



Progress Report on the CAREC Institute Work Plan 2009-2011

**8th Ministerial Conference on
Central Asia Regional Economic Cooperation
14 – 16 October 2009
Ulaanbaatar, Mongolia**

Progress Report on the CAREC Institute Work Plan 2009-2011

1. The 7th Ministerial Conference on CAREC endorsed the work plan of the CAREC Institute for 2009-2011. This plan outlines actions in three areas: professional development and training, research, and outreach. Key achievements in 2009¹ include:

- CAREC Institute Leadership Development Initiative: training of more than 400 current and future CAREC leaders during 2009-2011.
- CAREC Institute Research Program: collaboration with leading international research institutes and CAREC-region institutes.
- CAREC Institute web site at www.carecinstitute.org: a new hub for knowledge and information on regional economic cooperation in the region.

A. Professional Development and Training

2. The Institute's professional development and training program seeks better knowledge and skills in areas related to regional cooperation. A CAREC training needs assessment,² suggests work through two streams:

- The Leadership Development Initiative is being implemented with the Lee Kuan Yew School of Public Policy, National University of Singapore. It comprises (i) an Executive Leadership Development Program (ELDP) that will provide senior and upper-middle level government officials with direct training on leadership and management proficiency. It targets executive leadership practice; public sector management and finance; strategic planning; and negotiation and communication skills. Twenty-nine officials participated in the first delivery on 16-22 August 2009. The ELDP will be delivered annually in Singapore during 2010-2011; and (ii) a Public Sector Management Short Courses Program for upper and mid-level government officials covering public sector management (principles and practice) and public sector finance. The short courses program will be delivered in each CAREC country in 2009-2011. The first deliveries are scheduled for 2-3 November 2009 in Astana, Kazakhstan, and 5-6 November 2009 in Bishkek, Kyrgyz Republic.
- Sector and committee-led training and workshop assistance to CAREC sector committees³ on issues relevant to their business areas. A CAREC Program Private Sector Development Initiative was also launched at the 7th Ministerial Conference. The Institute delivered a one-day "Awareness Workshop on Public-Private Partnerships (PPP)" in Bishkek, Kyrgyz Republic, Astana, Kazakhstan, and Ulaanbaatar, Mongolia. Each workshop covered an introduction to PPP applications; the structure and structuring of PPP projects; and implementation phases of PPP projects. A total of 198

¹ Appendix 1 presents an overview of the status of implementation of the 2009-2011 work plan.

² In mid-2007, the CAREC Secretariat conducted an assessment of participating countries' training needs in relation to regional cooperation. A survey of government officials involved in the CAREC Program and a series of in-country workshops were held to identify priority areas for training and professional development. The assessment established a positive demand for quality training activities among both senior and mid-level officials.

³ Appendix 2 presents a summary of CAREC training and knowledge-sharing activities in 2009.

people from 59 government agencies and 17 private entities participated in the workshops. The Institute will support a new "Public-Private Partnership Workshop: Lessons from Asian Experience" in November 2009. This will cover three case studies.

B. Research Program

3. The Institute will generate new knowledge, innovation, and recommendations to support regional cooperation. The research program will provide intellectual content on transport, energy, and trade; and raise the capacity of research institutes in CAREC countries. Key activities are as follows:

- Shared knowledge and information base: A study on transport and trade was prepared. This responds to a request from Senior Officials for a consolidated picture of projects in the region. It provides a detailed picture of planned project outputs since 2000, and of future plans (investment, technical assistance, other). This work includes a data base for the transport and trade facilitation sectors (see www.carecinstitute.org); and a preliminary analysis of collected data to identify gaps and areas of potential overlap in funding agency activities and plans. The study was a key input to the "CAREC Partnership Forum: Maximizing Impact of Transport and Trade Facilitation Investments" in May 2009.
- Research program: The research covers (i) structural change and economic diversification; (ii) moving beyond dependence on natural resources; and (iii) overcoming problems of landlocked economies. The program is being implemented with world-renowned academic institutions in collaboration with highly regarded research centers in the CAREC countries. Research with leading academic institutions is ongoing in five areas⁴: (i) The Influence of Space and the Impact of Regional Cooperation on the Growth of the CAREC Countries (with Cambridge University and Harvard University); (ii) Management of Resource Revenues in the CAREC Region (with Oxford University); (iii) Macroeconomic Policy Issues in the CAREC Countries (with Cambridge University and University of New South Wales); (iv) Structural Change in the CAREC Region (with Harvard University); and (v) Impact Evaluation of ADB Projects in the CAREC Region (with Université Libre de Bruxelles). Studies have started on two CAREC road sections: (a) CAREC Corridor 1b, Taraz to Korday, Kazakhstan; and (b) CAREC Corridor 1c, Bishkek to Torugart, Kyrgyz Republic.
 - In March 2009 the "Inaugural Meeting of CAREC Research Institutes" was held in Astana, Kazakhstan. The meeting, co-hosted by the CAREC Institute and the Economic Research Institute (Kazakhstan), brought together representatives of 14 research institutes from the CAREC region. The CAREC Institute and its research program were introduced and research institutes were encouraged to submit research proposals corresponding to the five research areas. Proposals were evaluated by the CAREC Institute and 17 grants were awarded.⁵
 - A "CAREC Institute Research Workshop" will be held in October 2009. It will bring together leading international researchers and grant recipients from the CAREC region. The researchers will present drafts of their papers and the workshop will review options for collaboration.

⁴ Appendix 3 presents brief overviews of each research area.

⁵ Appendix 4 presents outlines of the selected Research Program proposals.

- The Small Research Grants Program encourages research by local researchers and institutes on various subjects related to regional cooperation and integration. The second round of the program was initiated in December 2008. About 60 proposals were received. Following short-listing by the CAREC secretariat, panels in each country selected one grantee.⁶ A workshop on this program was held in June 2009.

4. The CAREC Institute work plan also includes flexibility to enable the Institute to respond to requests for information or analysis from Senior Officials' Meetings, Ministerial Conferences, or sector committees. In response to a request from the Senior Officials' Meeting in May 2009, the Institute began work on a CAREC Program Results Framework. A draft framework will be submitted for consideration by the Senior Officials' Meeting in October 2009.

C. Outreach and Dialogue Program

5. The Institute's outreach and dialogue program will extend the impact of the training and research programs more broadly, and inform a wider audience of the goals, work, and achievements of the CAREC Program. The Institute is pursuing activities in the following areas:

- Web site development: A CAREC Institute web site (www.carecinstitute.org) has been developed. The site, in English and Russian, provides easy access to a wide range of documents related to the CAREC Program, the CAREC Institute, and the priority areas of transport, trade facilitation, trade policy, and energy, as well as country information and projects and research databases. The Institute will develop the site into a recognized knowledge hub.
- Seminars, conferences, and events: The Institute will support events at the national and regional level to raise awareness and stimulate discussion and debate on regional issues.
- The Institute supported a conference in Brussels, Belgium, on 2-3 March 2009 titled "*Promoting Regional Cooperation and Development in Central Asia*". The conference, organised by the Wolfensohn Centre for Development (Brookings Institution), the Carnegie Endowment, the Centre for European Policy Studies (CEPS), and the Fundación para las Relaciones Internacionales y el Diálogo Exterior (FRIDE), introduced the CAREC Program to European officials and academia.

D. 2010 Work Plan

6. Priorities for 2010⁷ include:

1. Professional Development and Training

- Second delivery of the ELDP in Singapore
- Delivery of the Public Sector Management Short Courses Program in three countries
- Awareness Workshop on PPPs in three countries
- Capacity development of sector committees

⁶ Appendix 5 presents outlines of the selected Small Research Grants Program proposals.

⁷ Appendix 6 presents further detail on the 2010 work plan.

2. Research

- *CAREC Institute Foundation Study on Energy*
- Research Program – publication of outputs and related seminars
- CAREC Program Results Framework
- Mid-Term Review of the Performance of the CAREC Institute⁸
- *Study on Institutional Impediments to Trade in the CAREC Region*

3. Outreach

- Web site development and maintenance
- Specific events in the region on regional cooperation and integration topics
- CAREC Institute Distinguished Speakers Series

⁸ The CAREC Institute is funded by Asian Development Bank regional technical assistant (RETA) 6488: Central Asia Regional Economic Cooperation Institute, 2009–2012. The RETA states in paragraph 15: "A performance review of the institute is planned for 2010. The review will assess the institute's achievements, challenges and constraints. It will examine approaches to building on areas of success and to identifying practical responses to challenges and constraints that will contribute to improved efficiency of and stronger support for the broader work of the CAREC Program."

**Appendix 1: CAREC Institute Work Plan 2009-2011:
Status as of October 2009**

Training Program				
Activity	Goal	Approach and Timing	Coverage	Status (October 2009)
Executive Leadership Development Program (ELDP)	Provide senior and upper-middle level government officials with direct assistance in professional development to improve their leadership and management proficiency.	One-week residential course. Approx. 32 participants per course. Annual delivery (2009-2011).	(i) leadership – styles, approaches, practice and communication; (ii) negotiation, persuasion and influence; (iii) strategic thinking and planning; (iv) public sector management; and (v) public sector finance.	- ELDP developed with Lee Kuan Yew School of Public Policy (engaged as Partner Institute for Leadership Development Initiative) - First ELDP delivered on 16-22 August 2009 for 29 government officials
Public Sector Management – Short Courses Program	Provide upper and mid-level government officials with training in public sector management (principles and practice) and public sector finance.	Two-day course delivered in CAREC countries. Approx. 40 participants per course. Delivered once in each CAREC country in 2009-2011.	(i) public sector management; (ii) public sector finance. Material will constitute relevant modules from ELDP extended to include workshop exercises.	- Program under development with Lee Kuan Yew School - First deliveries planned for November 2009 in Kazakhstan and Kyrgyz Republic
Leadership Development Fellowship Program	Provide exceptional individuals with leadership potential an opportunity to participate in open-enrollment international public administration and management programs.	Program funding options and development will be studied in 2010.	To be determined.	For attention in 2010
Sector committee training and knowledge-sharing activities	Assist in addressing training and knowledge-sharing needs of sector committees.	The Institute will seek to develop a multi-year agenda comprising two to three activities per committee.	To be determined with sector committees. Among others, potential areas would include: (i) customs harmonization/modernization; data exchange, integrated border management, etc. (ii) corridor monitoring methodologies (iii) trade logistics (iv) WTO-accession related issues (v) energy trade and security, energy efficiency	- Training needs assessments conducted for trade facilitation (with CCC) and transport (with TSCC) - Support for Awareness Raising Workshops on Public-Private Partnerships

Support for second tier areas	Assist in addressing training and knowledge-sharing needs in selected second tier areas.	As second-tier areas enter the Program the Institute will seek to develop an appropriate schedule of activities in coordination with the respective lead funding institutions.	To be determined.	<ul style="list-style-type: none"> - Support for Table Top Exercise on Human Avian Influenza in Urumqi, PRC, August 2009 - Support for a planned Central Asia Countries Disaster Risk Mitigation Initiative: Technical Workshop on Hydro Meteorological Issues in Tashkent, November 2009
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Research Program				
Activity	Goal	Approach and Timing	Coverage	Status (October 2009)
Creation of a shared knowledge and information base	Present a full picture of what has been achieved in a sector; ongoing and planned investments/activities; overlaps or gaps CAREC should seek to address.	The Institute will undertake "foundation studies" in the priority areas and update these studies at appropriate intervals. Studies on transport and trade facilitation will begin in 2008.	(i) transport; (ii) trade facilitation; and (iii) energy.	- CAREC Institute Foundation Study: Transport and Trade Facilitation completed and discussed at the first CAREC Partnership Forum in May 2009
Research program	Provide intellectual support to CAREC's work in the priority areas of transport, energy, and trade.	The program will be developed and implemented in collaboration with leading international academic institutions and highly regarded research centers in the CAREC countries. Program development started in 2008. The program will be implemented in 2009-2011.	(i) structural change, intra-regional trade and economic diversification; (ii) problems of landlocked economies; and (iii) dependence on natural resources.	- Work by leading international researchers ongoing - Inaugural Meeting of CAREC Research Institutes held in March 2009 - Proposals selected and research grants for CAREC institutes issued in May/June 2009 - CAREC Institute Research Workshop planned for October 2009
Small research grants program	Encourage and fund research by local researchers and institutes that will advance regional cooperation among CAREC countries.	Beginning in 2009, the program will finance one research project each year in each participating CAREC country. The research grant would be for an amount up to a maximum of \$25,000.	Research topics would be aligned with or support the research focus of the flagship research program.	- Research proposals for second round of Small Research Grants Program selected and grants issued - Workshop on CAREC Institute Small Research Grants Program held in June 2009 - Research papers due first quarter 2010
Issue-specific papers or studies	Provide timely response to requests for information or analysis from Senior Officials' Meetings, Ministerial Conferences, or sector committees.	The Institute will respond to requests within available budget.	To be determined. Among others, potential issues could include: (i) sector specific issues; (iii) issues related to institutional arrangements and progress (i.e. mainstreaming regional cooperation; potential second tier activities); and (iii) impact evaluation.	At the request of the May 2009 Senior Officials' Meeting support is being provided for preparation of a CAREC Program Results Framework

Outreach and Dialogue Program				
Activity	Goal	Approach and Timing	Coverage	Status
Development and maintenance of knowledge dissemination platform	Provide easy access to a wide range of documents related to the CAREC priority areas and activities. Over time, the Institute will seek to develop this platform into a recognized knowledge hub on regional cooperation issues for the CAREC region.	The Institute will collect and present reports, papers, articles, assessments, strategies, project information, and other documents from the CAREC multilateral partners, other multilateral and bilateral partners active in the CAREC region, academia, and other sources.	Regional cooperation in CAREC countries, with a focus on: (i) transport; (ii) trade facilitation; (iii) energy; and (iv) trade policy.	- CAREC Institute web site developed and launched at www.carecinstitute.org
CAREC seminars, conferences, and other events	Raise awareness and stimulate discussion and debate on regional issues related to the CAREC Program, and share international perspectives and best practice with the CAREC community.	The Institute will seek inputs from countries and sector committees on appropriate topics and approaches to event development, as well as opportunities for cooperation and co-hosting of activities.	Issues related to regional cooperation in CAREC countries, from broad areas to sector-specific topics are possible. In the initial phase, the Institute will seek to focus available resources on the CAREC priority areas and issues aligned with the research program.	For attention in 2010
External events	Expand awareness of the goals, work, and achievements of the CAREC Program among appropriate audiences outside the CAREC region.	The Institute will identify a small number of high-profile external events each year that it will seek to co-sponsor or participate in.	Regional cooperation issues, with a focus on the CAREC priority areas.	- Support for conference "Promoting Regional Cooperation and Development in Central Asia" in Brussels in March 2009

Appendix 2: Summary of CAREC Training and Knowledge-sharing Activities in 2009

Date/ Schedule	Events	Location	Number of Participants	Total Training Days
17-19 February	CAREC Seminar on Joint Customs Control	Guangzhou, PRC	27	81
20-21 February	Workshop on Training Needs Assessment (Trade Facilitation)	Guangzhou, PRC	45	90
23-24 February	CAREC Workshop on Corridor Performance Monitoring and Measurement	Guangzhou, PRC	29	58
2-3 March	Promoting Regional Cooperation and Development in Central Asia (outreach event)	Brussels, Belgium	90	180
12 March	Inaugural Meeting of CAREC Research Institutes	Astana, Kazakhstan	16	16
26 May	CAREC Workshop on National and Regional Joint Transport and Trade Facilitation Committees	Ulaanbaatar, Mongolia	45	45
15 June	Awareness Workshop on Public-Private Partnerships	Bishkek, Kyrgyz Republic	78	78
17 June	Awareness Workshop on Public-Private Partnerships	Astana, Kazakhstan	51	51
22 June	Awareness Workshop on Public-Private Partnerships	Ulaanbaatar, Mongolia	69	69
25-26 June	Inception Workshop on CAREC Small Research Grants Program for 2009	Bishkek, Kyrgyz Republic	19	38
14-17 July	Workshop on Single Window Development	Singapore	37	148
16-22 August	First Executive Leadership Development Program	Singapore	29	203
24-27 August	Table Top Exercise on Human Avian Influenza	Yili, Xinjiang, PRC	13	52

Total 548 1109

Planned

21-24 October	Meeting of CAREC Research Institutes	Almaty, Kazakhstan	17	68
2-3 November	1 st (In-Country) Public Sector Management Course	Kazakhstan	40	80
3-5 November	Public-Private Partnership Case Study Workshop	Chengdu, PRC	40	80
5-6 November	2nd (In-Country) Public Sector Management Course	Kyrgyz Republic	40	80

Appendix 3: Overview of CAREC Institute Research Program, 2009-2011

The CAREC Institute research program for 2009-2011 covers five areas.

1. The Influence of Space and the Impact of Regional Cooperation on the Growth of the CAREC Countries (with Cambridge University and Harvard University)

This research area will examine how greater regional cooperation and a greater cognizance of economic factors at the spatial level can facilitate growth in the CAREC countries. It will identify possible future avenues for empirical work in this area.

Specific questions to be studied under this program are:

- The most widely used economic policy tool for regional cooperation is the reduction of trade barriers, which is supposed to lead to greater integration of economies. The analysis will assess the degree of cooperation achieved so far within CAREC and the scope for further trade integration.
- Geography and economic space are major constraints on the economic development of the CAREC countries. Research will consider the insights that regional growth theory can give on the possible development of the CAREC countries, especially in the light of recent developments in spatial econometric modeling.
- Review analytical work on regional integration and outline how this needs to be reformulated and applied to the particular circumstances of CAREC. It will outline the methods and findings of empirical work on integration, and discuss application of these methods to CAREC.

2. Management of Resource Revenues in the CAREC Region (with Oxford University)

CAREC countries are experiencing resource booms. This research area will focus on three issues:

- It will outline best practice for managing resource revenues; this could include the upstream issues of fiscal regimes and contractual relationships with resource companies, and will address the choices that have to be made between spending or saving resource revenues.
- It will review country experiences. The objective is to identify key decision points faced by policy makers, as well as to understand when these decisions have been right or wrong, and the forces that led to these outcomes.
- It will identify key areas where the CAREC region differs from others, and will outline how policy may need to be adjusted to take into account these circumstances.

3. Macroeconomic Policy Issues in the CAREC Countries (with Cambridge University and University of New South Wales)

Evidence-based guidance to the appropriate policy structures that will support enhanced regional cooperation to address the major policy challenges facing CAREC countries. Some of the areas that this project will address are as follows:

- Define the key economic challenges facing CAREC economies.
- Develop a macroeconomic risk assessment framework in the context of the global financial crisis. Integral to this aim is the examination of the modern monetary macroeconomic framework on full employment and price and currency stability.
- Outline strategies to develop public infrastructure to enhance energy cooperation, water provision, climate change responses, and human capital development and integrating this into the fiscal and monetary policy framework.
- Design a national skills development framework to build long-term productive capacity in the CAREC population.
- Design regional employment strategies that can address poverty and income insecurity and provide pathways to skill development to underpin more consistent and higher productivity economic growth that benefits the population of the CAREC region.
- Discuss recent developments in macroeconomic theory and policy in the context of the “new consensus macroeconomics”. One key policy implication is what has come to be known as “inflation targeting”.

4. Structural Change in the CAREC Region (with Harvard University)

Structural transformation is the process by which countries change what they produce and move from low-productivity, low-wage activities to high-productivity, high-wage activities. The purpose of this research area is to use emerging methodologies to analyze CAREC countries' opportunities for structural transformation, in an effort to better understand past economic performance and accelerate future economic growth.

5. Impact Evaluation of ADB Projects in the CAREC Region (with Université Libre de Bruxelles)

Impact of projects, programs and policies undertaken by lending institutions.

Appendix 4: CAREC Institute Research Program Grants

Country	Research Title/Team Leader	Summary
<i>Research Area 1: Influence of Space and the Impact of Regional Cooperation on the Growth of the CAREC Countries</i>		
Afghanistan	<p>Foreign Direct Investment in Afghanistan: Current Status and Policies</p> <p>Kevin King</p>	Developing economies have witnessed a heavy inflow of foreign direct investment (FDI) in recent years. FDI is considered an important component in any development strategy. This study will examine the current status of FDI in Afghanistan with respect to the sectors and countries that are most involved. The paper will look at the current policies with respect to attracting FDI, gauge their effectiveness, and compare them with the policies and the best practices in the region and the world. The study will examine measures taken by the Afghan government to promote regional integration and if this has had any effects on FDI.
PRC	<p>The Prospects and the Impact of CAREC on the Growth of PRC</p> <p>Wu Hongwei</p>	One of the key messages of the theoretical models under the strand of new economic geography is that proximity, to markets as well as to suppliers, matters for growth prospects. PRC with its proximity to CAREC countries has not only benefited from access to vast reserves of energy, minerals, and raw materials but also has gained access to new markets. This study analyzes the significance of the proximity of CAREC and its impacts on PRC's economic growth. The paper also examines the gains enjoyed by CAREC countries as a result of being geographically close to PRC.
Kyrgyz Republic	<p>Regional Integration in Central Asia: Benefits for Kyrgyz Republic from Removing Trade, Transport, and Transit Barriers</p> <p>Rafkat Hasanov</p>	This study will review the current situation of the implementation of regional integration agreements in Central Asia. It will study the prospects for regional integration in Central Asia and provide policy recommendations for achieving deeper integration, improving local business environments, facilitating trade and transport. This paper will also assess the possible benefits to Kyrgyz Republic from the gradual removal of tariff and non-tariff barriers.
<i>Research Area 2: Management of Resource Revenues in the CAREC Countries</i>		
Azerbaijan	<p>Managing Resource Revenues in Oil-Rich CAREC Countries</p> <p>Vugar Bayramov</p>	A key macroeconomic policy issue in the CAREC countries is the management of riches from their natural resources. This study will examine the many facets of revenue management from the perspective of oil-rich Azerbaijan. This includes (a) the issue of saving vis-à-vis spending of oil revenues and its implications for the overall economic development; (b) cost and benefit of different strategies of investing the oil revenue; and (c) best practices related to oil revenue management. The study will also provide comparisons with the experiences of Kazakhstan, another oil-rich country in the region.

Country	Research Title/Team Leader	Summary
Kazakhstan	Impact of Energy Sector on Macroeconomic Performance: Case of Kazakhstan Meruert Makhmutova	Kazakhstan's economy, with its vast oil reserves, is heavily dependent on the energy sector and its export revenues. The main aim of the study is to analyze the impact of the energy sector on overall macroeconomic performance including impact on GDP, employment, foreign trade, investment, fiscal revenues, and expenditures. The study will also identify and discuss the challenges to macroeconomic (fiscal, monetary, trade, and exchange rate) policies arising from reliance on the energy sector.
Mongolia	Energy Security of Mongolia in the Context of Central Asia Rentsen Batmend	The western region of Mongolia though rich in mineral deposits is unable to exploit them due to lack of sufficient energy resources. The region is dependent for its energy needs on the Russia Federation. This study will provide a detailed analysis of the exploitation of natural resources in the western region of Mongolia, develop a framework for optimal management of resource revenues, and discuss the use of these revenues for enhancing energy security of the region. The project will also explore the challenges related to co-exploiting natural resources of the Western region and using resource revenues to broaden regional development.
Tajikistan	Management of Resource Revenues in the CAREC Region Nuriddin Kayumov	Tajikistan is home to 57% of Central Asia's water resources with annual energy potential of 527 billion kWh. Currently, only a small proportion, 3.5-4% of this potential is being used. This study proposes to evaluate potential of regional cooperation, for example by creating a consortium on the effective use of trans-boundary rivers in the region, in the management of water and energy resources. The paper also will discuss opportunities for regional cooperation on management of labor resources and development of migratory process.
<i>Research Area 3: Macroeconomic Policy Issues in the CAREC Countries</i>		
Kazakhstan	Macroeconomic Policy Issues in the CAREC Countries Sara Alpysbaeva	This study will analyze the conduct of macroeconomic policy in CAREC countries and specifically Kazakhstan. Among the issues examined are (a) the practicality of adoption inflation targeting in Kazakhstan; (b) the impact of financial liberalization on economic growth, poverty reduction and income inequality in Kazakhstan; (c) the risks posed to Kazakhstan's economy in light of the financial crisis; (d) the role of macroeconomic policy in the functioning of labor markets; and (e) the development of proposals for skills upgrading of the labor force
Kyrgyz Republic	Is there a Case for Inflation Targeting in the Kyrgyz Republic? Nurbek Jenish	Inflation targeting (IT) emerged as a key objective and focal point of monetary policy in recent years. IT was recommended as the cornerstone of monetary policy for all countries irrespective of their level of development. This paper examines the prospects and the key challenges of transition towards IT in the

Country	Research Title/Team Leader	Summary
		Kyrgyz Republic. It also identifies the macroeconomic and financial preconditions that should be in place for successful adoption of an IT regime and discusses how Kyrgyz Republic fares with respect to the pre-requisites. The study will also evaluate the costs and benefits of giving up the current monetary regime in favor of adopting IT.
Tajikistan	Influence of Regional Cooperation on the Efficiency of Macroeconomic Policy Nuriddin Kayumov	This study examines the influence of regional cooperation on the efficacy of macroeconomic policy of individual countries in Central Asia. The paper will also identify the effect of economic cooperation on economic and social outcomes.
Uzbekistan	Finance Development, Inequality and Poverty Reduction Janna Fattakhova	Access to credit is the lifeline of an economy. A commonly held view is that financial development and easier access to credit accelerates economic growth which in turn leads to poverty reduction. This premise has assumed greater significance in light of the global financial crisis triggered by defaults in the US sub-prime mortgage segment. This study will evaluate the links between economic growth rates, poverty reduction, income distribution and development of the financial sector.
<i>Research Area 4: Structural Change in the CAREC Region</i>		
Kazakhstan	Structural Change in the CAREC Region Aigul Toxanova	Diversification of the economy is central to economic development and should be at the heart of modern economic policy. This is all the more important in the case of resource rich countries such as Kazakhstan which are dependent on export revenues and as such exposed to shocks in the world markets. This study provides an overview of structural changes in the CAREC countries and identifies obstacles to further changes. The paper will use the “product space” methodology to identify products, focusing on which will help a smooth transition to sustainable growth. It will also provide recommendations on creating conducive conditions for structural transformation in the region.
Kyrgyz Republic	Evaluation of the Effectiveness of Economic Policy Aimed at Structural Reforms in the Kyrgyz Republic Rafkat Hasanov	This study will examine the structural changes that have taken place in the Kyrgyz economy since its independence. A key feature of the project is to use the concept of “product space” to analyze how exports link to structural transformation.
Mongolia	Possible Structural Transformation of Mongolian Exports and Imports in the Context of Cooperation with PRC and Kazakhstan Dulbaa Byambaa	Economic growth is intrinsically linked to changes in the structure of production. Industrialization is the driver of technical change, and overall productivity increases are the result of reallocation of labor from low to high productivity activities. Natural resource rich countries, like Mongolia, need to diversify their production and export base to generate sustainable economic growth. This study will compare the sophistication and revealed comparative advantage

Country	Research Title/Team Leader	Summary
		of Mongolia's export basket with that of PRC and Kazakhstan. With the help of the "product space", the study will identify products for export diversification and those that are in line with the country's existing capabilities. It will also discuss possible ways to develop trade cooperation between Mongolia and Kazakhstan.
Uzbekistan	Structural Changes in the Uzbek Economy: Achievements, Problems and Prospects Nishanbay Sirajiddinov	This project will analyze the industrial policy of Uzbekistan from the perspective of structural transformation. It will also analyze the structure of exports, identify goods where Uzbekistan has a revealed comparative advantage, estimate the sophistication of its export basket vis-à-vis other countries in the region and the world. Using the "product space", the study will identify higher productivity "nearby" products which can be produced in the context of the existing capabilities and develop policy recommendations to stimulate such transition.
<i>Research Area 5: Impact Evaluation of ADB Projects in the CAREC Region</i>		
Kazakhstan	Impact Evaluation of ADB Projects in the CAREC Region Zhamila Bopiyeva	This study will isolate the impact on the welfare of individuals that can be attributed solely to the ADB road projects in Kazakhstan.
Kyrgyz Republic	Impact Evaluation of ADB's Road Rehabilitation Project Zarylbek Kudabaev	Despite large sums of money being spent on infrastructure projects, little is known about the actual impact on the lives of people in the rural areas of the Kyrgyz Republic. The purpose of this impact evaluation study is to establish a causal relationship and attribute the changes in the well-being of the individuals to ADB's road rehabilitation project. The central question being what would have happened to those receiving the intervention if they had not in fact received the project.

Appendix 5: CAREC Institute Small Research Grants Program

Country*	Research Title/Team Leader	Summary
Kazakhstan	Development of Proposals on Improvement of Trade Policies of Kazakhstan and Kyrgyz Republic in post-crisis period Bulat D. Khusainov	The study will develop recommendations to improve the trade policy of Kazakhstan and Kyrgyz Republic, including measures for eliminating unreasonable trade barriers and proposals for increasing competitiveness of the export sector of the countries. It will assess the export sector's influence on the trajectory of sustainable growth under conditions of the global economic crisis.
Kyrgyz Republic	Tariff and Non-Tariff Barriers as Impediments to Trade Between PRC and Kyrgyz Republic Rafkat Hasanov	The study will identify existing barriers and obstacles to the expansion of trade between PRC and Kyrgyz Republic, with a focus on technical regulations, administrative procedures and practices, and financing. It will consider issues related to business environment in the countries and measures to achieve deregulation and liberalization of their economies.
Mongolia	Study of Trade Barriers between Mongolia and Kazakhstan Lamjav Zolbaatar	The study will determine the present condition of trade between Mongolia and Kazakhstan to identify major obstacles in developing trade relations between the two countries. It will develop policy recommendations to address these obstacles and to promote commerce and trade relations on a wider scale.
PRC	Economic and Trade Cooperation Pattern Between Silk Road Fort Kashgar in Xinjiang, PRC, and Border Countries Gao Zhigang	The study will analyze the economic structures of Kashgar in Xinjiang and border countries, with an emphasis on illustrating their comparative advantages, differences in natural resource endowments, regional competitiveness, and potential market opportunity. It will identify feasible and operational cooperation models for promoting regional economic and trade cooperation.
Tajikistan	Research of Perspective Strategy of Development of Trade in Tajikistan and Kyrgyz Republic and Trade-Economic Cooperation of Tajikistan with Kyrgyz Republic Nazarov Abdushkur Abdurakhimovich	The study will propose a strategy of development of the trade-economic cooperation between Tajikistan and Kyrgyz Republic, including an analysis of the condition of trade-economic cooperation between the countries, economic barriers to cooperation with neighbor countries, and measures to stimulate foreign trade and investment.
Uzbekistan	Exploring the Possibility of Adopting a Single Freight Transit Convention by the CAREC Countries as a Tool Influencing the Development of International Transportation and Regional Trade A.A. Mukhidov	The study will analyze the feasibility of adopting a Single Convention on Freight Transit for CAREC Countries and to show its advantages. It will propose general principles and uniform rules of freight transit, and identify ways of increasing the freight flow and transit capacity of CAREC countries.

* Afghanistan selection is pending. Azerbaijan grant was cancelled at the request of the research team.

Appendix 6: Proposed CAREC Institute Work Plan 2010

Training Program			
Activity	Goal	Approach and Timing	Coverage
Executive Leadership Development Program (ELDP)	Provide senior and upper-middle level government officials with direct assistance in professional development to improve their leadership and management proficiency.	One-week residential course for approx. 32 participants. March/April 2010.	<ul style="list-style-type: none"> • Leadership – styles, approaches, practice and communication; • Negotiation, persuasion and influence; • Strategic thinking and planning; • Public sector management; and • Public sector finance.
Public Sector Management Short Courses Program	Provide upper and mid-level government officials with training in public sector management (principles and practice) and public sector finance.	Two-day course for approx. 40 participants. For delivery in three countries in 2010. Country selection and timing for coordination with countries.	<ul style="list-style-type: none"> • Public sector management; • Public sector finance.
Sector committee training and knowledge-sharing activities	Assist in addressing training and knowledge-sharing needs of sector committees.	The Institute will work with committees to support development and delivery of selected training activities. Awareness Workshop on PPPs in three countries	To be determined with sector committees. Potential areas include: <ul style="list-style-type: none"> • WTO-accession related issues with TPCC; • Energy trade and security, energy efficiency with ESCC; • Transport issues with TSCC.
Support for second tier areas	Assist in addressing training and knowledge-sharing needs in selected second tier areas.	As second-tier areas enter the Program the Institute will seek to develop an appropriate schedule of activities.	To be determined.

Research Program			
Activity	Goal	Approach and Timing	Coverage
Creation of a shared knowledge and information base	Present a full picture of what has been achieved in a sector; ongoing and planned investments overlaps or gaps CAREC may seek to address.	Development of <i>CAREC Institute Foundation Study on Energy Sector</i>	Energy.
Research program	Provide intellectual support to CAREC's work in the priority areas of transport, energy, and trade.	The program is being implemented in collaboration with leading international academic institutions and highly regarded research centers in the CAREC countries. Research projects will continue through 2010 with final outputs anticipated in 2011. Research seminars and dissemination of findings will take place as individual papers are finalized.	<ul style="list-style-type: none"> • Structural change, intra-regional trade and economic diversification; • Problems of landlocked economies; • Dependence on natural resources.
Small Research grants Program	Encourage and fund research by local researchers and institutes that will advance regional cooperation among	A workshop to review final draft of research papers is planned for early 2010. Final papers are to be completed in first quarter	See Appendix 5.

	CAREC countries.	2010. Activities to disseminate selected papers will be planned following review of papers.	
Issue-specific papers or studies	Provide timely response to requests for information or analysis from Senior Officials' Meetings, Ministerial Conferences, or sector committees.	<p>Pending endorsement of the draft CAREC Program Results Framework the Institute will work with CAREC countries and partners to implement the Framework.</p> <p>Mid-Term Review of the Performance of the CAREC Institute</p> <p><i>Study on Institutional Impediments to Trade in the CAREC Region</i></p> <p>Additional activities by request from Senior Officials' Meetings or Ministerial Conference.</p>	Development and implementation of a results framework for the CAREC Program.

Outreach and Dialogue Program			
Activity	Goal	Approach and Timing	Coverage
CAREC Institute web site development and maintenance	Provide easy access to a wide range of documents related to the CAREC priority areas and activities. Develop the web site into a recognized knowledge hub on regional cooperation issues for the CAREC region.	Ongoing development and maintenance of the web site in English and Russian.	All aspects of CAREC Program and CAREC Institute work.
CAREC seminars, conferences, and other events	Raise awareness and stimulate discussion and debate on regional issues related to the CAREC Program, and share international perspectives and best practice with the CAREC community.	<p>The Institute will seek inputs from countries and sector committees on appropriate topics and approaches to event development, as well as opportunities for cooperation and co-hosting of activities.</p> <p>The Institute will launch a Distinguished Speakers Series that will seek to bring experience practitioners to the CAREC region for public seminars on selected topics of relevance to the work of the CAREC Program.</p>	<p>The Institute will seek to identify two or three events to co-sponsor in 2010.</p> <p>The Institute will seek to arrange 3-4 events in 2010, in coordination with interested participating countries.</p>
External events	Expand awareness of the goals, work, and achievements of the CAREC Program.	The Institute will identify a small number of high-profile external events each year that it will seek to co-sponsor or participate in.	Regional cooperation issues, with a focus on the CAREC priority areas.
Dissemination Activities	Introduce selected CAREC Program outputs and publications to a broad audience in the region.	Short seminars or press conferences in selected countries.	<p>Potential items include:</p> <ul style="list-style-type: none"> • CAREC Trade Logistics Studies • Central Asia Atlas • Research Program studies