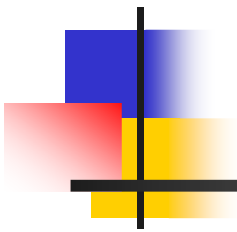


The Budgetary Response to the Crisis in the Region



Almaty Conference on the Social Impact of the Economic
Crisis in Eastern Europe, Central Asia & Turkey

Balázs Horváth

UNDP, Bratislava Regional Center, Poverty Practice



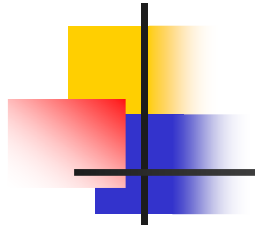
Sources of Information, Caveats

Sources

- Data & Qualitative Questionnaire Responses--8 of 13 countries
- Official Govt Websites (Armenia, Kyrgyzstan, Moldova, Russia)
- IMF (WEO and recent published Staff Reports)
- World Bank websites.

Caveats

- Incomplete data, several sources combined
- Preliminary and patchy data → conclusions are tentative



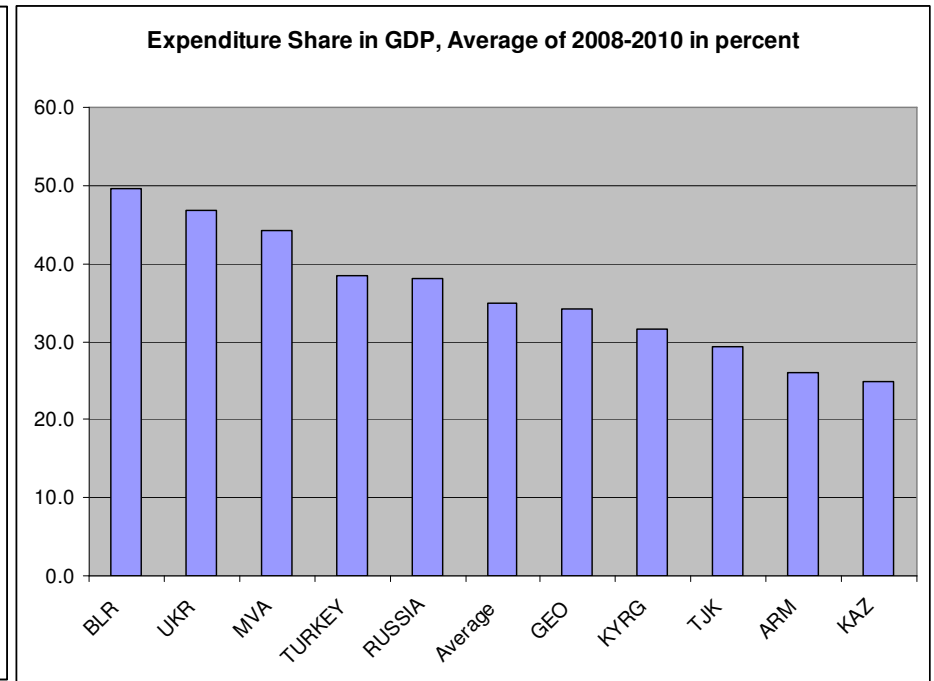
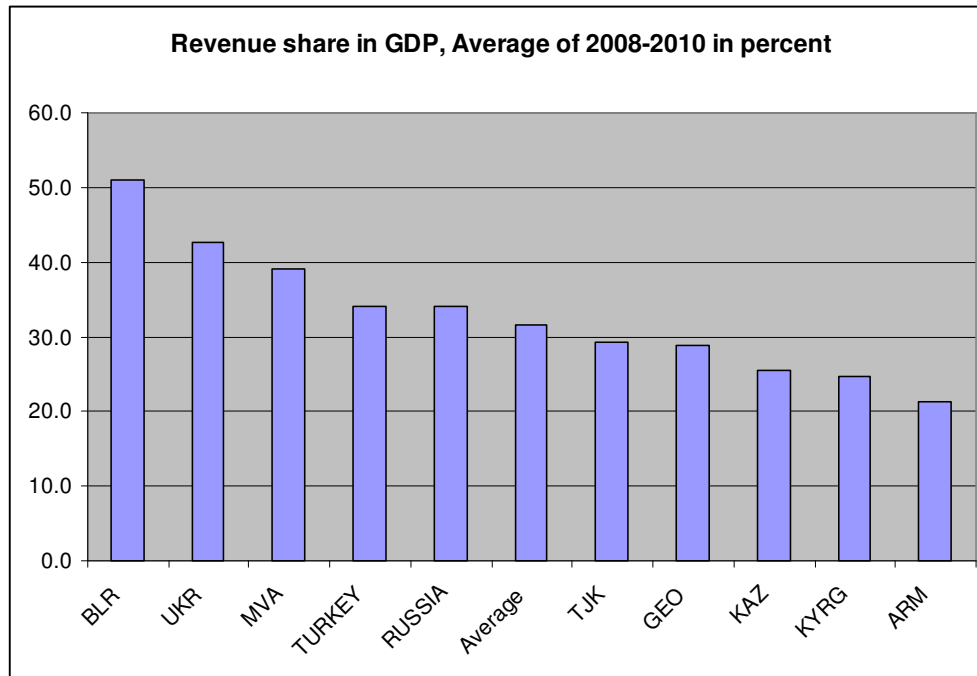
Important Themes Emerge

The Immediate Response: So Far So Good

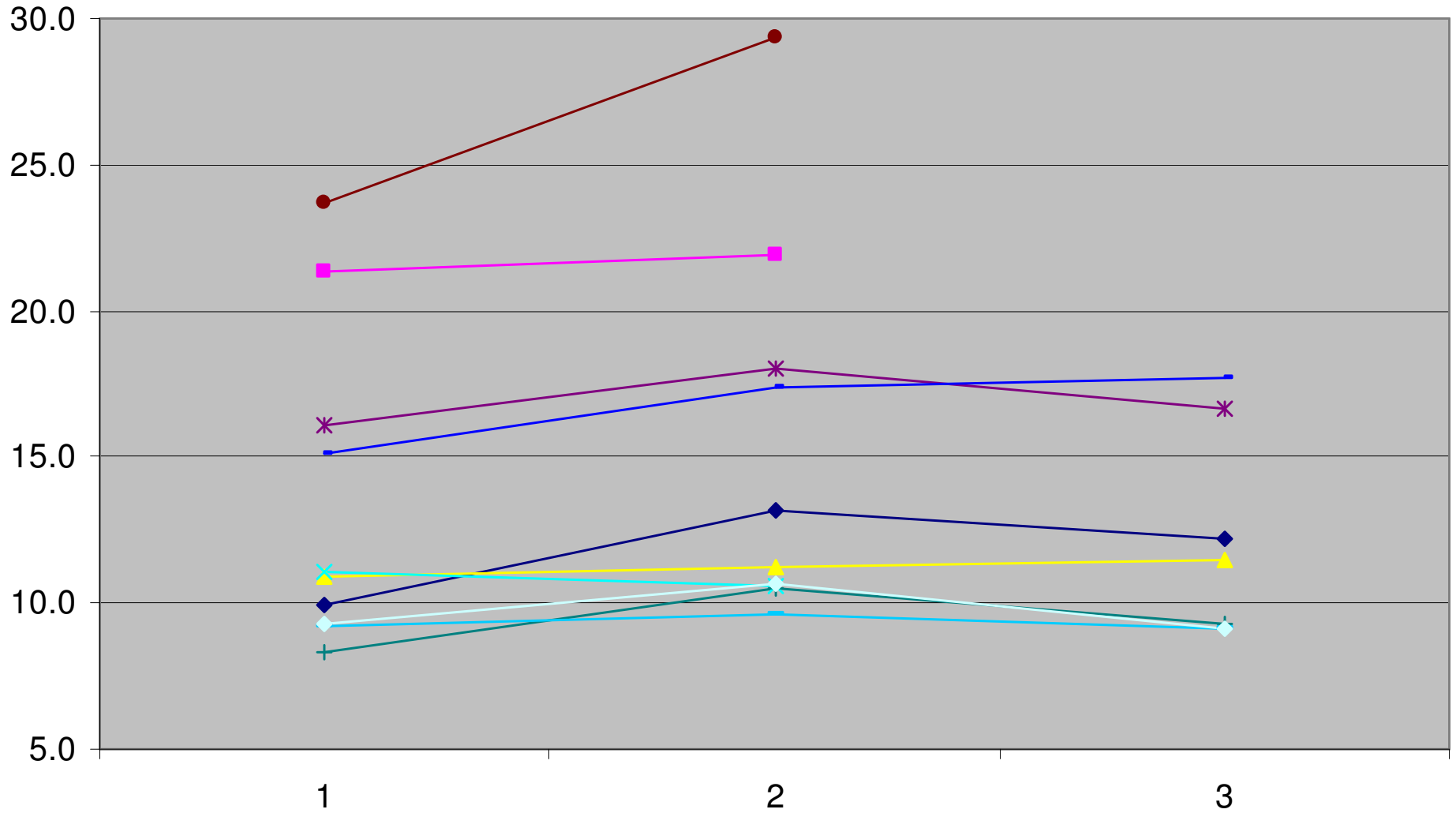
- Unlike previous crises: social protection NOT squeezed
- The role of unorthodox funding sources: Sovereign Wealth Funds, large-scale external donor support
- Remarkable uniformity: Keynes embraced
- Allowing large deficits, eschewing quasifiscal tricks

But Rapid Fall in Net Public Assets Is Unsustainable

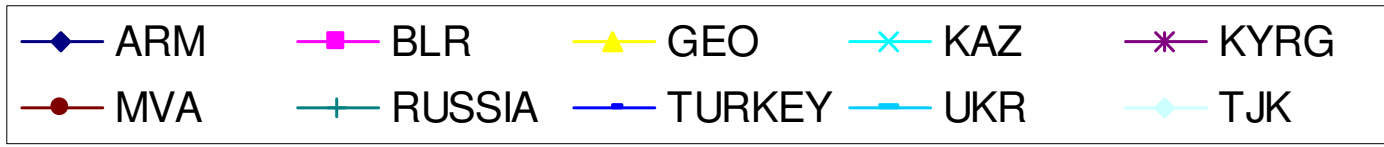
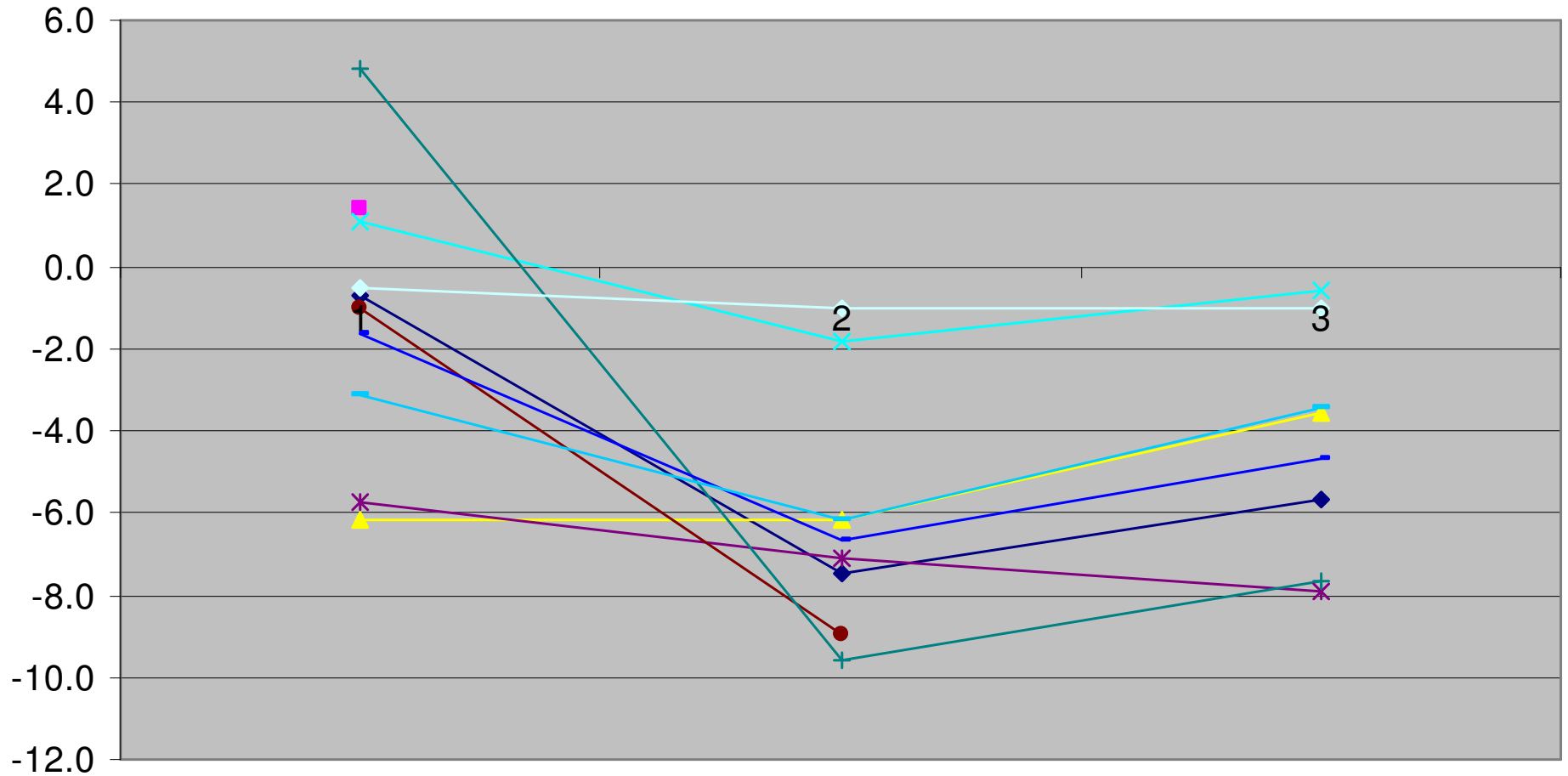
A Heterogeneous Region: Size of Government above Average in Belarus, Ukraine, Moldova, Turkey & Russia



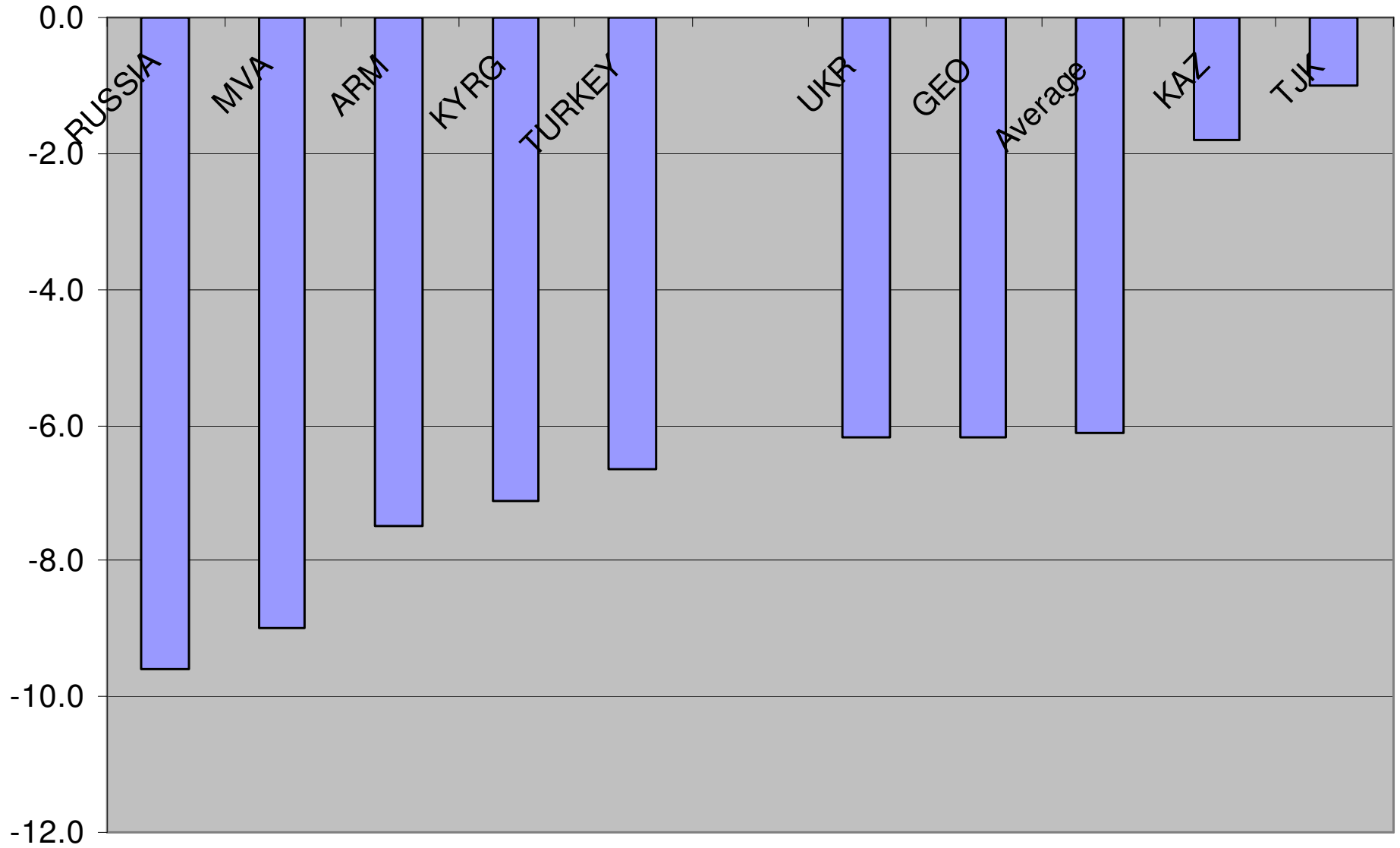
Good Marks on Social Sensitivity: Overall Social Spending in percent of GDP, 2008-2010



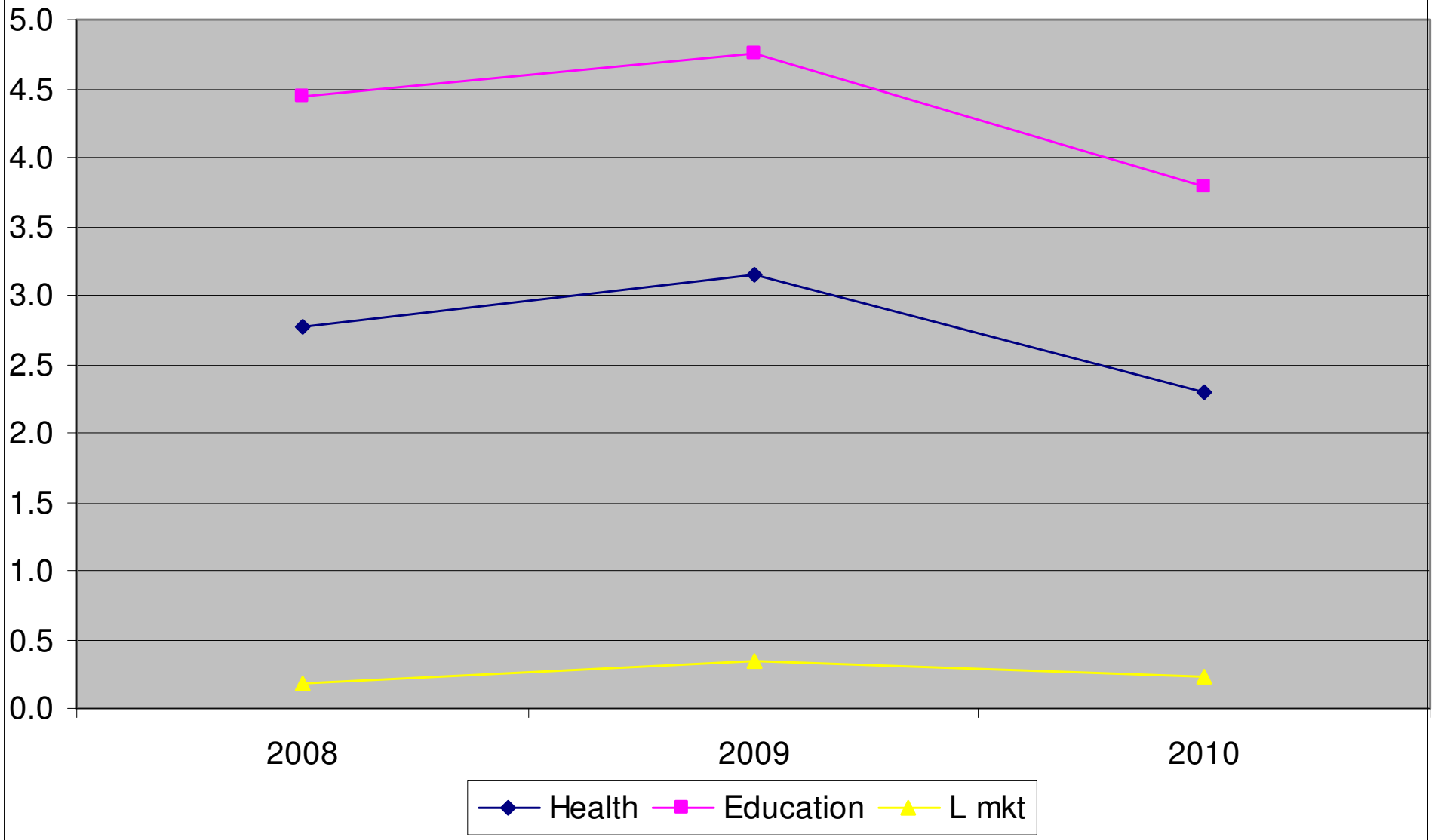
We Are All Keynesians Now: Time Profile of Deficits in Percent of GDP, 2008-2010



Deficit in Peak Year (2009), in percent of GDP



**Are We Too Keynesian?
Structure of Spending Continues to Matter
Health, Education & Labor Market Spending in percent of GDP**





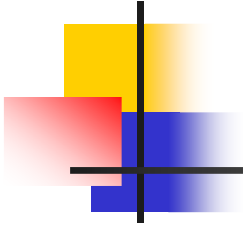
Returning to Sustainable Growth Requires Rebalancing the Roles of the State and the Private Sector

Government: Create Conducive Environment

- Contain macroeconomic imbalances & social tensions
- Move seamlessly, with good timing to sustainable deficits
- Social safety nets: improve targeting but maintain inclusiveness
- Enhance human capital: education, health, food security
- Regulate sparingly but evenly (financial sector, monopolies)
- Ensure property rights, especially for the vulnerable

Private Sector: Engine of Growth (Aim for Inclusive Markets)

- Create broad-based, productive employment
- Provide affordable goods & services to all
- Open routes for entrepreneurship for women and the poor



■ Thank you for Your Attention