



Europe and Central Asia

COVID-19 affects ECA countries through five transmission channels and the relevance of each of these transmission channels varies according to the country circumstances:

1. Trade and global value chains. The ECA region, in particular the countries in Central and Eastern Europe, is highly integrated in the global economy and, in particular, with the EU economies through a network of trade of final goods and services and intermediary inputs;
2. Commodity prices: The fall in commodity prices has disproportionate effects in Central Asia and Russia;
3. Tourism. Travel and tourism services have been among the first and most affected sectors, from both demand and supply sides. The standstill in tourism will affect small and less diversified countries in the Western Balkans, Turkey and the Caucasus;
4. Financial and credit markets: Financial and credit market volatility will affect countries with more vulnerable external and fiscal positions including Turkey, Ukraine and Romania; and
5. Remittances: Europe is home to 86.8 million immigrants, of which almost 60 million are intra-ECA migrants. According to a recent [World Bank report](#), the ECA region (in particular the Western Balkans, South Caucasus and Central Asia) is expected to be the worst hit region in the world in terms of remittances, with a projected slump of 27.5 percent in 2020.

Impact on the private sector

The ripple effects of the COVID-19 economic fallout are being felt across different

Committed projects

[Garanti BBVA, Turkey](#)

IFC Resources

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industries in the private sector. The private sector is suffering due to the imposed lockdowns and the trade-offs between the health benefits of policies to slow down the spread of the disease and the economic costs of these actions. Firms in ECA are struggling throughout sectors such as manufacturing, tourism and retail, and many are unable to operate under the current lockdowns and quarantines. The disruption of supply chains due to lockdowns has impacted trade of intermediate goods and services as well as the auxiliary logistics industry. Reduced commodity prices triggered by the economic slowdown and exacerbated by the recent oil price war among major oil exporters have affected commodity producers, processors, and exporters. Reduced travel and tourism has weighed on business prospects in tourism destination countries. COVID-19's effects on global risk aversion, via financial and credit markets, has made access to credit more difficult and expensive. Microfinance institutions are particularly affected, inflicting on micro and small enterprises, the most vulnerable segment of the economy.

IFC response

As part of IFC's global efforts to help private companies affected by the pandemic and preserve jobs, IFC is primarily working with existing clients in the region to assess where our support is needed most. Our past crisis experience has taught us that effective response needs to focus on providing liquidity in emerging markets to support trade finance flows and the working capital needs of the private sector. It is also crucial to support our existing clients while also helping to promote reforms and develop projects that create a pipeline of robust investments that can accelerate the recovery process. This includes mobilizing a part of IFC's global \$8 billion fast-track [facility](#) to initially support existing clients in the region affected by the outbreak. Demand from clients in the region has come from a range of industries, incl. financial, manufacturing, retail, infrastructure, and agribusiness. We are currently engaging with many of our existing clients affected by the outbreak to provide them with working capital, as well as to financial institutions so they can continue lending to businesses and supporting trade flows in the region.

Stories from ECA

[First Person: Turkey during COVID-19](#)

[During COVID-19 Crisis, Three Banks Work to Soften Impact on Customers](#)

Media

[IFC takes measures to support business amid coronavirus outbreak, April 2](#)

[IFC obezbedio osam milijardi dolara podrške za ugrožena preduzeća, April 16](#)

[Tomas Lubek, regionalni menadžer IFC - Ukoliko se COVID-19 vrati krajem godine, to bi pogoršalo ekonomske izgled, April 27](#)

Regional Events

[Post-COVID World and Ukrainian economy](#), facilitated by Kyiv Post