli-mosaxleobistvis-produktebis-darigeba/>

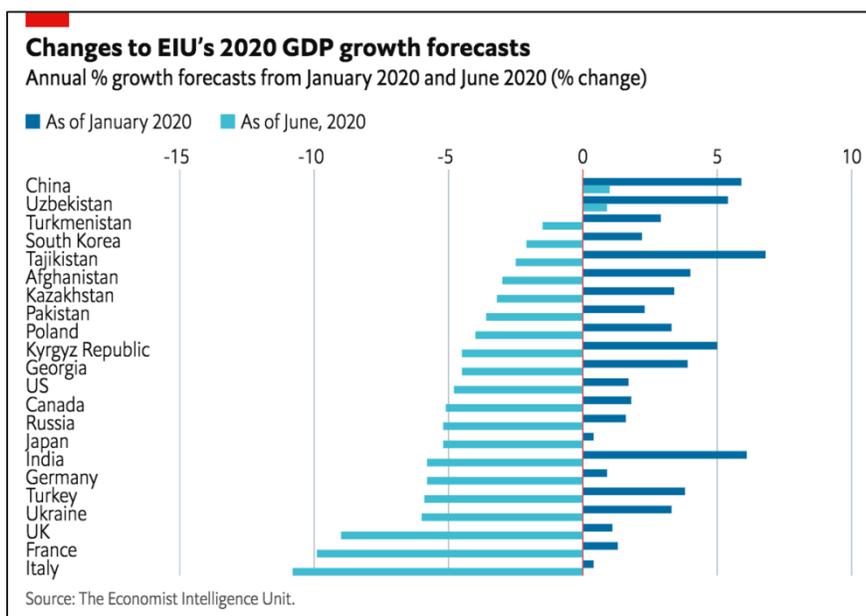
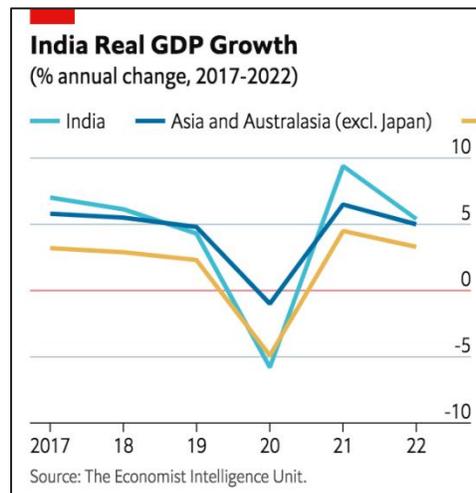
¹⁹² <https://bm.ge/ka/article/yvelaferi-rac-2020-wlis-ganaxlebuli-biujetit-icvleba/58193/>

¹⁹³ <http://www.association.ge/bank-news-detail/106/gantskhadeba-fizikuri-pirebis-sakredito-davalianebis-gadavadebis-shesakheb/?lang=ge>



Economic growth forecast

As of early June 2020, India's real GDP in 2020/21 is expected to contract by 5.8%, the sharpest contraction in economic activity in India since independence in 1947. The headline GDP figure will primarily be pulled down by a 20% year-on-year economic contraction in the first quarter of 2020/21, reflecting India's stringent lockdown measures. Economic activity is expected to continue to contract year on year in the second quarter of 2020/21, as job losses and the closure of businesses depress economic activity. Many sectors, particularly travel, hospitality and tourism, will continue to contract sharply in the second quarter. Economic conditions are expected to improve through the third and fourth quarters of the year, although only modestly due to labour shortages and depressed consumer and business sentiment. Private consumption and investment spending by firms is expected to contract sharply in 2020/21, as consumption remains low during and even after the lockdown is lifted, and as firms postpone investment activity amid high uncertainty around the virus. The government is expected to continue to bolster the economy through increased expenditure, but the effect will be limited. Exports are expected to fall as a global recession sets in.



Macroeconomic policies

The Indian Government has announced an overall stimulus package to support the economy amounting to INR20 trillion (about 10% of GDP).¹⁹⁴ This includes a mix of fiscal support, monetary support, ease of doing business processes, as well as some fundamental reforms. The Reserve Bank of India (RBI) has also lowered its policy repo rate by 115 basis points to 4% since March, as well as the reverse repo rate (the "floor" of the corridor) by

¹⁹⁴ <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1623418>

155 basis points, to 3.35%.¹⁹⁵ On March 27, 2020, the RBI announced liquidity measures to increase lending to commercial and non-commercial banking institutions, amounting to INR3.7 trillion (1.8% of GDP).¹⁹⁶ The RBI has offered moratoriums on assets considered standard as of March 1, 2020, for both businesses and individual borrowers, until August 31, 2020.¹⁹⁷ The Ministry of Finance and the Central Board of Indirect Taxes and Customs (CBIC) have introduced a number of measures to facilitate trade and to ensure the supply of critical goods, including a reduction in tariffs on critical imports such as medical equipment and drugs, testing kits and PPE¹⁹⁸; restrictions on some domestically produced critical exports¹⁹⁹ and the extension of the deadline for filing goods and services tax (GST).²⁰⁰

Business support policies

On May 13, the government announced a series of measures amounting to around INR6 trillion (3% of GDP) to provide liquidity to some stressed sectors and businesses, in particular micro, small and medium enterprises (MSMEs), formal sector employees and non-bank financial companies during the COVID-19 pandemic.²⁰¹ A number of tax-related measures have also been introduced to support businesses, including extending the deadline for filing tax returns to June 30, 2020 and the due date for all income tax returns for FY2019-20 to November 2020.²⁰² Employment protection measures have also been introduced, including a government commitment to pay formal employee provident fund contributions on behalf of employees and employers from March to August 2020. The government is also amending its pension regulations, so that workers can draw a certain amount from their pension pot.²⁰³ The Ministry of Labour & Employment has issued advisories to employers, urging them not to make employees redundant and not to reduce wages. A range of sector-specific financial support has been announced for the Fishing²⁰⁴, Construction²⁰⁵, ICT²⁰⁶, Real Estate²⁰⁷ and Agriculture sectors. Furthermore, on May 16, 2020, the government announced structural reforms targeting eight industrial sectors: Coal, Minerals, Defence production, Civil Aviation, Power Sector, Social Infrastructure, Space and Atomic Energy.²⁰⁸ Two incentive schemes have also been established to promote the development of domestic bulk drug parks and domestic manufacturing of critical key ingredients for medicines.²⁰⁹

Population support policies

In order to prevent the spread of COVID-19, on March 24, 2020, the Indian Ministry of Home Affairs announced that the entire country would go into lockdown²¹⁰, which has since been gradually eased. On May 17, 2020, the government allowed all activities to resume except for a set of activities/areas which remain prohibited, including domestic and international passenger air travel, metro rail services, educational facilities, hospitality services, places of worship, leisure facilities and public gatherings.²¹¹ Repatriation efforts have been made for both Indian

¹⁹⁵ https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49581;
https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49843

¹⁹⁶ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#>

¹⁹⁷ <https://economictimes.indiatimes.com/wealth/borrow/rbi-extends-emi-moratorium-for-another-three-months-on-term-loans-heres-what-it-means-for-borrowers/articleshow/75883777.cms?from=mdr>

¹⁹⁸ https://www.wto.org/english/tratop_e/covid19_e/trade_related_goods_measure_e.htm; http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/activities-and-programmes/natural-disaster/covid_19/india_en.pdf?la=en

¹⁹⁹ https://www.wto.org/english/tratop_e/covid19_e/trade_related_goods_measure_e.htm

²⁰⁰ https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/tax/tax-pdfs/ey-tax-covid-19-response-tracker-14-may-2020.pdf#page=186?download

²⁰¹ <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1623601>

²⁰² <https://www.cbic.gov.in/resources/htdocs-cbec/gst/notfctn-31-central-tax-english-2020.pdf>; <https://www.oecd.org/coronavirus/en/>

²⁰³ <https://www.oecd.org/coronavirus/en/>; <https://www.mohfw.gov.in/pdf/MoFPMGaribKalyanYojanaPackage.pdf>

²⁰⁴ <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1607942>

²⁰⁵ <https://www.mohfw.gov.in/pdf/MoFPMGaribKalyanYojanaPackage.pdf>

²⁰⁶ https://www.startupindia.gov.in/content/sih/en/covid-19_resource_section.html#1587117667739

²⁰⁷ <https://www.oecd.org/coronavirus/en/>

²⁰⁸ <https://pib.gov.in/PressReleaseDetail.aspx?PRID=1624536>

²⁰⁹ <https://invest-india-revamp-static-files.s3.ap-south-1.amazonaws.com/s3fs-public/2020-03/PIB1607484.pdf>

²¹⁰ <https://www.mha.gov.in/sites/default/files/Guidelines.pdf>; <https://www.mha.gov.in/sites/default/files/MHAOrder%20copy.pdf>

²¹¹ https://www.mha.gov.in/sites/default/files/MHAOrderextension_1752020_0.pdf

citizens abroad, and foreign nationals within India.²¹² Inbound travellers are subject to quarantine and testing to prevent the importation of the virus.²¹³

The overall stimulus package includes an INR150 billion emergency health fund aimed at strengthening medical infrastructure, including rapidly ramping up the number of testing facilities, PPE, isolation beds, intensive care unit beds, ventilators and other essential equipment.²¹⁴ In total, 624 testing labs, both government and private, have been established across the country, and on April 8, a Supreme Court ruling ordered that all COVID-19 tests must be provided for free.²¹⁵

As part of the overall stimulus package, INR1.7 trillion has been dedicated to a relief package to support domestic migrant workers, informal businesses, farmers and middle-income households.²¹⁶ This will include cash transfers to farmers, women, rural workers, poor senior citizens, poor widows and poor disabled people. The package will also include in-kind food transfers of wheat, rice and pulses to poor people. The relief package also includes an insurance scheme for health workers in government hospitals and healthcare centres.

²¹² <https://www.mha.gov.in/sites/default/files/4MHASOPs05052020.pdf>;
<https://www.mha.gov.in/sites/default/files/3rdAddendumdated242020.pdf>

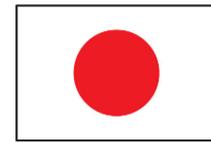
²¹³ <https://www.mha.gov.in/sites/default/files/4MHASOPs05052020.pdf>; <https://www.mohfw.gov.in/pdf/Guidelinesforinternationalarrivals.pdf>

²¹⁴ <https://pib.gov.in/PressReleasePage.aspx?PRID=1612534>

²¹⁵ https://www.icmr.gov.in/pdf/covid/labs/COVID_Testing_Labs_26052020.pdf; <https://economictimes.indiatimes.com/news/politics-and-nation/covid-19-tests-must-be-free-in-government-private-labs-supreme-court/articleshow/75050684.cms?from=mdr>

²¹⁶ <https://www.mohfw.gov.in/pdf/MoFPMGaribKalyanYojanaPackage.pdf>

COVID-19 POLICY RESPONSE SUMMARY: JAPAN

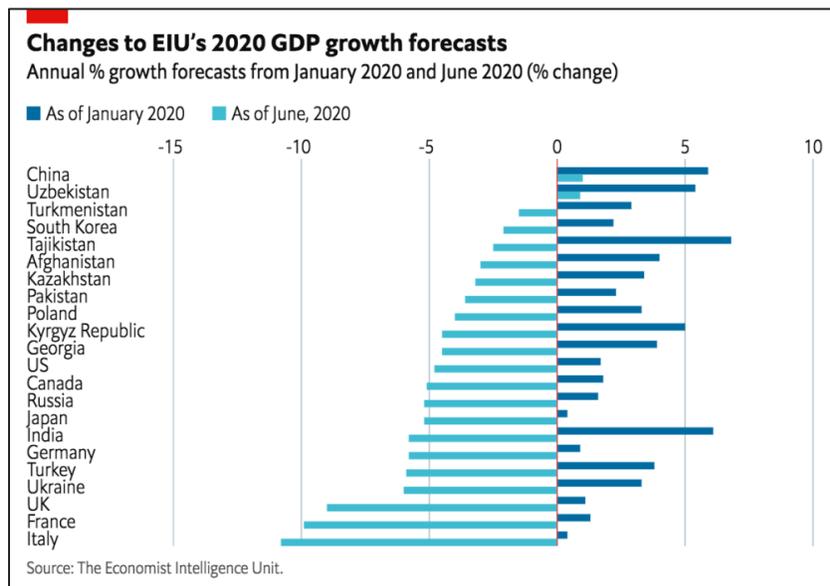
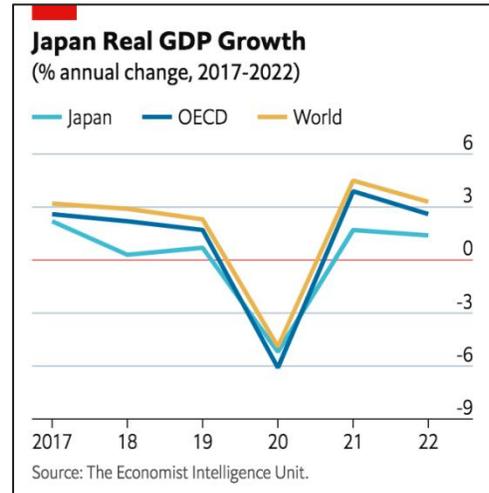


Economic growth forecast

Real GDP is expected to contract by 5.2% in 2020, following the global outbreak of COVID-19. The impact in the first half of the year will be pronounced, with Japan's exports and industrial activity adversely affected by much slower economic activity in China. GDP contraction in Japan's other major trading partners, such as the US, EU and South Korea, will also weigh on exports. Contraction in automotive, machinery, retail and tourism will be more pronounced.

The rise in the consumption tax rate in October 2019 will continue to have a lingering effect on private consumption. Consumer spending will be further subdued in the first half of 2020 following a state of emergency being declared across the country. Although the government does not have the authority to forcibly close businesses and order citizens to stay indoors, the fall in consumer activity suggests that private consumption will decline during the year. Given these headwinds, the government will ramp up its spending to support growth by introducing supplementary budgets, although the additional public spending will be insufficient to boost consumer sentiment.

The Olympic and Paralympic Games scheduled to be held in the capital, Tokyo, have now been postponed to 2021. The accompanying rise in tourism-related spending (as well as domestic consumption) will support growth and recovery in that year. Although a fairly accommodative fiscal policy stance will support investment growth, it will be adversely affected by rising tensions in global commerce, stoked by disruptive US trade policy. Meanwhile, a downturn in the global consumer electronics cycle has also hit export-oriented industries, although the sector is also set to recover in 2021.



Macroeconomic policies

The Japanese Government has announced an overall stimulus package to support the economy amounting to ¥234.2 trillion (initially announced as ¥117.1 trillion).²¹⁷ The Bank of Japan (BoJ) has maintained a negative interest rate of -0.1% since January 2016. In response to the COVID-19 crisis, the BoJ called a monetary policy meeting and announced a comprehensive set of measures to maintain the smooth functioning of financial markets and incentivise the provision of credit, including multiple asset purchase measures such as the purchase of both government and corporate bonds.²¹⁸ On March 16, 2020, the BoJ introduced "Special Funds-Supplying Operation to Facilitate Corporate Financing regarding COVID-19", to provide 0% interest rate loans to applicable financial institutions, which has since been expanded to increase the number of eligible counterparties and collateral to private debt (including household debt).²¹⁹ The Japanese Government has not introduced any import tariff reductions on critical goods such as PPE and medical equipment (unless they are to be provided for free/donated)²²⁰ nor has it placed restrictions on exports of these goods.²²¹ Despite this, the Ministry of Economy, Trade and Industry (METI) has put in place measures to facilitate faster trade of urgent goods, including prioritising customs clearance for relief goods, easing the processes for import license renewal and extending the deadlines of conditions set in the export license.²²²

Business support policies

The government has introduced a number of lending and credit guarantee schemes for businesses through various governmental/quasi-governmental organisations including the Development Bank of Japan, The Shoko Chukin Bank, Japan Finance Corporation and Credit Guarantee Corporations (CGCs).²²³ A number of tax-related measures have also been introduced to support businesses, including the extension of the tax filing and payment deadline for those supposed to fall due in March-April 2020²²⁴ and the cancellation (or reduction, depending on the case) of property tax and city planning tax for 2021 for SMEs who suffer a sales decrease due to COVID-19.²²⁵ Employment measures have also been introduced, including easing the qualifications and raising the subsidy rates for the existing Employment Adjustment Subsidy (EAS) which is given to companies that put workers on temporary paid leave.²²⁶ Moreover, the government has introduced a grant for companies that allow employees that are parents to take additional paid annual leave to care for their children while schools are closed and/or while their children need to take sick leave in relation to COVID-19.²²⁷ To secure a supply of masks and disinfectants, the Ministry of Economy, Trade and Industry is supporting manufacturers of masks and related items

²¹⁷ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#J>

²¹⁸ https://www.boj.or.jp/en/announcements/release_2020/k200427a.pdf; <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#J>; Measures include a targeted liquidity provision through an increase in the size and frequency of Japanese government bond (JGB) purchases; a temporary increase in the annual pace of BoJ's purchases of Exchange Traded Funds (ETFs) and Japan-Real Estate Investment Trusts (J-REITs) to about JPY 12 trillion (2.2% of GDP) and JPY 180 billion (0.03% of GDP), respectively; and a temporary additional increase of targeted purchases of commercial paper and corporate bonds.

²¹⁹ Establishment of "Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Corporate Financing regarding COVID-19", March 16, 2020, The Bank of Japan; https://www.boj.or.jp/en/announcements/release_2020/k200427a.pdf

²²⁰ https://www.customs.go.jp/english/news/covid-19/faq_mask.htm

²²¹ https://www.maff.go.jp/j/saigai/n_coronavirus/; https://www.meti.go.jp/english/press/2020/0515_003.html;
<https://www.euractiv.com/section/economy-jobs/news/eu-and-japan-commit-to-avoiding-unnecessary-barriers-in-times-of-covid-19/>

²²² <https://www.meti.go.jp/press/2019/03/20200305002/20200305002.html>; https://www.customs.go.jp/news/news/20200304_index.htm

²²³ https://corona.go.jp/expert-meeting/pdf/kinkyutaiou_corona.pdf; https://www.mof.go.jp/financial_system/fiscal_finance/coronavirus-ijigyouya/corona-pamphlet.pdf; <https://www.whitecase.com/publications/alert/covid-19-japanese-government-financial-assistance-measures>

²²⁴ https://www.kantei.go.jp/jp/singqi/novel_coronavirus/th_siryou/200420kinkyukeizaitaisaku.pdf;
https://www.nta.go.jp/english/tax_payment/01.htm; <https://www.whitecase.com/publications/alert/covid-19-japanese-government-financial-assistance-measures>

²²⁵ https://www.kantei.go.jp/jp/singqi/novel_coronavirus/th_siryou/200420kinkyukeizaitaisaku.pdf; <https://www.meti.go.jp/covid-19/pdf/pamphlet.pdf>

²²⁶ <https://www.oecd.org/coronavirus/country-policy-tracker/>

²²⁷ The amount of the grant is equivalent to the employee's salary during April 1–June 30, 2020 at a rate up to JPY 8,330 per day; https://www.mhlw.go.jp/stf/seisakunitsuite/bunya/0000164708_00001.html#hatarakukata; <https://www.natlawreview.com/article/covid-19-japanese-economic-stimulus-package-unveiled>

by offering subsidies for manufacturers of these items, valued at up to ¥30 million per company.²²⁸ The government is currently developing a plan to incentivise travel to the country in order to boost the tourism industry which may potentially include vouchers worth ¥20,000 per visitor, per stay.²²⁹

Population support policies

In order to prevent the spread of COVID-19, the Government of Japan announced an initial state of emergency on April 7 in the prefectures of Tokyo, Kanagawa, Saitama, Chiba, Osaka, Hyōgo, and Fukuoka. On April 16, a state of emergency was declared nationwide. This declaration allowed the prefectural governors to request or order the closure of various public places, including educational facilities²³⁰, non-essential businesses²³¹, offices²³², factories and construction sites.²³³ As a result, many prefectures have issued their own lockdown measures, many of which have eased since the country was officially declared out of a state of emergency on May 25. Inbound foreign nationals from a list of 111 countries, including China, Canada, the USA and most European countries, have been banned from entering the country²³⁴ whilst Japanese nationals travelling from these countries are requested to stay 14 days in isolation and to refrain from using public transportation.²³⁵

As part of the initial overall stimulus package (¥117.1 trillion), 0.5% of 2019 GDP was earmarked for developing preventive measures against the spread of infection and strengthen treatment capacity. Regarding testing, the government is planning to establish 2000 PCR testing centres around Japan and will invest ¥62 billion, in total, to establish and enhance antigen testing in FY2020.²³⁶

One of the themes of the government's overall stimulus package and response to the COVID-19 crisis is to support vulnerable groups. There are various programmes within this package, including the provision of COVID-19 subsidies to every national, to provide allowances for households with children,²³⁷ exemptions for National Pension Premium, to provide scholarships and reduce tuition fees, and to extend counselling services for domestic violence.²³⁸ Furthermore, the Ministry of Health, Labour and Welfare has extended the subsidy for housing for those who faces difficulty in paying rent because of lost or decreased income due to COVID-19.²³⁹

²²⁸ https://www.kantei.go.jp/jp/singi/novel_coronavirus/th_siryou/200420kinkyukeizaitaisaku.pdf;
<https://www.meti.go.jp/information/publicoffer/kobo/2020/k200408003.html>

²²⁹ https://www.meti.go.jp/main/yosan/yosan_fy2020/hosei/pdf/hosei_yosan_gaiyo.pdf;
<https://www.japantimes.co.jp/news/2020/05/27/national/japan-wont-pay-half-visitors-expenses/#.XuPKbNNKhQI>

²³⁰ https://elaws.e-gov.go.jp/search/elawsSearch/elaws_search/lsg0500/detail?lawId=424AC0000000031;
<https://www.oecd.org/coronavirus/country-policy-tracker/>;
https://www.kyoiku.metro.tokyo.lg.jp/press/press_release/2020/files/release20200409_04/besshi.pdf;
https://www.kantei.go.jp/jp/singi/novel_coronavirus/th_siryou/kihon_h_0521.pdf;
https://www.washingtonpost.com/world/asia_pacific/japan-coronavirus-schools-reopen/2020/06/06/9047be8c-a645-11ea-8681-7d471bf20207_story.html

²³¹ <https://www.bousai.metro.tokyo.lg.jp/1007617/1007679.html>;
https://www.kantei.go.jp/jp/singi/novel_coronavirus/th_siryou/kihon_h_0504.pdf;
https://www.metro.tokyo.lg.jp/tosei/hodohappyo/press/2020/05/22/documents/11_00_1.pdf

²³² [https://www.kantei.go.jp/jp/singi/novel_coronavirus/th_siryou/kihon_h\(4.7\).pdf](https://www.kantei.go.jp/jp/singi/novel_coronavirus/th_siryou/kihon_h(4.7).pdf)

²³³ [https://www.kantei.go.jp/jp/singi/novel_coronavirus/th_siryou/kihon_h\(4.7\).pdf](https://www.kantei.go.jp/jp/singi/novel_coronavirus/th_siryou/kihon_h(4.7).pdf);
<https://www.meti.go.jp/press/2020/04/20200413004/20200413004.html>;
<https://www.mlit.go.jp/tec/content/001339762.pdf>

²³⁴ https://www.anzen.mofa.go.jp/info/pchazardspecificinfo_2020T093.html#ad-image-0;
<https://www.japan.travel/en/coronavirus/>;
https://www.mofa.go.jp/ca/fna/page4e_001053.html

²³⁵ <https://www.japan.travel/en/coronavirus/>

²³⁶ <https://www.mhlw.go.jp/wp/yosan/yosan/20hosei/dl/20hosei02.pdf>

²³⁷ The Japanese government provides a Special Cash Transfer, 100,000 yen per resident, a one-off payment to all residents (resident means those who are registered with Basic Resident Registration System in each local government). Households with children (0-15 years old), add 10,000 yen per child to regular child allowance;
https://www.kantei.go.jp/jp/singi/novel_coronavirus/th_siryou/200420kinkyukeizaitaisaku.pdf;
https://kyufukin.soumu.go.jp/doc/18_document_en.pdf;
<https://www8.cao.go.jp/shoushi/shinseido/pdf/rinji/gaiyo.pdf>

²³⁸ https://www.kantei.go.jp/jp/singi/novel_coronavirus/th_siryou/200420kinkyukeizaitaisaku.pdf;
<https://www.mhlw.go.jp/wp/yosan/yosan/20hosei/dl/20hosei02.pdf>

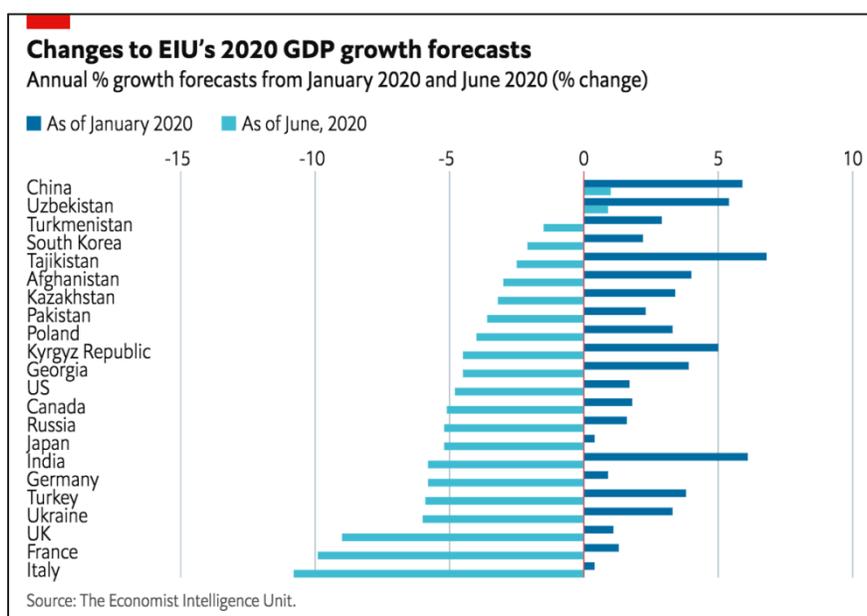
²³⁹ Housing rent up to 53,700 - 69,800 yen (depending on number of people per household) will be subsidized for 3 -9 months. Those who do not have enough deposit and savings and are seeking jobs at Hello Work are eligible;
<https://www.mhlw.go.jp/content/10900000/000622924.pdf>



Economic growth forecast

Following a 4.5% year-on-year expansion in 2019, real GDP growth slowed to 2.7% year on year in the first quarter of 2020. The economy is expected to contract by 3.2% in 2020 as a whole. This would be a worse outcome than during the global financial crisis of 2008-09 and the previous oil price crash in 2014-15, when Kazakhstan recorded slightly positive growth.

Lockdown measures to deal with the coronavirus pandemic have led to economic activity grinding to a halt from March to mid-May and the collapse of global oil prices is damaging Kazakhstan's large energy sector. Real disposable household income is expected to fall by 12.8% and real wages to contract by 3.3% this year, resulting in a fall in private consumption of 3.6%. However, we do not expect a significant increase in unemployment (4.8% in 2019 to 6.6% in 2020), owing to a rigid labour market and government pressure on state-owned enterprises to avoid lay-offs. The worst of the contraction in economic activity will be concentrated in the second quarter, when it is expected that real GDP will contract by 15.9% year on year. The sharp drop in the oil price and oil demand is a major blow: the energy sector accounts for nearly half of GDP and over two-thirds of exports. Global oil prices fell sharply in March-April and are expected to stay down in 2020 by nearly a half compared with 2019, and the lowest since 2003. Under an OPEC+ agreement on April 12, Kazakhstan will reduce oil output. Oil production will fall from about 1.8 million barrels/day in 2019 to less than 1.6 million barrels/day this year. Together with lower prices, this will result in oil export revenue tumbling from US\$34 billion in 2019 to just US\$16.8 billion this year. In 2021, real GDP growth is expected to pick up to 2.5%, which will still be held back by depressed oil prices.



Macroeconomic policies

Kazakhstan has spent over KZT5.9 trillion (US\$15 billion, 8.9% of GDP) on anti-crisis measures, including direct investment in infrastructure and healthcare as well as measures to support the population.²⁴⁰ On March 10, in order to stabilise inflation and limit the effects of global economic uncertainty, the National Bank of Kazakhstan (NBK) raised the base rate from 9.25% to 12% per annum, and expanded the interest rate band from +/-1 percentage point to +/-1.5 percentage points.²⁴¹ On April 6, in order to stimulate economic activity after measures had been taken to stabilise the economy, the NBK reduced the base rate to 9.5% and expanded the interest rate band to +/-2 percentage points.²⁴² The capital adequacy ratio has been reduced to 50% for loans issued to small and medium-sized enterprises, 100% for foreign currency loans and 50% for syndicated loans.²⁴³ The country has taken numerous measures to support the national currency, including reductions to the limit for foreign exchange long positions and the aggregate net foreign exchange position, limits on the discrepancy between the purchase and sale rates of foreign currency, restrictions on the purchase of foreign currency, and the sale of state-owned export firms' foreign currency income.²⁴⁴ Measures to facilitate trade and ensure supply of critical goods include VAT cuts on staple foods, simplified procedures for medical imports, bans on exporting staple foods, and suspension of taxes and duties for fuel exports.²⁴⁵ No major international financing has been accessed, but US\$10 billion (0.06% of GDP) from a pre-existing World Bank project has been redirected to purchase medical equipment due to the COVID-19 crisis.²⁴⁶ In addition, Kazakhstan has received donations of medical supplies from various countries, and has donated medical supplies to China, and food aid to Kyrgyzstan and Tajikistan.²⁴⁷

Business support policies

Kazakhstan's government has not provided direct financial support to business, or offered direct lending, but has introduced several other business support policies. In March, a KZT600 billion (0.86% of GDP) government-backed lending scheme was launched for small businesses affected by the crisis, and in April, a pre-existing lending scheme had its budget expanded from KZT400 billion (0.59% of GDP) to KZT1 trillion (1.5% of GDP), of which KZT700 billion (1.0% of GDP) is for the agricultural sector and KZT300 billion (0.45% of GDP) is for manufacturing.²⁴⁸ All sole traders have been made exempt from income tax until the end of 2020.²⁴⁹ Similarly, until the end of 2020, companies are exempt from land tax on agricultural land and from property tax on large shopping centres, entertainment complexes, cinemas, theatres, exhibition centres, sport centres and all properties

²⁴⁰ https://tengrinews.kz/kazakhstan_news/nekorrektnaya-informatsiya-smailov-otvetil-blogeram-135-401799/

²⁴¹ <https://nationalbank.kz/cont/Пресс-релиз%20о%20повышении%20базовой%20ставки%20пус.pdf>;
<https://nationalbank.kz/cont/Базовая%20ставка%20пус.pdf>

²⁴² <https://nationalbank.kz/cont/ПП%2015.pdf>

²⁴³

<https://nationalbank.kz/cont/О%20программе%20льготного%20кредитования%20субъектов%20малого%20и%20среднего%20предприимательства.pdf>

²⁴⁴ and <https://nationalbank.kz/cont/Пресс-релиз%2016%2003.pdf>; <https://finreg.kz/cont/ПРЕСС%20-%20РЕЛИЗ.pdf>;
<https://nationalbank.kz/cont/Об%20установлении%20пределов%20отклонения%20курса%20покупки%20от%20курса%20продажи%20иностранной%20валюты%20за%20тенге%20через%20обменные%20пункты.pdf>;
<https://www.nationalbank.kz/cont/Безналичная%20иностранная%20валюта.pdf>;
<https://nationalbank.kz/cont/Пресс-релиз%2016%2003.pdf>

²⁴⁵ https://online.zakon.kz/Document/?doc_id=33339772; https://online.zakon.kz/Document/?doc_id=36656728;
<https://www.pharm.reviews/images/document/2020/2020-61-prikaz-compressed.pdf>; <https://gmpnews.ru/2020/06/v-kazaxstane-izmeneny-pravila-vvoza-vyvoza-lekarstvennyx-sredstv-i-medicinskix-izdelij/>; https://online.zakon.kz/Document/?doc_id=39670123;
https://online.zakon.kz/Document/?doc_id=33339772; https://online.zakon.kz/Document/?doc_id=34442128

²⁴⁶ <https://www.worldbank.org/en/news/press-release/2020/04/02/486-million-in-world-bank-financing-for-europe-and-central-asia-countries-to-address-health-economic-impacts-of-covid-19>

²⁴⁷ https://tengrinews.kz/kazakhstan_news/gumanitarnaya-pomosch-i-otpravil-kazahstanu-borbu-covid-19-399181/

²⁴⁸

<https://nationalbank.kz/cont/О%20программе%20льготного%20кредитования%20субъектов%20малого%20и%20среднего%20предприимательства.pdf>; https://www.inform.kz/ru/kakie-izmeneniya-vnesli-v-programmu-ekonomika-prostyh-veschey_a3633181

²⁴⁹ https://online.zakon.kz/Document/?doc_id=33794232

used in the spheres of tourism or hospitality.²⁵⁰ On March 27, the government announced that small and medium-sized enterprises could defer the payment of all taxes and social insurance contributions until June 1.²⁵¹

A wide range of small and medium-sized enterprises (SMEs) are entitled to suspension of loan repayments from March 16 to June 15, on any loan taken out prior to March 16.²⁵² SMEs that carry out certain activities are automatically eligible for this, without having to meet any other conditions.²⁵³ The list of qualifying activities is extensive, including much of agriculture, food production, manufacture, wholesale, retail, transport, hospitality, entertainment, education, healthcare and customer services.²⁵⁴ In addition, SMEs that carry out other activities are eligible if they can demonstrate that their business has suffered as a result of the pandemic and the related economic downturn.²⁵⁵

Population support policies

Kazakhstan has introduced a wide range of lockdown measures. The country was under a national state of emergency from March 15 to May 11, during which different parts of the country introduced different measures, such as closure of workplaces, closure of public places, cancellation of public transport and restrictions on domestic travel.²⁵⁶ Since May 11, restrictions have been gradually lifted in those parts of the country where the epidemiological situation has improved. However, due to a rapid surge in coronavirus cases in late June and early July, the government has re-introduced a two-week lockdown, effective from July 5 onwards, which includes banning large public events, suspending bus routes between cities and regions and reducing the hours of public transport operation.²⁵⁷ International travel restrictions started in January with the closure of crossing points on the Chinese border, continued in March with entry bans on citizens from certain countries (namely China, Iran, South Korea, Taiwan, Japan and Italy), and culminated in a near-total ban on entering or leaving the country during the state of emergency (the only exception being for diplomats and delegations of intergovernmental organisations).²⁵⁸ Since May 11, the list of people allowed to enter and leave the country has gradually expanded to include various categories of people travelling for family, medical, educational and professional reasons.²⁵⁹ From May 11 to 29 people entering the country were required to provide a certified test result or to undergo quarantine or self-isolation.²⁶⁰

Around KZT150 billion (0.22% of GDP) has been dedicated to healthcare measures.²⁶¹ Special hospitals have been built in Nur-Sultan, Almaty and Shymkent, and efforts have been made to free up space in existing hospitals and sanatoria.²⁶² The Ministry of Healthcare has spent KZT5.4 billion (US\$13.5 million) on providing free tests at

²⁵⁰ https://online.zakon.kz/Document/?doc_id=33794232; https://online.zakon.kz/Document/?doc_id=33339772

²⁵¹ https://online.zakon.kz/Document/?doc_id=33339772

²⁵² https://online.zakon.kz/Document/?doc_id=35143595

²⁵³ https://online.zakon.kz/Document/?doc_id=35143595

²⁵⁴ https://online.zakon.kz/Document/?doc_id=35143595

²⁵⁵ https://online.zakon.kz/Document/?doc_id=35143595

²⁵⁶ https://online.zakon.kz/document/?doc_id=32648341; <https://www.akorda.kz/ru/events/prezident-kazahstana-provel-zaklyuchitelnoe-zasedanie-gosudarstvennoi-komissii-po-chrezvychainomu-polozheniyu>; <https://vlast.kz/obsshestvo/38571-kazahstan-na-karantine.html>

²⁵⁷ <https://astanatimes.com/2020/07/kazakhstan-to-reintroduce-two-week-lockdown-to-deal-with-covid-19-spike/>

²⁵⁸ <https://24.kz/ru/news/social/item/369748-v-vko-vremenno-zakryta-granitsa-s-ksnr>; https://forbes.kz/process/granitsa_na_zamke_iz-za_koronavirusa_kazahstan_zakryvaet_vyezd_dlya_grajdan_kitaya_yujnoy_korei_i_irana/; https://online.zakon.kz/document/?doc_id=32648341

²⁵⁹ <https://pkzsk.info/komu-mozhno-pereseekat-granicu-kazahstana-s-11-maya/>; https://tengrinews.kz/kazakhstan_news/pravila-peresecheniya-granitsyi-izmenili-v-kazahstane-404159/

²⁶⁰ https://online.zakon.kz/Document/?doc_id=36528490; https://online.zakon.kz/Document/?doc_id=36229297; https://tengrinews.kz/kazakhstan_news/pravila-peresecheniya-granitsyi-izmenili-v-kazahstane-404159/

²⁶¹ https://tengrinews.kz/kazakhstan_news/nekorrektная-informatsiya-smailov-otvetil-bloggeram-135-401799/

²⁶² <https://litr.kz/v-kazahstane-za-20-dnej-postroyat-gospital/>; <https://www.ktk.kz/ru/programs/novosti/142593/>; https://tengrinews.kz/kazakhstan_news/v-minzdrave-obyasnili-ogranichenie-na-planovyye-operatsii-398854/; http://ekaraganda.kz/?mod=news_read&id=94223

centres across the country, has invested in research into clinical interventions and carried out contact tracing through co-operation between police and healthcare workers.²⁶³

The main financial support measure was a scheme to provide direct cash transfers of KZT42,500 per month for the duration of the state of emergency to those who had lost their income.²⁶⁴ Other support measures for individuals include debt relief, utility bill deferrals, an increase to pensions, an increase to benefit payments, food packages for vulnerable groups and price controls on flour, bread, pasta, buckwheat, rice, beef, chicken, eggs, sunflower oil and salt.²⁶⁵

²⁶³ <https://www.gov.kz/memleket/entities/dsm/press/news/details/kto-smozhet-proyti-testy-na-covid-19-v-kazahstane?lang=ru>;
<https://www.kdlolymp.kz/news/mobilnye-punkty-zabora-dlya-testirovaniya-na-koronavirus-v-gorodah-ust-kamenogorsk-kokshetau>;
<https://www.kdlolymp.kz/news/pcr-analiz-na-koronavirus>; <https://rus.azattyq.org/a/kazakhstan-coronavirus-tests-article/30535444.html>;
https://pharmnews.kz/ru/news.php/v-kazahstane-prohodit-issledovanie-preparata-dlya-lecheniya-koronavirusnoy-infekcii_16427?name=v-kazahstane-prohodit-issledovanie-preparata-dlya-lecheniya-koronavirusnoy-infekcii_16427;
https://www.mzv.cz/file/3923568/usneseni_v_RJ.pdf

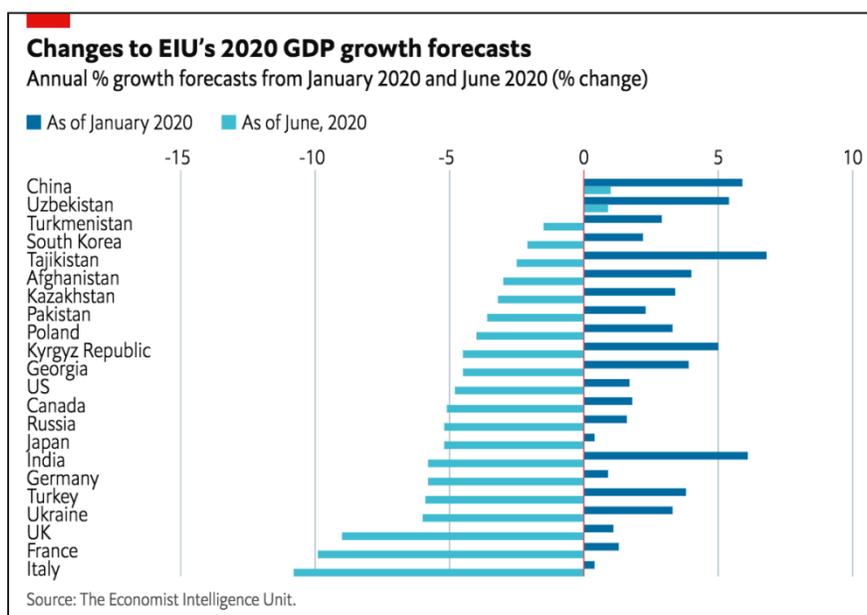
²⁶⁴ https://online.zakon.kz/Document/?doc_id=35672125

²⁶⁵ <https://nationalbank.kz/cont/Пресс%20релиз%20по%20отсрочке%20платежей%207%2020%2025%20рус.pdf>;
<https://finreg.kz/cont/ПРЕСС%20-%20РЕЛИЗ.pdf>; https://online.zakon.kz/Document/?doc_id=35143595;
<https://informburo.kz/novosti/almatincam-dali-otsrochku-po-oplate-kommunalnyh-uslug-scheta-za-mart-i-aprel-mozhno-budet-oplatit-dokonca-goda-103874.html>; <https://www.nur.kz/1848602-pensii-i-posobia-uvelicatsa-na-10-v-godovom-vyrazenii-cto-eto-znait.html>;
https://online.zakon.kz/Document/?doc_id=36761988; https://online.zakon.kz/Document/?doc_id=37238995



Economic growth forecast

In 2020, real GDP is expected to contract by 4.5%, based on a sharp contraction in private consumption, weak external sector performance and low investment, on the back of the global coronavirus pandemic. Lockdown measures have led to business closures and consequently limited consumption. Softening of the labour market will negatively affect consumer confidence in coming years. Remittances from migrant workers, mostly in Russia, account for about 30% of the Kyrgyzstan GDP. Russia has been severely affected by the coronavirus and the collapse in oil prices (we expect a recession of 5.2%). As a result, remittance inflows declined by nearly 15% year on year in April. Gold production from the Kumtor mine will continue to support the economy, and higher global gold prices will partly offset the economic fallout from the coronavirus. However, owing to disrupted supply chains, gold exports will also take a hit and will not be sufficient to keep growth in positive territory. Real GDP growth is expected to rebound to 2.3% in 2021 as the global economy recovers. Partly removing lockdown measures will boost industrial production in 2021 and export volumes will start to normalise. There is a downside risk to our forecasts if the economic situation of the Kyrgyzstan's economic partners (Russia and China) deteriorates further in 2020.



Macroeconomic policies

On the monetary front, Kyrgyzstan has mainly sought to stabilise its national currency, the som, and provide liquidity to the financial sector. On February 24, the National Bank of Kyrgyzstan (NBKR; the central bank) raised its policy rate from 4.25% to 5%, and reduced the mandatory liquidity ratio and reserve requirements.²⁶⁶

²⁶⁶ <https://www.nbkr.kg/contout.jsp?item=2145&lang=RUS&material=96933>;
<https://www.nbkr.kg/contout.jsp?item=2145&lang=RUS&material=98044> ;

Furthermore, the NBKR allocated additional credit (through several credit auctions) to banks to support them lending favourably to agricultural businesses.²⁶⁷ Between January 31 and April 2, the NBKR sold US\$216.9 million of its foreign exchange reserves to stabilise the som, which depreciated by 11% in 2020.²⁶⁸

On May 6, the government adopted an “Anti-Crisis Plan” for economic recovery, worth KGS14 billion (US\$190 million, 2.3% of GDP) in the short term and rising to KGS40 billion (6.6% of GDP) in value over the 2020-21 period. A new budget announced on May 14 allocated an additional KGS4.3 billion (US\$57 million, 0.7% of GDP) to healthcare and KGS868 million (US\$11.6 million) on unspecified measures to curb the spread of COVID-19.²⁶⁹ The Fiscal stimulus is financed partly from budget restructuring and partly by international donors. The IMF extended two emergency loans to Kyrgyzstan (on March 26 and May 8), totalling US\$242 million, to finance the salaries of state workers, social benefits, PPE reserves, medical supplies and food supplies.²⁷⁰ Loans have also been provided by the Asian Bank of Development (US\$50 million), the World Bank (US\$21 million), the European Union (US\$30 million), the International Development Association (US\$15 million), and the Eurasian Fund for Stability and Development (US\$3 million grant).²⁷¹

Business support policies

The government has sought to improve business’ access to credit. The Anti-Crisis Fund provides direct preferential loans to businesses, especially those involved in food production and other priority sectors.²⁷² Loans are provided at the rates of 4% to 8%.²⁷³ The NBKR also doubled its existing credit guarantee fund to KGS2 billion (US\$27 million), which mainly supports export-oriented companies, regional projects and female entrepreneurs, predominantly in the agricultural, trade, and industrial sectors.²⁷⁴ Agribusinesses are also targeted through the expansion of an existing credit scheme, “Financing Agriculture-8”, which offers preferential rates for loans to farmers, by KGS1 billion (US\$1.3 million). Subsidised loans for agribusinesses and manufacturers of medical products have also been launched by the Russo/Kyrgyz Development Fund, which finances projects in priority sectors in Kyrgyzstan, as well as those of Russian firms in the country.²⁷⁵ Additionally, budget restructuring freed up a further KGS250 million (US\$3.4 million) for government-administered soft loans aimed at enhancing the competitiveness of the agricultural sector.²⁷⁶ Sole traders were targeted through the allocation of KGS1 billion (US\$13 million) to fund a credit guarantee on unsecured microfinance loans offered to them, on a continuous basis.²⁷⁷

<https://www.nbkr.kg/contout.jsp?item=2145&lang=RUS&material=97471>;

<https://www.nbkr.kg/contout.jsp?item=2145&lang=RUS&material=97583>

²⁶⁷ <http://www.eurasiancommission.org/ru/covid-19/Pages/monitoring.aspx> ; <https://www.akchabar.kg/ru/news/v-kyrgyzstane-na-finansirovanie-fermerom-vydeleno-6-mlrd-somov/>

²⁶⁸ <https://www.akchabar.kg/ru/news/v-aprele-mezhdunarodnye-rezervy-kyrgyzstana-vyrosli-na-357-mln/> ;

<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19> ; <https://www.nbkr.kg/index1.jsp?item=114&lang=RUS>

²⁶⁹ <https://online.toktom.kg/Toktom/162000-1> ; <http://www.eurasiancommission.org/ru/covid-19/Pages/monitoring.aspx>;

<https://www.gov.kg/ru/post/s/optimizatsiya-raskhodov-pozvolit-ratsionalno-ispolzovat-imeyushchiesya-byudzhethnye-sredstva>

²⁷⁰ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19> ; <http://www.eurasiancommission.org/ru/covid-19/Pages/monitoring.aspx>

²⁷¹ <http://www.eurasiancommission.org/ru/covid-19/Pages/monitoring.aspx>

²⁷² <https://economist.kg/2020/05/07/glavnyj-plan-spaseniya-ekonomiki-gotov-obeshhajut-kredity-ot-4-legalizaciju-kapitalov-i-mnogoe-drugoe-video/> ; <https://online.toktom.kg/Toktom/162000-1>

²⁷³ <https://economist.kg/2020/05/07/glavnyj-plan-spaseniya-ekonomiki-gotov-obeshhajut-kredity-ot-4-legalizaciju-kapitalov-i-mnogoe-drugoe-video/>

²⁷⁴ <https://online.toktom.kg/Toktom/162000-1> ; <http://gf.kg/about/zadachi/> ; http://gf.kg/wp-content/uploads/2020/05/summa-utverzhdennyh-garantij-v-razreze-otraslej-2-russ-aprel_2020.pdf

²⁷⁵ <http://www.minfin.kg/ru/novosti/novosti/raskhody-byudzheta-2020-goda-uelichatsya-za-schet> ; <https://www.akchabar.kg/ru/news/v-kyrgyzstane-na-finansirovanie-fermerom-vydeleno-6-mlrd-somov/>;

http://www.rkdf.org/ru/novosti/novosti_fonda/2028_rkfr_razrabotal_tretiy_paket_antikrizisnih_mer

²⁷⁶ <http://www.minfin.kg/ru/novosti/novosti/raskhody-byudzheta-2020-goda-uelichatsya-za-schet> ; <https://www.akchabar.kg/ru/news/v-kyrgyzstane-na-finansirovanie-fermerom-vydeleno-6-mlrd-somov/>

²⁷⁷ <https://economist.kg/2020/05/07/glavnyj-plan-spaseniya-ekonomiki-gotov-obeshhajut-kredity-ot-4-legalizaciju-kapitalov-i-mnogoe-drugoe-video/> ; <https://online.toktom.kg/Toktom/162000-1>

The government has also sought to help businesses by relaxing administrative duties. Tax and social insurance payments have been deferred, and no sanctions or late fees will apply until July 1.²⁷⁸ Utilities providers have been advised not to fine or disconnect customers and rent payments have been deferred for businesses renting state property which had to close during the state of emergency (introduced on March 22 and lifted in phases in May) until 30 days after its end.²⁷⁹ The government has also committed to providing free training or re-training for unemployed citizens, and offering stipends during periods of study.²⁸⁰

Population support policies

On March 25, Kyrgyzstan declared a state of emergency and went into lockdown, adopting containment and social distancing rules, closing schools and public spaces, banning public events, and restricting domestic travel. The state of emergency and the lockdown were lifted in early June.²⁸¹ However, foreign citizens remain banned from entering the country, returning nationals are subject to mandatory quarantine, and domestic travel remains restricted.²⁸² Citizens abroad were repatriated on flights chartered by the Ministry of Foreign Affairs in April and May.²⁸³ Although the country has been witnessing a surge in confirmed cases, as of July 15, the Kyrgyz government decided against the idea of re-imposing a state of emergency, however public transportation and taxi service in Bishkek has been suspended on weekends starting June 27, inter-region public transportation is also suspended and additional controls will be put on bazaars and shopping centers.²⁸⁴ All citizens are advised to wear masks and observe social distancing.

Kyrgyzstan's stimulus package includes KGS4.3 billion in spending on healthcare, covering the re-profiling of hospitals and the stockpiling of vital equipment to prepare for an outbreak of COVID-19.²⁸⁵ The Ministry of Health's response included the transfer of medical staff to areas with high infection rates, mobilisation of medical students for auxiliary roles, and creation of mobile teams to monitor people in self-isolation.²⁸⁶ The government sought to inform citizens through TV and radio broadcasts, mass SMS messages and social media and messenger applications, as well as through a 24-hour helpline and a dedicated website.²⁸⁷

²⁷⁸ <http://mineconom.gov.kg/ru/post/6373>

²⁷⁹ <http://mineconom.gov.kg/ru/post/6373>; <https://online.toktom.kg/Toktom/162000-1>

²⁸⁰ <https://economist.kg/2020/05/07/glavnyj-plan-spaseniya-ekonomiki-gotov-obeshhajut-kredity-ot-4-legalizaciju-kapitalov-i-mnogoe-drugoe-video/>

²⁸¹ <https://www.gov.kg/ru/npa/s/2347>; <https://www.gov.kg/ru/post/s/premer-ministr-mukammedkaly-abylgaziev-provel-soveshchanie-po-vvodu-rezhima-chrezvychajnoj-situatsii>; <https://www.gov.kg/ru/post/s/razrabotan-poetapnyy-poryadok-vozbnovleniya-ekonomicheskoy-deyatelnosti>

²⁸² <https://www.gov.kg/ru/post/s/birinchi-vitse-premer-ministr-kubatbek-boronov-infektsiyany-zhayluusuna-zhol-berb-chn-ar-kim-belqilengen-erezheleerdi-saktoogo-tiyish>; <https://www.gov.kg/ru/post/s/pravitelstvo-uzhestochaet-mery-po-preduprezhdeniyu-proniknoveniya-i-rasprostraneniya-koronavirusa>; <https://www.gov.kg/ru/post/s/priezhzhayushchikh-v-kyrgyzstan-iz-stran-koronavirusom-razdelili-na-tri-kategorii-kriterii-otsenki-stran-po-kategoriyam-na-12-marta>

²⁸³ <http://kabar.kg/news/s-nachala-pandemii-koronavirusa-v-kyrgyzstan-vozvrascheny-okolo-8-tys-grazhdan-iz-za-rubezha/>; <https://mfa.gov.kg/ru/osnovnoe-menyu/press-sluzhba/novosti/mid-kr-prorabotal-s-rossiyskoy-storonoy-vopros-vozvrascheniya-grazhdan-kyrgyzstana-iz-novosibirsk>; <https://tass.ru/obschestvo/8413223>

²⁸⁴ <https://kg.usembassy.gov/covid-19-kyrgyzstan-update-2/>; https://24.kg/obschestvo/150634_koronavirus_ipnevmoniya_vkyrgyzstane_chislo_bolnyih_ikarta_rasprostraneniya/; http://zdorovie.akipress.org/news:1631806/?from=portal&place=nowread&b=1&fbclid=IwAR0jullrHPs4NyUXpIKC_err4pndDCrCzsjh4ob21wOcc9L55wtnNpQag_0

²⁸⁵ http://www.med.kg/images/koronavirus/prikaz_52_31012020.pdf; <https://www.gov.kg/ru/post/s/optimizatsiya-raskhodov-pozvolit-ratsionalno-ispolzovat-imeyushchiesya-byudzhetye-sredstva>

²⁸⁶ http://www.med.kg/images/koronavirus/sovместny_prikazMZKR_196_25032020_FOMS_118.pdf; http://www.med.kg/images/koronavirus/prikaz_182_23032020.pdf; <http://med.kg/ru/informatsii/793-na-yug-otpravlena-vtoraya-brigada-vrachej-dobrovoltsev.html>; <http://kabar.kg/news/vozvraschenie-kyrgyzstantcev-na-rodinu-i-zhizn-v-observatsii-kak-eto-proiskhodit/>; <http://med.kg/ru/novosti/928-molodye-dezinfektory-na-peredovoi.html>; <http://med.kg/ru/novosti/917-ordinatory-kgma-prinimayut-uchastie-v-borbe-protiv-koronavirusa.html>

²⁸⁷ <https://www.gov.kg/ru/npa/s/2347>; <https://www.gov.kg/ru/post/s/birinchi-vitse-premer-ministr-kubatbek-boronov-infektsiyany-zhayluusuna-zhol-berb-chn-ar-kim-belqilengen-erezheleerdi-saktoogo-tiyish>; <https://www.gov.kg/ru/post/s/ozgch-abal-rezhimi-mezqilinde>

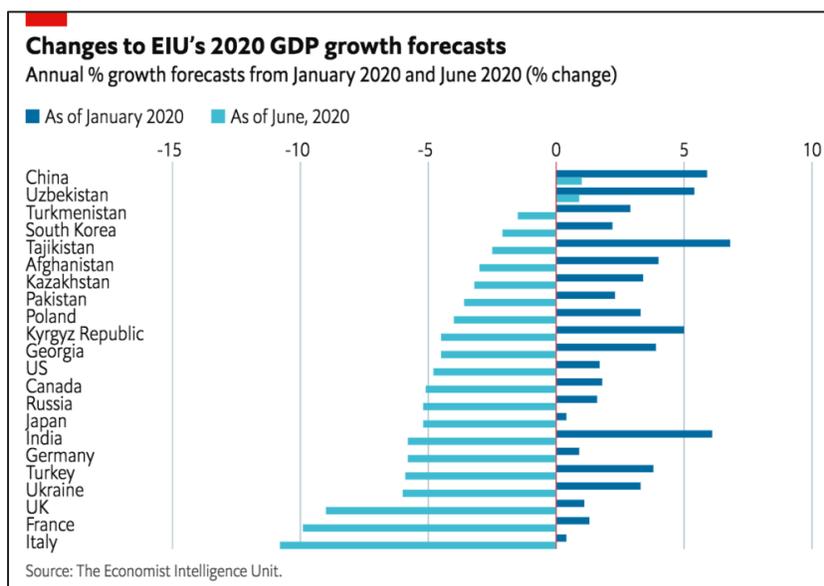
In order to support food security among low-income citizens, the government allocated over KGS200 million to distribution of food packages valued at KGS800 (US\$10.71), containing flour, sugar, pasta and vegetable oil.²⁸⁸ On March 13, the government also introduced price controls on flour, bread, milk, vegetable oil, butter, meat, sugar, rice, pasta, eggs and potatoes for 90 days.²⁸⁹ The export of essential foods (wheat and flour, vegetable oil, rice, pasta, sugar, eggs, salt) was prohibited in mid-March.²⁹⁰ The government also eased access to social assistance, paying social security, including pensions, unemployment benefits and child benefits without renewal of applications, until one month after the end of the state of emergency.²⁹¹ On March 18, the NBKR advised financial institutions to defer loan repayments by at least three months for those who request it, while banning the imposition of charges and penalties on clients failing to fulfil their credit obligations.²⁹²

[kn-tn-ishtch-call-borbor-uyushturuldu](http://www.med.kg/images/koronavirus/dokumenty/prikaz_287_04052020.pdf) ; http://www.med.kg/images/koronavirus/dokumenty/prikaz_287_04052020.pdf ;
<https://internews.kg/glavnye-novosti/sajt-covid-kg-sozdan-dlya-operativnogo-informirovaniya-naseleniya-kr/> ; <http://covid.kg/>
288 <https://www.gov.kg/ru/post/s/muktazh-bolgon-y-bllrg-tamak-ash-azyktaryn-satyp-aluu-chn-200-mln-som-blnd>
289 <https://www.gov.kg/ru/npa/s/2318>
290 <https://www.gov.kg/ru/npa/s/2353>
291 <https://mlsp.gov.kg/kg/2020/04/20/soczialdyk-telemderdyn-meenety-ubaktyluu-uzartyldy/>
292 <https://www.nbkr.kg/contout.jsp?item=2145&lang=RUS&material=97369>



Economic growth forecast

As of early June 2020, Pakistan’s real GDP is expected to contract by 3.6% in 2019/20, following growth of 1% in 2018/19. The slowdown will be due primarily to the economic effects of the shutdown measures taken by the government to slow the spread of the coronavirus. The slowdown is expected to be concentrated in the fourth quarter of 2019/20, when the measures were at their strictest. The economic impact of these measures is likely to spill into 2020/21. Private consumption growth in that year will suffer from soured consumer confidence and a lingering increase in unemployment caused by the shutdown. Monetary and fiscal stimulus will begin to feed into the economy in that year, but this will not be enough to prop up growth. Economic growth in 2020/21 is expected to stand at 0.8%, mainly because of a lower base of comparison from 2019/20, rather than any genuine improvement in underlying economic fundamentals. Economic growth will recover at a gradual pace from 2021/22 onwards, averaging 2.9% annually on the back of a recovery in private consumption and fixed investment. Nevertheless, growth is likely to continue to be hobbled by the government’s fiscal consolidation moves and its efforts to address balance-of-payments pressures.



Macroeconomic policies

The Government of Pakistan has announced an overall relief package worth PKR1.2 trillion covering sector-specific support, support to the export industry, ease of doing business processes and vulnerable groups.²⁹³ Since March 17, the State Bank of Pakistan’s (SBP) Monetary Policy Committee (MPC) has made multiple cuts to the policy rate, lowering it by a cumulative of 525 basis points from 13.25% to 8%.²⁹⁴ On March 26, the SBP also reduced the Capital Conservation Buffer (CCB) from its existing level of 2.5% to 1.5%, which will enable

²⁹³ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#P>

²⁹⁴ http://www.sbp.org.pk/m_policy/2020/MPS-May-2020-Eng.pdf

banks to lend an additional amount of around PKR800 billion.²⁹⁵ On March 25, the SBP announced measures to increase lending to banks to provide financing to hospitals and medical centres at a reduced end-user rate of 3% for 5 years to support COVID-19 efforts²⁹⁶, as well as to support various business activities.²⁹⁷ The Government of Pakistan has introduced a number of measures to facilitate trade, safeguard exports and ensure the supply of critical goods, including eliminating and issuing refunds for import duties, sales taxes and income taxes on emergency health equipment and food staples (such as sugar and wheat flour),²⁹⁸ extending invoicing deadlines for exporters and easing requirements for exporters under the Export Finance Scheme (EFS) and the Long Term Financing Facility (LTFF) scheme.²⁹⁹

Business support policies

As part of the overall rescue package, SMEs will collectively receive PKR100 billion in financial support, which includes support for banks lending to them.³⁰⁰ On March 17, the SBP announced the Temporary Economic Refinance Facility (TERF) to provide further stimulus to the economy in the context of COVID-19 through refinancing banks to provide financing at a maximum end-user rate of 7% for 10 years to those involved in modernising or expanding manufacturing/production units.³⁰¹ Additionally, the SBP has revised multiple existing refinance schemes to provide finance via commercial banks and development finance institutions (DFIs) to the following sectors: Agriculture, IT; Gems and jewellery; Furniture Leather industry; Surgical goods; Fruits, vegetables and food processing & packaging; Dates processing; and Printing & packaging, as well as to female entrepreneurs, disabled entrepreneurs and SMEs during the COVID-19 crisis.³⁰² Tax measures by the Pakistani Federal Board of Revenue include an extension on sales tax filing and payment deadlines³⁰³ and various exemptions under different provisions of the Income Tax Ordinance, 2001 to support businesses and workers, particularly in the construction sector, as well as individuals.³⁰⁴ On March 18, the SBP implemented measures to promote the use of digital payment services during the COVID-19 crisis.³⁰⁵ The Government of Pakistan has introduced a number of initiatives aimed at employee support, including the 'Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns' which provides employee wage financing for businesses that do not layoff employees during the crisis.³⁰⁶

Population support policies

²⁹⁵ <http://www.sbp.org.pk/bprd/2020/CL12.htm>

²⁹⁶ <https://home.kpmg/xx/en/home/insights/2020/04/pakistan-government-and-institution-measures-in-response-to-covid.html>

²⁹⁷ <http://www.sbp.org.pk/corona.asp>

²⁹⁸ <http://download1.fbr.gov.pk/SROs/20203201932245185SRONO.235of2020dated20.3.2020.pdf>; <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#P>; <http://download1.fbr.gov.pk/SROs/20203201932755655SRONO.237of2020dated20.3.2020.pdf>; <http://download1.fbr.gov.pk/SROs/2020320193260222SRONO.236of2020dated20.3.2020.pdf>;

http://www.finance.gov.pk/press_releases.html; <https://softax.com.pk/SRO/2020/IncomeTax/Notifications/287.pdf>;

<https://home.kpmg/xx/en/home/insights/2020/04/pakistan-tax-developments-in-response-to-covid-19.html>

²⁹⁹ <http://www.sbp.org.pk/smefd/circulars/2020/C5.htm>; <http://www.sbp.org.pk/epd/2020/FECL4.htm>;

<http://www.sbp.org.pk/smefd/circulars/2020/C5.htm>; <https://home.kpmg/xx/en/home/insights/2020/04/pakistan-government-and-institution-measures-in-response-to-covid.html>

³⁰⁰ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#P>

³⁰¹ <http://www.sbp.org.pk/smefd/circulars/2020/CL9.htm>;

³⁰² <https://scci.com.pk/articals/rand-ENGLISH-58.pdf>; <http://www.sbp.org.pk/smefd/circulars/2010/C8.htm>;

<http://www.sbp.org.pk/Incen/rs/3.3-Refinancing-Facility-Modernization-SMEs.pdf>; <http://www.sbp.org.pk/smefd/circulars/2019/CL1.pdf>;

<http://www.sbp.org.pk/smefd/circulars/2017/C11-Annex.pdf>; <http://www.sbp.org.pk/smefd/circulars/2019/C7-Annex-A.pdf>

³⁰³ [https://softax.com.pk/SRO/2020/SalesTax/Circulars/202051913514191772020-05-19\(ExtensionSTR\).pdf](https://softax.com.pk/SRO/2020/SalesTax/Circulars/202051913514191772020-05-19(ExtensionSTR).pdf);

<https://www.avalara.com/vatlive/en/vat-news/pakistan-vat-covid-19-measures.html>; <https://dailytimes.com.pk/598073/fbr-extends-sales-tax-federal-excise-return-filing-date/>

³⁰⁴ https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/tax/tax-pdfs/ey-tax-covid-19-response-tracker-7-may-2020.pdf#page=260?download; <https://softax.com.pk/SRO/2020/IncomeTax/Notifications/287.pdf>;

http://www.finance.gov.pk/press_releases.html (PR No. 283);

<https://softax.com.pk/SRO/2020/20204201545147533ordinancewithdisclaimer.pdf>;

<https://home.kpmg/content/dam/kpmg/pk/pdf/2020/04/Brief%20on%20Tax%20Laws%20Amendment%20Ordinance%202020.pdf>

³⁰⁵ <http://www.sbp.org.pk/psd/2020/C2.htm>

³⁰⁶ <https://tdap.gov.pk/pdf/sbp-introduced-new-refinance-scheme.pdf>; <http://www.sbp.org.pk/smefd/circulars/2020/CL10.htm>

In order to prevent the spread of COVID-19, starting from March 23, varying levels of lockdown were implemented in cities and provinces across the country which have since been partially relaxed. On April 15, the government allowed 'low-risk industries' to restart operations and on May 9, allowed several industrial units and small retail shops to reopen in phases using proper (standard operating procedures) SOPs.³⁰⁷ On May 18, the Pakistan Supreme Court ordered shopping malls and markets to reopen across the country.³⁰⁸ Domestic air travel within Pakistan (with exceptions) was initially suspended until May 29³⁰⁹, but on May 15 the Pakistani Civil Aviation Authority began allowing restricted domestic scheduled and charter passenger flight operations between Karachi, Lahore, Islamabad, Peshawar and Quetta Airports.³¹⁰ On March 21, all international air travel to and from Pakistan (with exceptions) was suspended but has since been permitted to resume under new SOPs.³¹¹ The Government of Pakistan also organised repatriation flights for stranded passengers.³¹² Inbound travellers are subject to quarantine and testing to prevent the importation of the virus.³¹³

As part of the overall relief package, a PKR25 billion transfer will be made to the National Disaster Management Authority (NDMA) for the purchase of necessary equipment to deal with the pandemic.³¹⁴ The Ministry of National Health Services has published its 'National Action Plan for Coronavirus Disease (COVID-19) Pakistan' which includes plans for testing facilities across the country, including in Karachi, Lahore, Peshawar, Quetta, Multan/Bahawalpur, and Gilgit.³¹⁵

The Government of Pakistan has allocated PKR50 billion for Utility Stores Corporation and, as a part of the overall rescue package, PKR15 billion dedicated to health and food supplies.³¹⁶ On April 1, the Government of Pakistan launched the 'Ehsaas Emergency Cash' initiative which is aimed at providing unconditional financial support to the poorest during the COVID-19 crisis, including families and daily wage workers.³¹⁷ On March 26, the SBP relaxed the debt-burden ratio (DBR) on consumer loans from 50% to 60% so that individuals may borrow more from banks during the COVID-19 crisis, and announced that banks and development finance institutions (DFIs) will defer the payment of principal on loans and advances by one year.³¹⁸

³⁰⁷ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#P>

³⁰⁸ https://www.supremecourt.gov.pk/downloads_judgements/s.m.c._01_2020_18052020.pdf

³⁰⁹ <https://www.dawn.com/news/1556716/suspension-of-domestic-flights-extended-till-may-29>

³¹⁰ <https://www.caapakistan.com.pk/upload/News/pdf/15052020-2.pdf>

³¹¹ <https://www.caapakistan.com.pk/upload/News/pdf/15052020-1.pdf>; <https://www.caapakistan.com.pk/upload/News/pdf/29052020-1.pdf>

³¹² http://covid.gov.pk/intl_travellers/official_decisions

³¹³ http://covid.gov.pk/travel_guidelines/SOPs%20for%20International%20Passenger%20Flights__.pdf

³¹⁴ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#P>;

<https://home.kpmg/xx/en/home/insights/2020/04/pakistan-government-and-institution-measures-in-response-to-covid.html>

³¹⁵ <https://www.nih.org.pk/wp-content/uploads/2020/04/COVID-19-NAP-V2-13-March-2020-1.pdf>

³¹⁶ http://www.finance.gov.pk/press_releases.html; <https://home.kpmg/xx/en/home/insights/2020/04/pakistan-government-and-institution-measures-in-response-to-covid.html>; <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#P>

³¹⁷ [https://www.pass.gov.pk/userfiles1/files/Eng%20Brief%20Ehsaas%20Emergency%20Cash\(1\).pdf](https://www.pass.gov.pk/userfiles1/files/Eng%20Brief%20Ehsaas%20Emergency%20Cash(1).pdf);

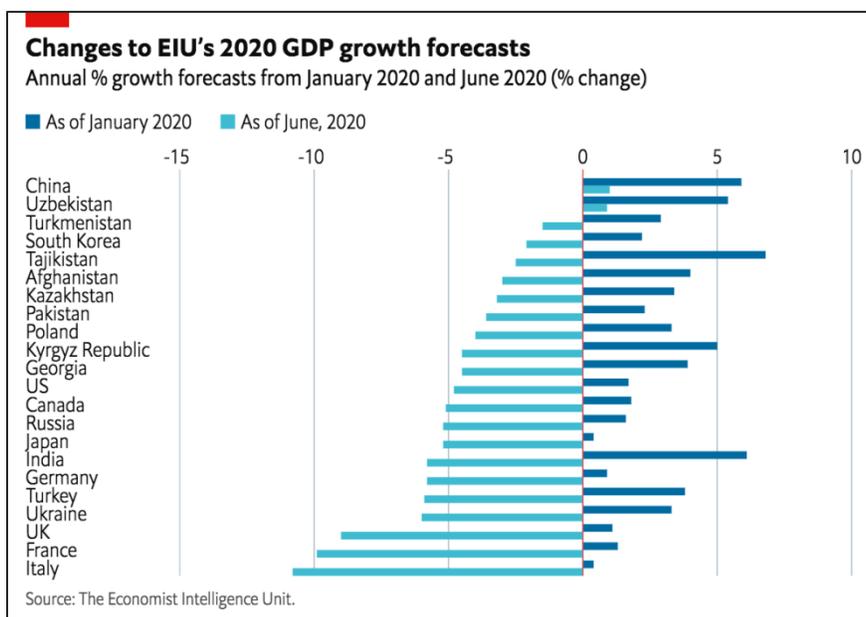
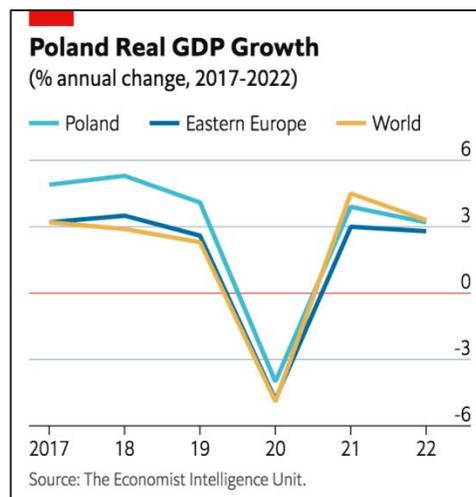
http://www.finance.gov.pk/press_releases.html

³¹⁸ <http://www.sbp.org.pk/bprd/2020/CL14.htm>



Economic growth forecast

After a three-year period (2017-19) when the economy expanded faster than potential and real GDP growth averaged 4.7% per year, output is set to contract by 4% in real terms in 2020 owing to the fallout from the coronavirus pandemic. Exports of goods and services are set to plummet as major euro zone markets shrink by about 6% on average in 2020 and international tourism takes a hit. The external sector will be a considerable drag on real GDP growth for the first time since 2014. Even as manufacturing rebounds as the situation begins to normalise in Europe during the third quarter, the domestic economy will still be reeling from the after-effects of the external shock, the partial closure of non-essential shops and the shutting of borders. Private consumption will contract by 3.6% in 2020. Gross fixed investment was already forecast to slow substantially, with the completion of several EU-funded infrastructure projects, but we now forecast that it will contract by at least 7% as the private sector postpones capital expenditure in the face of rising uncertainty. Only government activity will grow in 2020, with the measures announced resulting in an acceleration of spending growth to 2.9% in real terms.



Macroeconomic policies

Poland's government adopted its main stimulus package, the Anti-Crisis Shield, on March 31. The package committed PLN312 billion (US\$79.85 billion; 13% of GDP) to support all individuals and businesses affected by the pandemic. Of this, PLN7.5 billion was allocated to healthcare, PLN30 billion to employee safety, PLN30 billion to public investment, PLN70.3 billion to strengthening the financial system, PLN74.2 billion to financing enterprises and PLN100 billion to the Financial Shield, a programme supporting businesses through the crisis.³¹⁹

³¹⁹ <https://www.gov.pl/web/tarczaantykrzysowa/o-tarczy>

On the monetary front, between March and May, the National Bank of Poland (NBP; the central bank) gradually reduced the policy rate in three cuts, from 1.50% to 0.10%.³²⁰ To improve liquidity, the NBP participated in six series of asset purchases, including Treasury bonds, issuing a total of PLN72.1 million.³²¹ It also reduced the required capital reserve rate for banks from 3.50% to 0.50%.³²²

The European Commission, the European Central Bank and the European Investment Bank have established several liquidity and guarantee funds to support businesses and banking in EU Member States.³²³ As a result, Poland is able to use EU funds flexibly in response to the pandemic, such as the allocation of PLN550 million to the country's health service by the Ministry of Development Funds and Regional Policy.³²⁴ Poland has taken steps to ensure the continued exchange of goods with other countries, such as exempting imports of PPE and medical devices from VAT and duties. The export of certain medicinal products, PPE and food items was banned, however.³²⁵

Business support policies

Of the PLN100 billion (4.2% of GDP) in the 'Financial Shield' programme, which consists mainly of returnable subsidies, 25% was allocated to micro businesses, 50% to SMEs and 25% to large companies.³²⁶ Another programme - the 'Capital for Security and Growth Programme' - worth PLN6 billion, targets medium and large companies unable to obtain a loan.³²⁷ Furthermore, for MSMEs, an existing loan guarantee programme implemented by the National Development Bank (BGK) has been expanded, by increasing the upper limit of guarantees to 80% of loans worth up to PLN3.5 million.³²⁸

The government has also supported businesses' ongoing operations. PLN3 billion from EU funds has been committed to supporting enterprises, through subsidies for which companies can apply from June onward to help meet their current expenses and maintain liquidity.³²⁹ Particularly hard-hit sectors, such as farming and tourism, are targeted through industry-specific schemes featuring preferential loans through cooperating banks and direct financial support.³³⁰ Polish exporters are protected against customer defaults through extra turnover insurance, which ensures exporters can recover funds from the government (through its Export Insurance Policy Committee) if the customer does not pay.³³¹

Seeking to contain the economic fallout from the pandemic, the government suspended administrative enforcement proceedings, protecting businesses from debt enforcement, and providing non-repayable grants to employers to cover 50% of employees' salaries for a period of three months.³³² Several measures have been introduced to defer VAT and other tax liabilities for businesses, such as extending tax return deadlines and

³²⁰ https://www.nbp.pl/en/aktualnosci/2020/mpc_2020_03_17.pdf ; <https://www.pap.pl/en/news/news%2C622907%2Cpolands-monetary-policy-council-cuts-all-interest-rates.html> ; https://www.nbp.pl/home.aspx?f=aktualnosci/wiadomosci_2020/rpp_2020_05_28.html

³²¹ <https://www.fxmag.pl/artykul/gasic-pozar-banknotami-luzowanie-ilosciowe-qe-na-czym-polega-i-jaka-jest-jego-funkcja>

³²² https://www.nbp.pl/en/aktualnosci/2020/mpc_2020_03_17.pdf

³²³ https://ec.europa.eu/commission/presscorner/detail/en/ip_20_740 ; <https://www.eib.org/en/about/initiatives/covid-19-response/index.htm> ; <https://home.kpmg/xx/en/home/insights/2020/04/european-union-government-and-institution-measures-in-response-to-covid.html> ; <https://www.finance-watch.org/can-we-attach-conditionality-to-the-ecbs-emergency-liquidity-programmes-targeted-at-banks/>

³²⁴ <https://www.funduszeuropejskie.gov.pl/strony/o-funduszach/fe-koronawirus/sluzba-zdrowia-z-kolejnym-wsparciem-z-funduszy-unijnych/>

³²⁵ <http://dziennikmz.mz.gov.pl/#/legalact/2020/32/> ; <https://www.gazetaprawna.pl/artykuly/1465946,minister-zdrowia-oglosil-liste-858-produktow-objetych-zakazem-wywozu-z-polski.html> ; <https://www.gov.pl/web/kas/kas-uzyskala-zgode-ke-na-zwolnienie-z-cla-i-vat-sprzetu-ochronnego-i-medycznego-przywozonego-do-polski>

³²⁶ <https://pfrsa.pl/aktualnosci/tarcza-finansowa-pfr-dla-firm-i-pracownikow.html>

³²⁷ <https://www.gov.pl/web/tarczaantykrzysowa/finansowanie-przedsiębiorstw>

³²⁸ <https://www.gov.pl/web/tarczaantykrzysowa/finansowanie-przedsiębiorstw>

³²⁹ <https://www.funduszeuropejskie.gov.pl/strony/o-funduszach/fe-koronawirus/3-miliardy-zlotych-z-funduszy-unijnych-na-wsparcie-biezacej-dzialalnosci-firm-w-czerwcu-ruszaja-nabory/>

³³⁰ <https://www.gov.pl/web/tarczaantykrzysowa/dodatkowe-wsparcie-branza-turystyczna> ; <https://www.arimr.gov.pl/aktualnosci/artykuly/-86e92df8ba.html>

³³¹ <https://www.gov.pl/web/rodzina/tarcza-antykrzysowa-wsparcie-dla-przedsiębiorców>

³³² <https://www.rp.pl/W-sadzie-i-urzedzie/304159927-Dluznicy-beda-spac-spokojnie---rzad-planuje-wstrzymanie-egzekucji-na-czas-epidemii.html> ; <https://www.money.pl/gospodarka/rzad-wstrzymuje-postepowania-egzekucyjne-w-administracji-6508226636506753a.html> ; <https://www.polskieradio24.pl/5/1222/Artykul/2480839>

suspending the collection of retail tax until the end of 2020.³³³ Tax exemptions have also been adopted, enabling micro-firms to be exempt from social security contributions for three months, cancelling interest on tax arrears, and introducing a VAT exemption (valid until June 30, 2020) for donations of healthcare items and technological equipment to schools, humanitarian and educational organisations, charities, and bodies responsible for schools and institutions.³³⁴

Population support policies

On March 15, the government restricted non-citizen access to the country. All international passenger air and rail connections were suspended (except for repatriation purposes, which the government coordinated with LOT Polish Airlines).³³⁵ Since March 15, inbound travellers have been required to undergo a 14-day self-isolation period, with exceptions to this rule broadened from May.³³⁶

Poland's lockdown, which involved restrictions on travel and public gatherings and the closure of public facilities, was gradually eased in April and May, although some restrictions remained in place in June.³³⁷ While restrictions on domestic travel were lifted in early June, rules on social distancing and the use of face masks in public places remained in place.³³⁸

The government has increased funding to support vulnerable individuals, such as an extra childcare allowance granted to parents caring for children unable to attend school, and cash transfers to people deprived of care they would ordinarily receive. The government has also launched food aid schemes whereby local authorities organise meal deliveries to elderly, lonely, disabled and quarantined individuals.³³⁹ It has permitted 3-month mortgage holidays and loan repayment suspensions through financial institutions, extended deadlines for tax return submissions, and expanded sick pay and childcare payments.³⁴⁰ Furthermore, the government has granted local authorities the option to authorise the postponement of rent payments, with rent increases and evictions prohibited in the whole country until July.³⁴¹

³³³ <https://www.gov.pl/web/finanse/zmiana-terminu-wprowadzenia-nowej-matrycy-stawek-vat> ;
<http://www.dziennikustaw.gov.pl/DU/2020/542/D2020000054201.pdf> ; <http://www.dziennikustaw.gov.pl/DU/2020/568> ;
<https://www.gov.pl/web/tarczaantykrzysowa/finansowanie-przedsiębiorstw>

³³⁴ <http://www.dziennikustaw.gov.pl/DU/2020/568> ; <https://www.gov.pl/web/tarczaantykrzysowa/finansowanie-przedsiębiorstw> ;
<http://dziennikustaw.gov.pl/D2020000071501.pdf>

³³⁵ <https://www.gov.pl/web/coronavirus/travel> ; <https://www.newsweek.pl/polska/koronawirus-lot-do-domu-rzad-zmusil-polakow-do-placenia/n0x3j36> ; <https://www.rdc.pl/informacje/koronawirus-w-polsce-w-ramach-akcji-lot-do-domu-do-kraju-wrocilo-54-tys-polakow/>

³³⁶ <https://www.gov.pl/web/coronavirus/travel> ; <https://www.gov.pl/web/koronawirus/nowe-zasady-kwarantanny-po-przekroczeniu-granicy> ;
<https://www.gov.pl/web/cyfryzacja/aplikacja-kwarantanna-domowa-to-musisz-wiedziec>

³³⁷ <http://dziennikustaw.gov.pl/DU/2020/410> ; <https://www.gov.pl/web/edukacja/zawieszenie-zajec-w-szkolach> ;
<https://tvn24.pl/polska/koronawirus-w-polsce-szkoly-przedszkola-i-zlobki-zamkniete-w-calym-kraju-na-dwa-tygodnie-4344016> ;
<https://www.gov.pl/web/edukacja/ksztalcenie-na-odleglosc-do-24-maja> ; <https://www.gov.pl/web/edukacja/co-ze-skolami-do-wakacji> ;
<https://www.gov.pl/web/edukacja/wyjasnienie-men-dotyczace-funkcjonowania-szkol2> ; <https://www.gov.pl/web/koronawirus/ograniczenia-dzialalnosci-gastronomicznej-rozrywkowej-oraz-funkcjonowania-galerii-handlowych> ; <https://www.gov.pl/web/mswia/czwarty-etap-odmrazania-ograniczen> ; <https://www.thefirstnews.com/article/poland-introduces-tougher-measures-to-halt-coronavirus-spread-11468> ;
<https://www.pap.pl/en/news/news%2C616942%2Cpoland-introduces-further-restrictions-due-epidemic.html>

³³⁸ <https://www.gov.pl/web/mswia/czwarty-etap-odmrazania-ograniczen> ; <https://www.gov.pl/web/koronawirus/nowa-normalnosc-etapy> ;
<https://www.premier.gov.pl/wydarzenia/aktualnosci/premier-od-4-maja-drugi-etap-znoszenia-ograniczen-zwiazanych-z-koronawirusem.html> ;
<https://wroclife.pl/nasze-miasto/koronawirus-wroclaw-2020/koronawirus-zakazy-adwokat-odpowiada/>

³³⁹ <https://www.gov.pl/web/rodzina/profilaktyka-i-wsparcie-w-czasie-koronawirusa> ; <https://www.gov.pl/web/rolnictwo/rozszerzenie-pomocy-zywnosciowej> ; <https://www.gov.pl/web/rolnictwo/zywnosc-z-programu-dla-szkol-dla-potrzebujacych> ;
<https://www.gov.pl/web/koronawirus/pomoc-dla-osob-niepełnosprawnych-w-dobie-koronawirusa>

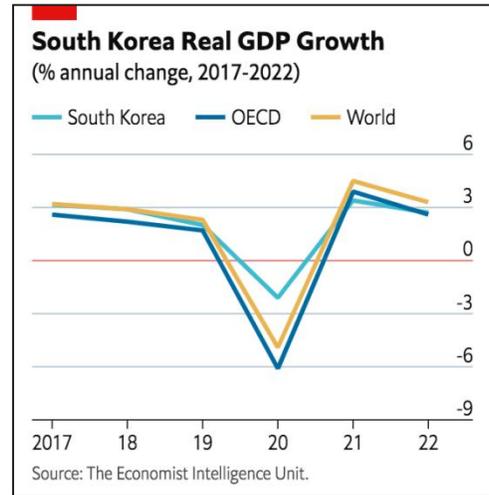
³⁴⁰ <https://www.gov.pl/web/tarczaantykrzysowa/bezpieczenstwo-pracownikow> ; <https://www.gov.pl/web/koronawirus/informacja-o-uprawnieniach-do-swiadczen-z-powodu-poddania-sie-kwarantannie-lub-izolacji> ;
<https://www.gov.pl/web/tarczaantykrzysowa/bezpieczenstwo-pracownikow> ; <http://www.dziennikustaw.gov.pl/DU/2020/568>

³⁴¹ <https://www.rp.pl/Nieruchomosci/303309873-Koronawirus-zakaz-eksmisji-na-bruk-i-ulgi-w-czynszu-w-ustawie-antykrzysowej.html>

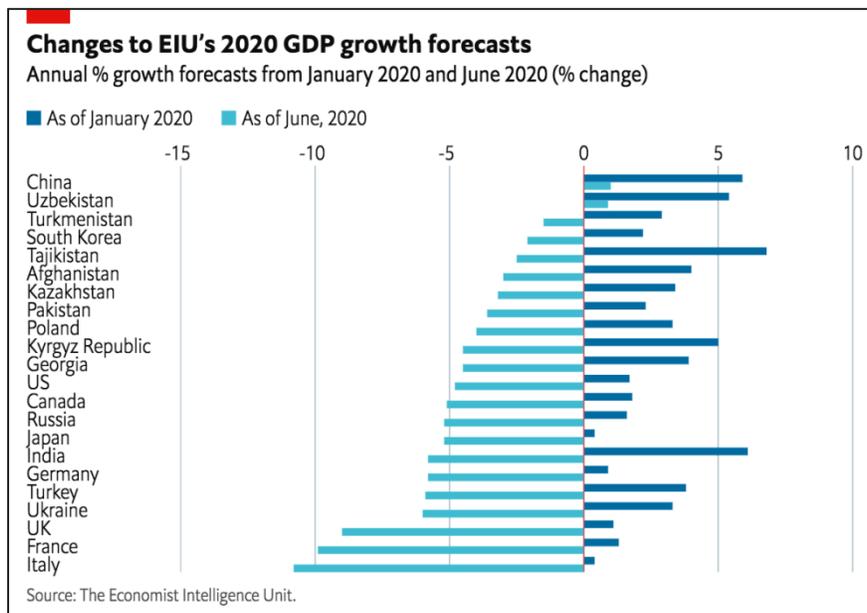


Economic growth forecast

The coronavirus pandemic and an anticipated economic contraction in major markets will hurt South Korea's export-driven economy in 2020. Meanwhile, managing the outbreak domestically will undermine private consumption and extend a contraction in investment. As of early June 2020, real GDP is expected to contract by 2.1% in 2020, compared with growth of 2% in 2019. The global spread of the coronavirus, the expected economic slowdown in China and the contraction of GDP in the US in 2020 will drag South Korea's goods exports into a 10% contraction in 2020. Export growth, particularly in the electronics sector, is expected to recover in 2021 as the threat from the pandemic recedes, global trade growth picks up from its trough during the height of the crisis, and global demand for consumer electronics—South Korea's main export category—starts to recover. However, high rates of youth unemployment will dampen growth in household consumption. GDP growth is expected to recover to 3.4% in 2021.



In the longer term recovering private consumption and external demand will maintain real GDP growth at an annual average of 2.8% in 2022-24. Annual fixed investment is expected to recover gradually from its contraction in 2018-20 and to grow by an annual average of 2.7% in 2021-24, enabled by new tax breaks for businesses and the government's drive for digital infrastructure investment.



Macroeconomic policies

The Ministry of Economy and Finance (MOEF) oversees COVID-19 economic programmes by rolling out fiscal stimulus. The latest macroeconomic programme is based on a proposed W35.3 trillion supplementary budget, the third extra budget to be launched in addition to the regular 2020 budget, which will allocate another W8.9 trillion

to job creation.³⁴² The job creation target for the public sector is 550,000.³⁴³ The COVID-19 business support package alone is worth more than W135 trillion, which includes W40 trillion in financial relief for strategic industries.³⁴⁴ South Korea's president, Moon Jae-in, is pivoting the country's post-coronavirus economic strategy to 'New Deal' initiatives aimed at accelerating an economic transition to digital technology and green technology.³⁴⁵ The Bank of Korea (BOK, South Korea's central bank) provided monetary support for economic recovery efforts by implementing a series of easing steps. Most recently, on May 28, 2020, the BOK lowered its policy rate by 25 basis points to an all-time low of 0.50%.³⁴⁶ The BOK operates a W35 trillion lending facility to supply credit to SMEs through commercial banks. The BOK also provides a currency backstop for the banking sector through a US\$60 billion swap arrangement set up with the US Federal Reserve Board on March 19, 2020.³⁴⁷

Business support policies

The MOEF organised funding for businesses as part of the COVID-19 financial relief and strategic industry promotion. The centrepiece of the MOEF's business support programmes is a W40 trillion industry revitalisation fund available for airlines, shipping and other strategic industries.³⁴⁸ This fund is primarily targeted towards large companies carrying more than W500 billion in debt and employing more than 300 workers. The MOEF is mobilising funding support from policy lenders, including the Korea Development Bank (KDB) and the Export-Import Bank of Korea. The BOK and the KDB are tasked with operating a W10 trillion special-purpose vehicle investing in corporate bonds. The three supplementary budgets, which have been launched or will be launched for 2020, implement successive rounds of funding for businesses. The W35.3 trillion third supplementary budget will add W5 trillion to programmes designed to prop up businesses.³⁴⁹ The MOEF's business support policies support industries hard hit by COVID-19. An industry-support package announced on April 23 paves the way for systemic financing support for carmakers, airlines, shipping companies, oil refiners and shipbuilders, collectively responsible for generating around 20% of GDP and about 30% of export revenue, and employing 600,000 workers.³⁵⁰ The MOEF's business support policies link COVID-19 economic recovery efforts to longer-term strategic priorities to upgrade the South Korean economy. Its 'Digital New Deal' includes a programme investing W6.4 trillion in data economy platforms driven by 5G, artificial intelligence and cloud computing by 2022.³⁵¹

Population support policies

South Korea was able to flatten the curve by April 2020 by implementing efficient testing-tracing-treatment cycles nationwide since the first COVID-19 case was reported in the country on January 20, 2020.³⁵² This success was achieved without lockdowns in favour of strict social distancing guidelines throughout society and targeted closures of facilities hit by cluster outbreaks. Public education and international travel were the only sectors subject to sector-wide suspension of activity. The March 2 start of the 2020 school year was postponed until May 13, when phased reopening began.³⁵³ International travel restrictions are enforced through mandatory self-isolation requirements for arriving passengers.³⁵⁴ Reinstatement of quarantine-free international travel will be slow.

³⁴² <http://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4914>

³⁴³ <http://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4902>

³⁴⁴ <http://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4902>

³⁴⁵ <http://english1.president.go.kr/BriefingSpeeches/Speeches/833>

³⁴⁶ <http://www.bok.or.kr/eng/bbs/E0000634/view.do?nttlId=10058434&menuNo=400069&pageIndex=1>

³⁴⁷ <http://www.bok.or.kr/eng/bbs/E0000634/view.do?nttlId=10057144&menuNo=400069&searchWrd=swap&searchCnd=1&sdate=&edate=&pageIndex=1>

³⁴⁸ <http://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4902>

³⁴⁹ <http://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4914>

³⁵⁰ <http://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4886>

³⁵¹ <http://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4913>

³⁵² <http://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4893>

³⁵³ <https://www.moe.go.kr/boardCnts/view.do?boardID=294&boardSeq=80510&lev=0&searchType=S&statusYN=W&page=2&s=moe&m=020402&opType=N>

³⁵⁴ http://overseas.mofa.go.kr/hk-en/brd/m_1495/view.do?seq=76129

Currently, the only official channel for quarantine-free two-way travel is provided by a travel bubble agreement in force with parts of China since May 1.³⁵⁵ The wearing of a mask is required to use public transport, including domestic air travel.³⁵⁶

COVID-19 financial relief is available in separate programmes for the general population and vulnerable groups. The second supplementary budget distributed W14.3 trillion in direct cash transfers to all households nationwide from May 2020 with the aim of boosting retail shopping demand.³⁵⁷ Many cash transfer programmes for low-income households and other vulnerable groups are administered by local governments.³⁵⁸ Job protection is provided by ad-hoc payroll protection incentives offered to employers.³⁵⁹ The MOEF plans to expand unemployment insurance coverage to all workers as part of its post-coronavirus economic strategy.³⁶⁰ Contact tracing based on extensive digital technology infrastructure shared between the public and private sectors is the lynchpin of South Korea's population protection from COVID-19.³⁶¹

³⁵⁵ http://www.mofa.go.kr/eng/brd/m_5676/view.do?seq=321072

³⁵⁶ http://www.mohw.go.kr/react/al/sal0301vw.jsp?PAR_MENU_ID=04&MENU_ID=0403&page=1&CONT_SEQ=354687

³⁵⁷ http://www.moef.go.kr/nw/nes/detailNesDtaView.do?searchBbsId1=MOSFBBS_000000000028&searchNttId1=MOSF_000000000036517&menuNo=4010100

³⁵⁸ <https://www.gov.kr/portal/coronaPolicy/list/svc/indvdl?orgClsCd=loc&srchArea=&srchSidoArea=&jrsdOrgNm=&jrsdDptNm=&srchMthdCls=fixesCnd&srchResultYn=Y&sidu=&signgu=0000000000&fixesCnds=CR1006&button=>

³⁵⁹ <http://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4885>

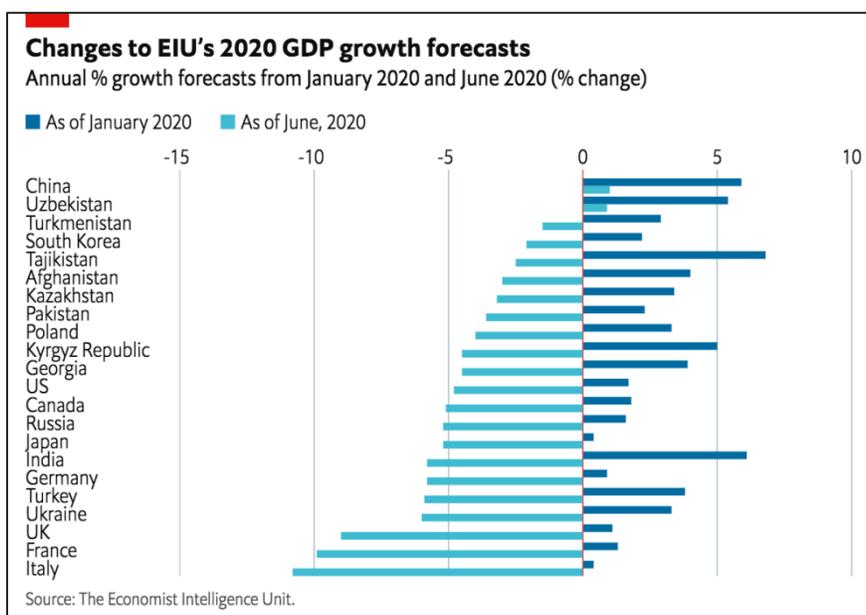
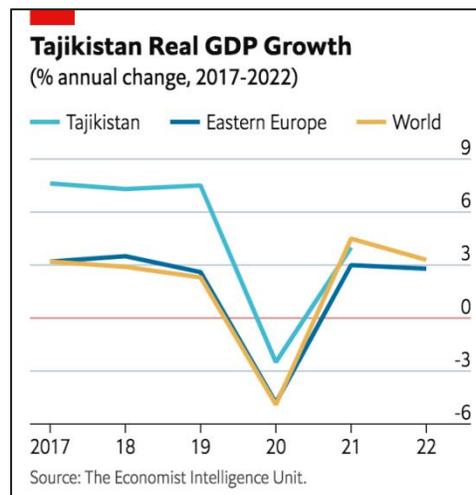
³⁶⁰ <http://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4913>

³⁶¹ <http://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=4893>



Economic growth forecast

As of June 2020, the economy of Tajikistan is expected to contract by 2.5% in 2020, as a result of the coronavirus pandemic. The country's reliance on remittances from Russia for growth will play a negative role in this year's GDP performance. The government estimates that the economy has lost 50% of its remittance inflows (equivalent to about US\$1.1 billion, or 15% of GDP) in March and April owing to containment measures and work restrictions for many migrant workers in Russia. This will have a negative impact on consumer spending, and we expect private consumption to contract significantly. Industrial production and agriculture are expected to support the economy in 2020, but low consumer confidence, as well as low prices and demand for commodities, such as aluminium and copper, will be a huge offsetting factor. In 2021, the economy is expected to register 4% growth in line with improvements in the country's main partners—Russia and China. A bounceback in the other Central Asian states will also have a positive impact on growth in Tajikistan and will support regional trade and co-operation.



Macroeconomic policies

Tajikistan's economic policy response to the pandemic prominently featured monetary policy measures. The central bank reduced its refinancing rate to 11.75%, from 12.75%.³⁶² It also sought to provide added liquidity to banks by reducing reserve requirements from 3% to 1% for the national currency and from 9% to 5% for other currencies.³⁶³ Fiscal measures have consisted of the construction of a field hospital at a stadium in Dushanbe, the capital, and a 100% increase to the salaries of medical professionals working with coronavirus patients, a

³⁶² <https://nbt.tj/ru/news/498079/>

³⁶³ <https://nbt.tj/ru/news/498200/>

package worth TJS12.4 million (0.02% of GDP) in total.³⁶⁴ In responding to the crisis, Tajikistan has benefited from over US\$200 million (2.5% of GDP) in financing by the IMF, World Bank, and Asian Development Bank³⁶⁵, in addition to material aid from Germany, Russia, China, the US, and Uzbekistan.³⁶⁶ As of May 13, the country was seeking another US\$183 million (2.3% of GDP) from the same donors and the Eurasian Stabilisation and Development Fund.³⁶⁷

Business support policies

The central bank has taken a soft approach to preventing banking risks and alleviating financial difficulty in the private sector. The regulator has recommended banks increase lending to industrial enterprises, including those engaged in import substitution, but they have not been obliged to do so.³⁶⁸ Similarly, the central bank has allowed credit institutions to extend and restructure some of their loans, as well as provide grace periods, but has not obliged them to do so.³⁶⁹ On June 5, the president issued a decree calling for more substantial measures, including tax relief for the tourism, hospitality and transportation sectors and for sole traders in retail and service industries, as well as soft loans for companies producing food and medical supplies.³⁷⁰ However, there is no evidence that these measures have been implemented.

Population support policies

To prevent the spread of COVID-19, starting from April, Tajikistan went into partial lockdown. Pre-schools and secondary schools across the entire country, as well as primary schools in Dushanbe, were closed on April 27 and will remain so until at least August 16.³⁷¹ Mosques across the country, and most non-food shops in Dushanbe, were closed down progressively between April 18 and May 12, until at least May 31.³⁷² Since late April, public events have been banned and masks have to be worn in public.³⁷³ The entry and exit of foreign nationals to and from Tajikistan, with a few exceptions, were banned on April 10 and nationals travelling home are subject to 14 days of mandatory self-isolation to avoid the importation of the virus.³⁷⁴ Citizens have been repatriated from Russia.³⁷⁵ While many of its regional partners are seeing recent surges in their coronavirus cases, there are no reports of a second wave and resulting re-imposition of lockdown measures in Tajikistan.

³⁶⁴ <https://asiaplustj.info/ru/news/tajikistan/power/20200501/prezident-tadzhikistana-napravil-svoyu-zarplatu-na-borbu-s-koronavirusom>; <https://novosti.tj/novosti-tadzhikistana/v-tadzhikistane-medikam-boryushimsya-s-koronavirusom-polozheny-dopolnitelnye-vyplaty.html>; <https://tj.sputniknews.ru/country/20200521/1031278944/dushanbe-polevoy-gospital-bolnye-koronavirusom.html>

³⁶⁵ <https://www.adb.org/news/adb-approves-50-million-grant-support-tajikistan-covid-19-response>

³⁶⁶ <https://www.adb.org/news/adb-announces-6-5-billion-initial-response-covid-19-pandemic>; <https://www.worldbank.org/en/news/press-release/2020/04/02/tajikistan-gets-world-bank-financing-to-respond-to-covid-19-pandemic>; <https://www.imf.org/en/News/Articles/2020/05/06/pr20207-tajikistan-imf-executive-board-approves-a-us-189-5m-rcf-disbursement-to-address-covid19>; <https://www.asiaplustj.info/ru/news/tajikistan/society/20200320/germaniya-videlyaet-tadzhikistanu-1-mln-evro-na-borbu-s-koronavirusom>; <https://www.asiaplustj.info/ru/news/tajikistan/security/20200326/rossiya-peredala-tadzhikistanu-partiyu-rossiiskih-test-sistem-diagnostiki-koronavirusa>; <https://www.asiaplustj.info/ru/news/tajikistan/society/20200402/kitai-predostavil-tadzhikistanu-pomotsh-dlya-borbi-s-koronavirusom>; <https://vecherka.tj/archives/43513>; <https://tj.usembassy.gov/ru/the-u-s-government-mobilizes-to-combat-covid-19-in-tajikistan-ru/>; <https://rus.ozodlik.org/a/30543737.html>;

³⁶⁷ <https://eabr.org/press/news/tadzhikistan-dobivaetsya-polucheniya-dopolnitelnoy-pomoshchi-ot-mezhdunarodnykh-donorov/>

³⁶⁸ <https://www.ebrd.com/cs/Satellite?c=Content&cid=1395289943372&d=&pagename=EBRD%2FCContent%2FDownloadDocument>

³⁶⁹ <https://nbt.tj/ru/news/498200/>

³⁷⁰ <http://president.tj/ru/node/23055?fbclid=IwAR2FA-kdSgqVuXGg9LVOTWnKX-pNzWRCH6MWhqRYgmfKT4hj0nZNGfnMGas>

³⁷¹ <https://regnum.ru/news/economy/2928735.html>; <https://ria.ru/20200425/1570558491.html>; <https://rus.ozodi.org/a/30598550.html>

³⁷² <https://tj.sputniknews.ru/main/20200417/1031082392/Sovet-ulemov-zakrytii-mechet-Tajikistan.html>; <https://asiaplustj.info/ru/news/tajikistan/power/20200429/v-dushanbe-zakroyut-vse-neproduktivie-rinki-vlasti-utverzhdaiut-cto-dlya-dezinfektsii>; <https://asiaplustj.info/ru/news/tajikistan/society/20200508/v-dushanbe-vetshevie-rinki-budut-zakriti-do-kontsa-maya>; <https://asiaplustj.info/ru/news/tajikistan/society/20200512/meriya-dushanbe-zakrila-vse-saloni-krasoti-i-parikmaherskie-v-stolitse>

³⁷³ <https://regnum.ru/news/economy/2928735.html>; <https://tj.sputniknews.ru/country/20200430/1031158424/tajikistan-vveli-obyazatelnoe-noshenie-medicinskih-masok.html>; https://untj.org/?page_id=12704

³⁷⁴ <https://www.kommersant.ru/doc/4319864>; <https://ria.ru/20200410/1569857311.html>; <https://lenta.ru/news/2020/04/10/tajikistan/>; <https://ria.ru/20200410/1569857311.html>; <https://mfa.tj/ru/main/view/5998/soobshchenie-ob-avtomaticheskoy-prodlennii-sroka-prebyvaniya-inostrannykh-grazhdan>

³⁷⁵ <https://asiaplustj.info/ru/news/tajikistan/society/20200520/pomotsh-migranti-i-gruz-200-kogo-i-cto-privez-samolet-tadzhik-eir-iz-rossii>; <https://www.mfa.tj/ru/main/view/6010/o-spetsreise-aviakompanii-tadzhik-eir>; <http://khovar.tj/rus/2020/05/po-porucheniuyu-lidera-natsii-213>

Tajik authorities have sought to boost healthcare capacity without significant reallocation of budgetary funds. Late-stage medical students were included in response efforts and patients were discharged from hospitals.³⁷⁶ The government informs citizens about protection against infection through a dedicated helpline, public service television announcements and the state news agency, and patients with symptoms are tested free of charge at two laboratories in Dushanbe.³⁷⁷ On June 5, the president decreed that state funds be allocated to provide free healthcare and pay wage supplements to medical workers, but there are no details on figures and there is no evidence of implementation.³⁷⁸

Regulators have taken a soft approach to population support as well. Banks were allowed – but not obliged – to restructure and extend household loans.³⁷⁹ Plans to introduce cash transfers to poor and disabled people, with a total value of TJS3 million (0.03% of GDP), were announced on April 8.³⁸⁰ On June 5, the president decreed that the government would provide a one-off payment of TJS400 to individuals from vulnerable groups, as well as reducing certain taxes for individuals, but there is no evidence that either of these initiatives has been implemented.³⁸¹ On April 25, the export of cereals, legumes, potatoes, eggs and meat was banned to ensure food security, and on June 5 it was announced that price controls would be placed on flour, sugar, vegetable oil, legumes and potatoes.³⁸² The UN FAO, in cooperation with the Ministry of Agriculture, imported 80 tons of high-quality potatoes for distribution among farmers' cooperatives to guarantee sustained production through increased yields and replenishment of the country's seed stock.³⁸³

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³⁷⁶ <https://rus.ozodi.org/a/30603750.html>; <https://asiaplustj.info/ru/news/tajikistan/society/20200319/podgotovka-k-koronavirusu-bolnitsi-dushanbe-osvobozhdayut-ot-bolnih>

³⁷⁷ <http://moh.tj/%d1%82%d0%b5%d0%bb%d0%b5%d1%84%d0%be%d0%bd%d0%b8-%d0%b1%d0%be%d0%b2%d0%b0%d1%80%d3%a3-%d0%be%d0%b8%d0%b4-%d0%b1%d0%b0-%d0%bc%d0%b0%d1%81%d1%8a%d0%b0%d0%bb%d0%b0%d2%b3%d0%be%d0%b8-%d0%ba%d0%be%d1%80/>;
<https://tj.sputniknews.ru/health/20200327/1030969043/Tajikistan-goryachaya-liniya-koronavirus.htm>;
<https://asiaplustj.info/ru/news/tajikistan/society/20200510/koronavirus-ofitsialno-chto-o-covid-19-govoryat-goskanali-v-tadzhikistane>;
<http://khover.tj/>; <https://your.tj/testy-v-strane-est-kak-v-tadzhikistane-mozhno-sdat-analiz-na-koronavirus/>

³⁷⁸ <http://president.tj/ru/node/23055?fbclid=IwAR2FA-kdSgqVuXGg9LVOTWnKX-pNzWRCH6MWhqRYgMfKT4hj0nZNGfnMGas>

³⁷⁹ <https://nbt.tj/ru/news/498200/>

³⁸⁰ <https://www.asiaplustj.info/ru/news/tajikistan/power/20200408/malaimutshie-semi-v-tadzhikistane-poluchat-finansovuyu-pomosh-na-borbu-s-koronavirusom>

³⁸¹ <https://fergana.news/news/118846/>; <http://president.tj/ru/node/23055?fbclid=IwAR2FA-kdSgqVuXGg9LVOTWnKX-pNzWRCH6MWhqRYgMfKT4hj0nZNGfnMGas>

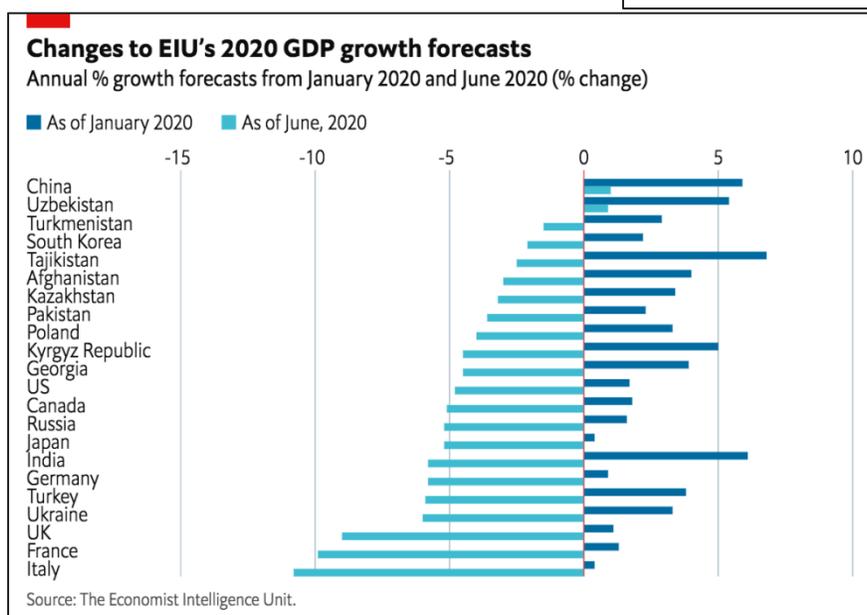
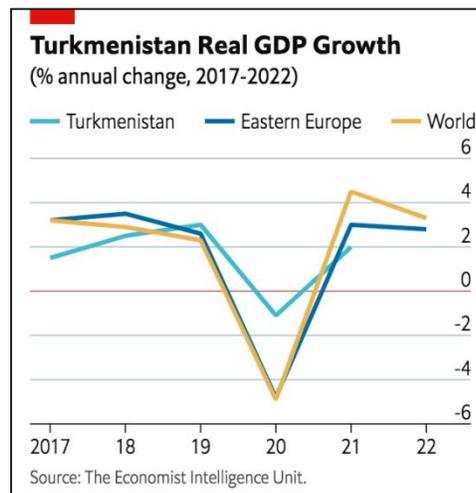
³⁸² <https://novosti.tj/novosti-tadzhikistana/postavshhika-produktov-dlya-dushanbe-osvobodili-ot-nalogov.html>;
<https://regnum.ru/news/economy/2928735.html>; <http://president.tj/ru/node/23055?fbclid=IwAR2FA-kdSgqVuXGg9LVOTWnKX-pNzWRCH6MWhqRYgMfKT4hj0nZNGfnMGas>

³⁸³ https://untj.org/wp-content/uploads/2020/05/SitRep-7-COVID-19_180520.pdf



Economic growth forecast

As of June 2020, the economy of Turkmenistan is expected to contract by 1.5% in 2020, as a result of the global coronavirus pandemic. Exports of goods and services are the main drivers of the economy, and a sharp decline in export value as well as decreasing private consumption will push the economy into its first recession since 2009. In 2021, economic growth will remain lacklustre. Slightly higher global energy prices will support export earnings and budget revenue, but much of this will depend on the payments that Turkmenistan receives from China for its gas exports (which remain undisclosed). Gas production and export volumes are expected to rise slightly as a result of the resumption of gas sales to Russia. Financing constraints and a poor business environment will keep investment low. Annual real GDP growth is expected to be about 2% in 2021.



Macroeconomic policies

There have been relatively few verifiable details available about the response measures pursued by the government. As of May 2020, there were no officially confirmed cases in the country. Nonetheless, there have been reports of a boost to healthcare and infrastructure spending, and the government has committed to reallocating resources to fight the pandemic.³⁸⁴ Although no details are available on the policy steps taken and funds spent, the construction of quarantine facilities in the city of Turkmenabat and near the Afghan border attests

³⁸⁴ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>;
<https://www.ebrd.com/cs/Satellite?c=Content&cid=1395289943512&d=&pagename=EBRD%2FContent%2FDownloadDocument>;
<http://www.turkmenistan.gov.tm/?id=20696>

to the fact that some spending has taken place. The government also announced the purchase of diagnostic testing kits as well as disinfectant and personal protective equipment.³⁸⁵

Turkmen authorities have sought to contain the economic effects of the crisis, particularly through monetary measures and propping up the national currency. On March 13, the government reduced the limit for foreign currency that can be held by citizens from US\$500 to US\$300.

Business support policies

As of May 2020, the government of Turkmenistan has not reported any specific measures aimed at supporting the private sector, although a few reports suggest that such measures have been discussed. On March 3, President Gurbanguly Berdimuhamedow gave the Cabinet of Ministers a series of instructions related to the pandemic. Specifically, Berdimuhamedow asked the government to complete a list of enterprises that should be granted tax deferrals and to expand a lending programme for small- and medium-sized businesses to help cushion the pandemic's impact.³⁸⁶ However, no further details have been reported about whether any deferrals have been granted. During July 3 Cabinet session, the President announced support measures for transport companies.³⁸⁷

There are pre-existing policies supporting Turkmenistan's largely closed economy. An import substitution programme focused on industry, agriculture, food processing and pharmaceuticals has been in place since 2015.³⁸⁸ No further details about any changes to the programme in response to the pandemic have been reported.

Population support policies

Turkmenistan has sought to curb the spread of COVID-19 through sporadic closures of public places. Schools' spring break was extended by a week and customary celebrations to mark the end of the school year on May 25 were cancelled in Ashgabat, the capital.³⁸⁹ Many non-food shops were forced to close by April 1.³⁹⁰ Some major events were cancelled in March and April and on May 23 the government recommended people not to gather in groups.³⁹¹ On July 13, due to reports of surges in coronavirus cases in its regional neighbours, Turkmenistan closed its largest trading market and metropolitan mall in order to prevent the spread of the virus.³⁹² On the same day, the Ministry of Health and Medical Industry of Turkmenistan recommended that everyone use protective medical masks to prevent the spread of the virus while they are on the street and in public places while police patrols have been established to advise citizens to wear masks and to maintain 1.5-2 metres' social distance.³⁹³ Restrictions on movement are more stringent. Citizens are banned from leaving their province of residence and foreign citizens, as well as freight transport, are banned from entering the country, including for transit – although trade with Afghanistan and Iran has now resumed.³⁹⁴ Nationals travelling home are required to complete a 14-day mandatory quarantine in designated facilities. The government claims to have repatriated citizens from abroad, and has established a procedure to provide assistance to citizens that are unable to return to the country

³⁸⁵ <https://turkmenportal.com/blog/26422/epidemiologicheskaya-situaciya-v-turkmenistane-po-koronavirusu-covid-19-ostaetsya-pod-kontrolem>

³⁸⁶ <http://www.turkmenistan.gov.tm/?id=20696>; <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>;
<https://tfeb.gov.tm/index.php/ru/small-business-ru/295-sme-support-program>

³⁸⁷ <https://arzuw.news/gosudarstvo-podderzhit-transportnyj-sektor-v-svjazi-s-pandemiej>

³⁸⁸ <http://www.turkmenistan.gov.tm/?id=8858>;

³⁸⁹ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

³⁹⁰ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

³⁹¹ <http://tdh.gov.tm/news/articles.aspx&article22596&cat11>

³⁹² <https://arzuw.news/trc-berkarar-vremenno-zakryt>; <https://arzuw.news/tolkuchka-vremenno-zakryta>

³⁹³ <https://turkmenportal.com/blog/28824/minzdravmedprom-turkmenistana-rekomenduet-ispolzovat-maski-v-period-nahozhdeniya-na-ulice-i-v-obshchestvennyh-mestah>; <https://orient.tm/v-turkmenistane-k-vvedeniju-masochnogo-rezhima-podkljuchilis-vezhliyye-policejskie/>

³⁹⁴ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>; <https://www.reuters.com/article/health-coronavirus-turkmenistan-cargo/turkmenistan-shuts-down-cargo-traffic-due-to-coronavirus-idUSL8N2BP2ST>;
<https://en.mehrnews.com/news/159140/Iran-s-borders-with-Turkmenistan-to-be-reopened-on-June-1-IRICA>

due to international travel restrictions, which includes international transfers through Western Union of US\$500 per month.³⁹⁵

Two public health plans – a general pandemic preparedness plan and a coronavirus-specific plan – were adopted, though not published, in February and May. The plans reportedly guide the work and training of healthcare professionals and provide for the modernisation of healthcare equipment and facilities.³⁹⁶ Diagnostic testing is carried out in all of the country's provinces and mass testing, targeted primarily at schoolchildren, has also reportedly been rolled out.³⁹⁷

In a bid to prevent panic, the government has tried to curb discussions about the coronavirus outbreak or the impact on Turkmenistan's economy. The government has launched a limited information campaign, including the distribution of brochures with information about hygiene and preventive practices to hospitals, schools, factories, and government agencies, and established a coronavirus hotline.³⁹⁸

³⁹⁵ <http://tdh.gov.tm/news/articles.aspx&article21909&cat15>; <https://novayagazeta.ru/articles/2020/03/30/84601-rossiya-ne-puskaet-turkmenistan-ne-zabiraet>; <https://turkmenportal.com/blog/28347/v-turkmenistane-nachali-osushchestvlyat-mezhdunarodnye-perevody-cherez-western-union-zastryvavshim-za-granicej-sootechestvennikam>

³⁹⁶ <https://turkmenportal.com/blog/26422/epidemiologicheskaya-situaciya-v-turkmenistane-po-koronavirusu-covid-19-ostaetsya-pod-kontrolem>; <https://turkmenportal.com/blog/27544/turkmenistan-razrabotal-plan-protivodeistviya-pandemii-koronavirusa>

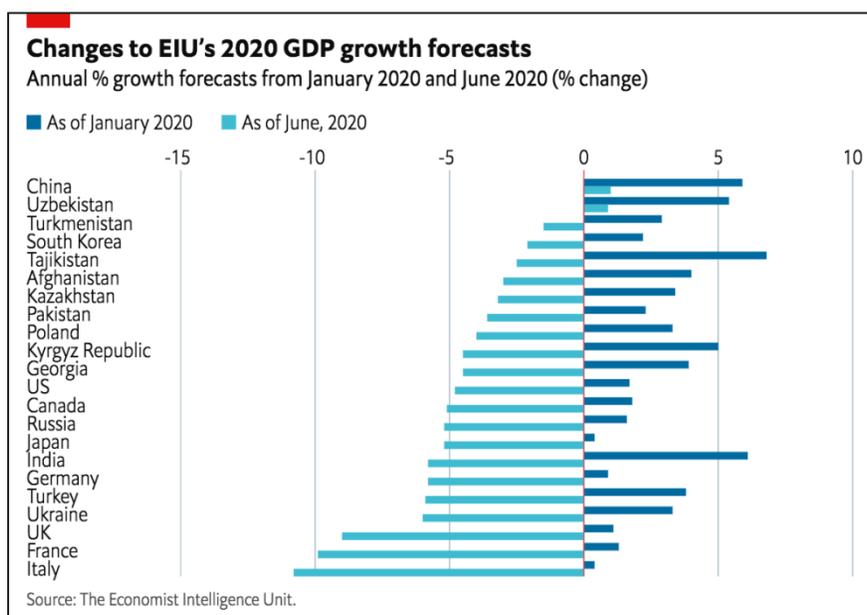
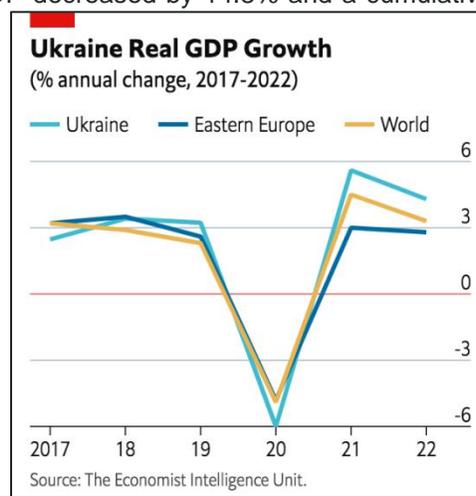
³⁹⁷ <https://turkmenportal.com/blog/26422/epidemiologicheskaya-situaciya-v-turkmenistane-po-koronavirusu-covid-19-ostaetsya-pod-kontrolem>

³⁹⁸ <https://turkmenportal.com/blog/26465/v-turkmenistane-zarabotal-telefon-goryachej-linii-po-koronavirusu>



Economic growth forecast

As of June 2020, the Ukrainian economy is expected to plunge into a deep recession in 2020, with a real GDP decline of 6%. However, the expected economic contraction will be less severe than during the 2009 global financial crisis and 2014-15 political and security crisis, when real GDP decreased by 14.8% and a cumulative 16.3% respectively. Since mid-May, the authorities have been gradually lifting the lockdown measures introduced in mid-March, but some restrictions will stay in place for several more months. These measures, combined with an expected severe economic downturn in Ukraine's key trade partners will fuel a severe recession. In particular, a 7.4% economic contraction in the EU in 2020 will see exports plummet this year (over 50% of Ukraine's exports go to the bloc), curbing overall economic growth. A recession in Russia this year will further weigh on economic activity. Economic growth will rebound from 2021 onwards. The lifting of the most punishing business restrictions in May, and a gradual easing of travel limitations from June will soften the downturn in the second half of 2020. This will drive a recovery in 2021 as private consumption rebounds and businesses resume investment activity. Export growth will also pick up from 2021 on the back of stronger global demand and economic growth is expected to rebound to 5.6% in 2021.



Macroeconomic policies

In March and April, Ukrainian authorities launched two fiscal packages to cushion the economic and public health effects of COVID-19, totalling UAH265 billion (7.1% of GDP) in value.³⁹⁹ The packages include a mix of measures, such as fiscal support, business support, and support for the health service. The National Bank of Ukraine (NBU; the central bank) moved to provide monetary stimulus by cutting its key interest rate from 11% in

³⁹⁹ <https://www.oecd.org/eurasia/competitiveness-programme/eastern-partners/COVID-19-CRISIS-IN-UKRAINE.pdf>
<https://minfin.com.ua/2020/05/13/45254767>

March to 8% in two steps, and foresees a further decrease of one percentage point before the end of the year.⁴⁰⁰ The NBU also sought to increase liquidity by launching a new 5-year lending programme, disbursing UAH2.4 billion between 11 banks in the first auction on May 8. The frequency of liquidity tenders was increased from bi-weekly to weekly, refinancing loan terms extended from 30 to 90 days, and the minimum capital requirement was reduced from UAH500 billion to UAH200 billion in a bid to forgo banking risks.⁴⁰¹ The Cabinet of Ministers temporarily exempted medical goods from VAT and import duties, and restricted the export of domestically produced personal protective equipment.⁴⁰² They also sought to boost exports by re-launching an export promotion and advocacy council under the auspices of the Ministry of Foreign Affairs.⁴⁰³

Business support policies

Existing government-backed credit schemes were extended. Under the 'Accessible Loans 5-7-9%' programme, the maximum amount available was increased from UAH1.5 million to UAH3 million, the list of permitted uses was extended, and the maximum annual income cap was raised.⁴⁰⁴ From early March to late May, Ukraine's largest lender, the state-owned PrivatBank also instated a loan holiday for small and medium enterprises and sole traders – a measure recommended to all banks by the central bank.⁴⁰⁵

The government has moved to support cultural and creative businesses by waiving VAT payments. SMEs and sole traders were also targeted through a cancellation of most business tax audits through May 31, a suspension of the enforcement of tax-related fines and fees, and an extension of the deadline for filing annual income and asset declarations to July 1.⁴⁰⁶ Businesses were also made exempt from the payment of land taxes and rent for state property, while sole traders were exempted from social insurance contributions.⁴⁰⁷ The social insurance system was amended to mandate that the state compensates at least 50% of sick employees lost wages.⁴⁰⁸

Population support policies

To curb the spread of COVID-19, beginning on March 11, Ukraine went into lockdown, which was gradually eased from May 11 onwards.⁴⁰⁹ Most activities, except for public gatherings and international air travel, have been able

⁴⁰⁰ <https://bank.gov.ua/ua/news/all/rishennya-oblikova-stavka-2020-03-12>; <https://bank.gov.ua/ua/news/all/rishennya-oblikova-stavka-2020-04-23>

⁴⁰¹ <https://www.rbc.ua/rus/news/nbu-vvel-dolgosrochnoe-refinansirovanie-bankov-1584538235.htm>; <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>; <https://www.rbc.ua/rus/news/nbu-obnarodoval-grafik-usloviya-dolgosrochnogo-1588076141.html>; <https://bank.gov.ua/en/news/all/dopovid-golovi-nbu-yakova-smoliya-u-verhovniy-radi-ukrayini>; <https://korrespondent.net/business/4226725-banky-vzialy-v-dolh-u-nbu-svyshe-dvukh-myllyardov-hryven>; <https://bank.gov.ua/ua/news/all/verhovna-rada-pomyakshila-vimogi-do-minimalnogo-kapitalu-bankiv-z-500-do-200-mln-grn>

⁴⁰² <https://www.ebrd.com/documents/admin/ukraine-coronavirus-policy-response.pdf?blobnocache=true>; <https://zakon.rada.gov.ua/laws/show/224-2020-%D0%BF>; <https://home.kpmg/xx/en/home/insights/2020/04/ukraine-government-and-institution-measures-in-response-to-covid.html>

⁴⁰³ <https://rei.mfa.gov.ua/news/dmitro-kuleba-dav-start-onovlenij-radi-eksporteriv-ta-investoriv-mzs-vidkrivaye-novi-rinki-dlya-ukrayinskih-kompanij>; <https://www.pravda.com.ua/rus/news/2020/05/22/7252680>

⁴⁰⁴ <https://www.kmu.gov.ua/en/news/uryad-zbilshiv-do-3-mln-grn-sumu-kreditu-za-programoyu-dostupni-krediti-5-7-9>; <https://smebanking.news/ru/27112-privatbank-zapustil-novyie-antikrizisnye-programmy-finansirovaniya-ms>

⁴⁰⁵ <https://finance.liga.net/bank/novosti/karantin-privatbank-vvodit-kreditnye-kanikuly-na-ipoteku-i-avtokredity#:~:text=Согласно%20закону%20№533-IX,малого%2C%20среднего%20бизнеса%20и%20предпринимателей>; <https://privatbank.ua/ru/news/2020/5/28/1210>; <https://www.oecd.org/eurasia/competitiveness-programme/eastern-partners/COVID-19-CRISIS-IN-UKRAINE.pdf>; <https://bank.gov.ua/ua/news/all/nbu-rekomenduye-bankam-restrukturizuvati-krediti-pozichalnikam-yaki-postrajdali-cherez-povyazani-iz-pandemiyeyu-obmejeniya>

⁴⁰⁶ http://search.ligazakon.ua/l_doc2.nsf/link1/T200533.htmlsearch.ligazakon.ua/l_doc2.nsf/link1/T200533.htm; <http://hromadske.ua/ru/posts/v-ukraine-zapretili-eksport-medicinskih-masok-iz-za-koronavirusa>; http://search.ligazakon.ua/l_doc2.nsf/link1/JI01907A.html; http://search.ligazakon.ua/l_doc2.nsf/link1/T200533.html

⁴⁰⁷ https://biz.ligazakon.net/news/195741_zakon-591-kakie-karantinnye-novovvedeniya-predusmotreny-dlya-biznesa; <https://home.kpmg/xx/en/home/insights/2020/04/ukraine-tax-developments-in-response-to-covid-19.html>; <https://tax.gov.ua/en/mass-media/news/420395.html>

⁴⁰⁸ <http://fssu.gov.ua/fse/control/main/uk/publish/article/969181>; http://search.ligazakon.ua/l_doc2.nsf/link1/T991105.html

⁴⁰⁹ <https://www.pravda.com.ua/rus/news/2020/04/24/7249296>; <https://www.kmu.gov.ua/en/news/sogodni-v-ukrayini-startuye-drugij-z-pyati-etapiv-vihodu-iz-karantinu>; <https://www.kmu.gov.ua/en/news/karantin-v-ukrayini-bude-prodovzhen-do-22-cherwnya-jogo-pomyakshennya>

to resume since.⁴¹⁰ A national stay-at-home directive for citizens over 60 was lifted on June 2, although social distancing measures remain in place and are enforced, and masks must be worn in public places.⁴¹¹ Ukraine's borders were closed to foreign citizens on March 15 and nationals returning home are subject to a mandatory 14-day self-isolation.⁴¹²

The government sought to free up healthcare capacity by cancelling all elective operations from March through the beginning of May, preparing 240 crisis hospitals, and legislating to increase the salaries of medical workers involved in the pandemic response by 300%.⁴¹³ The country also rolled out mass testing both for coronavirus and its antibodies.⁴¹⁴

Direct transfers to the value of UAH1.6 billion targeted the children of self-employed individuals, while pensioners and child disability benefit recipients received one-time cash payments.⁴¹⁵ Pensions were raised by 11% in May, and unemployment due to coronavirus was declared a reason for receiving household utility benefits, which were themselves increased by an average of UAH300 per household.⁴¹⁶ The central bank moved to allow Ukrainians to postpone mortgage payments and instructed banks not to charge any late fees until quarantine restrictions had been lifted. The Ministry of Justice announced that no evictions would take place due to a failure to make mortgage or utility payments until 30 days after the end of the lockdown period.⁴¹⁷

Vulnerable segments of the population were further targeted through price regulation. In April, retailers were required to notify the government prior to raising the price of certain staples, such as buckwheat, sugar, flour, pasta, milk, bread, and eggs, by more than 5%.⁴¹⁸ The export of buckwheat was also suspended from April through July 1 to protect the domestic market.⁴¹⁹

vidbuvatimetsya-u-5-etapiv; <https://news.liga.net/society/news/s-1-iyunya-v-ukraine-nastupaet-novyy-etap-smyagcheniya-karantina-cto-razreshat>

⁴¹⁰ <https://zakon.rada.gov.ua/laws/show/ru/392-2020-%D0%BF>

⁴¹¹ https://ips.ligazakon.net/document/view/kp200255?an=23&ed=2020_04_02; <https://zakon.rada.gov.ua/laws/show/392-2020-n#n192>; <https://www.kmu.gov.ua/en/news/rozyasnennya-shchodo-novih-obmezhuvalnih-zahodiv-na-period-karantynu>; http://search.ligazakon.ua/l_doc2.nsf/link1/T200530.html; https://ips.ligazakon.net/document/view/kp200255?an=1&ed=2020_04_02

⁴¹² https://lb.ua/news/2020/03/13/452450_ukraina_reshila_zakrit_granitsi_dve.html; <https://www.pravda.com.ua/rus/news/2020/04/27/7249540>; https://ips.ligazakon.net/document/view/kp200291?an=1&ed=2020_04_22; <https://www.oecd.org/eurasia/competitiveness-programme/eastern-partners/COVID-19-CRISIS-IN-UKRAINE.pdf>

⁴¹³ <https://112.ua/zdorovie/glava-moz-zavtra-podpishet-ukaz-o-perenose-planoviyh-operacij-dlya-pereprofilirovaniya-bolnic-lyashko-529197.html>; https://ips.ligazakon.net/document/view/kp200255?an=23&ed=2020_04_02; moz.gov.ua/article/news/maksim-stepanov-mi-vidnovljuemo-planovi-operacii-v-ukraini; https://lb.ua/society/2020/03/29/453963_minzdrav_opredelil_240_bolnits.html; http://search.ligazakon.ua/l_doc2.nsf/link1/T200540.html

⁴¹⁴ <https://zakon.rada.gov.ua/laws/show/1645-14>; <https://www.slovoidilo.ua/2020/05/16/novyna/suspilstvo/moz-hotuyetsya-pochaty-testuvannya-antytila-nastupnoho-tyzhnya>; <http://covid19.gov.ua>; <https://hromadske.ua/ru/posts/v-ukraine-nachali-testirovanie-na-antitela-k-koronavirusu-stepanov>

⁴¹⁵ <https://interfax.com.ua/news/political/658784.html>; <https://www.oecd.org/eurasia/competitiveness-programme/eastern-partners/COVID-19-CRISIS-IN-UKRAINE.pdf>; <https://minfin.com.ua/2020/05/13/45254767>; https://www.ugogentilini.net/wp-content/uploads/2020/05/Country-SP-COVID-responses_May15.pdf; <https://www.kmu.gov.ua/en/news/uryad-dodatkovu-kompensuye-otrimuvacham-subsidij-oplatu-zhkp-u-serednomu-na-300-grn-na-period-karantynu>

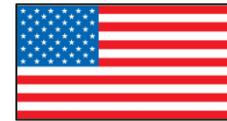
⁴¹⁶ https://www.ugogentilini.net/wp-content/uploads/2020/05/Country-SP-COVID-responses_May15.pdf; <https://www.kmu.gov.ua/en/news/uryad-dodatkovu-kompensuye-otrimuvacham-subsidij-oplatu-zhkp-u-serednomu-na-300-grn-na-period-karantynu>

⁴¹⁷ <https://hromadske.ua/ru/posts/ukraincam-razreshili-ne-platit-za-ipoteku-na-vremya-karantina>; <https://home.kpmg/xx/en/home/insights/2020/04/ukraine-government-and-institution-measures-in-response-to-covid.html>; <https://www.ukrinform.ua/rubric-society/2900179-komunalka-ta-ipoteka-borznikiv-ne-cipatimut-pid-cas-karantynu-ta-30-dniv-pisla.html>

⁴¹⁸ <https://zakon.rada.gov.ua/laws/show/341-2020-n>

⁴¹⁹ <https://interfax.com.ua/news/economic/651960.html>

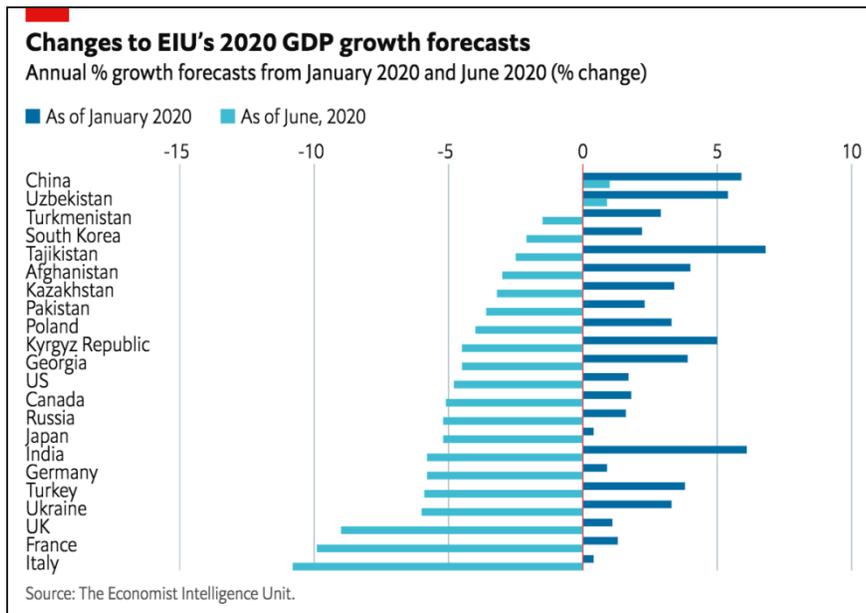
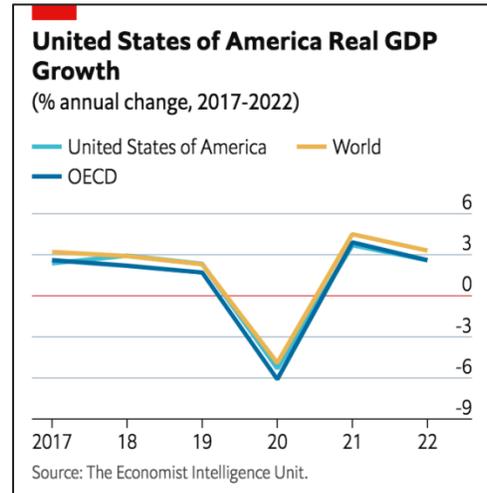
COVID-19 POLICY RESPONSE SUMMARY: UNITED STATES



Economic growth forecast

US GDP for the year 2020 is forecast to contract by 5.3% year on year. The impact of the COVID-19 crisis will be particularly concentrated in the second quarter as the measures needed to slow the virus's spread remain in place in many states. Real GDP is expected to contract by almost 9% in the second quarter (on a quarterly basis), reflecting a steep decline in consumer spending (which accounts for 70% of GDP) and industrial production. The number of coronavirus cases began to rise again in June in half of US states, as coronavirus restrictions have been lifted gradually. Some of the states that were quickest to reopen, including Texas, Florida and Georgia, recorded record numbers of Covid-19 cases in late June. The US is still in the first wave of its coronavirus cases, and we believe that the recent resurgence will result in a slower than previously expected recovery in the second half of 2020. Texas has paused its reopening process, ordering bars to close again on June 25th. Many states are likely to follow suit.

Consumer demand and overall GDP are not expected to recover to 2019 levels until 2022. COVID-19 cases are likely to resurge as seasonal illness until end-2021, at which point a vaccine should become available. As new cases arise, the government is likely to respond with more targeted containment measures, which will nonetheless weigh on consumer demand recovery. Furthermore, headline unemployment is expected to average 11% in 2020, a higher rate and a sharper climb than was experienced during the global financial crisis. Real GDP is expected to grow by 3.7% in 2021, but this mainly reflects the lower 2020 baseline. The US oil and gas industry will contract in 2021 as the plunge in oil prices prompts a wave of bankruptcies and consolidation across the already cash-strapped sector. However, industrial production is forecast to recover partially in 2021 from its 2020 decline as external demand begins to pick up, particularly in China and emerging Asia.



Macroeconomic policies

The United States Government has announced an overall stimulus package to support the economy amounting to US\$2.9 trillion across three different phases: (i) Coronavirus Preparedness and Response Supplemental Appropriations Act; (2) Families First Coronavirus Response Act and (3) Coronavirus Aid, Relief and Economic Security Act (CARES Act) (which created the Paycheck Protection Program and Health Care Enhancement Act).⁴²⁰ The Federal Reserve has lowered its target for the federal funds rate in response to the COVID-19 emergency to a range of 0% to 0.25% from a range of 1.5% to 1.75% (total of ~1.5 percentage points) since March 3, 2020.⁴²¹ The Federal Reserve has also engaged in asset purchase measures, including quantitative easing, increasing its holdings of Treasury securities and agency mortgage-backed securities and expanding the Open Market Desk's overnight and term repurchase agreement operations.⁴²² To support the flow of credit in both financial and non-financial institutions, the Federal Reserve has introduced eight different facilities, some of which will be covered by the CARES Act.⁴²³ The government has introduced measures to facilitate trade and to ensure the supply of critical goods, including export restrictions on PPE; waivers, deadline extensions, streamlined processing, and flexibility for exporters until August 31, 2020; fast tracking imports of both FDA and non-FDA regulated PPE and medical equipment; and making the US Export-Import Bank's export promotion programs more widely available to US suppliers and exporters.⁴²⁴

Business support policies

Within the government's rescue package, there are numerous measures aimed at providing credit to businesses and various sectors in the US, including US\$62 billion for the Small Business Administration to provide grants and loans to assist small businesses, US\$669 billion in forgivable Small Business Administration loans and guarantees to help small businesses that retain workers and 1% of GDP for various support measures including for the expansion of Small Business Administration loan subsidies.⁴²⁵ A number of tax-related measures have also been introduced to support businesses, including the deferral of tax filing from April 15, 2020 to July 15, 2020 without penalties or interest⁴²⁶; deferrals for employer payroll taxes and carryovers for net operating losses covered by the CARES Act⁴²⁷; and the establishment of the Employee Retention Credit scheme, a refundable tax credit scheme against certain employment taxes.⁴²⁸ Aviation excise taxes and the federal alcohol excise tax (used for hand sanitisers) have also been waived.⁴²⁹ Employment protection measures have also been introduced, including through the Paycheck Protection Program which provides loans that can be forgiven by the amount of

⁴²⁰ <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text#toc-id9F9D4592A2504EAAA42299714A7C8E69>; <https://www.congress.gov/bill/116th-congress/house-bill/6074/>; <https://www.congress.gov/bill/116th-congress/house-bill/6201/text>; <https://www.congress.gov/bill/116th-congress/house-bill/266>

⁴²¹ <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200303a.htm>; <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315a.htm>; <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315a1.htm>; <https://www.federalreserve.gov/monetarypolicy/openmarket.htm>

⁴²² <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200315a.htm>; <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200429a.htm>

⁴²³ <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#U>; <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200317a.htm>; <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200317b.htm>; <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200319a.htm>; <https://www.federalreserve.gov/monetarypolicy/pmccf.htm>; <https://www.federalreserve.gov/monetarypolicy/smccf.htm>; <https://www.federalreserve.gov/monetarypolicy/talf.htm>

⁴²⁴ <https://www.fda.gov/industry/importing-covid-19-supplies/information-filing-personal-protective-equipment-and-medical-devices-during-covid-19>; <https://www.raps.org/news-and-articles/news-articles/2020/3/fda-eases-import-requirements-for-devices-and-ppe>; <https://www.exim.gov/news/exim-increases-exporter-access-capital-and-supply-chain-financing-during-covid-19-raising>

⁴²⁵ <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text>; https://www.uschamber.com/sites/default/files/Phase_3_Bipart_Summary_-_Revised.pdf; <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#U>

⁴²⁶ <https://home.treasury.gov/news/press-releases/sm948>

⁴²⁷ <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text>

⁴²⁸ These include a 50% of payroll tax credit for severely affected businesses that do not benefit from business interruption loans and agree to maintain employment levels. <https://www.irs.gov/coronavirus/coronavirus-tax-relief-for-businesses-and-tax-exempt-entities>

⁴²⁹ <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text>; <https://news.bloombergtax.com/daily-tax-report/hand-sanitizer-tax-waiver-slips-into-coronavirus-relief-package>

payroll costs, rent payments, utility payments and interest on mortgages; US\$32 billion in grants to the airline industry to support employee wages and benefits; and sick pay relief for employers with fewer than 500 employees effective until December 31, 2020 through the Families First Coronavirus Response Act.⁴³⁰ Sector-specific business support includes emergency relief through loans and loan guarantees to airlines, air cargo, and national security critical firms of US\$25 billion, US\$4 billion, and US\$17 billion, respectively.⁴³¹ Through the CARES Act, grants are provided to support small businesses' digital transition, teleworking and the training of employees.⁴³² In April 2020, President Trump invoked the Defence Production Act, an act that gives the president the authority to direct private companies to prioritise orders from the government in order to ramp up ventilator and N95 mask production, investing US\$133 million.⁴³³

Population support policies

While there have been no national-level lockdown measures, such as closures of education facilities and non-essential public places⁴³⁴, measures have been implemented at state-level. For example, in the state of New York, Governor Andrew Cuomo signed an executive order to close schools until the end of the academic year in June.⁴³⁵ The governor also implemented an executive order closing all non-essential businesses, cancelling non-essential gatherings and limiting social interactions, effective March 22, 2020.⁴³⁶ In April, President Trump issued guidelines for 'Opening Up America Again', a three-phase advisory plan for states to follow, many of which have started easing some restrictions.⁴³⁷ International travel restrictions have been implemented, with all foreign nationals who have visited China, Iran, the European Schengen Area, the United Kingdom and Brazil in the previous 14 days being barred from entry into the country.⁴³⁸ Non-essential travel is restricted to and from Canada and Mexico.⁴³⁹ The repatriation of American citizens has been prioritised and, as of May 21, nearly 93,000 Americans have been repatriated from 135 countries and territories.⁴⁴⁰ Inbound international travellers are recommended by the CDC to stay home and monitor their health for 14 days.⁴⁴¹

The US government has allocated funds to the healthcare sector. The Coronavirus Preparedness and Response Supplemental Appropriations Act (total size US\$8.3 billion) and the Families First Coronavirus Response Act (US\$192 billion) have allocations for virus testing; transfers to states for Medicaid funding; development of vaccines, therapeutics, and diagnostics; support for the Centres for Disease Control and Prevention responses.⁴⁴² The CARES Act includes US\$100 billion for hospitals (out of US\$2.3 trillion).⁴⁴³ The Paycheck Protection Program and Health Care Enhancement Act includes US\$75 billion for hospitals (out of US\$483 billion); and US\$25 billion for expanding virus testing.⁴⁴⁴ As of June 10, over 22 million tests have been conducted.⁴⁴⁵

⁴³⁰ <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text>; <https://www.congress.gov/bill/116th-congress/house-bill/266/text>; <https://www.congress.gov/bill/116th-congress/house-bill/6201/text>; <https://www.dol.gov/agencies/whd/pandemic>

⁴³¹ <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text>

⁴³² <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text#toc-id9F9D4592A2504EAAA42299714A7C8E69>

⁴³³ <https://www.defense.gov/Newsroom/Releases/Release/Article/2146692/first-dod-defense-production-act-title-3-covid-19-project/>; <https://www.cfr.org/in-brief/what-defense-production-act>

⁴³⁴ https://www.whitehouse.gov/wp-content/uploads/2020/03/03.16.20_coronavirus-guidance_8.5x11_315PM.pdf

⁴³⁵ <https://www.politico.com/states/new-york/albany/story/2020/05/01/cuomo-orders-schools-closed-for-rest-of-the-year-1281646>

⁴³⁶ <https://www.governor.ny.gov/news/no-2028-continuing-temporary-suspension-and-modification-laws-relating-disaster-emergency>; <https://coronavirus.health.ny.gov/new-york-state-pause>

⁴³⁷ <https://www.whitehouse.gov/wp-content/uploads/2020/04/Guidelines-for-Opening-Up-America-Again.pdf>; <https://www.wsj.com/articles/a-state-by-state-guide-to-coronavirus-lockdowns-11584749351>

⁴³⁸ <https://www.dhs.gov/news/2020/03/13/fact-sheet-dhs-notice-arrival-restrictions-china-iran-and-schengen-countries-europe>; <https://www.cdc.gov/coronavirus/2019-ncov/travelers/from-other-countries.html>

⁴³⁹ <https://www.usa.gov/coronavirus>; <https://www.nytimes.com/article/coronavirus-travel-restrictions.html>

⁴⁴⁰ <https://www.state.gov/coronavirus/#bringing-americans-home>; <https://www.state.gov/coronavirus/repatriation/>

⁴⁴¹ <https://www.cdc.gov/coronavirus/2019-ncov/travelers/from-other-countries.html>

⁴⁴² <https://www.congress.gov/bill/116th-congress/house-bill/6074/>; <https://www.congress.gov/bill/116th-congress/house-bill/6201/text>

⁴⁴³ <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text#toc-id9F9D4592A2504EAAA42299714A7C8E69>

⁴⁴⁴ <https://www.congress.gov/bill/116th-congress/house-bill/266>

⁴⁴⁵ <https://www.cdc.gov/coronavirus/2019-ncov/cases-updates/testing-in-us.html>

Under the overall stimulus package, the US Government has introduced measures to provide support to households under a certain income threshold⁴⁴⁶, self-employed individuals⁴⁴⁷ and sole traders.⁴⁴⁸ The US Government has also expanded food assistance and access for the most vulnerable people, such as the Families First Coronavirus Response Act (FFCRA) which provides additional funding for existing food and nutrition programs.⁴⁴⁹ Moreover, the US Department of Agriculture has established the Coronavirus Food Assistance Program (CFAP) which procures food items from closed businesses and sends to them to food banks, community and faith-based organisations, and other non-profits serving Americans in need.⁴⁵⁰ Employees are entitled to sick pay under the Families First Coronavirus Response Act⁴⁵¹ and unemployment benefits through the CARES Act which allocates about US\$250 billion to boosting unemployment insurance payments.⁴⁵² Individuals can also benefit from tax measures such as the above-mentioned deferral of tax filing from April 15, 2020 to July 15, 2020 without penalties or interest⁴⁵³, and borrowers with federally-backed mortgages are able request forbearance on the loan if they experience financial hardship due to COVID-19.⁴⁵⁴

⁴⁴⁶ \$1,200 per individual (\$2,400 joint return) plus \$500 per child that are phased out for incomes above \$75,000 (\$150,000 joint)

⁴⁴⁷ Under the "Paycheck Protection Program" (PPP) - which was created by the CARES Act - independent contractors and sole traders are eligible to apply using 2019 tax returns to verify salary. The CARES Act also expands unemployment benefits to self-employed and gig economy workers according to state rules.

⁴⁴⁸ <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text#toc-id9F9D4592A2504EAAA42299714A7C8E69>; <https://mcclintock.house.gov/newsroom/current-issues/cares-act-coronavirus-relief-check-questions-answered>; https://www.uschamber.com/sites/default/files/Phase_3_Bipart_Summary_-_Revised.pdf; <https://www.entrepreneur.com/article/350314>; <https://www.dol.gov/coronavirus/unemployment-insurance>

⁴⁴⁹ Such as the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program, the Temporary Emergency Food Assistance Program (TEFAP), and the Supplemental Nutrition Assistance Program (SNAP).

⁴⁵⁰ <https://www.usda.gov/media/press-releases/2020/04/17/usda-announces-coronavirus-food-assistance-program>

⁴⁵¹ <https://www.congress.gov/bill/116th-congress/house-bill/6201/text>; <https://www.govtrack.us/congress/bills/116/hr6074/summary>; <https://www.federalregister.gov/documents/2020/04/06/2020-07237/paid-leave-under-the-families-first-coronavirus-response-act>

⁴⁵² <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text#toc-id9F9D4592A2504EAAA42299714A7C8E69>; https://www.uschamber.com/sites/default/files/Phase_3_Bipart_Summary_-_Revised.pdf; <https://www.entrepreneur.com/article/350314>; <https://www.dol.gov/coronavirus/unemployment-insurance>; <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#U>

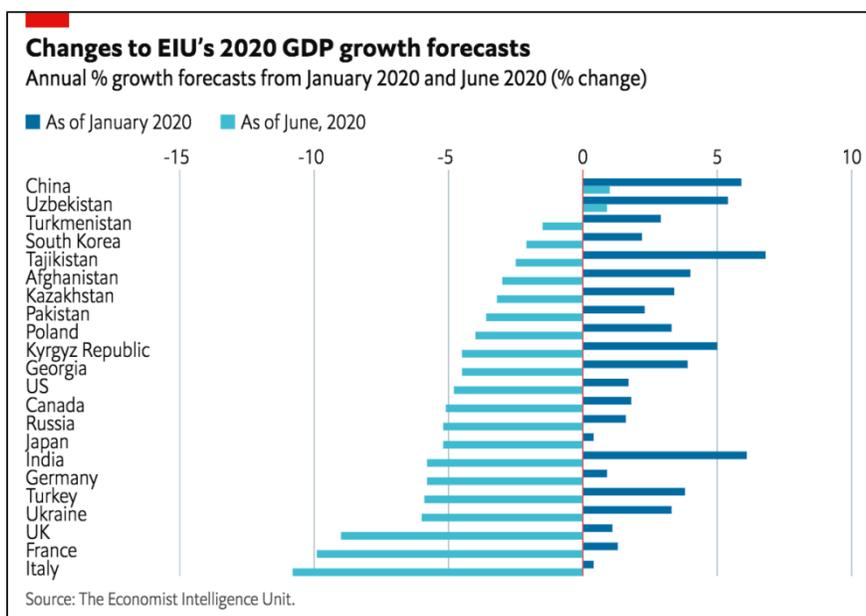
⁴⁵³ <https://home.treasury.gov/news/press-releases/sm948>; <https://home.kpmg/xx/en/home/insights/2020/04/united-states-tax-developments-in-response-to-covid-19.html>; <https://www.usa.gov/coronavirus>; <https://www.irs.gov/coronavirus/coronavirus-tax-relief-and-economic-impact-payments-for-individuals-and-families>

⁴⁵⁴ <https://www.congress.gov/bill/116th-congress/senate-bill/3548/text#toc-id9F9D4592A2504EAAA42299714A7C8E69>; https://www.uschamber.com/sites/default/files/Phase_3_Bipart_Summary_-_Revised.pdf



Economic growth outlook

The economy is expected to register real GDP growth of 0.9% in 2020, the lowest level since 1995. Slow growth will be the result of domestic and external pressures stemming from the global pandemic. Lockdown measures, and rising unemployment and poverty, will cause private consumption to contract by 2.5%. Low global energy prices and reduced gas exports to China, owing to lower demand, will mean weaker export earnings. This will be partially offset by high gold prices, as gold constitutes about 40% of Uzbekistan's exports. Owing to the uncertainties surrounding the spread of the virus and the stability of the economy, Uzbekistan will lose vital investment inflows from countries that have been particularly affected by the pandemic, primary examples including Russia and EU countries. However, this will be partly offset by a faster recovery in China, which is an important source of investment in Uzbekistan. Uzbekistan's economy is expected to recover in 2021, supported by a rise in global oil prices as well as increasing demand for commodities. Exports constitute in the region of 20% of Uzbekistan's economy, with oil and gas making up 15% of export volumes. In 2021, the economy is expected to register growth of 6.1%, which—to some extent—will be caused by the low base in 2020. We forecast an annual average growth rate of about 5.6% over 2021-24. With the government continuing to prioritise economic reforms, foreign investment inflows are likely to continue to grow in 2021-24. This—coupled with on-going state investment in energy and infrastructure—will ensure that capital spending drives economic growth in the forecast period.



Macroeconomic policies

The Central Bank of Uzbekistan has sought to provide monetary stimulus to the overall economy while also supporting liquidity in the financial sector through different measures. After maintaining the policy rate at 16% in March, mitigating against economic uncertainty, the Central Bank reduced its policy rate by one percentage point

to 15% on April 14.⁴⁵⁵ While the Central Bank did not reduce required reserves for commercial banks, on April 1, it adjusted the amount of required reserves banks could hold on correspondent accounts rather than with the Central Bank to 35%, from 25%.⁴⁵⁶ The Central Bank also held multiple repurchasing auctions between March and May, issuing UZ\$2.19 trillion (US\$215.7 million) in total.⁴⁵⁷ The central bank allocated US\$1.5 billion to interventions to stabilise the Uzbek Soum (UZS) between January and April, and is expected to increase interventions by 30% compared to 2019 figures thanks to a rise in the price of gold.⁴⁵⁸

On March 19, a presidential decree committed the government to attracting US\$1 billion in international financing towards creating a UZ\$10 trillion (US\$990 million, 2% of GDP) Anti-Crisis Fund to combat the pandemic, support businesses and vulnerable citizens, and stimulate the economy.⁴⁵⁹ Throughout May, loans totalling US\$908 million in value were secured from the IMF, the World Bank, and the Asian Development Bank, with US\$722 million received from IFIs for the Anti-Crisis Fund by May 27.⁴⁶⁰ UZ\$5.5 trillion from the Anti-Crisis Fund is earmarked for supporting businesses and the construction of new infrastructure projects, and UZ\$200 billion is earmarked for expanding local employment programmes.⁴⁶¹

As part of a second package of support measures launched on April 3, the government exempted COVID-19 test kits and other essential imports from import duty. Construction materials intended for medical facilities and quarantine centres were also exempted from customs duties and VAT until the end of 2020.⁴⁶²

Business support policies

Under the Anti-Crisis Fund, an additional UZ\$500 million (US\$49.3 million) was allocated to an existing state credit guarantee programme, which supports a credit scheme through commercial banks offering loans to companies for the supply, sale and production of essential consumer goods; the maximum size of eligible loans was later increased to UZ\$10 billion (US\$98.7 million).⁴⁶³ The government has allocated UZ\$2.8 trillion (US\$277 million) to support vital sectors and businesses, including subsidies to state companies in the water, heat and electricity generation and oil and gas sectors, as well as restructuring loans held by Uzbekistan Airways in the value of US\$111 million.⁴⁶⁴

The government has also sought to help businesses by easing their administrative burdens. The tax return deadline was postponed until August 1, and the period for payment of property and land tax was extended until October 15, with a moratorium on bankruptcies imposed until October 1. Micro, small and medium enterprises (MSMEs) and sole traders were granted the right to defer payments of social insurance, as well as property, land and agricultural irrigation taxes until October 1.⁴⁶⁵ The government has also introduced several industry-specific support measures, including certain tax payment suspensions for the tourism and agricultural sectors, a land rental scheme offering farmers 1-5 hectares of currently unused municipal land and supporting the growing of potatoes

⁴⁵⁵ https://cbu.uz/ru/press_center/releases/214556/

⁴⁵⁶ https://cbu.uz/ru/press_center/news/194716/

⁴⁵⁷ https://cbu.uz/ru/press_center/news/194716/; <https://cbu.uz/ru/monetary-policy/operations/repo-auctions/>

⁴⁵⁸ https://cbu.uz/ru/press_center/news/268580/; <http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-central-asia-5305f172/#section-d1e1696>

⁴⁵⁹ <https://lex.uz/ru/docs/4770763>

⁴⁶⁰ <https://www.mf.uz/home/o-ministerstve/press-sluzhba/minfin-news/5102.html>;

[https://akipress.com/news:640651:World_Bank_approves_additional_\\$200_million_for_COVID-19_response_in_Uzbekistan/](https://akipress.com/news:640651:World_Bank_approves_additional_$200_million_for_COVID-19_response_in_Uzbekistan/); <https://www.gazeta.uz/ru/2020/05/14/wb/>; <https://uz.sputniknews.ru/economy/20200518/14157503/ABR-vydelit-Uzbekistanu-136-mln-na-zakupku-medoborudovaniya.html>

⁴⁶¹ <https://lex.uz/ru/docs/4780477>

⁴⁶² <https://lex.uz/ru/docs/4780477>

⁴⁶³ <https://lex.uz/ru/docs/4770763>; <https://lex.uz/ru/docs/4780477>

⁴⁶⁴ <https://lex.uz/ru/docs/4770763>

⁴⁶⁵ <https://lex.uz/ru/docs/4770763>; <https://lex.uz/ru/docs/4780477>

and vegetables, and reimbursement of transport costs for the export of certain products, mainly fruit and vegetables.⁴⁶⁶

Population support policies

Starting on March 23, Uzbekistan went into national lockdown, which involved closing schools and non-essential workplaces, banning public events, and introducing strict stay-at-home and social distancing directives.⁴⁶⁷ The lockdown has been gradually lifted since May 8 in the framework of a “traffic light” system, loosening restrictions region by region based on the number of active cases.⁴⁶⁸ On July 8, the Special Republican Commission adopted new measures to limit the recent surge in cases in the country, banning recreation parks; non-food markets and large stores that sell non-food products; gyms, fitness clubs and pools; preschool educational institutions and training courses; catering facilities (restaurants, cafes, canteens, teahouses); and sanatoriums, boarding houses and children’s camps.⁴⁶⁹ International travel is banned until June 30, however, with only citizens permitted to return – subject to a 14-day self-isolation period – while non-nationals are permitted to leave.⁴⁷⁰ Starting from July 10, public transport has been suspended in Uzbekistan while from July 13, the government has suspended domestic air and rail travel.⁴⁷¹ Moreover, road travel has been restricted since July 9 such that vehicles without special stickers are limited to travelling only between 7am and 10am in the mornings, and 5pm and 8pm in the evenings, and inter-regional travel has also been suspended.⁴⁷² By mid-June, the Ministry of Foreign Affairs had repatriated approximately 57,000 citizens by air and road, with a further 100,000 having registered for repatriation.⁴⁷³ From May 16, the country’s embassy in Moscow began distributing RUB12,130 (US\$171) payments to Uzbekistani COVID-19 patients and vulnerable persons stranded in Russia.⁴⁷⁴

In late January, the government started preparing the healthcare system for an outbreak of COVID-19. Doctors were organised to work in 14-day shifts, and some medical facilities and dental facilities were repurposed as hospitals for COVID-19 patients.⁴⁷⁵ On May 18, a restructured budget was approved, allocating UZS3 trillion (US\$296 billion) to the Ministry of Health.⁴⁷⁶ The government committed to constructing two new hospitals, valued at UZS504 billion (US\$49.7 million).⁴⁷⁷

The government has implemented regulations for social distancing at work. Citizens living in cities under lockdown were advised to keep diaries recording their movements, and employers are required to measure employees’ and customers’ temperatures.⁴⁷⁸ Since mid-March, the government has launched a call-centre, a website and a mobile application dedicated to disseminating information on COVID-19.⁴⁷⁹

⁴⁶⁶ <https://lex.uz/ru/docs/4770763> ; <http://lex.uz/ru/docs/4803525> ; <https://www.pv.uz/ru/news/yer-imtiyozli-ajratiladi> ; <https://lex.uz/ru/docs/4815558> ; <https://lex.uz/ru/docs/4806740>

⁴⁶⁷ <https://lex.uz/ru/docs/4772484>; <https://lex.uz/ru/docs/4772484> ; <https://t.me/huquqiyaxborot/6991>; <https://t.me/iivuz/16224> ; <https://www.gazeta.uz/ru/2020/04/14/%D1%81onstr/>; <https://t.me/iivuz/16224>; <https://t.me/iivuz/16224> ; <https://pv.uz/ru/news/karantin-davrida-haq-huquq>

⁴⁶⁸ <https://uz.sputniknews.ru/society/20200429/14029723/Prezident-poruchil-nachat-poetapnoe-snyatie-karantina-v-Uzbekistane.html> ; https://podrobno.uz/cat/obchestvo/svetofor-dlya-koronavirusa-v-uzbekistane-vvodyat-tsvetnye-zony-dlya-borby-s-covid-19-razbiraemsiya-ch/?sphrase_id=992326 ; <https://www.gazeta.uz/ru/2020/05/05/andijan/> ; <https://podrobno.uz/cat/obchestvo/karantin-ne-zakonchilsya-11-maya-vlasti-obyasnili-chto-teper-v-strane-rabotaet-tsvetovoy-rezhim-risk/>

⁴⁶⁹ <https://kun.uz/en/news/2020/07/08/uzbekistan-to-strengthen-quarantine-measures-starting-july-10>

⁴⁷⁰ <https://uz.sputniknews.ru/society/20200429/14027941/Uzbekistan-priostanovil-aviasoobschenie-s-drugimi-stranami-do-30-iyunya.html>; <https://www.gazeta.uz/ru/2020/03/15/entry-exit/>; <https://lex.uz/ru/docs/4772484>

⁴⁷¹ <https://kun.uz/en/news/2020/07/10/uzbekistan-to-suspend-domestic-air-and-rail-communications>

⁴⁷² <https://kun.uz/en/news/2020/07/09/traffic-movement-restricted-in-uzbekistan-due-to-lockdown>

⁴⁷³ <https://www.gazeta.uz/ru/2020/03/16/mfa/> ; <https://www.podrobno.uz/cat/obchestvo/bolee-100-tysyach-uzbekistantsev-zhdut-svoey-ocheredi-chtoby-vernutsya-na-rodinu-mirziyeev/>

⁴⁷⁴ <https://lex.uz/ru/docs/4772484> ; <https://www.gazeta.uz/ru/2020/05/13/migrants/>

⁴⁷⁵ <http://www.minzdrav.uz/news/detail.php?ID=57986> ; <http://www.minzdrav.uz/news/detail.php?ID=58039> ; <http://tma.uz/uz/2020/04/05/toshkent-tibbiyot-akademiyasida-covid-19-infektsiyasi-bujicha-masofavij-u-itish-amalga-oshirilmo-da/>

⁴⁷⁶ <https://www.gazeta.uz/ru/2020/04/23/anti-crisis-fund/>

⁴⁷⁷ <https://rus.ozodlik.org/a/30573984.html> ; <https://president.uz/ru/lists/view/3614>

⁴⁷⁸ <https://lex.uz/ru/docs/4772484> ; <https://www.gazeta.uz/ru/2020/04/06/covid-diary/>

⁴⁷⁹ <http://www.minzdrav.uz/news/detail.php?ID=57872> ; <http://www.minzdrav.uz/news/detail.php?ID=57953> ; <http://www.minzdrav.uz/news/detail.php?ID=58288>

Under the Anti-Crisis Fund, UZS700 billion was allocated to social protection for low-income families with children, increasing the number of families receiving child benefit by 20%, and support of female-led households.⁴⁸⁰ The government has required employers to provide full salary and leave for employees ill with COVID-19 or caring for sick children. ⁴⁸¹ To further ease financial distress among the population, the deadline for income tax payments was extended, and the suspension of phone/internet service to any customer was banned.⁴⁸² The government also developed measures for pensioners to receive payments on specially-issued bank cards, or in cash at home, during the COVID-19 outbreak.⁴⁸³

⁴⁸⁰ <https://lex.uz/ru/docs/4770763>

⁴⁸¹ <https://lex.uz/ru/docs/4770763>; <https://lex.uz/ru/docs/4815482>

⁴⁸² <https://lex.uz/ru/docs/4772484>

⁴⁸³ <https://t.me/centralbankuzbekistan/1545>

ANNEX II – POLICY EFFECTIVENESS MATRIX

Category	Sub-category	Policy indicator	Description	Direction of evidence base	Magnitude of impact	Time horizon	Complexity	Resilience (over time)	Specific considerations (these will differ between policies)	Strength of body of evidence	References
				<i>Judgement around effectiveness of the policy in terms of GDP growth based on the evidence review</i>	<i>Judgement of the scale of impact of the policy for the target population</i>	<i>Judgement of the timeline that the policy can achieve its impact</i>	<i>Judgement of the complexity of the policy in terms of design and implementation</i>	<i>This is a judgement on "resilience" of the policy to risks associated with it being in place over time</i>	<i>These would highlight specific considerations that might not be applicable across all policies, but are important when considering the policy in question.</i>	<i>Judgement around quality of the overall evidence base for the policy</i>	
Macroeconomic policies	Monetary policy	Review of interest rates	Central bank changes to policy rates or central bank lending rates to lower the overall costs of lending, to stimulate borrowing and spending across the economy	Moderate Positive	Medium	Short	Low	High	There is some uncertainty as to how the particular circumstances of the pandemic impact the effectiveness of traditional monetary policy. With arguments for both amplified and reduced impact. To be conservative and assume it would have the normal expected impact, which has been seen to be medium / low and decreasing during recent decades.	Strong	Freedman and Laxton 2009; Bernanke 1990; Kuttner and Mosser 2012; Coric 2009; Anderson Chang and Copeland 2020; Cavallo 2020

Macroeconomic policies	Monetary policy	Asset purchase programmes	Asset purchase measures include quantitative easing (QE, issuing money to buy bonds or assets from the private sector), and other measures to improve money supply by the central bank	Uncertain or no effect	Low (High in the very short run at time of liquidity squeeze)	Short	High	Low	Well-constructed empirical studies are mostly based on data from developed markets. Asset purchase programmes clearly have empirically measurable impact; however, that is more due to the signalling than the actual purchases. In times of high distress, the impact is likely slightly greater.	Moderate	Bernoth, König and Raab 2015; Bernanke 2018; Hamilton 2018; Hartley and Rebucci 2020
Macroeconomic policies	Monetary policy	Changes in bank reserve requirements	Easing of central bank's regulation on required level of reserves by commercial banks, as a measure to boost liquidity in the market	Moderate Positive	Medium	Short	Medium	Low	It is important to note that the current health crisis will likely be followed by a banking crisis. Thus lowering reserve requirements now might help mitigate short-term impacts, but render the upcoming banking crisis even more detrimental.	Strong	Liu and Spiegel 2017; Brei and Moreno 2018; Glocker and Towbin 2015
Macroeconomic policies	Monetary policy	Central bank lending to financial institutions	Increased central bank lending to commercial and non-commercial banking institutions (e.g. investment banks, money market funds)	Moderate Positive	Medium	Short	Medium	High	Evidence suggests that providing liquidity to banks does not always lead to pass-through effects to businesses and retail clients. For emerging markets (EM)	Strong	Anderson, Chang and Copeland 2020; Carpinelli and Crosignani 2018; Sims and Wu 2020

									and the current pandemic in particular, relevant research suggests that in those EMs where financial operations happen in person, the pandemic could render providing liquidity to banks a rather inefficient instrument.		
Macroeconomic policies	Monetary policy	Central bank financing for non-financial institutions	Increased central bank lending to non-financial institutions (i.e. buying corporate bonds directly)	Strong Positive	Medium (High in the very short run at time of liquidity squeeze)	Short	High	High	Quantitative easing (QE) / credit easing (CE) has, after being accused of being a policy without empirical backing, been found to be relatively impactful in providing liquidity to corporates (though as described in the section on asset purchasing programmes, the signalling effect is likely most important). However, since before 2020 QE / CE were monetary policy instruments of developed markets' central banks exclusively, there is not yet	Strong (although zero evidence on impact in EM / non-reserve currencies)	Boneva et al. 2019; Arce et al. 2018; Sims and Wu 2020

									significant evidence on whether in EMs these could have a negative impact on exchange rates or inflation.		
Macroeconomic policies	Monetary policy	Local currency interventions	May include changes in exchange rate policy, foreign exchange controls, capital controls, etc.	Moderate Positive	Medium	Medium	Low	Medium	Manipulating the currency downward to boost exports can indeed be of significant positive impact, especially as economies reopen. However, this would likely come at the cost of other economies.	Moderate	Collins and Gagnon 2020; Calvo and Reinhart 2002; Menkhoff 2012
Macroeconomic policies	Monetary policy	International financial agreements	International agreements for access to international financing, such as swap lines among central banks, IMF financial assistance, financial facilities provided by bilateral or multilateral cooperation	Moderate Positive	Medium (High in the short run)	Short	Medium	High	Swap lines decrease the cost of raising foreign currency denominated capital; however, research on the swap lines opened during the pandemic shows that the effects are concentrated in countries with active / open swap line operations and tend to be evident on days, when the swap line was actually drawn. Importantly, not	Strong	Collins and Gagnon 2020; Bahaj and Reis 2020; Aizenman, Jinjark and Park 2010

									all countries have access to swap lines (indeed, those most squeezed in terms of liquidity do not – South Africa and Turkey, for example). And even those that do will benefit from the positive impact only in the very short run.		
Macroeconomic policies	Public funding	Allocation of public resources and emergency investment in healthcare	Increased allocation or earmarking of public resources and emergency investment in healthcare (for PPE, medical supplies, building emergency hospitals e.g. Nightingale hospitals in the UK)	Uncertain or no effect	Medium	Long	Medium	High	Unless there is an extremely inefficient healthcare system (e.g. USA), higher healthcare expenditure improves public health. Improved public health is likely to reduce the impact of Covid-19. However, whether this will increase economic growth has not been studied.	Weak	Mbein, Unlucan, Oloqu and Kalifa 2017; Clay, Lewis, Severini and Wang 2020
Macroeconomic policies	Public funding	Allocation of public funds for financial aid for vulnerable groups	Increased allocation of public resources to financial support for vulnerable groups	Strong Positive	High	Short / Medium	Medium	High	The impact on economic growth is highly dependent on whether it is a one-time transfer (no effect), or a long-term strategy. In the case of the latter, social protection (especially for the vulnerable) can improve	Strong	Mathers and Slater 2014; Baldacci, Clements, Gupta and Cui 2008

									labour market outcomes and productivity significantly, in turn leading to an increase in economic growth.		
Macroeconomic policies	Public funding	Infrastructure spending	Direct spending on infrastructure, hospitals, public transport, etc.	Strong Positive	High	Medium / Long	Medium	High	Infrastructure spending has an immediate positive impact on economic output through the stimulus effect. This can be added to by some long-term impact, whenever the cost-benefit relationship is positive. However, long-term impact on government debt needs to be taken into account. When the latter is too high, it can crowd out private investments and thus the infrastructure investments can indeed end up having a negative impact in the long run.	Strong	Jones and Rothschild 2020; Hidayaturrahman and Purwanto 2020; Munnell 1992, Reinhart and Reinhart 2012; Auerbach, Gorodnichenko and Murphy 2020
Macroeconomic policies	Public funding	International cooperation / aid strategy	Strategy and planning for international cooperation / aid, from the perspective of a donor or a recipient	Strong Positive	Medium	Short / Medium	Low	High	The impact of financial aid in general has been shown to be positive. Developing an aid strategy in cooperation with international financial institutions is	Strong	Findely et al. 2011; Massa 2011

									thus likely to lead to economic growth. However, poorly constructed development projects can have adverse effects, so the true impact will eventually not only depend on the existence of an aid strategy, but also – and more importantly – on the quality of the strategy.		
Macroeconomic policies	Trade and supply chain policy	Facilitation of critical imports (duties)	This could include reduction of or exemption from import tariffs / VAT or advance income taxes on medical goods (and other critical imports)	Moderate Positive / Uncertain	Low	Long	Low	High	Whether the availability of critical imports and such short-term policies (that are evidently aimed at relief during the crisis, not economic growth) have any impact on economic growth is in doubt. In general, trade liberalisation is associated with increased economic growth; however, targeted protection of infant industries, for instance, can equally be beneficial to long-term growth.	Weak	Wacziarg and Welch 2008; Westphal 1981

Macroeconomic policies	Trade and supply chain policy	Facilitation of critical imports (procedures)	For example, fast-tracking or elimination of import application / licences	Moderate Positive	Medium	Long	Low	High	Facilitating trade (import and export procedures alike) is generally associated with higher economic growth, as it removes red tape faced by businesses. The impact in the very short run is likely reduced, as demand for any good (in terms of imports and exports) is diminished. However, the trade facilitation is likely going to be crucial for a possible V-shape recovery.	Moderate	Wilson, Mann and Otsuki 2005; Mendoza 2020; OECD 2020
Macroeconomic policies	Trade and supply chain policy	Strategic export restrictions	Export restrictions on essential goods (e.g. food, medical supplies) from the government on the private sector	Moderate Negative	Medium	Long	Low	High	In the long run, export restrictions have generally been found to be growth-deteriorating (though possibly politically popular in the short run). Also refer to "Export promotion (duties)" below.	Moderate	OECD 2010; Wilson, Mann and Otsuki 2005; OECD 2020; Wacziarg and Welch 2012

Macroeconomic policies	Trade and supply chain policy	Export promotion (duties)	Elimination of export restrictions / taxes on other goods as incentives for export activity. Reimbursement for exporters who have incurred overseas sales VAT	Uncertain or no effect	Low	Medium	Medium	High	Levying duties on exports is generally seen as counterproductive and thus not very common. Where duties do exist, lifting them can increase exports, which can be beneficial to growth. However, export duties are often in place because government seeks to keep certain raw materials in the country, possibly to incentivise the development of downstream processing within the country. This can be beneficial, and thus lifting these export duties could be harmful.	Weak	Wilson, Mann and Otsuki 2005; Mendoza 2020; OECD 2020; Wacziarg and Welch 2012; Westphal 1981
Macroeconomic policies	Trade and supply chain policy	Export promotion (procedures)	Fast-tracking or elimination of export application / licences	Moderate Positive	Medium	Medium / Long	Low	High	Facilitating trade (import and export procedures alike) is generally associated with higher economic growth, as it removes red tape faced by businesses. The impact in the very short run is likely	Moderate	Wilson, Mann and Otsuki 2005; Mendoza 2020; OECD 2020

									reduced, as demand for any good (in terms of imports and exports) is reduced. However, the trade facilitation is likely going to be crucial for a possible V-shape recovery.		
Macroeconomic policies	Trade and supply chain policy	Export promotion (strategy)	Support for exporters in recovering or finding new markets (e.g. through export promotion programmes)	Moderate Positive	Medium / High	Medium / Long	Medium	High	The caveats here include the difficulty of predicting if world trade will bounce back to pre-Covid-19 levels. If not, and if multilateral trade organisations such as the WTO are dismantled, export promotion strategies may become inefficient, as importing countries could easily outdo them by levying import tariffs.	Strong	Baghwati 1988; OECD 2018; Wilkinson and Brouters 2006; Lederman et al. 2010
Business support	Financing	Government credit schemes	Government-backed credit schemes for businesses	Strong Positive	Medium / High	Short	Low	Medium	While in the long run providing credit lines to small businesses is not proven to be efficient, in the short run and during a liquidity squeeze, its impact fully alleviates economic distress and	Moderate	Lee 2017; Craig, Jackson and Thomson 2006; Wehinger 2014; De Vito and Gomez 2020; Auerbach, Gorodnichenko and Murphy 2020

									reduces the number of bankruptcies of otherwise healthy businesses.		
Business support	Financing	Government capital injections	Refers to a substantial investment by the government in specific businesses (which may be strategic), such as a bailout	Strong Positive	High	Short / Medium	Medium	Medium	In the short run and in the immediate sense, this policy is unlikely to have significant downsides. By assuring that only healthy businesses (which, potentially, would not have gone bankrupt even without the crisis) have access to the capital injections, the government can mitigate the exogenously induced negative impact of the crisis. In the long run, however, the knowledge of being of sufficient importance to the government to warrant a "bail-out" might lead businesses to make suboptimal decisions (moral hazard).	Strong	Elyasiani, Mester and Pagano 2010; Bianchi 2016; Elenev, Landvoigt and Van Nieuwerburgh 2020; Auerbach, Gorodnichenko and Murphy 2020

Business support	Financing	Government grants and subsidies	Grants and subsidies to businesses	Moderate Positive / Uncertain	High	Short	High	Low	This field is not studied as much, since it is applied far more rarely – and rightly so. This is because when firms require grants rather than loans, the implication is that they would not survive without the money and therefore cannot be expected to grow sufficiently to repay the liquidity they require. In that case, they should probably not be bailed out in the first place. This policy will be highly impactful in the short run, but will (unlike loans) lead to government debt that the taxpayer will have to repay. Thus such policies will likely hurt economic growth in the long run.	Weak	Hud and Hussinger 2014; Bunderick and Snyder 2017; Bruhn 2020; Auerbach, Gorodnichenko and Murphy 2020
Business support	Deferrals	Tax deferrals	Deferral of corporate, VAT and other tax liabilities	Moderate Positive	Low	Short	Low	High	Tax deferrals can provide businesses with liquidity in the short run. They are preferable to tax reductions in that they do not	Moderate / Weak	Djankov and Nasr (World Bank) 2020; Brondolo 2009; De Vito and Gomez 2020

									lead to reduced tax revenues in nominal terms. However, as most businesses apply accrual accounting, the deferral has no impact on the balance sheets at all, but exclusively provide businesses with very short-term liquidity.		
Business support	Deferrals	Tax discounts / reductions	Reduction in business tax rates	Moderate Positive	Medium	Short / Medium	High	Low	There is little evidence on the effect of tax cuts during pandemic-induced crises. However, tax cuts are essentially the same as grants in that they are not a loan, and thereby increase business revenue by the same amount as they decrease government revenue. Thus the long-term impact on economic growth is once again linked to the debt level of the sovereign, rendering such a policy complex to analyse without taking into account a number of idiosyncratic	Moderate	McBride 2012; Ljungqvist and Smolyansky 2018; Arnold, Brys, Heady, Johansson, Sweelnus and Vartia 2011; Alesina and Ardagna 2010

									factors (such as government debt prior to the crisis, and tax levels compared with those of neighbouring countries prior to reform). Finally, it is of note that some evidence suggests that tax cuts are more efficient and impactful than stimulus spending during recessions.		
Business support	Deferrals	Business tax rules	For example, changing of rules on tax deductibles related to Covid-19	Moderate Positive / Uncertain	Low	Short / Medium	Medium	High	In its outcome this is exactly equal to tax reductions, with the only difference being that it might skew businesses' incentives when allocating resources (as tax deductibles effectively lead to a change in input prices).	Moderate	McBride 2012; Ljungqvist and Smolyansky 2018; Arnold, Brys, Heady, Johansson, Sweelnus and Vartia 2011; Alesina and Ardagna 2010
Business support	Deferrals	Financial obligations deferrals / exemptions	For example, postponement of utility payments	Moderate Positive	Low	Short	Medium	Medium	Also refer to tax deferrals. For a business there is no difference between a deferred tax payment and a deferred utility bill payment. For the counterparty, whether this is the tax	Weak	Djankov and Nasr (World Bank) 2020; Brondolo 2009; De Vito and Gomez 2020

									authority or utility company, this is also the same. One difference is that when deferring payments to institutions other than the tax authority, this could lead to a liquidity squeeze within that institution (e.g. a utility company), which renders the complexity slightly greater than with tax deferrals.		
Business support	Deferrals	Debt relief rules	Debt / contract relief for businesses (e.g. mortgage holiday)	Uncertain or no effect	Medium	Short / Medium	High	Low	Again, it is crucial to differentiate between debt holidays (postponed service to provide extra liquidity) and debt forgiveness (long-term impact). The former is likely to have a significant short-term impact and less of a potential downside compared to debt forgiveness, but also reduced magnitude of impact. Debt forgiveness has a large impact, almost exclusively in the long run.	Weak	Dobbie and Song 2017; Kanz 2016

									However, it comes with a major downside risk as it can give rise to moral-hazard-driven inefficiencies in the long run.		
Business support	Employee protection measures	Wage support schemes / Job retention programmes	For example, government-backed wage subsidy / job retention / furlough schemes / subsidies paid to employees by employers on unpaid leave	Moderate Positive	High	Short	Medium	Low	Government programmes that enable / incentivise firms to retain employees, despite potential reduced demand for their labour, are likely to mitigate the negative impact of the crisis significantly. While the immediate effect on employment might not be as high as expected, similar policies have been shown to not only mitigate the negative impact of crises but also to render rapid V-shape recoveries more likely.	Moderate	Bruhn 2020; Von Gaudecker, Siflinger, Holler, Zimpelmann and Janys 2020; Coibion, Gorodnichenko and Weber 2020; Granja, Makridis, Yannelis and Zwick 2020

Business support	Employee protection measures	Safe workplaces regulation	Requirement for employers to provide protective equipment (e.g. masks, gloves, hand-sanitiser, or protective screens for employees in customer-facing positions)	Uncertain or no effect	Low	Short	Low	High	There is no direct link between workplace regulation to adjust to Covid-19 conditions and economic growth. Extreme policies (very unlikely to be implemented), such as making it illegal for businesses to take such precautions, could lead to a breakdown of the healthcare system and thus affect growth. Any other related policy, however, is unlikely to immediately affect economic growth.	Weak	Berkowitz and Sonn 2020
Business support	Structural policies	Funding for business continuity and digitalisation	Measures to drive innovation and adaptation (e.g. funds / subsidies for start-ups and SMEs to promote online operations such as e-commerce, or increased funding for innovative businesses)	Uncertain or no effect	Low / Medium	Short / Medium	Medium	High	Businesses are likely to seek e-commerce opportunities with or without additional incentives given the current market structure. Thus, these programmes become grants like those discussed above. When the programmes provide incentives to be more innovative,	Weak	Hud and Hussinger 2014; Mulligan 2020

									some additional economic benefits are possible.		
Business support	Structural policies	Government-supported training for the private sector	Training and redeployment support measures (e.g. subsidies to retain trainees / apprentices, subsidised training for SMEs, provision of online training platforms, redeployment programmes for workers made redundant due to Covid-19, retraining workers for crisis needs)	Moderate Positive	Medium	Long	Medium	High	While this policy, in response to jobs lost (potentially because of ongoing insourcing triggered by the crisis that remove jobs in some developing economies), will likely take a long time to bear fruit, it makes sense as a structural policy. Retraining quickly to fill newly required positions of essential workers is likely equally beneficial to the handling of the crisis. However, there is no evidence on the impact and importance of such a policy for economic growth. It likely depends on how serious the crisis is in the country in question.	Moderate	Greenberg, Michalopoulos and Robins 2003; Jacobson, LaLonde and Sullivan 2005

Business support	Sector-specific policies for priority sectors	Financial support for strategic industries	Financial support for specific industries (loans, deferral of payments, salary support, tax deferrals)	Moderate Positive / Uncertain	Medium	Long	Medium	Medium	There is no research on the importance of supporting strategic sectors at times of crisis. This is mainly because sector-specific development strategies are not usually seen as a countercyclical measure, but rather a structural strategy. Finally, while subsidies to certain strategic sectors can give rise to negative externalities to other sectors, R&D support has been shown to be the most efficient and least negative-externality-producing policy when aiming to support strategically important sectors.	Moderate	Nealer 2020; Teece (OECD) 1991, Yu and Zhi-biao 2013
Business support	Sector-specific policies for priority sectors	Financial incentives for production of critical supplies	Financial incentives for manufacturers shifting to critical supplies such as masks, medicines, etc.	Uncertain or no effect	Low	Short	Low	High	The policy is unlikely to have any impact on economic growth.	Weak	Risko et al. 2019; Mulder 2020

Business support	Sector-specific policies for priority sectors	Support for innovation in Covid-19 solutions by the private sector	Encouraging innovative solutions to address Covid-19 pandemic (e.g. India's Department for Promotion of Industry and Internal Trade launched an innovation challenge to encourage development of solutions including low-cost PPE, paper-based testing kits and sanitisation solutions, among others)	Strong Positive	High	Medium / Long	High	High	This policy is complex because, without strong sectors before the pandemic, funding for innovation for the cure of Covid-19 or the mitigation of its impact is likely to be insufficient to bridge the gap to the research / productivity frontier in a given sector and thus unproductive. Notwithstanding this, R&D subsidies have proved to be very impactful and spending significant amounts on such programmes is likely to pay off, given the cost that currently arises from the absence of such innovation.	Moderate	Hud and Hussinger 2014, Mulligan 2020; Yu and Zhi-biao 2014
Population	Food security	Support for agriculture and food systems	Government-backed support programmes for agricultural production and food processing	Moderate Positive	Medium	Medium	Medium	Medium	Generally positive effect evident in individual countries in Asia and Latin America. Some studies show unclear long-term effects in the overall economy.	Moderate	Iddrisu et al. 2020; Armas et al. 2012

Population	Food security	Food supply for vulnerable groups	Direct government assistance for food security for vulnerable groups, such as children, poor population, immigrants or refugees. Food banks, food vouchers	Moderate Positive	Medium	Long	Medium	Medium	The evidence from developing countries points to no long-term effects, while robust empirical studies on Food Stamps in the US indicate significant positive long-run effects.	Moderate / Strong	Fan 2008; Bailey et al. 2020; Diaz-Bonilla et al. 2016
Population	Food security	Reduction of VAT on food items	Reduction of VAT on food items	Uncertain or no effect	Low	Short	Low	High	There is limited evidence. The magnitude of this very specific intervention is likely to be low.	Weak	Butcher and Xu 2016; Alderman and Lindert 1998
Population	Food security	Price ceilings on food products	Price ceilings on food products	Moderate Negative	Medium	Short	Medium	Low	Evidence rarely addresses impact on GDP. No robust empirical studies exist, but there are multiple references to food price controls in Asian countries in the 1980s as well as in 2008-09.	Weak	Timmer 1989 and 2007; Poulton et al. 2006; Gouel 2014; Coxhead 2000
Population	Livelihood support	Income support for self-employed	Availability of government support schemes specifically for self-employed individuals or sole traders	Moderate Positive	Low	Short	Medium	Low	Limited evidence on income support for self-employed as a stand-alone policy, or in the context of emerging economies. Depending on the structure of the economy, however, income support for the self-employed is likely to have	Weak	Adam et al. 2020; Faria-e-Castro 2020; Ozili and Arun 2020

									somehow positive effects.		
Population	Livelihood support	Income support strategy for informal sector or vulnerable communities	Especially in emerging markets, the informal sector may represent a large portion of the labour market. Has the government designed tools to reach this population?	Moderate Positive	Medium	Short / Medium	Medium	High	Evidence is conflicting, and while it is clear that the effect on GDP will be negative in the short term, it is unclear whether the effect will be negative, zero, or slightly positive in the medium and long term.	Weak / Moderate	Atanda 2016; Mahadea 2018; Chattopadhyay 2016
Population	Livelihood support	Cash transfers to vulnerable groups	Cash transfers to vulnerable households	Strong Positive	Medium	Medium / Long	Medium	Medium	Targeting is often a challenge, yet cash transfers to vulnerable households may bring greater GDP gains per dollar spent than universal transfers, and are thus considered more cost-effective in the development literature.	Moderate / Strong	Parker and Vogl 2018; Hanna and Olken 2018; García and Saavedra 2017; Araujo et al. 2016
Population	Livelihood support	Universal cash transfers	Universal cash transfers (not specific to vulnerable households)	Moderate Positive	Medium	Short / Medium	Medium	Low	There is strong experimental evidence based on two sub-Saharan countries suggesting that the effect can be robust, positive, and long-term.	Moderate / Strong	Egger et al. 2019; Handa et al. 2018; Yusuf 2018

Population	Livelihood support	Personal tax relief	Tax deferrals or discounts	Moderate Positive	High	Short / Medium	Low	Medium	Evidence is mixed, and mostly from the US and developed economies. While some studies suggest a small positive impact is to be expected, numerous high-quality studies show no long-term impact on GDP.	Moderate / Strong	Fishback and Kachanovskaya 2010; Gale and Samwick 2016; Faria-e-Castro 2020
Population	Livelihood support	Review of rules on sick leave and sick pay due to Covid-19	Clarification by the government on the rules, entitlements and contributions that apply during handling of the crisis. The objective is for those who are sick to have the financial capacity and legal protection to stay at home	Uncertain or no effect	Low	Short	Medium	High	There is limited evidence of the effects, but the direct effects on the economy are likely to be limited.	Weak	Andersen et al. 2020
Population	Livelihood support	Changes to social security / benefits schemes	Changes to social security / benefits schemes, including unemployment benefits	Moderate Positive	Medium	Medium	Medium	Medium	There is limited evidence, but increased support for the unemployed is likely to have somewhat positive effects.	Weak	IMF 2020
Population	Livelihood support	Active labour market policies / programmes	Expanded active labour market policies / programmes	Strong Positive	Medium	Medium	Medium	Medium	Evidence points to a positive (but relatively small) effect in the medium and long run, with potential (avoidable) negative effects	Moderate / Strong	Vooren et al. 2018; Rodriguez-Planas and Benus 2007; Card et al. 2010

									in the short run. This applies to both developed and emerging economies.		
Population	Livelihood support	Government rules on debt relief for households	Debt / contract relief for households (e.g. mortgage holiday)	Moderate Positive	Medium	Short / Medium	Low	Low	Mostly positive-effect evidence, from two cross-country empirical studies on household debt, as well as one empirical study on household debt relief from India showing no effect.	Strong	Mian et al. 2017; Kanz 2016; Samad 2020
Population	Containment, closures and lockdowns	Closures in the childcare and education sectors	Closures of schools, colleges, nurseries	Moderate Negative	Medium	Long	Medium	Low	There is limited evidence, but assuming that schooling is lost indefinitely and no substitutes for learning exist, this is likely to have moderately negative impacts in the long term.	Moderate	Ichino and Winter-Ebmer 2004; Brookings, St Louis Fed, UNESCO
Population	Containment, closures and lockdowns	Closures of public spaces	Closure of non-essential public places (retail, restaurants, public houses, etc.)	Negative	High	Short	Low	Low	The effects of closing non-essential businesses are clearly negative in the short run, but there is no clear evidence on the medium-to-long-term impacts.	Moderate	Correia et al. 2020; Aum et al. 2020; Brzezinski et al. 2020
Population	Containment, closures and lockdowns	Stay at home directives	Stay and work from home directives	Negative	High	Short	Low	Low	The evidence is overwhelming that "stay at home" directives reduce GDP in the short run. However, these policies help increase	Moderate	Correia et al. 2020; Aum et al. 2020; Brzezinski et al. 2020

									economic recovery in the medium and long run. Developing economies with larger manufacturing sectors (relative to services sectors) that act early could benefit significantly in the long run from much more robust economic recovery compared to cases where the policy is not implemented.		
Population	Containment, closures and lockdowns	Rules / enforcement of social distancing	Enforcement of / penalties for social-distancing measures	Uncertain or no effect	Low	Medium / Long	Medium	Medium	Limited evidence and no basis on which to make a recommendation.	Weak	Greenstone et al. 2020; Barrot et al. 2020
Population	Containment, closures and lockdowns	Guidance on domestic travel	Guidelines / restrictions on unnecessary internal travel	Moderate Negative	Medium	Short	Medium	Low	Reduced internal mobility will have negative economic effects. The effect on the economy will be greater if many sectors employ workers who have permanent residence in a different province or region and need to travel for work.	Weak / Moderate	Luo and Tsang 2020

Population	Containment, closures and lockdowns	Guidance on international travel	Guidelines / restrictions on international travel	Moderate Negative	Medium	Short	Medium	Medium	The effect on the economy will mostly be evident in the travel and tourism industries.	Weak	McKercher and Chon 2004
Population	Containment, closures and lockdowns	Policy on personal protective equipment (PPE)	Requirements to wear PPE, such as masks in public places	Uncertain or no effect	Low	Medium	Medium	High	There is limited evidence on the effects, but the direct impacts are likely to be small.	Weak	Abaluck et al. 2020
Population	Containment, closures and lockdowns	Rules on social distancing in businesses	Limitations on the number of people allowed in an establishment at one time (e.g. shops, pharmacies, etc.)	Moderate Negative	Medium	Short	Medium	Medium	Evidence overwhelmingly addresses the short-term immediate costs of business closures. There is no evidence on the long-term implications, though there is general consensus that business closures will help with faster economic recovery in the medium and long term. The effect is particularly negative for the services sector.	Moderate	Fernandes 2020; Ozili et al. 2020; Luo et al. 2020; Barrot et al. 2020
Population	Public health measures	Comprehensive planning for health system operation during crisis	Expansion of capacity and reorganisation of healthcare services (by postponing all non-urgent elective operations, urgently discharging all patients who are	Moderate Positive	Medium	Medium	High	Medium	There is limited evidence, but the general consensus is that investment in the healthcare sector will yield long-term benefits to the economy.	Weak	McKibbin and Fernando 2020

			medically fit to leave, allowing retired staff back, allowing medical students at the end of training to work)								
Population	Public health measures	Covid-19 research (epidemiology and clinical research)	Investment in research in clinical interventions (vaccines, prevention, treatment, diagnosis or care) or epidemiology of the virus	Moderate Positive	Medium	Long	Medium	High	There is limited evidence of the economic effect of Covid-19 R&D on economic growth specifically. However, there is strong evidence that R&D in general, including medical research, contributes to long-term economic growth.	Moderate	Mulligan 2020
Population	Public health measures	Contact tracing	Allocation of resources for contact tracing	Uncertain or no effect	Low	Medium	High	High	There is very limited evidence on the impact of contact tracing on economic growth or the recovery.	Weak	Aum et al. 2020
Population	Public health measures	Testing strategy	Diagnostic testing rollout	Moderate Positive	Low	Short / Medium	Medium / High	High	Very few studies show the effectiveness of testing on economic outcomes. However, a robust testing system has been seen as an important enabler of opening up the	Weak / Moderate	Eichenbaum et al. 2020; Aum et al. 2020

									economy and therefore contributing to a faster recovery.		
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