

Progress Report of CAREC Institute for Virtual Meeting of National Focal Points of CAREC Program

October 2021

Despite continuing challenges of COVID19 and prolonged work from home mode for international staff, CI has endeavored to keep its planned activities on track to achieve the targets set in the annual work plan. Building on the solid base of 2020, CI has continued to augment its capacities and outputs in all areas of its activity, i.e., research, capacity building, outreach, macro-economic analysis, and institutional development.

1. Research

In 2021, the CI completed several projects utilizing in-house and external expertise, including research activities undertaken under the CTTN Research Grants Program (RGP) and Visiting Fellows Program (VFP).

On Economic and Financial Stability Cluster, the CI with ADB has completed a research project, "**Financial Inclusion in the CAREC Region: Promoting Fintech to Meet Underserved Needs in Trade Finance**," which aimed to examine the challenges of adopting fintech in the CAREC region and how this could serve the most unmet need for trade finance by MSMEs and female-owned enterprises. In addition, the staff paper on "**Financial Inclusion and Fintech in CAREC: Constraints and Prospects**" captured the state of financial inclusion and fintech in the CAREC region and offered policy recommendations by presenting two case studies. Along with the Pakistan Institute of Development Economics (PIDE), the CI has initiated a research project on "**Debt and Financial Sustainability in the CAREC Region**" to overview debt and sustainability, fiscal situation, and exchange rate and monetary policy in the CAREC region.

On Trade, Tourism, and Economic Corridor Cluster, the CI and ABD joint project and report "**Regulatory Framework for E-commerce Development in the CAREC - Phase I**" have identified necessary legal, regulatory, institutional reforms and intensifying regional efforts to modernize and harmonize regulations. Phase-2 of the project titled "**Framework for E-Commerce Development in CAREC Countries – Focus on Infrastructure Development Phase II**" has examined 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. In this Cluster, the CI has successfully collaborated with ADB on three other joint research projects, namely i) "**Developing a Framework for Mutual Recognition and Electronic Exchange of Phytosanitary Certificates in CAREC**" that examined the institutional,

regulatory, and policy frameworks to identify accompanying challenges in the issuance of phytosanitary certification (e-Phyto certificate); ii) **"COVID-19 and Tourism Sector in CAREC Region: Harnessing Role of Technology in Promoting Safe Tourism Destination"**, which focused on how and in what sense technology can be used to manage and promote safe tourism; and iii) **"COVID-19 and MSME in CAREC Region: Impacts and Policy Lessons"** which focused on (i) figuring out the impact of COVID19 on domestic commerce, export, and supply chain disruptions for MSMEs (ii) analyzing the effects of current policies introduced by CAREC governments to support the economy under COVID-19's on MSME. Another joint project, **"Free Trade Agreement (FTAs/RTAs) in the CAREC Region,"** is underway, highlighting the status of CAREC regional integration, its potential challenges, and the way forward. In its very first partnership with IsDB, a research project on **"Digital CAREC: A Gap Analysis"** was initiated to review a gap analysis and identify the digital divide between member countries based on Digital Foreign Direct Investment, including investment in digital infrastructure, Internet access, digital payment, and digital trade or e-commerce.

On Infrastructure and Economic Connectivity Cluster, the CI research staff completed two book chapters: i) **"Infrastructure in Central Asia and Caucasia"** in a joint book on **"Developing Infrastructure in Central Asia: Impacts and Financing Mechanisms"** by ADBI and CI; and ii) **"Pakistan's trade with Central Asia"** to be published by Oxford publishers. A research project on "Sustainable Pathway of Energy Transition in CAREC Region – A Governance Perspective" has been initiated with ADB. This project will study policies, mandatory standards, and regulations of CAREC countries by analyzing existing gaps and suggesting necessary action plans to enhance energy transition that would incentivize industrial and societal adoption.

On Agriculture and Water Cluster, a research project on **"Climate Insurance, Infrastructure and Governance in CAREC Region"** in cooperation with the Innovations and Scientific Research Center has provided an overview of climate change's current realities in eleven countries through the prism of water, energy, & food nexus, economic & financial aspects, and governance. The CI's joint partnership with UNICEF on **"Comparative Analysis of Water Resource Management Policies and Practices between China and relevant CAREC countries"** has explored best practices and solutions on WASH resources management in rural areas of selected CAREC countries. Together with ADB, a new research project on **"Regional Climate Vulnerability in CAREC and Perspectives for Regional Cooperation"** has started with the aim to set up a climate change cooperation network in the region by promoting regional activities and exploring potential synergies across targeted sectors.

On Human Development Cluster, a research project on **"Reviewing Migration and Development: Local authorities' role in Central Asia"** has been completed. The paper explored migration patterns from Central Asia's southern rim and their developmental implications for communities and migrants themselves.

The CI has conducted the first **CAREC Institute Research Conference titled "COVID-19 and Potential for Economic Recovery" in March 2021**. The conference's objective 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. Conference 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, "CAREC Institute Annual Book," will be published by the end of 2021.

CI has contributed a main chapter 2 of the Boao Forum 2021 report on **"Sustainable Development in Asia and the World: The Road towards Sustainable Recovery in a Fast-Changing World."** The theme provides a platform for discussing regional issues, generating new ideas, and exploring the possible way forward in addressing complex challenges faced by the CAREC countries and other regions in Asia and the World. The theme systematically documents CAREC-customized up-to-date narratives around four deficits: Healthcare System Deficits, Infrastructure and Trade Deficits, Green Initiatives Deficits, and Digitalization Deficits.

Under CI Think Tank Grants (CTTN) and Visiting Fellow Program (VFP), the CI has also completed and published different papers. The paper on **"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. The study on **"Exploring Exports Driven Growth through Free Trade Agreements among CAREC Members: Learning from Pakistan-China Free Trade Agreement (FTA)"** examined the impact of the Pakistan-China FTA on bilateral trade. The study on **"Regional Cooperation in Promoting Low-Carbon Energy Development in CAREC: Challenges and Opportunities"** provided an overview and challenges of regional collaboration on low-carbon development in the CAREC region. The paper on **"Assessing the Economic Impact of Climate Change on Agriculture in Central Asia"** measured the economic impact of climate change on Central Asian agriculture by employing the Ricardian method. The study on **"Identification and Spatial Mapping of Economic Clusters across the CAREC Region"** analyzed the spatially mapping urbanization trends and identifying potential sites for economic activities along corridors in three CAREC countries- XUAR-PRC, Pakistan, and Tajikistan.

1. Capacity Building

The CAREC Institute has been systematically delivering holistic and agile capacity-building activities to member countries and stakeholders. The Institute has established an E-Learning platform and transformed its knowledge service delivery into hybrid modalities (details reflected in the annexed presentation's CB slide). As of now, the target participants are engaged in a full cycle of capacity building in CAREC priority areas. Based on its Rolling Operational Plan, the Institute delivers 12 core capacity-building activities annually. Each activity is designed and delivered in a three-phased cascading full-cycle capacity building with potential follow-up training of training programs (see the annexed presentation for more details).

Each planned and endorsed core capacity-building activity may entail series of activities. For instance, "Road Asset Management Maturity Assessment and Training of Trainers" was successfully completed in the first quarter of 2021 through as many as ten separate workshops. In addition to the 12 annual core activities, the Institute also seizes opportunities to immediately formulate capacity-building activities in an emerging and pressing issue of regional cooperation.

Transformational Highlights

Since last SOM, the CAREC Institute's capacity-building efforts have further transformed to offer diversified, agile, resilient training of trainers (ToT) or cascading and research-based knowledge services to member countries and all stakeholders. The Institute has optimized virtual channels to plan and design capacity-building activities in various modalities and continues preparing itself to re-start experiential or practical face-to-face capacity-building workshops in blended mode once the pandemic is contained. Here are some of the highlights:

Diversified Capacity Building Activities

Last year, in addition to **workshops** and **research conferences**, the Institute diversified its knowledge services to deliver **experiential regional policy dialogues** to help the target audience acquire crucial knowledge and practical skills needed to address immediate and pressing regional cooperation needs in priority areas. This year, the Institute has launched high-level **expert roundtable discussions** to engage with national, regional, and international partners in leading and shaping development discussions in and around the CAREC Program priority clusters. This new initiative aligns with the Institute's strategic

aspiration of being the knowledge broker in the CAREC region. Hence, the Institute knowledge services are increasingly diversified – optimizing various modalities to serve member countries as aptly as possible.

[Agile and Resilient Knowledge Services](#)

The Institute has come a long way to acquire the agility and resilience needed for a successful intergovernmental knowledge institution in nowadays world vulnerable to sudden global changes. Challenged by the outbreak of ongoing global pandemic (Covid19), the Institute proactively transformed its knowledge services from conventional one-event off face-to-face capacity-building workshops to systematic hybrid and blended learning capacity-building programs. This was to continue with its knowledge services from a distance. Hence, an E-Learning Platform was developed to continue delivering virtual capacity building activities around the clock and extend immediate and new kinds of knowledge support that member countries and stakeholders found in dire need. The Institute expanded its thematic scope of knowledge services to focus on timely and important areas such as digital trade or e-commerce and Covid19 related economic recovery policy guidance.

[ToT Cascading and Research-Based Knowledge Solutions](#)

The Institute has also prioritized ToT or cascading and evidence-based capacity-building activities. Knowledge services outputs are tightly linked to knowledge generation products (research) systematically. Most of the Institute capacity building activities are based on its research and delivered by its experts. The Institute has also started delivering training of trainers' capacity-building programs to form communities of practices at technical levels. Efforts on this front have produced promising results in transport infrastructure asset management, and the Institute has already started planning to expand its ToT activities in other CAREC priority clusters (i.e., cross-border e-commerce).

[Increasing Target Audience at CAREC Institute E-Learning Platform](#)

Since the development of an E-Learning Platform, the CAREC Institute has expanded its reach and increased capacity to offer sustainable knowledge support to an increasing number of the target audience from a distance. All delivered capacity-building activities since June 2020 are recorded and uploaded on the CAREC Institute E-Learning Platform. The number of target audiences visiting the platform to view and utilize content is increasing significantly – in thousands. Between June and December 2020, there were around 20,000 visitors, and this number is more than double this year. Before developing the platform, the CAREC Institute could only deliver the capacity building to an average number of 200 participants in face-to-face gatherings annually.

In conclusion, the CAREC Institute's capacity building or knowledge services have become resilient and sustainable to serve member countries and all stakeholders under any circumstances, including pandemics like Covid19. The pandemic may have severely affected other institutions and limited their activities, but the impacts have been reversed for the CAREC Institute. In fact, since the outbreak of Covid19, the Institute has been able to intensify efforts in quantity and quality to serve all stakeholders in difficult times. More importantly, the Institute knowledge services are impactful and accessible. Target audiences are engaged in a full cycle of capacity building, and all activities are strongly interlinked to cascade knowledge and avoid one-event off activities. All capacity-building activities are recorded, uploaded, and made accessible on the E-Learning Platform for all stakeholders to utilize from anywhere at any time.

2. Knowledge Management and Outreach

External communications, outreach, media

Knowledge Management Division (KMD) produced seven **e-newsletters** reaching over 3,000 **external stakeholders** monthly (NB: August and September issues will be merged and issued at the end of September). Through this promulgation, the Institute's Quarterly Economic Monitor (QEM) received special attention from the government of Turkmenistan and the PRC's National Development and Reform Commission (NDRC).

The **Annual Report 2020** was produced, endorsed by the Governing Council, and released in March.

The **media outreach** expanded to coverage of **16 CAREC Institute topics and events in 50 media outlets in 8 countries in 3 languages** as of 20 September in 2021. This coverage provided interview opportunities to the Institute's management and its specialists and also rendered high visibility for its work. The Institute's **LinkedIn account** saw a 32% increase in its followers as of 20 September in 2021 (from 2020) and continued active sharing of information with an 8% engagement rate.

In addition to **Weibo**, two more social media accounts – **WeChat and TikTok** – were activated in the PRC. The Weibo account has attracted over 14,780 followers, a total of 89 posts were made in 2021 with 3,500 views per post. The WeChat account saw 66 posts in 2021 with 300 views each and grew followers to 490. The TikTok account has over 200 followers.

To this end, KMD started several innovations in 2021, namely adapting and communicating research products through LinkedIn **polls/quizzes** (23 of these conducted between April and August), and **2-minute video** production (5 of these released between February and August, two others on WASH and tourism

need adjustments). Moreover, a series titled "**CAREC Images**" was launched on the Chinese social media channels, and a series of interviews with research collaborators is under preparation.

[Adaptations, content management, visual communications](#)

The **Development Asia partnership** continued with six more additions in 2021 on the Development Asia platform, amounting to 14 knowledge adaptations as of August 2021 (the new one on SME research is pending clearance in September). Tourism and fintech adaptations were placed on the Development Asia front-page trending story ribbon in June and July. In August, ADB's Water Sector Group promulgated CI's WASH adaptation through their LinkedIn.

The March 2021 research conference 8-page **synopsis** (summary of 10 research papers) was produced by KMD and circulated to the NFP in English and Russian languages immediately after the conference. Furthermore, 17 more **Russian translations** of 2020-21 knowledge products have been produced and promulgated in Q1-2 of 2021. And 18 other publications, including working papers, policy briefs, and workshop reports, have been released through the **website medium**. In connection to these products and events, KMD also provided the in-house design of 11 **event flyers** and 12 **publication covers** as of 20 September in 2021 to enhance the Institute's visual communication.

[Knowledge creation, advocacy](#)

KMD continued active engagement in **CPMM advocacy** and expanded its 2021 outreach with follow-up executive memos targeting Russian-speaking stakeholders. The Azerbaijan government engaged strongly in 2021 (after Pakistan adopting the Institute's CPMM recommendations in 2020), providing detailed feedback to the CPMM executive memo. There was also a substantive **input to the ADB economist forum** in January 2021 and **TRACECA 2030 concept** by KMD Senior Specialist. Additionally, a chapter was provided for the ADBI book on the **trans-Caspian transport corridor** along with four other CI staff (scheduled to be published by ADBI at the end of October 2021).

[Host country partnership](#)

KMD continued work with external partners (UNICEF and ADB PRCM) on **WASH and TVET research projects** providing the specialist input and contract management, publishing the WASH paper in three languages, and conducting **knowledge-sharing webinars** on each of the topics. Additionally, a partnership building and knowledge sharing event was held with the **China City Development Alliance (CCDA)** on the topic of e-commerce and cross-border trade with the strong participation of Chinese and Central Asian stakeholders.

In the remainder of 2021, besides sustaining the regular work streams, a knowledge-sharing webinar is planned with the **civil aviation** entity of the PRC, and a new joint project is being negotiated with UNICEF on the development of the **WASH technology catalog** in 2022 for enhancing south-south cooperation.

4. Macro-Economic Analysis and Periodic Reports

Activities in 2021

The Chief Economist Team (CET) analyzes global trends that have direct and indirect impacts on the CAREC region to provide a regional perspective and policy recommendations for the CAREC region. In response to a specific request, the CET can produce short briefs about individual member economies. The CET updates and publishes its flagship CAREC Regional Integration Index (CRII) report once a year and produces the CAREC Institute Quarterly Economic Monitors in English, Russian, and Chinese. In early 2021, the CET published a report on COVID-19 vaccination attitudes in 7 CAREC countries and organized a workshop on COVID-19 vaccination attitudes. The CET contributed a chapter titled "Determinants of the Export Performance of SMEs in the Kyrgyz Republic" in the book "Enhancing SME Participation in Global Value Chains" published by ADBI, and a chapter named "Measuring the Impact and Financing of Infrastructure in the Kyrgyz Republic" in the book "Developing Infrastructure in Central Asia: Impacts and Financing Mechanisms." The team actively participates in CI's Research and Think Tank conferences, CI workshops, ADB and ADBI webinars, and has spoken at several conferences, including ones organized by UN ESCAP, SNAI, think tanks in Uzbekistan, Kazakhstan and Pakistan.

Plans for 2022-23

Going into 2021-23, standard products to be delivered continue to be topical Economic Briefs and Economic Quarterlies that shall give an overview of main economic developments in the CAREC region and a report on regional economic integration utilizing the CRII. The CET will contribute to CI's and its partners' research and capacity-building activities on topics of COVID-19, trade, connectivity, or regional integration.

Analysis on how to diversify the region's economies, accelerate technological progress, and attract the required investment for this shall advance further in the coming years. At the same time, the monitoring of the macro-economic situation, including progress on economically relevant SDGs, shall continue. Focusing on diversification and technological progress has become more urgent because of the restructuring of global value chains, which is underway due to resilience concerns in the aftermath of the COVID-19 pandemic and technological change. Improved connectivity on the Eurasian continent,

including landlocked CAREC countries, reduces trade costs and alters trade flows. This brings about new challenges and opportunities for the CAREC countries. Initiatives such as the Silk Road Economic Belt, the Eurasian Economic Union (EEU), the Shanghai Cooperation Organization (SCO), CAREC and other cooperation initiatives, WTO accession by Uzbekistan, and observer status for Turkmenistan can play an essential role in the adjustment of the CAREC countries to the new realities. These organizations and developments need to be monitored and analyzed more in-depth. Digitalization and decarbonization will be of major importance across all sectors for technical progress. Investments in new hard and soft infrastructure are pre-requisites for fostering digitalization. Digitalization programs of the CAREC economies need to be upgraded. Initiatives such as the Digital Silk Road and private sector projects will facilitate the move of CAREC countries to more IT-intensive production and services. CAREC economies will also have to cope with the decarbonization efforts of main trading partners and must advance their own green transition.

How technological change, COVID-19 scares on the economy, as well as economic policies and CAREC integration and cooperation, will influence migration, workplaces, required qualifications, inequality, and incomes will also be researched together with think-tanks from the CAREC region. The CET intends to launch a CAREC household survey twice a year with a standard block of questions that would trace the development of household welfare related to incomes, cost of living, education opportunities etc., and a block with specific questions such as the impact of COVID-19 and other major future development.

5. CI Institutional Development and Activities for 2021

CI Strategy 2021-2025

With the necessity to realign CI's strategic priorities in the context of internal institutional upgrades within the CI and the developments in the external environment, such as the COVID-19 pandemic, the CI's Strategy 2021-2025 was formulated presented for endorsement in the 11th GC meeting. The Strategy undertook a mid-term review of its ongoing Strategy 2018-2021, assessed progress against the objectives, and identified 12 renewed key priorities. The results management framework (RMF) of the Strategy is under development.

Restructuring of CI's Advisory Council

The CI has the Advisory Council that acts as a sounding board and source of new ideas and approaches to enhance the strategies and operations of the CI. The first term of AC concluded in 2018-2021. To improve

effectiveness and results of AC, the Rules of Procedure of the AC were revised and approved by its last GC. The revamped AC will better contribute to the work of the CI.

[Financial Sustainability and Resource Mobilization Strategy](#)

The Government of PRC and ADB remain the main contributor to the CI's operations. The government of Pakistan continues donation in the amount of US\$100,000 for the second year. To ensure financial sustainability of the Institute, the CAREC countries formed the Financial Sustainability Working Group (FSWG), which discussed different funding options in its first meeting in 2020. To support the work of the FSWG, ADB has generously financed the hiring of an international consultant to draft a comprehensive Resource Mobilization Strategy (RMS) which will guide the future work on diversifying financial resources.

[CI Proposal on Permanent Campus](#)

The CI signed the Host City Agreement (HCA) with the administration of Xinjiang Uyghur Autonomous Region and Urumqi City in Nov 2020. According to the Agreement, the XUAR and Urumqi will provide a plot to construct the permanent campus for the CI. The initial proposal for the new campus is under discussion.

[The 11th and 12th Governing Council Meetings](#)

The 11th GC meeting in July deliberated on CI Strategy, CI's financial sustainability, revamping of AC. The 12th GC will convene in December to approve the CI's Rolling Operational Plan for the next two years and its budget.

[CAREC Think Tank Network Activities, including the CAREC Think Tank Development Forum](#)

CAREC Think Tank Network remains an important platform to encourage regional think tanks, academia, and researchers on topics related to CAREC Program. This year, the CI provided five research grants related to research topics consistent with the development of economic corridors and promoting regional economic cooperation and integration. The papers are at an advanced stage of completion, with the expected publication in late October. The 5th CAREC Think Tanks Development Forum is planned in virtual mode to discuss regional initiatives on economic corridors and highlight the role of think tanks in developing these corridors.

[Cooperation and MoUs](#)

The CI continues to expand its cooperation with regional and local institutions and academia to strengthen its research, capacity building, and knowledge partnerships. Until now, the CI has established MoU partnerships with 16 institutions, most recently adding the University of Shenzhen, XUAR Institute of Standardization, and the International Finance Forum.

Project partnerships with global and regional institutions

In addition, the CI closely cooperates with reputable global and regional institutions on actual joint projects. This year, the CI has partnered with the World Economic Forum, Islamic Development Bank, UNICEF, TRACECA, UNESCAP, and Boao Forum in areas of the digital economy, digital gap, water and sanitation, trade negotiations, and connectivity. The Institute is currently in discussions for joint activities with AIIB Multilateral Cooperation Center for Development Finance (MCDF), Shanghai Cooperation Organization (SCO), and Civil Aviation Administration of China.

New ADB Knowledge Support Technical Assistance

ADB/ADBI remains the CI's closest partner cooperating on many activities, including joint research, capacity building, webinars, and outreach. To continue the support, ADB committed new knowledge support technical assistance in the amount of US\$2mln. for next three years, starting from this April.

Conclusion

CAREC Institute has achieved progress in all areas of its activities. The research portfolio has expanded to cover more areas in close alignment with CAREC Program. Capacity building function has been completely transformed by leveraging ICT, which has dramatically increased the capacity. The outreach function has also improved substantially, with new CI products reaching an increasing number of stakeholders in the region. Macro-economic analysis, periodic regional integration reports, and the latest economic data have also been well received. With the approval of the updated CI Strategy, CI will continue to maintain its positive trajectory, both in terms of quantitative and qualitative terms, and strive its best to come up to the expectations of the member countries.
