



Policy Brief

**Addressing Socio-Economic Inequality in
the Green and Digital Transitions of
Selected CAREC Countries
- Regional Strategic Framework**

**Erin Watson
Kuat Akizhanov
Ilhom Abdulloev**

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Central Asia Regional Economic Cooperation (CAREC) Institute
21st Floor, Commercial Building Block 8, Vanke Metropolitan,
No. 66 Longteng Road, Shuimogou District, Urumqi, Xinjiang, the PRC, 830028
f: +86-991-88911516
km@carecinstitute.org
www.carecinstitute.org

Executive Summary

Countries in the Central Asia Regional Economic Cooperation (CAREC) region are navigating twin transitions—the shift to greener economies and the rapid digitalization of markets and societies. These transitions provide opportunities to enhance productivity, sustainability, and connectivity, but at the same time they risk widening structural inequalities unless deliberate, inclusive policy measures are being implemented.

This policy brief is derived from the CAREC Institute’s recent study ‘Addressing Socio-Economic Inequality: Decent Work in CAREC’s Green and Digital Transitions’ (Akizhanov et al., 2026), conducted in six CAREC countries: Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan.

The research assessed inequality trends, labor market dynamics, and the implications of green and digital transformations. The study draws on quantitative data (e.g., HDI, SPI, NRI, ETI, WID)¹ and over 50 key informant interviews and focus group attendees to provide evidence-based recommendations for policy and regional cooperation.

The research highlights a region with vast opportunities in the green and digital transitions, but also significant challenges in ensuring these shifts are just and contribute to reducing—rather than deepening—socio-economic inequality.

The result of this research is a Regional Strategic Framework that includes eleven strategic priorities (policy alignment, skills for the future, inclusive labor markets, social dialogue and social protection, data and regional monitoring, improving regional digital connectivity, enabling labor market competition, formalization strategies, economic and technology policy, re-distribution, intellectual rights) and three cross-cutting priorities (gender equality, rural inclusion, and global cooperation). It outlines the objectives, actions and stakeholders across the region that can deliver on these priorities, to ensure a more equitable future through just transitions.

¹ Human Development Index, Social progress Index, Network Readiness Index, Energy Transition Index, World Inequality Database

Introduction

The CAREC countries are entering a decisive phase as they pursue simultaneous green and digital transitions. While many share the legacy of post-Soviet transition, today they are marked by wide variation in resources, governance, and development pathways. In several post-Soviet CAREC economies, the shift to markets entrenched inequality through the concentration of assets and resources in the hands of a few.

Despite the fact that incomes and wealth have grown, socioeconomic inequalities are persistent, which reflects the global trend. Current green and digital transitions provide important opportunities to reduce these divides. Increasing digitalization can result in flexible work arrangements and more efficient business processes. But it also raises regulatory and social challenges, such as informal employment in the gig economy or skills mismatches. Expansion of green economy also results in economic diversification and renewable energy deployment which require new skills and ways of working. These transitions form the future of labor market, where risks and opportunities for decent work will ultimately shape how inclusive and sustainable the region's future development will be.

The CAREC Strategy 2030 is an important strategic document for the CAREC countries in effectively managing these transitions. It focuses on cooperation of member-countries on economic and financial stability, trade, tourism, and economic corridors, infrastructure and economic connectivity, agriculture and water, and human development to spur innovation and strengthen governance.

Reducing socioeconomic inequalities during green and digital transitions requires investments in education, vocational skills, and social protection to equip workers for opportunities in renewable energy, ICT, and other growth sectors. In addition, inclusive policies help expand access to economic opportunities for vulnerable groups.

This policy brief outlines the key findings from this research, which was conducted in six CAREC member countries.² These countries were chosen based on their shared histories as post-Soviet countries that experienced significant economic, social and political changes following independence (Anderson & Pomfret, 2004). It outlines the key literature, methodology, policy context and analysis, and a strategic framework for CAREC to address the green and digital transitions.

Socio-Economic Inequality in the CAREC Region

Similar to many parts of the world, CAREC countries in Central Asia continue to face persistent socio-economic disparities both within and across borders. Low- and middle-income countries often share such challenges but for these countries in the CAREC region, inequalities have been shaped in distinctive ways by the profound political, economic, and social transformations that followed independence from the Soviet Union (Anderson & Pomfret, 2004). Some inequality would be expected when moving from centrally planned to market based economies. However, when inequality becomes excessive it risks weakening social cohesion, deepening political divides, and constraining sustainable economic growth (Berg & Ostry, 2011; Rodrik, 1999; IMF, n.d.).

The CAREC countries included in this study are a diverse and varied group in economic terms. It includes upper-middle income countries (Azerbaijan, Georgia and Kazakhstan) and lower-middle income countries (the Kyrgyz Republic, Tajikistan and Uzbekistan). Energy exporting countries such as Kazakhstan and Azerbaijan tend to be wealthier, while more agricultural dependent countries such as Tajikistan and Uzbekistan tend to be less so (World Bank, 2025)

Economic inequality across the world has increased in recent decades. In these CAREC countries, income and wealth in equality has remained relatively stable (except for in Georgia where it has increased), but the levels are classified as extreme (Chancel et al. 2022). Structural economic inequality

² Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan

has been attributed to the wealth accumulation limited to a wealthy few and rentier capitalism reforms that led to increased inequality post-independence (Sanghera, 2016; Sanghera & Satybaldieva, 2020).

Social inequalities are also pervasive across these CAREC countries. Health and education indicators are considered key measures of social inequality in a country or region (The Lancet Public Health, 2020). While progress has been made in both education and health across Central Asia, significant gaps remain, further exacerbating other existing inequalities (WHO, 2022).

Decent work is an essential part of just economic growth and reducing inequalities. In practical terms, the Governments of Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan all have current or former decent work programs with the International Labor Organization (ILO). However, there are significant gaps in our knowledge about CAREC labor markets due to poor data coverage across the decent work indicators over time.

The green and digital transitions present enormous opportunities—and challenges—to the CAREC region in terms of creating an enabling environment for decent work.

However, research tells us that the region is relatively late to the green transition especially when it comes to phasing out of fossil fuels and the political economy of such a transition (Sabyrbekov, 2024; Overland, Javlon & Vakulchuk, 2022). Managing this and moving to investment in green sectors can help create domestic employment opportunities, reduce dependence on migrant workers and promoting sustainable development (Mogilevskii, 2020; Pazylov et al., 2023).

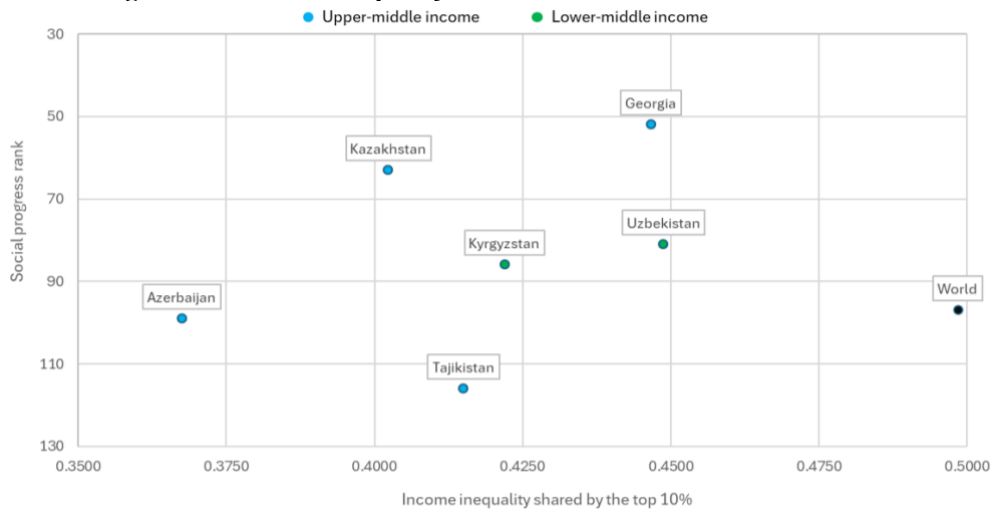
In terms of the digital transition, the region has also faced relatively lower levels of technological development—albeit this varies across the CAREC countries. As this sector advances there are concerns that rentier markets will extend to the digital economy and reinforce structural inequality (Sanghera & Satybaldieva, 2020). The lack of digital skills and education systems mismatch presents huge challenges for CAREC countries, which can lead to higher unemployment rates with urban-rural and gender divides (Tilekeyev, et al., 2019; Roland-Holst et al., 2022). The gig economy also presents new ways of working and challenges to traditional labor markets and social protections systems (Jansova, 2024).

Against this backdrop, there is a generational opportunity for policy interventions in the CAREC region. By aligning labor market strategies with the demands of green and digital economies, CAREC countries can mitigate labor market disruptions and reduce inequality.

Socio-Economic Inequality

When compared globally, the CAREC countries in this study tend to have relatively lower income inequality and relatively higher levels of social progress (Social Progress Imperative, 2025). The exceptions are Azerbaijan and Tajikistan where social progress is lower than the global average. All countries in the region perform higher than the global average when it comes to providing basic needs (nutrition and medical care, water and sanitation, housing and safety) but much more varied when it comes to foundations of wellbeing (rights and voice, freedom and choice, inclusive society, advanced education). This means governments in the region do well delivering basic infrastructure but perhaps not the conditions for education, digital access, environmental health and civic freedoms. The Inequality adjusted HDI helps provide insight into social inequality in the region in terms of how the HDI is adjusted for inequality. Across three measures of inequality of life expectancy, education and income, the CAREC region overall performs better than the rest of the world. The region experiences the greatest inequality adjustment in its incomes, followed by life expectancy and education.

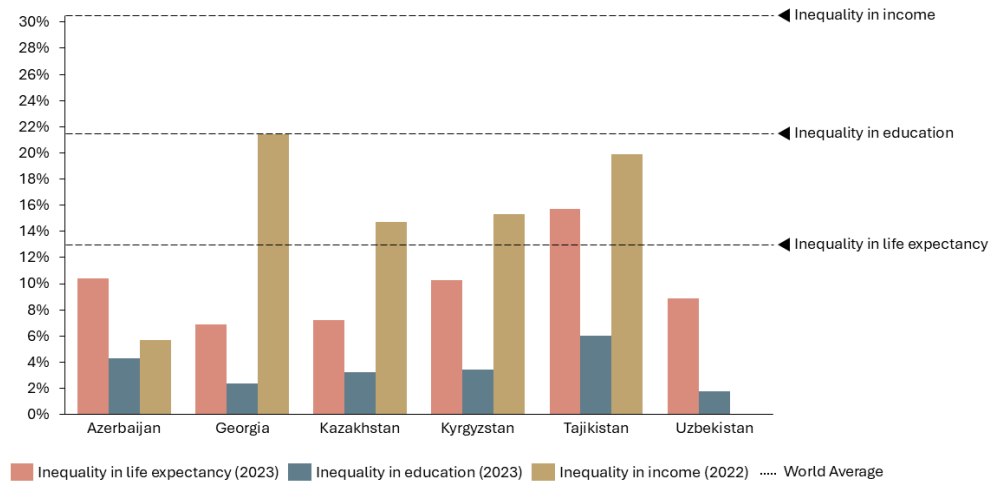
Figure 1: Social Progress and Income Inequality in CAREC Countries



Source: Social Progress Imperative (2025); World Inequality Lab. (n.d.).

Much like the rest of the world, wealth inequality is greater than income inequality in the CAREC countries in this study. Globally, the bottom 50 percent share considerably less wealth when compared to the top 10 percent and 1 percent. This trend is reflected in CAREC countries as well. Even when the bottom 50 percent tend to have more income, this has not translated to wealth accumulation. This is consistent with the broadly accepted thinking that wealth was concentrated among a few who generated un-earned income through control of assets in these countries (Christophers, 2020; Sanghera & Satybaldieva, 2020).

Figure 2: Inequality Adjusted HDI Adjustments by Life Expectancy, Education and Income



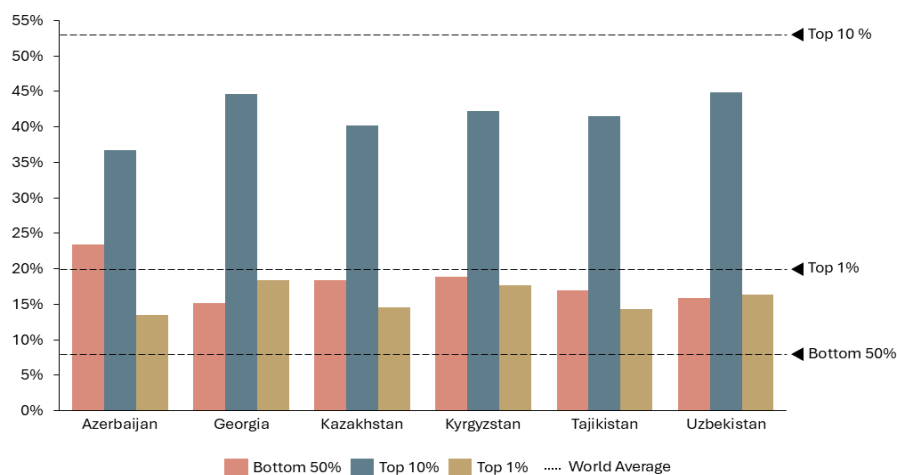
Source: Inequality-adjusted Human Development Index (IHDI), UNDP (2025).³

³ The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable, and having a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions. <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>

The Inequality-adjusted Human Development Index (IHDI) adjusts the HDI for inequality in the distribution of each dimension across the population. <https://hdr.undp.org/inequality-adjusted-human-development-index#/indicies/IHDI>

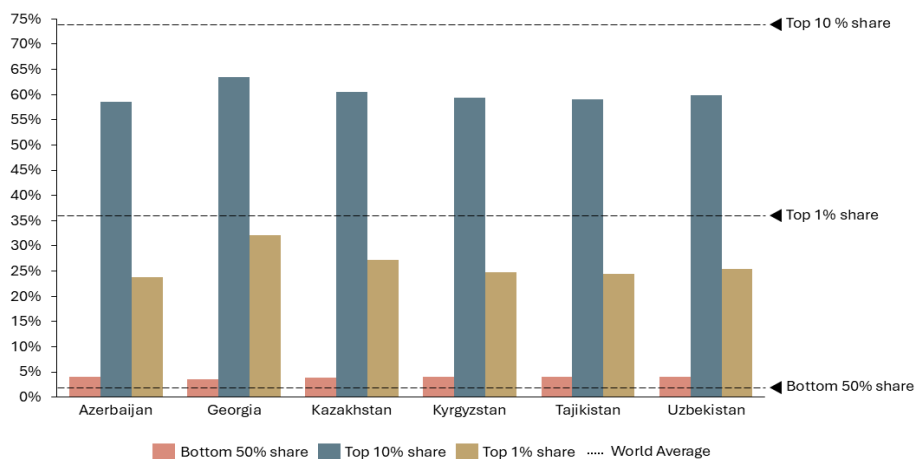
There was no income inequality data for Uzbekistan in the inequality-adjusted HDI.

Figure 3: Income Distribution Across CAREC Countries, 2023



Source: World Inequality Lab (n.d.).

Figure 4: Wealth Distribution Across CAREC Countries, 2023



Source: World Inequality Lab (n.d.).

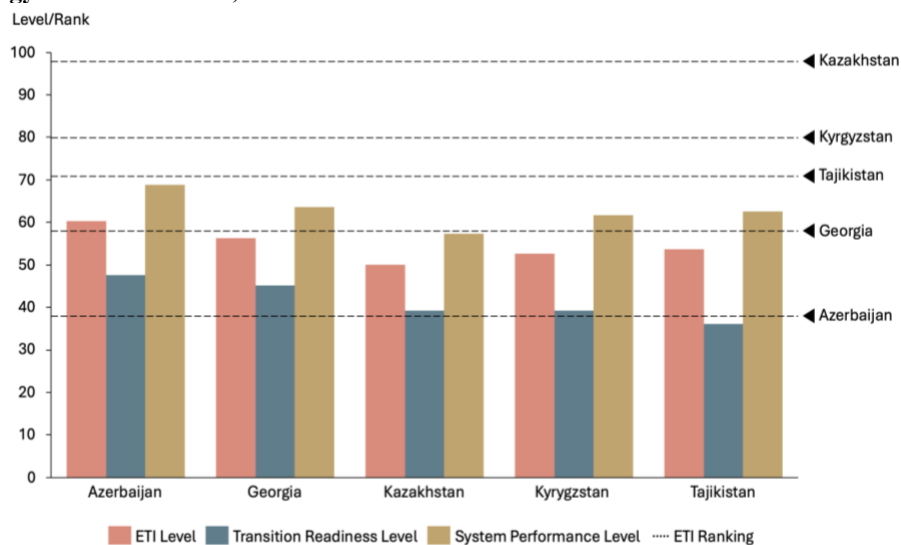
Socio-Economic Inequality in the CAREC Region

Green Transition

CAREC countries have enormous potential when it comes to the green transition through its natural endowment of natural resources and demand globally (Cornell & Shaffer, 2024). Despite this potential, the region is varied when it comes to its readiness to navigate its way through this transition. In 2024 on the Energy Transition Index (ETI), Azerbaijan ranked 38th globally whereas Kazakhstan ranked 98th. Most countries in the region perform relatively well when it comes to system performance which includes energy security and access, environmental sustainability and economic development and growth. However, they do not tend to perform well when it comes to regulatory frameworks, investment climate and human capital and consumer engagement.

While the transition readiness is uneven, there are some promising signs across the region. Recent analysis by the CAREC Institute (2022) suggests that while historically the evolution of competitive energy markets has been slow and starting from a low base, creating regulatory environments, stronger regional coordination, supply and demand management, and stable government frameworks are all actionable. China, Türkiye, the EU, and Japan are all investing in the region, and countries while fostering relations with new partners the region remain cautious, maintaining formal links with Russia and balancing diverse geopolitical interests (Mikovic, 2024; Sharifli, 2024).

Figure 51: Energy Transition Index, 2024⁴



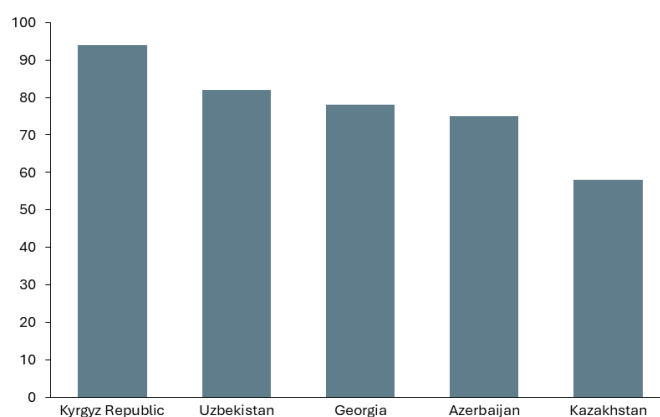
Note: There is no ETI score or ranking available for Uzbekistan.

Source: WEF (2024).

Digital Transition

CAREC countries face unique challenges as the world moves through a digital transition, and localized approaches are needed to overcome these. A landlocked region often far from major fiber-optic cable routes, the digital divide and accessibility are often a problem especially in rural and remote areas (CAREC Institute, 2022). Low levels of investment, geographic conditions and political challenges are all compounded in CAREC countries. As such, the region does not rank particularly high when it comes to the Network Readiness Index (NRI) (there was no rank for Tajikistan and is excluded). The reason for this is clear in the NRI sub-indices, where CAREC countries tend to score relatively low – albeit largely increasing over time - on measures of technology, people, governance and impact.

Figure 6: Network Readiness Index - CAREC Countries 2023



Source: Portulans Institute (2024).

There are several dynamics shaping these CAREC countries digital transition. Overwhelmingly individuals’ digital connectivity in many CAREC countries is through mobile rather than fixed internet connections, however most countries except for Azerbaijan still lag behind the global average (GSMA, 2023). The regional also relies heavily on bandwidth coming from Russia through Kazakhstan before

⁴ The Energy Transition Index is a composite benchmark that scores countries based on their current energy system’s performance (60% weight on equity, security, and sustainability) and their readiness for transition (40% weight on enablers like regulation, investment, and infrastructure).

reaching other regional markets. Countries like Kyrgyz Republic, Tajikistan, and Uzbekistan stand to gain the most from stronger regional infrastructure (World Bank, 2023).

The CAREC region holds significant potential to attract digital FDI that could drive productivity and competitiveness (Razzaq et al., 2023). Differences in digital adoption, infrastructure, and regulatory environments alongside such challenges as governance, security, and skills, underscore the need for regional cooperation.

In some countries, digital transitions risk widening inequality as telecommunications and media sectors are dominated by a select few companies illustrating how rentier capitalism is extending into technology (Christophers, 2020; Sanghera & Satybaldieva, 2020). This extreme market concentration reinforces existing structural inequalities.

A Call for Collective Action

Green and digital transitions bring both challenges and opportunities to the CAREC countries. Central to achieving socioeconomic equity during these transitions is the concept of decent work, as defined by the ILO—work that is productive with a fair income, workplace security, and access to social protection. More importantly, it also includes freedom of association, the right to participate in decisions affecting workers, and demands equal opportunity and treatment for all, without discrimination.

The below Regional Strategic Framework provides a practical and forward-looking guide for CAREC member countries to embed decent work principles into green and digital transitions. It sets out eleven strategic priorities (policy alignment, skills for the future, inclusive labor markets, social dialogue and social protection, data and regional monitoring, improving regional digital connectivity, enabling labor market competition, formalization strategies, economic and technology policy, re-distribution, intellectual rights) and three cross-cutting priorities (gender equality, rural inclusion, and global cooperation) to help governments, development partners, and stakeholders drive more inclusive and equitable development (Table 1).

Conclusion

It is a crucial moment for the CAREC countries. As they navigate green and digital transitions, they face a challenge of widening socioeconomic inequalities but also, they can unlock opportunities for equitable and inclusive development. While the countries in this study share similar goals in expanding renewable energy and boosting productivity using innovation and digital technologies, they must also tackle the immediate risks of informal employment, job displacement and skills mismatches. If left unaddressed, these could further deepen the divides the region is trying to close.

Just transitions cannot happen without targeted investment in education and social protection, alongside inclusive policies that safeguard decent work and broaden access to opportunities, where vulnerable groups must be at the center. Ultimately the Regional Strategic Framework provides an actionable roadmap for CAREC countries to jointly ensure that the green and digital transitions drive sustainable, equitable development across the region.

Table 1 CAREC Regional Strategic Framework

	Pillar	Strategic Objective	Key Actions	Key Stakeholders
Strategic pillars	Policy Alignment	Integrate decent work principles into green and digital transition strategies by ensuring policies are inclusive in their design and implementation.	<ul style="list-style-type: none"> - Ratify fundamental ILO conventions and standards across CAREC countries (e.g., C190, C146). - Align national energy and digital transition plans with decent work principles. - Strengthen regional and national dialogues between government, businesses, and civil society to co-design green and digital transition policies, and foster tripartite dialogues (governments, employers, and workers). - Engage marginalized groups (women, youth, rural communities) in decision-making processes on public policies. - Leverage economic corridors to integrate underserved regions into value chains; include green logistics and digital hubs. 	National governments ILO NGOs Communities
	Skills for the Future	Equip workers with relevant skills for digital and green economies.	<ul style="list-style-type: none"> - Establish a Regional Skills Council to identify emerging skill demands in green sectors (e.g., renewable energy, sustainable agriculture) and digital industries (e-commerce). This Council would coordinate cross-border vocational training programs and certifications, leveraging the CAREC Institute’s expertise in policy dialogue and knowledge dissemination. - Promote digital literacy and green technical training, particularly for women, youth, and rural populations, to ensure equitable access to emerging job opportunities. - Collaborate with educational institutions on future-oriented curricula. - Expand vocational training/apprenticeships, counseling and labor market information systems. - Collaborate with educational institutions and businesses, especially in green and digital sectors, to ensure relevant skill acquisition. - Improve the quality of education, including vocational curricula and training facilities. - Promote equity in education, focusing on youth and women. - Foster public-private partnerships to facilitate skills matching through apprenticeships, internships, and on-the-job training programs. - Develop technical and vocational training and reskilling initiatives for emerging green and digital jobs. - Recognize and incorporate skills gained through on-the-job experience. 	National governments Development partners CSOs Educational Institutions Private Sector
	Inclusive Labor Markets	Improve access to decent jobs for women, youth, people with disabilities, older workers and rural populations.	<ul style="list-style-type: none"> - Incentivize inclusive hiring in competitive sectors. - Promote remote work and microenterprise opportunities. - Ensure access to affordable childcare and flexible arrangements. - Create a CAREC Decent Work Charter to harmonize labor standards, wages, and workplace safety across member countries, aligning with CAREC 2030’s policy dialogue and labor market initiatives. - Extend labor rights to gig/informal workers (e.g., collective bargaining, anti-discrimination). - Strengthen occupational health/safety regulations. 	National governments CSOs Development partners labor unions Employer associations ILO

			<ul style="list-style-type: none"> - Integrate environmental justice into labor policies. 	
	Social Dialogue & Protections	Strengthen labor rights enforcement and worker protections across formal and informal sectors.	<ul style="list-style-type: none"> - Ensure protections and opportunities at every stage—from youth to older workers—through career transitions, social security coverage, and lifelong learning. - Ensure universal coverage for all workers, including gig and informal workers; reform labor laws to include informal/non-standard workers. - Promote workplace safety, anti-discrimination, and gender-based violence prevention. - Institutionalize dialogue with labor unions, employers, and civil society. - Promote political independence of trade unions and employer groups. - Enhance protection mechanisms to support workers transitioning from carbon-intensive industries, drawing on CAREC’s Health Strategy to design portable benefits and safety nets for vulnerable groups - Strengthen labor inspections and enforcement. 	<p>Labor ministries Trade unions Employer organizations and industry associations Social security agencies Informal worker groups.</p>
	Data & Regional Monitoring	Improve availability and use of labor data to inform policy and monitor inequalities.	<ul style="list-style-type: none"> - Produce annual CAREC Green and Digital Transitions monitor aligned with decent work indicators and inequality statistics to track policy developments and monitor inequality trends. - Adopt a CAREC Inequality Index to track disparities in employment, digital access, and green job participation, aligning with CAREC 2030’s results framework, including data on gender, age and disability status among other attributes. - Enhance regional data sharing on labor market opportunities by leveraging labor market information systems. 	<p>National statistical offices CAREC Program CAREC Institute International Organizations Development partners</p>
	Improve regional digital	Promote and facilitate increased digital literacy to enable access to economy, education and skills	<ul style="list-style-type: none"> - Invest in digital infrastructure to bridge the urban–rural divide, ensuring affordable internet access for marginalized communities. - Support Cross-Border E-Commerce Platforms with streamlined regulations and risk management frameworks, as demonstrated in CAREC’s workshops on e-commerce payment systems. Such initiatives can empower SMEs and informal workers to participate in the digital economy 	
	Enabling Labor Market Competition	Promote open and fair labor markets to improve job quality, reduce segmentation and ensure income security	<ul style="list-style-type: none"> - Develop policies targeting the future of work and income redistribution in response to automation and new technologies. - Promote reducing or eliminating government regulations that restrict competition. - Encourage privatization of state-controlled firms in markets and industries with low levels of competition. - Liberalize trade by reducing tariff and non-tariff barriers. - Introduce competition policy including laws and measures to reduce concentration of market power. - Establish a Regional Green Investment Funds to finance renewable energy, sustainable transport, and climate-resilient infrastructure, aligning with CAREC 2030 priorities and post-pandemic climate goals - Introduce flexible work arrangements, to improve work-life balance, quality of life, and productivity. 	<p>National governments Social welfare agencies Employers Trade unions Environmental agencies</p>

			<ul style="list-style-type: none"> - Strengthen unemployment benefits for displaced workers and implement green taxation (e.g., carbon taxes) for redistribution. 	
	Formalization Strategies	Transition informal workers to formal jobs in green/digital sectors.	<ul style="list-style-type: none"> - Simplify business registration processes. - Offer skills training and other incentives tied to formalization incentives. - Facilitate access for informal workers to formal jobs in green and digital economies. - Strengthen labor inspections and enforcement mechanisms. - Promote collective bargaining rights and worker representation. - Expand social protection to include informal workers and those in non-traditional employment arrangements. Implement legal reforms to extend social coverage to new forms of work. - Develop innovative financing mechanisms and fintech solutions tailored for SMEs and self-employed workers. - Prioritize ratifying and enforcing ILO conventions on workers' rights; harmonize national labor laws with international standards to create a more equitable and transparent labor market. 	Governments, Trade unions, Vocational training providers ILO
	Economic & Technology Policy	Promote inclusive access to digital/green technologies.	<ul style="list-style-type: none"> - Promote inclusive technology policies that support innovation and equitable benefit distribution. - Promote innovation and opportunities for smaller enterprises and startups. - Invest in R&D for socially impactful tech (e.g., AI, green solutions), prioritizing social welfare and environmental sustainability. - Develop regulatory frameworks addressing ethical, privacy, and labor implications of emerging technologies (like AI and automation). - Promote workers' rights and responsible innovation through appropriate regulations. - Support startups and SMEs with grants, technical assistance, low-interest loans, mentorship programs, and market access. - Ensure that all businesses comply with labor, environmental, and consumer protection standards through relevant governmental agencies. 	Governments Tech and telecom firms Research institutions,
	Re-distribution	Develop policies targeting the future of work and income redistribution in response to automation and new technologies.	<ul style="list-style-type: none"> - Implement progressive tax systems to reduce socioeconomic inequality, ensuring higher-income and capital-owning individuals contribute proportionally more to public finances. - Strengthen income redistribution mechanisms to support individuals affected by economic transitions, ensuring a minimum standard of living. - Use increased tax revenues to fund social programs and skills development for lower-income groups. - Implement and enhance green taxation, such as taxes on carbon emissions and environmentally harmful practices, to fund sustainable initiatives and support decent work transitions. - Encourage tax incentives for businesses adopting sustainable practices and investing in green technologies. - Provide targeted income support, such as temporary unemployment benefits and assistance, for displaced workers during green and digital transitions 	Governments

			<ul style="list-style-type: none"> - Reconsider and establish living wage standards during the transition to ensure all workers can meet their basic needs. - Ensure transparency and accountability in tax collection and expenditure to build public trust and demonstrate commitment to social welfare. - Increase access to capital, technology, and training for marginalized populations, small entrepreneurs, and farmers. - Empower marginalized groups to participate and compete effectively in green and digital economies. 	
	Intellectual Rights	Balance intellectual property rights and information policies to support innovation and knowledge dissemination	<ul style="list-style-type: none"> - Implement flexible intellectual property frameworks that facilitate knowledge and technology sharing, especially in green technologies, education, and public health. - Promote open access initiatives to make publicly funded research and technological developments available to all businesses. - Ensure data privacy protections are in place. - Promote reasonable data use to prevent monopolistic practices and enable innovation. - Strengthen public-private partnerships and international cooperation to deploy broadband networks and digital devices. 	Governments
Cross-cutting themes	Gender Equality Promote equal pay and affordable and accessible care through legal reforms and corporate accountability.			
	Rural Inclusion and Bridging Urban-Rural Development Gap Focus on creating jobs, skills, renewable energy, broadband, and social services in rural areas. Develop region-specific policies, invest in infrastructure, build rural capacity, promote social dialogue, and strengthen social protection. Support renewable energy projects, improve connectivity, and back sustainable agriculture, transport, and eco-tourism to boost local economies.			
	Global Cooperation Share technical expertise and policy frameworks across CAREC countries.			

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