

# Progress Report of CAREC Institute for Senior Officials Meeting

## I. Research Activities in 2020

### A. Related to Trade, Transport, Energy, and Tourism

#### 1. Trade

- i. The joint research project of CAREC Institute (CI) and Asian Development Bank (ADB) "**Regulatory Framework for E-commerce development in the CAREC - Phase I**" has been completed. The Phase-I research project examined the state of legislations and regulation of electronic commerce in the CAREC member countries and recommended ways to align them with good international practices and potential harmonization. The research identified necessary steps on legal, regulatory and institutional reforms, and suggested ways for intensifying regional efforts to modernize and harmonize regulations. Policy brief on this research was published at [www.carecinstitute.org/publications](http://www.carecinstitute.org/publications), research report is in the pipeline to be published.
- ii. The joint research of CI and ADB "**Developing a Framework for Mutual Recognition and Electronic Exchange of Phytosanitary Certificates in CAREC**" has been completed. It examined the institutional, regulatory, and policy frameworks to identify accompanying challenges in the issuance of phytosanitary certification (e-Phyto certificate) by National Plant Protection Organizations (NPPOs). An assessment of the capacity to digitize certification procedures and to develop mutual recognition agreements for trade facilitation in the region was also conducted. The study highlighted the main barriers as (i) dis-harmonization in the protocols and incomplete legislation across borders; (ii) complex and lengthy certification procedures; (iii) excessive and varied documentation requirements, including registration and licenses; (iv) formal and informal fees; (v) the lack of information and communication; and, (vi) arbitrariness. The policy brief and report publication are in pipeline.
- iii. CI, along with ADB, has started Phase-2 of E-Commerce research "**Framework for E-commerce Development in CAREC Countries – Focus on Infrastructure Development Phase II**" that will examine the economic factors and conditions viewed along their logical sequence of accessing the internet to engage in online transactions, making and receiving payments, and delivery and logistics. The policy brief and report will be published.
- iv. CI and ADB have started a research project on "**Financial Inclusion in the CAREC Region: Promoting Fintech to Meet Underserved Needs in Trade Finance**". The project aims to examine the challenges of adopting fintech in

the CAREC region and how this could help to serve the largely unmet need for trade finance by MSMEs and female-owned enterprises. A policy brief and research report will be published.

- v. CI and ADB have conceived a research project, "**Regional Trade Agreements (FTAs/PTAs) in the CAREC Region**". This project will focus on status and potential CAREC regional trade integration. Fundamentally, the research will highlight CAREC regional integration's status, its potential challenges, and the way forward. Further, the research will explore trade-related agreements and their effectiveness. Finally, the research will determine the potential specific trade area(s) to develop a new generation of FTAs/RTAs. CI will publish a policy brief and the report.
- vi. CI Research division staff completed a book chapter on "**Pakistan's trade with Central Asia**", Oxford Publishers are going to publish the book. Multilateral trade agreements are unfortunately criticized for not delivering on its envisioned objectives. The structure of the developing economies is an impediment to realization of full potential of multilateral agreements. Unharmonized rules and regulations across the countries are also another impediment. To neutralize the skewed benefits of the multilateral agreements, the WTO allows regional trade agreements. Regional trade agreements are also not favored if their benefits are spelled out to a country benefiting continuously since the inception of the trade agreements. The unfair distribution again challenged the regional trade agreements and pushing the economies towards bilateral agreements. This chapter walks the readers to show Pakistan's regional trade potential with Central Asia. Before moving towards regional trade agreement, it is recommended to analyze goods and services composition to dig out the niche that fairly benefits the economies.
- vii. Under CAREC Think Tanks Network (CTTN) Research Grants Program, a research paper has been produced titled "**Exploring Exports Driven Growth Through Free Trade Agreements among CAREC Members: Learning from Pakistan-China Free Trade Agreement (FTA)**". The research examines the impact of Pak-China FTA on export creation and diversion, covering 83 industries. The Paper also explored the impact of exportable surpluses in creating variable effects of the FTAs on agreement partners.

## 2. Transport

- i. Research division staff completed a book chapter on "**Infrastructure in Central Asia and Caucasia**" which is going to be published by ADBI. This chapter highlights where Central Asia and Caucases sub-regions are standing in terms of physical and soft infrastructure. A gradual improvement in physical infrastructure is observed; however, infrastructure development pattern is uneven. Tajikistan and Kyrgyz Republic are catching up with the rest of the region. Utilization of Infrastructure depends on regional infrastructure connectivity, which

shows gradual improvement but still faces challenges, for example, mandatory trans-loading, corruption and inappropriate practices, container availability, and multi-modal transport delays.

ii. Under the ADB-CI Visiting Fellow Program, a research paper on **"Identification and Spatial Mapping of Economic Clusters Across the CAREC Region. A GIS-based Analysis for China (XUAR), Pakistan, and Tajikistan"**, has been completed and approved for publication. The Paper aims at spatially mapping urbanization trends and identifying potential sites for economic activities along corridors in three CAREC countries- China (XUAR), Pakistan, and Tajikistan. The Paper concludes that investment in infrastructure that improves connectivity is considered a significant intervention to boost regional economies. However, the transformation of a transport corridor into an economic corridor depends upon several determinants. Major factors pointed out in the New Economic Geography literature are transport costs and market linkages. Whereas lower transport costs help in availing returns to scale, better market linkages increase profitability through the proximity between supply and demand. A cumulative causation process sets in as location choices of firms and workers mutually reinforce one another when transport costs are low, leading to the emergence of economic clusters.

### 3. Energy

Under the ADB-CI Visiting Fellow Program, a research paper titled **"Regional Cooperation in Promoting Low-carbon Energy Development in CAREC: Challenges and Opportunities"** has been completed. The Paper provides an overview of regional collaboration on low-carbon development in the Central Asia Regional Economic Cooperation (CAREC) region and identifies relevant challenges and opportunities. The Paper concludes that regional cooperation on promoting low-carbon energy development among CAREC countries is early. Recommendations include better harmonization of frameworks, such as technical standards for power connectivity and trade, cross-border technology transfer and knowledge exchange, greater participation of all relevant stakeholders in energy cooperation, and better integration of renewable energy into the electricity.

### 4. Tourism

- i. A research paper produced under the CTTN Research Grants Program , titled **"Prospects of Tourism Sector Development in the Framework of Implementation of Almaty–Bishkek Economic Corridor (ABEC) Activities"** assessed the impact of COVID-19 on tourism growth and economies in Kazakhstan and Kyrgyzstan and provided different scenarios on prospects of the tourism sector in the period of 2020-2030.

#### B. Other Research Related to CAREC Program Clusters

##### 1. Agriculture and Water Cluster:

- i. The CAREC Institute conducted a research project on "**Climate Insurance, Infrastructure and Governance in CAREC Region**", which was implemented by a team of sector experts. It aimed to provide an overview of current realities of climate change in eleven countries segregated into water, energy, & food nexus, economic & financial aspects, and governance. The developed vulnerability index for the water sector indicates that four countries of the CAREC region, namely Afghanistan, Pakistan, Turkmenistan, and Uzbekistan, will likely experience significant risks associated with climate change impacts unless their existing agricultural cropping systems, agricultural diversification programs, value chains, adaptation of water and land conservations technologies are revisited. The report is available at [www.carecinstitute.org/publications](http://www.carecinstitute.org/publications) .
- ii. Through Visiting Fellow Program, a research paper titled "**Assessing the Economic Impact of Climate Change on Agriculture in Central Asia**", has been completed and approved. This Paper measures the economic impact of climate change on Central Asian agriculture by employing the Ricardian method. The study is conducted on five countries in Central Asia: Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan and Uzbekistan. The findings suggest that agriculture in Central Asia is sensitive to climate change, and the impacts are more acute from temperature increases. Results indicate that every degree Celsius increase in annual temperature has resulted in a modest benefit of \$4/hectare increase in net agricultural revenue, which amounts to \$117 million in total agricultural benefits across Central Asia.
- iii. Another Visiting Fellow paper titled, "**Dialogue and Information platforms for Agriculture and Water Cooperation in CAREC region**", is under submission to CI Publication Board. The Paper examines issues related to agricultural development and sustainable use of water and natural resources in Mongolia, China, and Pakistan. Under conditions of the pandemic and coming out of it, there are some concerns that redirection of financial flows in countries will reduce attention given to continuing scientific research and looking for innovations in these areas of activity. The Paper proposes the creation of an online dialogue platform for discussing the above issues within an academic network at the level of the CAREC region.
- iv. CI has started research on "**Case Studies and Analysis of Technology Innovations and Diffusion for High-Value Crops in CAREC Region**" The research will focus on technologies, high-value crops, regional cooperation opportunities, and related aspects in CAREC countries. The policy brief and report will be published and shared with key stakeholders in the CAREC region.

## **2. Human Development:**

- i. A Visiting Fellow paper titled "**Reviewing Migration and Development: The role of local authorities in Central Asia**", explores migration patterns from the southern rim of Central Asia and its developmental implications for communities and migrants themselves. The Paper proposes consideration of pre-departure orientation, reintegration of services, use of remittances for local development, diaspora

engagement and leveraging the potential of mahallas (localities) for development-oriented migration.

## II. Capacity Building Activities

### A. New Capacity Building Delivery Approach

The sudden outbreak of the global pandemic in 2020 posed severe challenges to the CAREC Institute in general and its Capacity Building Division, particularly since delivering workshops to senior CAREC government officials required face-to-face meetings and such gatherings were **no longer possible due to travel restrictions and lockdown measures**. In response, swift transformative measures were taken to renovate capacity-building intervention delivery approach at the Institute. A new three-tiered concept paper was drafted as an overarching effort while transitional work started delivering planned workshops virtually. The first tier of the new vision was to transform the capacity building delivery approach from solely **face-to-face** traditional workshops to a blended learning program approach. An approach that hands agility and flexibility to design systematic, cascaded, and sustainable capacity building activities to stakeholders under any unexpected circumstances – like the COVID-19.

The second tier is to **deliver research-based capacity building activities** that are based on the CAREC Institute generated knowledge products. This enables the Institute to function on its original strategic framework of sharing knowledge, serving the generated knowledge in the form of capacity building workshops and policy dialogues, and managing the generated and serviced knowledge by timely dissemination to stakeholders through various means of communications and publications. It has also enabled the Institute to lead the process of further CAREC-customized knowledge generation through a call for papers.<sup>1</sup> **The third and last tier** is to play the role of a knowledge broker while engaging with key strategic partners in collaborative capacity-building activities. This is to take a leading role in shaping the content and delivery of collaborative activities in areas of high priorities for member countries and stakeholders. The transformational impacts of the new approach are reflected in table 1.

**Table 1. Transformed Capacity Building Approach**

PREVIOUS APPROACH	CURRENT APPROACH
<p><b>Traditional Face-to-Face Workshops</b></p> <ul style="list-style-type: none"> <li>• Little pre- and post-workshop delivery capacity building related interactions</li> <li>• Unprepared participants to engage constructively</li> <li>• Inflexible and only workshop physical</li> </ul>	<p><b>Modern hybrid (a mixture of physical and virtually) CB interventions</b></p> <ul style="list-style-type: none"> <li>• Systemized capacity building interventions with pre- and post-workshop delivery interactions</li> <li>• Prepared participants to engage in</li> </ul>

<sup>1</sup> Call for papers are designed to attract world renown scholars to undertake research projects in CAREC priority clusters. While conducting research, they are invited to capacity building workshops where they share their research findings, receive peer reviewed feedback, and engage with CAREC senior government officials in policy dialogues to mingle research empirical findings with CAREC ongoing practices for evidence-based policy and decision making. Subsequently, the final research papers received are organized as chapters around a comprehensive guidebook based on principles of regional cooperation for CAREC member countries and all stakeholders. An ongoing example of this activity in 2020 has been the “Unlocking Private Investment in Sustainable Infrastructure in Asia: Lessons from Central Asia”.

<p>venues</p> <ul style="list-style-type: none"> <li>• Less impacts with high costs</li> <li>• Short-term interactions at physical workshop venues</li> </ul>	<p>constructive expert discussions and policy dialogues</p> <ul style="list-style-type: none"> <li>• Long-term interactions and mixture of all viable options (physical venues and e-platforms)</li> <li>• Cost-effective and larger audience and impacts</li> <li>• Round the clock running of workshops on the E-Learning platform</li> </ul>
<p><b>Heavily dependent on partners' research and experts</b></p> <ul style="list-style-type: none"> <li>• Little added values and ownership</li> <li>• Costs ineffective</li> </ul>	<p><b>CAREC Institute research-based and expert-led</b></p> <ul style="list-style-type: none"> <li>• Added values and strong ownership</li> <li>• Costs effective</li> </ul>
<p><b>At the bottom end of the stream</b></p> <ul style="list-style-type: none"> <li>• Dependent on sectoral divisions</li> <li>• Vertical partnership</li> </ul>	<p><b>At the top end of the stream (Knowledge Broker)</b></p> <ul style="list-style-type: none"> <li>• Engaged with sectoral division constructively</li> <li>• Horizontal partnership</li> </ul>

## B. 2020 Activities Status:

The CAREC Institute has conducted seven events in 2020 via E-Platform, jointly with partners:

### Trade

- i. Regulatory Framework for E-Commerce Development in CAREC (Conducted)
- ii. Trans-Caspian Transport Corridor: Infrastructure and Trade (Planned)

### 1. Transport / Energy

- i. Improving Road Safety Engineering in CAREC Countries (Mongolia) – 7 webinars
- ii. Road Asset Management and RAM System- 4 webinars (Conducted)
- iii. Meeting Environmental Objectives Through Energy Sector Reforms in Asia and the Pacific: Role of Energy Pricing in Reforms and Emissions Reduction (Conducted)
- iv. Unlocking Private Investment for Sustainable Infrastructure in CAREC Region: a dialogue (Conducted)
- v. Unlocking Private Investments in Sustainable Infrastructure in Asia: Lessons from Central Asia: a book presentation – 4 webinars (Conducted)
- vi. Regional Improving Border-Crossing Services (Planned)

### 2. Other CB Activities in support of CAREC Program Clusters

- i. Climate Change Regional Policy Dialogue (Conducted)
- ii. International Symposium for Aral Sea Restoration (Planned)
- iii. Silk Road of Knowledge Scientific-Practical Online Conference (Planned)

### C. CAREC Institute E-Learning Platform

While continuing with the implementation of capacity building activities, the CAREC Institute undertook an important project – developing an **E-Learning Platform** that is easy to use and fully accessible in the CAREC region (given the region's diversity of enacted internet usage regulations and protocols). The overall aim of this project was to further expand the Institute's capacity by establishing a **sustainable digital foundation or virtual learning space** for target participants, stakeholders, and all interested users to attend workshops and other learning events virtually from a distance.

. The CAREC Institute E-Learning Platform has unique features with significant cloud space to store lengthy video, audio, and other visual recordings and reading materials. It offers customized pages for capacity building workshops, research conferences, forums, expert views, and interviews.

The E-Learning platform has enabled the Institute to **deliver blended workshops (a mixture of virtual and face-to-face events)**. The workshops are recorded as they take place, and the recordings and all learning materials are customized and uploaded on the E-Learning platform as virtual workshops that are running around the clock. In fact, if a workshop is delivered in a face-to-face, online, or a mixture of both months ago, it can be attended by interested users at anytime from anywhere on the CAREC Institute E-Learning platform. Users can go through a workshop as if they are taking it in a face to face manner.<sup>2</sup>

By creating a **user account, the target audience can participate in workshops to update knowledge and upgrade skills in CAREC priority clusters**. They can watch thematic expert lectures and discussions and go through all learning materials, including PowerPoint presentations. They can also evaluate the workshops they attend. They can take quizzes and (after passing the quiz) apply for e-certificate. In addition, the E-Learning platform offers users with other learning opportunities through expert views and interviews, research conferences, and forums. The platform is running sustainably and is accessible around the clock to all registered users in the digital world.

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<sup>2</sup> Users can read the concept note, learn about all the speakers, moderators, and discussants, as reflected in the workshop agenda. They can watch video lectures and expert discussions. After going through all the workshop materials, they are able to evaluate it and take a quiz to apply for e-certificate.

### **III. Knowledge Management Activities**

#### **Key Activities of 2020**

##### **1. CPMM advocacy**

In July 2020, the CAREC Institute started production of **country specific CPMM briefs** which are adapted from full CPMM reports of the past several years where challenges remain pending. These briefs present an opportunity to utilize the CAREC Program and CAREC Institute knowledge products for developing analytical materials that can be applied as inputs for evidence-based public policy initiatives. Country specific briefs capture significant developments that have taken place within a particular country, list challenges, and identify opportunities for improving efficiency along CAREC corridors traversing through that country.

The first CPMM brief on Pakistan was shared with the relevant National Focal Point (NFP) on 23 July 2020. Seven other country briefs (AFG, TAJ, KGZ, TKM, UZB, KAZ) followed in August, September, October 2020, with Azerbaijan brief scheduled for circulation around 22 October 2020. **These eight CPMM briefs** are intended to facilitate more vigorous exchange during the Ministerial, senior officials' meetings, and sector working groups on transport, trade, and institutional reform topics.

##### **2. Outreach, Communications, Adaptations**

As of September 2020, the CAREC Institute has developed **150 pages of communications and corporate products** (including Annual Report 2019 and monthly e-newsletters) and maintained one social platform (LinkedIn). Its e-newsletters reached 2,500 stakeholders monthly.

Moreover, **14 policy/economic/CPMM briefs with policy recommendations were delivered directly to CAREC national focal points** (NFPs) in English and Russian languages as per the articulated commitments.

The organizational **LinkedIn platform has nurtured 700 followers** (as of Oct 2020) and continued promoting the content through its member networks in addition to content promotion on the website. LinkedIn saw ten posts a month on average, with an average of 500 views of each post.

Further, the CAREC Institute has **established cooperation with Development Asia** and developed six knowledge products through that platform (three posts pending posting in Oct-Nov 2020). Topics included SOE reform, energy security, COVID-19 vaccine, agriculture, migration, and e-commerce.



## IV. CAREC Institute in Response to Covid19

In early 2020, the Covid-19 emerged as an unprecedented global health pandemic, which also triggered multiple global crises, most prominent being health and economy. With a situation unfolding rapidly, and dimensions unforeseen, the world as well as the CAREC region, realized the need for informed decision making for mitigating the adverse impact of the pandemic. CAREC Institute immediately adopted to the emerging needs and came up with various products and initiatives to forge a better understanding of the unique crises and prescribed public policy options for the member countries. Research products have also been conceived for deeper insights into thematic areas directly relevant to the crisis.

### A. Policy Briefs related to the Covid-19

The Chief Economist Group came up with six Economic Briefs directly related to the Covid-19 situation.

1. **The Covid-19 / Economic Implications for the CAREC Region**
2. **Global Uncertainty / Potential Effects on Capital Inflows into the CAREC Region**
3. **The Covid-19 / Government Measures to Mitigate the Economic Impact**
4. **Covid-19 and the economy / Prospects, shocks, and measures**
5. **Covid-19 / Reaction Functions, Paradoxes, and Latest Economic Data**
6. **Covid-19 / Resurgence of the Pandemic and Economic Uncertainties: The Global Scramble for a Vaccine**

### B. Webinar Series Related to the Covid-19

In the immediate aftermath of the Covid-19, there was a strong demand for knowledge sharing on different topical areas related to the crisis. The Knowledge Management division of CI responded with a series of webinars, that was well received by the audiences.

- i. **The first webinar** hosted Professor Chen Ming Quan, a Chief Physician of the Department of Infectious Diseases and Director of the Emergency Department of Huashan Hospital, Fudan University, to share **measures and experiences of the People's Republic of China (PRC) in fighting the COVID-19.**
- ii. **In the second webinar**, the CAREC Institute's Chief Economist Dr. Hans Holzhaecker covered **analysis of the economic impact of COVID-19 globally and, specifically, in CAREC countries, and discussed measures taken by the CAREC governments to mitigate consequences for their economies and the populations.**
- iii. **During the third and fourth webinars**, Michael Taylor, the Association of Chartered Certified Accountants (ACCA) Chief Economist, discussed the ACCA 2020 Q1 global economic conditions survey (GECS) and ACCA global member and stakeholder survey and shared his views on the **outlook for the global economy, the severity of the current contraction in output across the world,**

**global policy responses, recovery prospects, and leading indicators of GECS which provide insights into the views of finance professionals on investment, employment, and costs.**

- iv. **Fourth webinar on the role of multilateral development partners (MDP)** in response to COVID-19 in the CAREC region with an emphasis on water, sanitation, and hygiene, was held on 29 May 2020. The topic emerged from the ongoing CAREC Institute and UNICEF partnership, which has ventured to undertake a comparative analysis of water resource management policies and practices in the CAREC region. This webinar aimed at enhancing understanding of the role of MDPs in combating the COVID-19, how MDP programs help improve resilience to epidemics; and linkages among sanitary services and water accessibility during and after the COVID-19 pandemic.
- v. **The fifth webinar**, held on 29 June 2020, concentrated on **high-quality development, modernization, and policy nexus induced by the COVID-19**. Dr. Minsoo Lee, Senior Economist of ADB, shared his insight on the given topic covering risks of a global depression and the criticality of a sustainable recovery. He discussed the concept of "recover better" where countries must ramp up a broad range of investments, including physical, human, social, and natural capital.
- vi. **The seventh webinar** is scheduled by the end of October 2020 to share preliminary findings of the UNICEF water resource management research in CAREC.
- vii. All webinar video recordings are available at <https://www.carecinstitute.org/> under the relevant event headings.

### **C. Research Related to Covid19**

With the emergency phase of the Covid-19 subsiding, there is a sustained demand for topical research that can guide evidence-based decision making. Responding to this need, CI has planned the following research projects related to the Covid-19 themes.

- i. CI has started a joint research project with ADB on "**the Covid-19 and MSME in CAREC Region: Impacts and Policy Lessons**". The research will focus on (i) to figure out MSMEs domestic commerce, export, and supply chain disruptions by COVID-19, (ii) MSMEs formal and informal employment disruption due to the COVID-19 crisis, (iii) to analyze the impact of current policies introduced by CAREC governments to support economy under the COVID-19 on SME's and (iv) recommend policy options for the CAREC countries. Policy brief and report will be published.
- III. CAREC Institute Annual Research Conference:**
- ii. CI has planned a research titled "**Analysis of public attitudes towards COVID-19 vaccinations in selected CAREC countries**". The research will aim to understand and analyze the attitude of the general public for anticipated vaccination programs

- once the Covid19 vaccine has been developed and approved. The anticipated outcome is to assist the region's governments' in devising effective vaccination campaigns by identifying and addressing main concerns and public opinion obstacles for broad participation in the Covid-19 vaccinations and putting forward suggestions on how to overcome them.
- iii. CI has started off a joint research project with ADB on "**The Covid-19 and Tourism Sector in CAREC Region: Harnessing Role of Technology in Promoting Safe Tourism Destination**". The research will focus on how and in what sense technology can be used to understand and serve travelers' likely future needs in terms of safety and security with a view to develop, manage and promote tourism destinations. This study, therefore, aims at assessing how technology can play a key role to keep the tourism sector in swing and devising and providing policy recommendations in relation to the use of technology for the promotion of safe tourism destinations at least at a practical level within the CAREC region despite the effects of COVID-19 in the short, middle and long term. The policy brief and report will be published.

## V. Flagship Events/ Activities

### 1. 5<sup>th</sup> CAREC Think Tanks Forums:

Initially planned for September 2020, this flagship event has now been moved to early 2021, subject to the Covid-19 situation's normalization. The theme of the forum will be “**Economic Corridors: Pathways to Regional Growth**”.

### 2. CAREC Integration Report:

CAREC Regional Integration Index report was finalized by the CI, in collaboration with ADB consultant in 2019. This year, the CI is updating this report based on the latest data trends. Going forward, this report will be further improved in terms of its core themes and its relevance to the CAREC context.

### 3. Corridor Performance Measurement and Monitoring:

In Q2 2020, ADB and the CAREC Institute agreed to enter into a collaborative partnership for future administration and implementation of the CAREC Corridor Performance Measurement and Monitoring (CPMM) mechanism to draw on the respective strengths of each partner and deliver an enhanced set of CPMM products to the end client, the CAREC member countries.

### 4. CAREC Institute Annual Research Conference:

Originally planned in 2020, the CI has rescheduled the first **CAREC Institute Annual Research Conference (CIARC)** in February 2021. The conference's aim is to catalyze research and capacity building collaboration to produce cutting-edge research products that will keep CAREC economies at the forefront of sustainable development and economic integration. CIARC activities aimed to identify means to revisit and rethink of past, current, and future of the CAREC region from intellectual and economic development perspectives. The flagship product "book" will be published annually.

## **VI. Update on Mid-Term Review of CI Strategy 2018-22 and Financial Sustainability**

### **1. Mid-term Review of CI Strategy 2018-2022**

In December 2016, the 5<sup>th</sup> Governing Council (GC) meeting mandated the CI to develop a strategy for the organization. CI's inaugural strategy 2018-2022 is an outcome of a methodical and consultative process, which included numerous rounds of internal consultations, discussions with various stakeholders, drawing on the expertise of consultants, and rigorous review by the GC members. The strategy outlines the goals and objectives that the CI should pursue to strengthen the organization and accomplish its mission. The document builds upon the foundation established by the CI in its formative years and neatly aligns its objectives with CAREC 2030 priorities. CAREC 2030 operational framework scales up CI's role and scope of future research and capacity building activities situated within five operational clusters: i) economic and financial stability; ii) trade, tourism, and economic corridors; iii) infrastructure and economic connectivity; iv) agriculture and water, and v) human development.

The CI is undertaking a midterm review of Strategy 2022 to measure progress during 2018-20 against the targets enshrined in the Strategy, address emerging challenges particularly in the context of the COVID-19, and reap benefits from the new opportunities in the region. It is hence critical to evaluate progress, fine-tune implementation, and measure results for recalibrating its functions. The MTR aims at evaluating CI's institutional and operational readiness with the view to (i) improve CI's institutional capacity by adopting innovative approaches and agile technologies in response to the COVID-19 related constraints and limitations; (ii) understand the nature and extent of COVID-19 impact on regional economic cooperation and integration, and the necessary interventions to bridge emerging research and capacity gaps; and (iii) consider options for extending the implementation time frame of the current strategy.

The MTR adopts a methodologically rigorous approach to produce a document that would guide CI's work in the coming years. To obtain 360-degree feedback from the member countries, the CI collated candid input and feedback of member countries using multiple communication channels and methods. The internal and external feedback were triangulated to crystalize the findings and deductions in the MTR. In the second phase, draft MTR was shared/presented to CI management and staff for soliciting their views. This second stage process was run to fine-tune the findings and recommendations of the MTR. The MTR has benefited from and has incorporated valuable insights and recommendations of the ADB-supported consultants on CI's capacity building and financial sustainability. The ADB has also reviewed and offered insightful comments on the first draft. The initial findings of the MTR indicate that the CI has made a level of progress in the short span, particularly (i) establishing necessary physical infrastructure, adopting rules and regulations, and recruiting qualified international staff; (ii) organizing

capacity building trainings for nearly 1,000 government officials on a wide range of topics supporting regional economic cooperation and integration; (iii) producing nearly 30 topical research papers, book chapters, journal articles and policy briefs on diverse topics including e-commerce, SPS, energy, trade, climate change, corridors performance measurement and monitoring, and COVID-related topical policy briefs, among others; (iv) improving and expanding knowledge dissemination channels and outreach; and forging partnerships with renowned institutions within the region and beyond. However, despite reasonable progress made, challenges such as quality, effectiveness and sustainability of CI's knowledge interventions continue to persist. The MTR is attuned to find integrated response to such challenges to make CI relevant and responsive. The Advisory Council (AC) – a high-level sounding board for the CI – will discuss the MTR working paper on 21<sup>st</sup> October 2020, where ADB will present its comments to the AC members. AC's views and inputs will be obtained and incorporated in the final draft, which will be presented to the GC in its 10<sup>th</sup> meeting to be held in December.

## **2. Financial Sustainability**

Financial sustainability is critical to organizational growth. Since its inception, the CI has faced the challenge of diversifying its financial sources. Thus far, the CI has been financed through a continuous, generous grant by the People's Republic of China (PRC) and the Asian Development Bank (ADB) support through its Technical Assistance Program. Additionally, the Institute has managed to tap a limited number of activity-based financing and in-kind contribution from other partner institutions. The skewed reliance on one or two sources leaves the Institute vulnerable to fulfill its mandate firmly and effectively. 7<sup>th</sup> GC meeting advised the CI to prepare a discussion paper on achieving financial sustainability and submit to the GC for deliberation. Since then, the CI has been vigorously pursuing the objective of diversifying its financial sources by leveraging the GC platform to open communication channels with member countries. The financial sustainability working group, established on the GC's advice, draws membership from all member countries and is mandated to deliberate on options for country contributions. Besides pursuing a group approach, individual negotiations with at least one country -Pakistan- has yielded a financial contribution of USD100,000 for CI's operation. However, it is essential to follow a structured process to secure funding from member countries on a sustainable and predictable basis. To advance this process more systematically, the Asian Development Bank (ADB) commissioned an exploratory analysis regarding the CI's financial sustainability, which was undertaken by Johannes Linn, a non-resident fellow at the Brookings Institution and former VP of the World Bank. Its aim is to lay out the main issues, options, and recommendations for possible directions going forward to assure that CI develops in a financially sustainable way. The assessment is based on many interviews with ADB, CI management, experts and stakeholders, review of documents, and experiences of similar institutions, such as the Mekong Institute. The financing options explored in the report were presented during the inaugural meeting of the Financial Sustainability Working Group (FSWG), held on 10<sup>th</sup> September 2020. The meeting summary will be shared with the GC in December for seeking guidance on the way forward.

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