



Reference Document
For the Senior Officials' Meeting
October 2016

CAREC Institute Progress Report

**Senior Officials' Meeting
Central Asia Regional Economic Cooperation
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Progress Report of the CAREC Institute

Introduction

1. This is the first progress report prepared by the CAREC Institute (CI) for Senior Officials Meeting (SOM)/Ministerial Conference (MC). It will comprehensively report on CI's work progress over the period from the opening of its physical base in March 2015 till end August 2016 when this report was prepared, with preparatory work prior to March 2015 mentioned as needed. The report consists of four parts. Part I provides a brief account of the decision process of CAREC countries to establish CI as a leading knowledge institution of CAREC region. Part II and Part III report on key progress made by CI since it started operating from its base in Urumqi, PRC, with Part II focusing on work and progress on institutional and capacity building of CI and Part III on CI's operational program and its implementation. Part IV concludes.

Part I. Establishing a Leading Knowledge Institution of CAREC Region

2. CI was established in 2006 as a virtual knowledge institution based on demand for knowledge work by CAREC countries to advance economic cooperation in the CAREC region. Soon afterwards, CAREC 2020, unveiled as the 10 year strategy for CAREC Program, designates CI as one of its seven operational priorities.

3. Over time it became abundantly clear that CI would need to be further strengthened to become a regional premier knowledge institution. After considerable consultation CAREC countries reached consensus to establish physical base of CI as a major step towards realizing this vision. In October 2012 CAREC ministers announced at the 12th MC held in Wuhan, PRC their joint decision to establish CI's physical base in Urumqi, PRC. The Strategic Knowledge Framework (SKF) endorsed at the MC provides overall guidance to CI in its knowledge work.

4. The decision to strengthen CI reflects CAREC countries' conviction that economic cooperation is a key to economic growth and development in times of economic difficulties as well as during economic booms. Today, almost four years later, renewed challenges confront the region in the wake of the global financial and economic crisis, as the global economic recovery sputters, and CAREC countries continue to battle the crisis' aftermath. Resource-exporting countries face continued low commodity prices, while smaller economies struggle to regain economic growth momentums. Meantime, demand for the region's commodities and labor services especially from Russian and Chinese economies has significantly reduced. These factors exert persistent downward pressure on the region's economic activities and job creation.

5. On the other hand, the decision to strengthen CI was taken at the advent of tremendous cooperation opportunities that were to emerge. Economic difficult times foster more disciplined macro-management and more determined structural adjustments, both in and out of the region, thus laying better foundation for future global growth. Regional cooperation prospects have improved significantly, including, among others, significant cooperation opportunities in energy and transport, further integration of Eurasian economies, and the "One Belt, One Road" initiative of PRC. In addition, the creation of the Asian Infrastructure Investment Bank, the New Development Bank and the Silk Road Initiative offers expanded opportunities for garnering much needed capital for investment.

6. This year, after careful consideration and thorough consultation, a decision has been taken jointly by the CAREC countries to establish CI as an intergovernmental organization. This is a milestone which marks the vision and determination of CAREC countries to elevate CI onto a strategic pedestal, thus paving the way for CI to better fulfill its mission to serve economic development and cooperation in the CAREC region over the long run.

7. To realize this vision of CAREC countries is a tremendous challenge. It not only involves establishing the physical base of CI from the scratch, more importantly, it requires putting in place a system of governance, management and administration that is at par with international best practice, with a core staff which are of top quality; at the same time, CI will need to continue, without interruption, its knowledge work, and over time it would need to demonstrate its value-addition to CAREC countries through its quality knowledge products.

8. A particular tribute should be paid to the government of PRC, in particular the Ministry of Finance. As host country of CI, PRC has provided strong, continued and effective support to CI on all fronts, including:

- Establishing CI's physical base in the city of Urumqi on time
- Providing substantial financial support in the amount of 50 million RMB to finance CI's physical base, all administration and staff costs, and most of its operations
- Fully supporting CI's operations

9. The Asian Development Bank (ADB) played a key role in establishing CI, and has since been its mentor, supporter, financier and partner as CI gradually evolves. Substantial work was done by ADB to assist country consultation on CI issues over the past two years, including preparatory work for setting up CI physical base. Since March 2015 ADB has been a key partner in planning and implementing CI's programs and projects, including providing financial assistance.

10. The remainder of the report will discuss progress made and tasks ahead in (i) institution and capacity building of CI, as in Part II; and (ii) CI's operational program and its implementation is in Part III.

Part II. Establishing CI as a Leading Knowledge Institution

11. Tremendous achievements have been made over the past two years to bring CI from the virtual into the real world, with expanded capacity to meet increased demand for knowledge products/solutions for regional economic cooperation and development. These achievements include:

- a. Established CI's physical base by March 2015 in Urumqi, PRC; the base anchors all CI activities
- b. Established proper governing and management structure, which provides effective leadership to CI
- c. Installed a basic and effective internal management and administrative system
- d. Formed a core contingent of high-quality international and national staff; effective staff capacity building efforts are underway
- e. Putting in place rules and procedures for a management and administration system in line with international best practices

12. The following will report on these and other achievements in detail.

13. **CI Physical Base Established** – Much preparatory work had been done to open up CI physical base prior to March 2015; during the process close and effective coordination among PRC government, both central and provincial, CAREC Secretariat, and the Preparatory Group of CI. In particular, considerable work and country consultation was conducted to prepare “Draft Founding Document for the CAREC Institute”. The document among other things lays down decision-making and management structure of CI, with particular supervisory role given to CI’s Governing Council, formation and role of CI Management, and the principle of consensus in decision-making of CI.

14. By March 2015, thanks to strong support and facilitation received from both Central and Provincial government of Xinjiang, especially its Finance Bureau, CI leased an office space in central Urumqi, with convenient location, sufficient room and adequate furnishing, which not only provides support for present CI operations but also is equipped to accommodate moderate future expansion. In March 2015 the opening ceremony of CI’s physical base cum 1st Governing Council (GC) meeting took place in Urumqi, PRC, with high level representation from CAREC countries and the host country, ADB and ADBI.

15. Good governance structure, clear rules and procedures, transparent decision-making, effective management and administration, and strong and capable staff – these are at the core of a solid and sound institution. CI has focused on establishing its institution and capacity foundation right from the beginning, and good progress has been made in all areas, as reported below.

16. **Governing Structure and CI Management Established** – CI’s Governing Council (GC) was established at the 13th MC in 2014, with 10 members, one from each of the CAREC countries. Its main function is to supervise CI and provide guidance, while day-to-day responsibility of CI lies with CI Management. The first GC meeting was debuted in March 2015 at which Director and Deputy Director 1 of CI were appointed. With Deputy Director 2 coming on board in January 2016, CI Management formation was complete.

17. Since July 2015 a close, congenial and effective working relationship has developed between the GC and the Management. This relationship has been essential to CI at its important nascent stage, and has contributed greatly to the effectiveness of CI in its overall work including operations.

18. As a general rule, at least one GC meeting should be held per year, with more meetings to take place if necessary. To date, four GC meetings have been held. Each meeting was well prepared, with prior circulation of issues and agenda including relevant materials. All GC meetings have been substantive, timely, and made concrete decisions to guide CI. Implementation of GC decisions is reported back as follow-up to GC at its next meeting. The 5th GC meeting is expected to take place before end 2016. This working mechanism has proved to be effective.

19. Under the GC, two sub-committees have been established, namely, Recruitment and Selection Committee and Budget and Audit Committee. These committees have played a key role in their respective areas for building CI’s institution and capacity.

20. **CI's Basic Internal Management System Installed** – With GC at the apex and an established management and administrative structure, putting in place clear rules and procedures is the basis for ensuring good governance. This has been a focus of CI work and its Management right from the start.

21. Several basic rules and regulations were formulated in 2015 covering key areas of administration and management, including standards of remuneration and benefit for CAREC Institute. These documents, essential to policy interpretation and clarification, enable CI to begin its operation on a solid institutional ground.

22. In addition, seven Administrative Orders (AOs) have been issued and circulated. Spreading over key areas of CI administration, the AOs include: (i) purposes of administrative management; (ii) detailed regulations on the organizational structure of CI; (iii) work discipline, holidays and overtime provisions; (iv) procedure for authorized signature; and (v) basic human resource policies. These rules and regulations as well as the AOs were circulated to GC members at the 3rd GC meeting held in November 2015 in Beijing, PRC.

23. In 2016 the work is continuing to put in place necessary rules and procedures. By the end of 3rd Q, a number of documents have been prepared including: Rules and Procedures for Budget Report Preparation, and Performance Evaluation and Implementation Guidelines". The latter was prepared at the request of GC at its 2nd meeting in September 2015. The Guidelines stipulate principles and process of performance evaluation based on a system of key performance indicators. The Guidelines focus on transparency and accountability through core competencies required for optimal staff performance, and step-wise actions for performance improvement. The Guidelines went into effect on 1 July 2016.

24. Rules and Procedures for Budget Report Preparation was drafted in response to request raised by GC at its 3rd meeting held in November 2015. The draft proposes guidelines, rules, processes, timelines and other pertinent matters to ensure that CI's budget preparation and execution will follow best international practices. This document was approved by the GC at its 4th meeting held in July 2016 in Pakistan.

25. In addition, in response to request made at the 2nd GC meeting, CI is working on developing a system for evaluating the results of implementation of operational program in accordance with CI's results-based orientation. How best to evaluate results and impact of knowledge work, both research and training, is a challenge. CI will continue to refine the present rudimentary system in use, drawing on experiences of other similar international knowledge institutions, and will report on future progress.

26. CI has taken significant steps towards establishing its Advisory Council (AC), whose role it is to advise CI on key and emerging issues relevant to CAREC region in economic development and cooperation. Such advice, coming from well-known experts as members of AC, would be invaluable to CI to ensure relevance, effectiveness and quality of its knowledge products/solutions. Rules and Procedures of Advisory Council proposed by CI Management was endorsed at the 4th GC meeting held in July 2016, and first Advisory Council members are expected to be approved at the 5th GC meeting towards end 2016. Further progress will be reported.

27. **Core of CI Staffing Being Formed** – With effective governance and administrative system established, and clear rules and procedures defining overall working framework, human resources are the key to its institutional building.

28. CI prepared and adopted towards end 2014 its Recruitment Guidelines which clearly spell out the process, criteria, standards and procedures consistent with international best practices. The Recruitment and Selection Committee established in March 2015 has played a key role throughout recruitment processes. A personnel recruitment plan was also approved by 2nd GC meeting in June 2015. According to CI organizational structure, CI is to recruit a Director, two Deputy Directors, six Unit Heads, 15 International staff and 40 national staff.

29. With CI Director and Deputy Director 1, both appointed at the first GC meeting in March 2015 and assuming office on 1 July 2015, recruiting quality staff has been a priority. By July 2016, CI has conducted four rounds of recruitment, through which seven national staff and nine international staff have come on board. Their qualifications and skill sets cover most of CI work areas including research, capacity building, and knowledge management, as well as finance, administration including human resources. With the new staff, the core capacity is being formed for effectively delivering knowledge products/solution.

30. All recruitment has strictly followed the Recruitment Guidelines, involving a process that is transparent and based on merits. All efforts have been made to reach all CAREC countries for the best qualified staff for CI. This practice will continue.

31. During second half of 2016, especially after all newly recruited staff have reported to office, CI Management will review staff needs of CI in the context of its work needs going forward, and make future plans for recruitment. The plans for recruitment in 2017 will be submitted for GC's review at its 5th GC meeting to be held by end of 2016.

32. **Staff Capacity Building Provided** – CI has made this a key aspect of CI's institutional building. While good recruitment ensures only qualified staff enters CI, continued learning and on-the-job training will ensure that staff skill sets are tailored to the specific needs of CI and remain updated; and additionally, each staff contributes to a congenial, caring, cooperative and productive working environment as a hallmark of a successful and effective institution that CI is striving to become. Good progress has been made in staff capacity building.

33. First, CI focuses on capacity building of its national staff. While all national staff recruited meet the standards as set forth in the Recruitment Guidelines, sets of special skills and their application in a coordinated manner will be required to ensure the effective functioning of CI. During second half of 2015 and first half of 2016, CI has organized and held a number of activities for such purpose, including a staff workshop held in March 2016 which was aimed at improving staff's understanding of working standards and environment in international organizations, and a workshop held in April 2016 at which exercise was conducted for CI's operational programming to better skills and understanding of staff on a program and project basis. Further staff capacity building activities such as those mentioned above are being planned. On-the-job learning is also important. By participating in planning, organizing and implementing knowledge activities such as workshops and training events, staff learn quickly. This has proved to be very effective and will continue.

34. Significantly, CI has initiated its research program, which is central to CI as a leading knowledge institution. CI has recruited staff in strategic planning and knowledge generation, and

is putting in place a secondment program, aimed at complementing core CI staff skills, drawing on diverse experiences and backgrounds in policy and governance in CAREC countries to add value to CI's work. Proposal on Launching a Secondment Program for the Member Countries of CAREC Institute was submitted by CI Management to the 4th GC meeting held in July 2016 and was endorsed. Recently, CI started the first round of selection of secondees from member countries based on applications received so far. Further progress on this initiative will be reported.

35. **Challenges and Tasks Ahead** - While significant progress has been made by CI in institution and capacity building, much remains to be done. A key issue is attainment of CI's legal status. Consultation on its status of an intergovernmental organization is ongoing, and progress has been made towards achieving a consensus on the content of the draft inter-government agreement (IGA) as its founding document. CI's legal status directly impacts on almost all aspects of its work, including establishing a permanent base, administration (budget, finance, etc.), recruiting and retaining staff, and other day-to-day work. It is a top priority of CI Management to provide timely and effective support to the continuing consultation process among CAREC countries, and to facilitate towards expeditious and successful conclusion. In the meantime, CI is preparing to start the negotiation with the PRC government on host country agreement as part of its founding documents. The agreement would have both long-term and day-to-day impact on CI's work and operation.

36. CI will continue its efforts in institutional building and strengthening its capacity, including:

- identify areas in administration where further guidelines/rules/procedures would be needed and undertake to prepare these documents
- continuing to build staff capacity including recruiting additional qualified national and international staff, and continue efforts to improve staff benefits and remuneration packages, as well as the staff performance evaluation system

37. Table 1 in the appendix summarizes achievements made by CI in its institutional and capacity building since its physical base was opened in March 2015.

Part III. Operational Programs and Implementation, 2015 and 2016

38. CI has made significant achievements in its operation since it established its physical base in March 2015. These achievements, despite many difficulties encountered, emphatically demonstrate CI's value addition; and are testimony to the vision of CAREC countries and their strategic decision to strengthen CI by establishing its physical base. Most important achievements made include:

- a. During 2015 as CI was being built up in most aspects CI successfully managed to continue operation without interruption; and adopted a strategic approach for its operational program
- b. Significant progress in implementing its 2016 operational program; the program contains 16 activities, far exceeding the past average of 6 per year
- c. Research has been initiated; at present research is about 30% of CI operational program, both in terms of activities and budget
- d. Cooperation in agriculture has been initiated through research and capacity building activities into CI operation as a key area of cooperation;

- e. Successfully organized the first Central Asia Regional Think Tank Forum; CI is leading the efforts to establish a regular network of key think tanks in the region;
- f. Strengthened links/communications with CAREC countries to ensure CI operation meets priority needs of the countries through special country missions
- g. Significant partnership/alliance building achievements including with several international organizations and host country institutions as well as continued close cooperation with ADB; and
- h. Significant progress made in enlarging financing base of CI to support its operation. Apart from substantial financial support from MOF of PRC, financial support came from ADB, ADBI, SNAI, IFPRI, and in kind support from Kazakhstan, mostly through holding joint knowledge activities.

39. The following will report in detail on these achievements, and will identify tasks in the future.

40. Ultimately, CI's value lies in the knowledge services it provides to CAREC member countries. Therefore, although CI only established its physical base in March 2015 and its Director and DD1 assumed office only on 1 July 2015, continuing servicing CAREC countries non-interrupted was CI's top priority.

41. Given limited timing and CI's very limited resources at the beginning, the 2nd GC meeting held in June 2015 endorsed three workshops for CI to implement during 2015. These workshops, which CI successfully implemented, include one on SME development and private sector development, one on economic cooperation database and forecasting model, and a special workshop for CI's Governing Council. This special one-week long workshop enabled GC members to (i) experience first-hand a wide range of development modes and models; (ii) exchange views and lessons with their PRC hosts, which they can take home and reflect on CI's work; and (iii) explore areas closely relating to CAREC program such as urban development and agriculture trade and growth. The workshop provided a conducive and enabling setting for close interactions between GC members and CI Management, contributing to building a good working relationship between the two.

42. **Developing a medium-term operational framework** – A key achievement of CI during 2015 was the development of a medium-term operational framework. Under the overall guidance of CAREC 2020 and the SKF, a medium-term framework for the operation would be needed for planning, programming, resource mobilization, and implementation. A great deal of efforts of CI Management was devoted to developing such a framework as soon as the Management assumed office in July 2015, including a workshop held in July 2015. After consultation with internal and external partners, CI proposed a programmatic approach for its medium-term operation which was endorsed at the 3rd GC meeting held in November 2015. This two-pronged programmatic approach emphasizes results and operational effectiveness through focusing on key challenges and partnering with others to leverage for bigger impact.

43. The programmatic approach was used for CI operational programming for 2016. The programming process was a consultative process to reflect priority needs of CAREC countries for knowledge products. Five areas of operational focus were identified, including:

- Infrastructure development
- Transport and trade facilitation
- Economic diversification and specialization

- Alliances and partnerships
- Other knowledge work

44. These areas of operational focus are entirely consistent with the four priority areas of the CAREC Program and with the twin strategic goal of CAREC 2020 of expanding trade and enhancing country competitiveness. Infrastructure development including roads and rails, power plants and power lines, and others remains a key to connecting the region with world markets; and as such, is a necessary condition for long term economic growth and development. Transport and trade facilitation aims at ensuring that not only investments in infrastructure will be optimally used, but more generally, trade can be conducted in hassle free and cost effective manner, both cross borders and within national markets. Positioning national economies in the global markets with the right strategies, mechanisms and choices based on true comparative advantages are fundamental to long term growth and welfare of a country; within this, fostering and promoting SME is especially important to creating jobs and income. Other knowledge work is a term used here to highlight another important task of CI – explore and examine new and emerging issues with significant impact on CAREC countries and the region. This reflects key aspects of essence of CI as a knowledge institution. Finally, building strategic alliances and partnerships would enable CI to amplify its impact through leveraging, and this is also an effective way of strengthening the capacity of CI itself. The CI 2016 operational program prepared within this framework was endorsed at the 3rd GC meeting held in November 2016 in Beijing, PRC.

45. Significantly, the 2016 operational program consists of 20 knowledge activities (including 4 as standby). This, as compared to the historical average of 6 activities/year before CI established its physical base in 2015, is a substantial expansion. This, once again, demonstrates the wisdom and timeliness of CAREC countries' decision to strengthen CI and establish its physical base. As CI continues to grow, its operational program will also expand, at a rate of about 25% per year in the next few years, thus strengthening its value addition to the region's economic cooperation and development.

46. **Implementation of 2016 operational program** - The 2016 operational program consists of 20 knowledge activities including 4 in standby status, which spread quite evenly across the five areas of operational focus. During the first half of 2016, seven activities were implemented or under implementation, including:

- Research on infrastructure development in CAREC region (launched and in progress)
- Research on macro-economic monitoring and forecasting (launched and in progress)
- CPMM workshop (completed in May)
- TRS workshop (completed in May)
- First regional think tank development forum (completed in end-June)
- Public private partnerships workshop (completed in end-June)
- Development evaluation workshop (completed in mid-August)

47. The CAREC region infrastructure investment research aims at identifying country and regional investment needs for basic infrastructure including transport, energy, water and sanitation, and ICT in 2016-2030, and evaluate the costs and benefits of these investments in terms of financing needs and income generation; the research is also designed to evaluate trade promoting benefits of reducing trade costs (both in time and money) based on CPMM data. This research now under implementation is expected to yield results within 2016.

48. Monitoring the macro economies of CAREC countries and providing short-term forecasting will be a good service for CI to provide to the countries. This capability, once established, will also constitute part of key capacity of CI as a knowledge institution, and help CI to establish its voice in the region. The research is under implementation.

49. Both CPMM and TRS are tools to measure effectiveness of cross border trade, and in doing so, identify costs of trade, especially cross border trade, in terms of money and time. The two approaches take different but complementary perspectives, and together, they can be used as evidence for policy makers to design trade facilitation policies and measures by targeting bottlenecks at border cross points. The workshops aimed at familiarizing government officials with the tools with a view to introducing them into policy making processes.

50. PPP workshop was to build the capacity and knowledge base of government officials and private sector representatives involved in infrastructure development through PPP and financial management to promote infrastructure development.

51. Organizing and sponsoring regional think tank forum is a key part of CI strategy for building alliances and partnerships. The first such forum was held in June, co-hosted by Nazarbayev University. The objectives of the Forum were to (i) sharing knowledge and research on infrastructure development and trade facilitation; and (ii) initiating a process to establish a sub-regional think tank network. The forum theme was “promoting economic cooperation for an integrated Central Asia”. Participants from think tanks in the region and outside including ADB, EBRD, UNDP and WB attended the forum as well as government officials; Deputy Chief Economist of ADB and ADBI Dean along with others spoke at the forum on various strategic and policy issues relating to the theme as well as regional economic outlook. Discussions at the forum enabled the participants to share knowledge and experiences including the benefits of networking and alliances. Forum participants unanimously agreed to CI proposal to establish a think tank knowledge sharing network. This is a major progress in the knowledge field of cooperation in the region, and marks a significant achievement of CI. The second such forum will be held in 2017, and three countries in the region have offered to host the second forum.

52. During the remainder of 2016 CI plans to implement another ten knowledge activities, making a total of 16 activities for 2016. The number of activities conforms that marked firm in the operational program endorsed in November 2015, with substitution of several of the activities due to operational necessity.

53. Table 2 in the appendix gives the implementation status of 2016 operational program.

54. The activities in 2016 operation program that remain to be implemented spread across the five focus areas, including:

- (i) In the area of infrastructure development – two activities that evolve this main theme including a workshop focusing on financing for infrastructure, and a workshop on developing capacity of the governments in macro evidence-based policy making in a general equilibrium setting. The latter is to build capacity for and to promote evidence based policy making.
- (ii) In the area of economic diversification and specialization – three activities are lined up including a workshop on SME development strategies in Asia, as continuing efforts to promote SME development in CAREC region; a conference on

agricultural development to be jointly hosted by CI and IFPRI, as a kick-off of opening up more knowledge work in this area to promote development and cooperation in agriculture in the region; and a workshop on special economic zones as catalysts for economic corridor, value chains and production networks.

- (iii) In the area of transport and trade facilitation – two activities that are scheduled include coordinated border management workshop to be co-hosted with ADB, which aims at interagency coordination in policy, procedures and administration in order to promote faster and less costly cross border movements, and a workshop on cross-border animal disease prevention and control, which is a regional issue of urgency that can be met only by joint efforts of concerned countries; these efforts could bring vast economic benefits and improve livelihood of people across countries.
- (iv) In the area of partnerships – continued efforts will be waged to use multiple opportunities to solidify existing and develop new mutually beneficial partnerships and alliances (see para 54 below).
- (v) In the area of other knowledge work – as part of key CI tasks to help develop general capacity of CAREC officials, a workshop was held on the topic of development impact evaluation in August. This is one of a series of such capacity building efforts. During remainder of 2016, CI will continue its efforts to develop a strategy for its knowledge management including first and foremost developing and maintaining a CI website.

55. Progress and efforts of CI to form partnerships and alliances are worth particular mentioning. As a key area of CI's focus, CI prioritizes striking strategic alliances with (i) multilateral institutions such as ADBI and WBI; (ii) key institutions in CAREC countries; and (iii) relevant institutions in PRC as the host country. In this respect, ADB's unwavering, professional, financial and overall excellent support has been critical to CI's achievements. Over the past one year and a half, CI has followed a flexible approach, seeking strategically-aligned and mutually beneficial cooperation both on an institutional basis, through MoUs and similar documents, and on a project basis, through jointly sponsoring knowledge events. Apart from the significant event of the first Central Asia Regional Think Tank Forum held jointly with partners, the table 3 in the appendix provides a snapshot of partnerships and alliances that have been formed or are under consultation.

56. **Programming for 2017 Operation** - The programming for 2017 was initiated in May 2016. This early start would enable CI to conduct sufficient consultation with both CAREC countries and other partners to (i) solicit and identify priority needs on CAREC region economic and cooperation issues; and (ii) design an appropriate action plan of knowledge activities supported by adequate resources to meet this demand.

57. CAREC 2020 provides the overall guidance and CAREC program sets the overall operational context for CI 2017 program. Within this, the 2017 will follow the programmatic approach with its five areas of focus. A consultative approach will continue to be followed, with a country needs survey conducted during the month of May. At the 4th GC meeting held in Islamabad, Pakistan, government representatives endorsed the programming approach and the consultative nature of the process, and provided valuable and useful guidance to the programming. They include:

- Focusing on key and priority regional issues and issues of common interests of CAREC countries
- Strengthening research for knowledge solutions and for building fundamental capacity of CI, while at the same time, striking a balance between research and other knowledge activities, especially during CI's nascence
- More efforts to plan and hold knowledge activities in more CAREC countries, with due consideration given to cost sharing
- Expanding efforts at alliances and partnerships especially with knowledge institutions within the CAREC region

58. CI will incorporate this in its programming work. Milestones for 2017 programming include:

- Conducting country programming missions to better identify country needs (a new measure by CI to improve effectiveness and coordination) during September
- Presenting revised draft of 2017 program for country review/comments by the beginning of October
- Preparing a new draft of 2017 program for country review/comments during October
- Presenting final draft of 2017 operational program to 5th GC meeting planned for end of 2016

59. **Issues and Challenges Ahead** – Expanding its operational program from 4 activities in 2015 to four times that many in 2016 is a huge leap. CI needs to continue to focus on implementation effectiveness. In terms of planning and programming for its 2017 program, CI will need to ensure close consultation with CAREC countries and close partners so that its 2017 operation program will reflect priority needs of the countries.

60. Continuing to strengthen CI financing base for its operation is important. This can be achieved through effective cooperation with partners. Operations in 2015 and 2016 have benefited a great deal from such cooperation including in co-financing from ADB, ADBI, SNAI, and IFPRI. Significantly, in-kind support was received from Kazakhstan which hosted the first Central Asia Regional Think Tank Forum.

61. The present programmatic approach is an interim planning and programming tool, and CI needs a medium- and long-term strategy. The strategy will set strategic directions and operational priorities, program and resource arrangements for effective delivery. 2017 would be opportune for strategy preparation as CAREC 2030 will be prepared based on a mid-term review of CAREC 2020 now being conducted.

62. Table 4 in the appendix summarizes achievements made and tasks ahead for CI in its operations.

Part IV. Conclusion

63. The decision of CAREC countries to significantly strengthen CI to become a leading knowledge institution for CAREC region is as gigantic a step as it is a strategic one for CI. Since the successful opening of CI physical base in March 2015 in Urumqi, PRC, CI has made remarkable progress on all fronts, including in institutional and capacity building at par with international best practices, and in its operations. These achievements have beginning to

demonstrate CI's value addition since its physical base was set up. Looking back, CI has come a long way in the past two years, emerging from the virtual to the real world with significant achievements made. Look forward, with wisdom and strong support from all CAREC countries, effective management of CI leadership and dedicated and hard-working staff, CI is fully confident of its bright and promising future.

Table 1. Achievements and Tasks in Institutional and Capacity Building of CI

Achievements	Tasks
1. Established physical base in Urumqi, PRC on time in March 2016 which anchors all CI operations and work	
2. Formed proper governing and management structure which has been working effectively	Advisory Council will play a supporting role in the system once it is established in 2016/2017
3. Installed CI's basic and effective internal management and administration system	Improvement for effectiveness is ongoing
4. A high quality working team of CI consisting of international and national staff is being formed	Two lines of efforts are in place: recruiting quality international and national staff, and continued staff capacity building
5. Most rules and procedures supporting effective management and functioning of CI have been or are being formulated	Needed rules, procedures and regulations will be formulated as needed

Table 2: Status of Implementation of CI 2016 Operational Program

A. Infrastructure Development	B. Economic Diversification	C. Transport and Trade Facilitation (including energy)	D. Partnerships and Alliances	E. Other Knowledge Activities
<p>1) Research on Infrastructure Development in CAREC Region - launched and in progress</p> <p>6) PPP Workshop on Infrastructure Financing - held in June 2016</p> <p>13) Workshop on Regional Coop Database and Forecasting - to be held in mid November</p> <p>* Investment Forum - postponed</p> <p>15) Infrastructure Financing Workshop - to be held in November</p>	<p>8) Workshop on SME Development - Financing - scheduled as a section in 12)</p> <p>9) Conference on Agricultural Development in Central Asia - to be held in November in Shenzhen, PRC</p> <p>12) Workshop on Strategies for SME Development in Asia - to be held in early November in Shanghai, PRC</p> <p>* Workshop on Special Economic Zones as Catalyst for Economic Corridors, Value Chains and Production Networks - to be held in mid October in Shanghai, PRC</p>	<p>3) CPMM Workshop - held in May 2016</p> <p>4) TTF Workshop - held in May 2016</p> <p>10) Coordinated Border Management Workshop - to be held on 9-11 November in Bishkek, KGZ</p> <p>14) Regional Cross-Border Animal Disease Prevention and Control - to be held in December in Shenzhen, PRC</p>	<p>5) Central Asia Regional Think Tank Forum - held in June 2016</p> <p>17) Partnerships - alliance made with International Food Policy Research Institute in August 2016; ongoing activities with ADB, ADBI</p> <p>20) Continuing partnership building activities in addition to those with ADB, ADBI include UNDP, UNIDO Institute and others</p>	<p>2) Research on Macro Monitoring and Forecasting - launched and in progress</p> <p>7) Development Evaluation workshop - held in August 2016</p> <p>16) Develop and Maintain CAREC Website - in progress</p>
<p>Note: The following projects in the original 2016 operational program have been postponed due to various operational reasons, including unavailability of funding and experts, and timing, whereas those with a * sign in the table are added. Those postponed include: macro and financial sector early warning, economic impact of Eurasia Economic Union on CAREC region, sector project economic analysis, economic corridor development, and advisory forum.</p>				

Table 3. Forming Partnerships and Alliances

Institution	Area/Theme of Cooperation	Planned Joint Activities
Asian Development Bank Institute (ADBI)	Shared vision of regional economic development especially infrastructure development and financing; economic diversification	Workshop on SME
United Nations Industrial Development Organization (UNIDO)	Industrial development, investment promotion, value and supply chains development; economic diversification	Consultations ongoing on future areas of cooperation including joint activities
World Bank Institute (WBI)	Shared vision of economic growth, macroeconomic stability and structural reforms	Consultation to start in second half of 2016
International Food and Policy Research Institute (IFPRI)	Food security and commodity trade; agriculture development and cooperation	MoU signed on 7 July 2016; joint activities in research, seminars and trainings planned
Shanghai National Accounting Institute, (SNAI), PRC	Capacity building of CAREC officials; new approaches to economic development and cooperation	Joint activities including training on PPP, development evaluation
Economic Research Institute, Ministry of National Economy, Kazakhstan	Economic growth and cooperation, diversification	Central Asia Think Tank Forum (held in June 2016)
Nazarbayev University, Kazakhstan	Economic growth and cooperation, diversification	Joint research and capacity building activities being planned; Central Asia Think Tank Forum (held in June 2016)
United Nations Development Programme (UNDP)	Shared vision of economic development and cooperation in Central Asia	Advanced stage of consultations on MoU for joint research and capacity building

Table 4. Achievements and Tasks in CI Operations Since March 2015

Achievements	Tasks
1. Successfully completed its 2015 operational program despite many difficulties encountered during first year of CI operation from its base in Urumqi, PRC	
2. Timely prepared an interim operational framework, by October 2015, which emphasizes focus, alliance and effectiveness in its operation	
3. Successfully prepared its first full operational program for 2016, which was endorsed by the GC in Nov. 2015; the program significantly expanded CI's operation from 6 activities on average to 16 activities a year	A key task in 2017 will be to initiate the process of preparation of a medium and long term strategy for CI; this process should be coordinated with ADB-led process of preparing CAREC 2030
4. Initiated a research program in 2016; research is key to generating knowledge solutions to key regional issues, and to building CI's capacity as a leading knowledge institution	Research will continue and strengthen, with a focus on key regional and common issues; more and future cooperation with institutions and individuals in CAREC region will be emphasized
5. Strengthened CI's value addition by introducing agriculture cooperation into its operational program through research and capacity building activities	Results-based is key here; focus is given to bringing out concrete results in cooperation through capacity building and other knowledge activities
6. Assumed a leading role in cooperation among key think tanks in Central Asia; successfully led in organizing the first Central Asia Regional Think Tank Forum in June 2016	Continue to strengthen efforts to develop a network of think tanks on a more regular and solid institutional footing
7. Strengthened links/communications with CAREC countries; efforts include special missions to each CAREC country	Serving countries' needs and ensuring CI operation is demand-driven is fundamental to CI; efforts along this line are continuous
8. Financial support for its operation strengthened; apart from major support from MOF of PRC, support received includes from ADB, ADBI, SNAI, IFPRI and in kind support from Kazakhstan	Further strengthening of CI's financing base for its operation will grow through growing cooperation of CI with its partners/alliances either on an institutional or project base.