



**The CAREC Institute Dialogue Series:
Debt and Financial Sustainability in the CAREC Region**

The Central Asia Regional Economic Cooperation (CAREC) Institute

**Webinar
24 August 2022
13:50 – 16:00 (Beijing time)**

Background

Covid-19 has significantly disrupted low- and middle-income countries. Countries' recovery efforts to "flatten the curve" have severely restricted economic activities. The global economy contracted roughly 4.9 percent in 2020 (IMF 2020b). Advanced economies have experienced growth rates of (-8.0) percent in contrast with pre-COVID-19 targets of 1.7 percent, and emerging markets have experienced growth rates of (-3.0) percent against pre-COVID-19 targets of 3.7 percent.¹

The CAREC countries, particularly oil importing², were already facing fragile economic prospects, and the COVID-19 pandemic has caused a further drop-in economic activity. COVID-19 has amplified debt accumulation and deteriorated debt ratios (external debt to export, external debt to GNI, debt service to export, reserves to external debt) in nearly all the CAREC countries. The fall in remittances, foreign investment, and disruption in supply chains have increased unemployment at all levels. To support the workers and businesses and to keep the economy going, the government provided fiscal stimulus packages. The financial institutions were also experiencing huge demand and supply financial constraints in the country. All these disruption and mitigation policies led the government to raise debt to generate fiscal stimulus.

The higher interest rate has increased deficits and debt in the CAREC region. Interest payments on external debt show that the PRC is paying the highest interest on external debt (\$95 billion in 2019); its interest payment has increased by \$59 billion since 2016. The Kyrgyz Republic and Pakistan are paying the highest after the PRC. They paid \$3.4 and \$2.9 billion, respectively, in 2019. The rest of the CAREC countries' interest payments were less than \$1 billion for 2019. Higher interest payments have significantly caused debt sustainability.

Debt sustainability is a vital concern in low- and middle-income countries, particularly in oil-importing ones where economic growth is low, interest rates are high and revenue generating natural resources are limited. Debt management is the priority policy choice for the CAREC countries to maintain their fiscal health. Nonetheless, the magnitude of external and internal shocks depends on domestic fiscal policy frameworks and choices. To overcome the COVID-19 and fiscal crises,

¹ COVID-19 AND ECONOMIC RECOVERY POTENTIAL IN THE CAREC REGION: PART II Economic Dynamics and the COVID-19 Pandemic- Debt and Debt Sustainability in the CAREC Region by Naseem Faraz, Ghulam Samad, and Qaisar Abbas, 2022.

² Afghanistan, Georgia, Kyrgyz Republic, Pakistan, and Tajikistan

the CAREC countries must have good debt management strategies and debt transparency mechanisms. Reinforcement of monetary, exchange rate, and fiscal policy frameworks can safeguard CAREC countries' debt sustainability.

Base Paper Link: <https://www.carecinstitute.org/publications/covid-19-and-economic-recovery-potential-in-the-carec-region/>

Key Objectives

“The CAREC Institute Dialogues” is a new approach to knowledge exchange and capacity building dedicated to the priority clusters of the CAREC Program Strategy.

In continuation of the CAREC Institute dialogue series, the Institute has launched a new series on debt and financial sustainability. This dialogue aims to facilitate expert discussions among the lead authors of the study, development partner experts, and the CAREC region stakeholders. The webinar's specific objectives are:

- To provide a comprehensive overview of the debt situation in the CAREC region and fresh evidence on broad-based debt accumulation in the CAREC region by considering the individual countries' growth dynamics with stakeholders
- To deliver the scenario-based debt projections for the post-COVID-19 era and the role of fiscal and monetary policy that can help to achieve financial sustainability
- To facilitate open discussion among leading experts in the field and CAREC representatives regarding implications and projections of debt sustainability, and potential policy recommendations for the debt sustainability in the CAREC region countries
- To encourage collaboration and promote cooperation among CAREC countries and development partners towards debt and financial sustainability issues.

Date, Mode, and Target Audience

The webinar is scheduled for **24 August 2022 from 13:50-16:00 Beijing time (GMT +8)**. It will be delivered online. In addition to organizing bodies and development partner experts, it will be open to all experts and an interested wider audience from across the CAREC region and beyond to listen to and benefit from expert presentations and discussions. The event will be recorded and uploaded to the CAREC Institute E-Learning platform as guiding digital learning materials (DLMs) – serving as the basis for further cascading knowledge support to member countries and all stakeholders in this area.

Tentative Agenda

24 August 2022 (Beijing time, GMT +8)

13:50-14:00 Virtual Connection to the Dialogue and Webinar Rules

Sukhdelger Sosorbaram, Senior Capacity Building Specialist, the CAREC Institute

14:00-14:10 **Opening Remarks**

Syed Shakeel Shah, Director, The CAREC Institute

Lyaziza Sabyrova, Director, Regional Cooperation and Operations Coordination Division, Central and West Asia Regional Department (CWRC), The Asian Development Bank (ADB)

Group Photo

Session 1: Debt and Financial Sustainability in the CAREC Region

14:10-14:20 **Ghulam Samad**, Senior research specialist, CAREC Institute

Introduction and Financial Sustainability

14:20-14:40 **Naseem Faraz**, Senior research economist, the Pakistan Institute of Development Economics

Debt Sustainability Analysis of the CAREC Countries

14:40-14:55 Q&A

Moderator: **Sukhdelger Sosorbaram**, Senior Capacity Building Specialist, CAREC Institute

Session 2: Policy Dialogue and Exchange of Views on Debt Sustainability in the CAREC Region

14:55-15:55 This is an open dialogue session with leading international experts from key implementing partner organizations.

- **Lilia Aleksanyan**, Economist, Central and West Asia Department at the Asian Development Bank (ADB)
- **John Beirne**, Vice-Chair of Research, and a Senior Research Fellow at the Asian Development Bank Institute (ADBI)
- **Norbert Funke**, Director of the IMF Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC)
- **David Knight**, Lead Economist and Program Leader, Equitable Growth, Finance, and Institutions (EFI) Central Asia, the World Bank,
- **Minghui Li**, Director, Division of Bilateral Relations, International Economics and Finance Institute of the Ministry of Finance, The People's Republic of China (PRC)
- **Hans Holzacker**, Chief Economist, The CAREC Institute,

Moderator: Iskandar Abdullaev, Deputy Director Two, CAREC Institute

15:55-16:00 Concluding Remarks by the Moderator