



# CAREC Institute

## Annual Report 2018

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## Abbreviations

ABEC	Almaty–Bishkek Economic Corridor
AC	Advisory Council
ADB	Asian Development Bank
ADB I	Asian Development Bank Institute
AMRO	ASEAN+3 Macroeconomic Research Office
BAC	Budget and Audit Committee
BEPS	Base Erosion and Profit Shifting
BRI	Belt and Road Initiative
CAFS	Chinese Academy of Fiscal Sciences
CAREC	Central Asian Regional Economic Cooperation (Program)
CI	CAREC Institute
CITA	CAREC Integrated Trade Agenda
COP21	21 <sup>st</sup> Conference of the Parties to the UN Framework Convention on Climate Change
CPMM	Corridor Performance Measurement and Monitoring
CRII	CAREC Regional Integration Index
CTTDF	CAREC Think Tanks Development Forum
CTTN	CAREC Think Tanks Network
ERCD	Economic Research and Regional Cooperation Department of ADB
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
G20	Group of Twenty
GC	Governing Council
HVC	Horticulture Value Chain
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
IGA	Inter-Governmental Agreement
KG	Knowledge Generation
KM	Knowledge Management
MDB	Multilateral Development Bank
MFI	Multilateral Financing Institution
MLI	Multilateral Instrument
MOU	Memorandum of Understanding
NSO	National Statistics Office
PRC	People's Republic of China
ROP	Rolling Operational Plan
RKSI	Regional Knowledge Sharing Initiative (ADB-PRC)
RSC	Recruitment and Selection Committee
RTA	Regional Trade Agreement
RVC	Regional Value Chain
SDG	Sustainable Development Goal
SEZ	Special Economic Zone
SME	Small and Medium-size Enterprise
SNA	System of National Accounts
TA	Technical Assistance
TFA	Trade Facilitation Agreement
TRACECA	Intergovernmental Commission of Transport Corridor Europe Caucasus Asia
TRS	Time Release Study
UNCTAD	United Nations Conference on Trade and Development

## Director's Message

The CAREC Institute has completed the fourth year of operations since establishment of its physical base in Xinjiang Uygur Autonomous Region, the PRC. This year has been marked by signing the headquarter agreement with the Government of PRC rendering CAREC Institute the legal status of an international organization. The Institute has developed its five-year strategy aligned with the CAREC 2030, published the research on the topic of macroeconomic monitoring and forecasting in a book format, formalized partnerships with four additional entities, ensured uninterrupted development of the Think Tanks Network by hosting another forum, and delivered demand-driven ten workshops to over two hundred member country government officials to foster their ability to meet country strategy objectives, regional commitments, and sustainable development goals.

In 2018, amidst global economic shifts, fast modernization, climate change, changing demographics, uneven pace of development across countries, the CAREC Program has re-strategized its approaches - in CAREC 2030 - to create an open and inclusive regional cooperation platform that connects people, policies, and projects for sustainable development. So has the CAREC Institute refocused its activities to showcase its strategic relevance and importance as the lead knowledge support arm of the CAREC Program.

With the regional integration objective at its heart, the CAREC Institute engaged with the member countries on numerous issues in 2018 concerning data collection compatibility, unhindered flow of goods, tackling tax avoidance, tourism, energy security and many more to unblock bottlenecks and capitalize on opportunities to achieve joint prosperity.

Risks remain significant with the climate change influencing glaciers of the CAREC mountainous region dramatically, and research suggesting energy security issues in the long term. At the same time, opportunities for tourism are abundant in the region given its rich history and culture, wealth of biodiversity, and arresting natural endowments that traverse national boundaries. Similarly, untapped opportunities exist in adopting innovative public policy instruments to tackle numerous public affairs issues and risks, deploy renewable energy solutions, and match the pace of development of frontrunners in the region to achieve enduring success.

I would like to thank the CAREC Institute staff for their unwavering dedication to the cause, and hard work throughout the year. Further, I would like to extend my special gratitude to the Governing Council of the institute for its wise guidance and oversight, and the Advisory Council for serving as a sounding board and providing prudent counsel regarding new ideas and approaches.

My special appreciation goes to the Ministry of Finance of PRC, CAREC Program Secretariat Asian Development Bank, and all other contributing entities for their unwavering moral, intellectual, and monetary support throughout the year. None of the results would be possible without them.

Looking ahead, we have numerous development gaps to tackle together with our partners across CAREC Program priority sectors: economic and financial stability; trade, tourism, and economic corridors; infrastructure and economic connectivity, agriculture and water, and human development. The CAREC Institute is determined to grow institutionally and strive for more excellence to extend its strategic relevance and importance as the lead knowledge support arm of the CAREC Program.

Bayaraa Sanjaasuren  
CAREC Institute Director

## CAREC Institute Management

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**Mr. Sanjaasuren, Bayaraa**

Director 2017-2019

Mr. Bayaraa served as a Counselor and then Ambassador in the Embassy of Mongolia in Delhi during 2008-2015. He has been reporter and Editor-in-Chief of various newspapers since 1984, and an adviser to international think tanks and non-profit organizations since 1997.

In addition, Mr. Bayaraa held the post of the Executive Director of the Journalist Association in Mongolia and has been a visiting Professor at the National Museum of Ethnology in Japan in 2005-2006.

Mr. Bayaraa studied Physics at Dresden University in Germany (1978-80). He holds MA in Journalism from the Mongolia State University (1984).



**Mr. Liang, Ziqian, Ph.D.**

CAREC Institute Deputy Director One

Mr. Liang has been a senior official of the PRC Ministry of Finance since 1992 until 2015. After serving as a senior advisor to the board of the World Bank in 1992-2001, Mr. Liang took the Board Member post for the China Development Bank in 2008. Since then, he has been engaged as a Council and Committee member and Vice Chair of high profile funds and boards including Global Environmental Facility and Green Climate Fund.

Mr. Liang holds a Diploma in Civil Engineering from the Taiyuan Industrial University, MBA from Zhongnan University, and Ph.D. in Economics from the Chinese Academy of Agricultural Sciences. He is a distinguished fellow of H.J. Heinz scholarship under the University of Pittsburgh (USA).



**Mr. Dosmagambet, Yergali, Ph.D.**

CAREC Institute Deputy Director Two 2017-2019

Mr. Dosmagambet was heading the research division of the National Bank of Kazakhstan in early 90s before moving to the Atyrau Oblast as a Governor and the National Director of Southern Alberta Institute of Technology until 2003. Later he worked in telecommunications regulations and the energy sector before joining the Nazarbayev Endowment Fund and Nazarbayev University as a Team Leader and the Director of Research Department until 2014. He moved into applied research in 2015 under fellowships of the University of Gottingen (Germany) and Pennsylvania (USA).

Mr. Dosmagambet holds a Diploma in Mathematics from the People's Friendship University of Russia, MA in Economic Policy Management and Ph.D. in Economics from the University of Auvergne (France).

# 1) Governance

## a) Governing Council

The eighth meeting of the Governing Council (GC) of the CAREC Institute (CI) was held in December 2018 in Tashkent with the Uzbekistan representative as a Chair.

In the opening session, the GC approved the agenda and discussed the highlights of the first CI AC meeting which was assessed positively. Later, the status of IGA was reported as signed and ratified by ten countries with Kazakhstan being in the process of signing and ratification, and Turkmenistan having already initiated the ratification process.

The CI informed GC that the host country agreement with the PRC was signed which allowed CI to get registered with the Ministry of Foreign Affairs as an international organization. Further, CI presented details of progress made in 2018 with almost all of its approved activities completed including forging new partnerships, conducting ten workshops, training around 250 government officials, holding the third think tank forum, launching the CI's website, and publishing the research on macroeconomic forecasting for the CAREC countries.

The sessions continued to discuss the CI strategy 2022. The GC advised the CI to focus on development of its institutional capacity, and effective advancement of its programmatic activities. The GC endorsed CI's mission, vision, and the goal as stipulated in the strategy. Further, GC suggested the CI to focus more on regional approach rather than country specific needs and demands. On the cooperative partnership, the CI was asked to strengthen its capacity to conduct its own flagship research, and brand its products thoughtfully. The GC stressed the importance of networking and avoiding duplications of similar work in the region.

The GC deliberated on 2019 planned institutional activities and the rolling operational plan (ROP), including, *inter alia*, the ninth GC meeting, the second AC meeting, the fourth think tank forum, the MOU with Xinjiang Uygur Autonomous Region government, enhanced partnership and cooperation with other organizations, expanding two years of cooperation with PRCM, CAREC-BRI collaboration, research grants, scholar exchange program, increased focus on climate change and tourism, cooperation with RKSI, list of workshops and research projects, financial sustainability, the third annual report, and feasibility of CI campus establishment. The GC supported the plan, and further encouraged the CI to focus on research and keep the quality at a high standard.

Discussions continued around recruitment and Secondment plans. The GC approved both with the provision that no new international staff positions would be introduced, only current vacancies would be filled, and only few key positions, especially related to research, might be filled from outside the region in case of protracted recruitment.

Further, the CI management presented the CI's budget report which showcased the 2018 budget utilization at 81% with USD 3.9 m disbursed. For 2019, the CI management proposed USD 4.9 m budget coupled with the ADB TA amounting to a total of USD 7 m. The GC suggested a new format for budget reporting, cost category systemization, improvement of utilization and forecasting, and submission of an independent audit statement.

While presenting the discussion paper on financial sustainability, the CI management used examples of the UN and IFAD, and suggested six scenarios for country contributions for GC consideration. Further, the GC was asked to establish a working group. The GC agreed unanimously and instructed CI to seek nominations from member countries electronically.



The GC continued work assessing the CI's institutional improvement package suggestions which included member countries to nominate two candidates for the Director position which will continue to be on the basis of alphabetical rotation every two years; Deputy Director One (DD1) will continue to be nominated by PRC; Deputy Director Two (DD2) post will be open to all member countries with an open and transparent selection process every two years. The Recruitment and Selection Committee (RSC) recommendations were reviewed for the DD2 position and the candidate from Uzbekistan was approved. It was also decided that CI will develop revised RSC procedures for approval of GC to make the process of selection and approval more transparent. Additionally, the GC approved that the CI Director will have voting rights in selection of DD1 and DD2 in future, and further ruling was made regarding change of country composition in the RSC and the Budget and Audit Committee (BAC).

It was proposed 1) to introduce more than three steps for the international and national staff salary levels which was approved with a requirement to elaborate details in a separate proposal; 2) hire visiting fellows, interns, and volunteers to have a flexible pool of human resources; 3) extend the three-year term for unit heads where GC recommended maintaining current contractual provisions but allowing incumbents to compete for newly advertised positions; 4) allow flexibility in regrouping and renaming unit head titles to which the GC had no objections as long as this did not entail any budgetary implications; 5) revise financial standards, travel allowance rates and other expenses to align them with other similar international organizations to which the GC agreed with a requirement to elaborate details in a separate proposal.

The eighth GC meeting concluded to continue online collaboration and reconvene in December 2019.

Picture 1: The eighth meeting of the CAREC Institute Governing Council in Tashkent, December 2018



## b) Governing Council Members

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### **Mr. Khalid Payanda**

Deputy Minister of Finance, Afghanistan



In 2003, Mr. Khalid Payanda joined the Ministry of Rural Rehabilitation and Development of Afghanistan, later to move to the World Bank office in Afghanistan as an Economist (2006-8) to work on the Afghanistan Reconstruction Trust Fund program.

Mr. Payanda joined the Ministry of Finance in 2010 as a Senior Advisor to the Minister until 2015, then worked as a Director for Macro-Fiscal Performance General Directorate until 2017. During these years, Mr. Payanda advised the Council of Ministers and the President of Afghanistan on a broad range of public policy and economic issues, including public financial management reforms.

Mr. Khalid Payanda is a Fulbright scholar. He holds an MA in Policy and Development Economics from the University of Illinois at Urbana-Champaign (USA).

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### **Mr. Sahib Mammadov**

Deputy Minister of Economy, Azerbaijan



Mr. Mammadov started his career in 2001 in the European Union TACIS project, later to move to the IOM office in Azerbaijan to work on migration issues, followed by work at the European Commission in Azerbaijan.

Mr. Sahib Mammadov joined the government in 2004 as a Chief Adviser and Head of Department at the Ministry of Economic Development, later to be appointed as a Deputy Minister of Economy and Industry of Azerbaijan in 2013.

Mr. Mammadov holds BA and MA in international law from the Kiev State University, a Diploma in Finance from the Azerbaijan State Economic University, and Ph.D. in Public Administration from the University of Water and Environmental Engineering in Ukraine.

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### **Mr. Genadi Arveladze**

Deputy Minister of Economy & Sustainable Development, Georgia



After the private sector experience in Georgia and USA during 2007-10, Mr. Arveladze joined the Tbilisi City Hall to head the Department of EU Programs and International Cooperation until 2012, to embark on a governmental career as the Head of Foreign Trade and International Economic Relations in 2012.

Mr. Arveladze represented Georgia in WTO. He was Georgia's chief negotiator on the Free Trade Agreement with China and the European Free Trade Association Agreement. Currently, he is in charge of implementation of the Deep and Comprehensive Free Trade Area stipulated by the EU-Georgia Association Agreement.

Mr. Genadi Arveladze holds an MA in Liberal Studies from the City University of New York (USA).





**Mr. Liu, Weihua**

Deputy Director General, Ministry of Finance, PRC

Mr. Liu serves as the Deputy Director General of the Department of International Economic and Financial Cooperation of the Ministry of Finance (MOF) of the People's Republic of China (PRC). Simultaneously, he acts as the Executive Director of IFAD for PRC.

Mr. Liu has been engaged in international economic and financial cooperation for more than 20 years. He held the position of Director in various divisions of the International Department, as well as the Department of International Economic and Financial Cooperation of MOF. He also worked as the Senior Advisor to the Executive Director of the World Bank Group PRC office for several years.



**Mr. Batkhuu Idesh**

Director-General, Ministry of Finance, Mongolia

Mr. Batkhuu Idesh serves as a Director-General of Development Financing Department in the Ministry of Finance of Mongolia. In his previous capacity, he worked as the Head of Projects and Cooperation Unit of Capital City Ulaanbaatar's Governor's Office.

Mr. Batkhuu holds MA in Economics from Seoul National University and BA in Economics from Inha University, Republic of Korea.



**Mr. Syed Mujtaba Hussain**

Joint Secretary, Economic Affairs Division, Pakistan

Mr. Hussain has been a lead negotiator for Pakistan in climate change negotiations under the UNFCCC. He serves as an NFP for the CAREC Program. Mr. Hussain has 23 years of professional experience in project and portfolio management for development interventions of the United Nations agencies, ADB, USAID, DFID, JICA, and other donors in the sectors of environment, energy, transport, agriculture, water, infrastructure, including urban management. He has implemented projects in remote areas of the country organizing local communities and building their resilience.

Mr. Hussain holds Diploma in Engineering and Technology from the Lahore University, M.Sc. in Environmental Engineering from the Queens University of Belfast. He is a recipient of a Hubert H. Humphrey Fellowship in Environmental Planning, Natural Resource Management and Climate Change under Cornell University (USA).

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**Mr. Ruslan Dalenov**

Minister of National Economy, Kazakhstan

Mr. Dalenov started his career in 1999 as a Leading Specialist, then Head of Oil, Gas and Energy Division and Head of the Department for Analysis of the Ministry of State Revenues of Kazakhstan. He worked in the same Ministry on senior posts until 2003 before moving to the Ministry of Finance as a Director of the Revenue Analysis Department, later to join the private sector until 2008.

Mr. Dalenov rejoined the government in 2008 as the Vice Minister of Finance, to be appointed as the First Vice Minister of National Economy in 2017, to become the Minister of National Economy of Kazakhstan in 2019.

Mr. Dalenov holds a Diploma in Economics from the Marmara University in Istanbul.



**Mr. Avtandil Alybaev**

Deputy Minister of Economy, Kyrgyzstan

In 1994, Mr. Alybaev joined the USAID-funded project as an Enterprise Specialist under the Talas Oblast Regional Auction Center of the State Property Fund, later to work with the Commission on Securities Market in the same Oblast until 2001. During 2006-2014, Mr. Alybaev held various senior posts in the government at the State Agency for Financial Supervision, Ministry of Economic Development and Trade, and Finance and Credit Policy Department of the Office of Government.

In 2018, he became Head of Macroeconomic and Financial Market Analysis Division of the National Bank of Kyrgyzstan to be appointed as a Deputy Minister of Economy in May 2018.

Mr. Alybaev holds a Diploma in Economics from the Kyrgyzstan State National University.



**Mr. Shukhrat Vafaev**

Deputy Minister of Investments and Foreign Trade, Uzbekistan

In 1991, Mr. Vafaev joined the Tashkent Architectural Institute as Assistant Professor, and moved to the banking sector in 1996 until 1999. In 2000, Mr. Vafaev embarked on his governmental career under the Cabinet of Ministers of Uzbekistan. He served as an Advisor to the IMF and the World Bank Group during 2002-2007, to join the Ministry of Finance in 2007, and then become an Executive Director of the Fund for Reconstruction and Development of Uzbekistan in 2010, followed by the post of the Deputy Chairman of State Investment Committee in 2018.

Mr. Vafaev holds a Diploma in Civil Engineering from Moscow Institute, MS in Banking from Tashkent State Economics University, MIPP in Development Economics from John Hopkins University.



**Mr. Nematullo Hikmatullozoda**

Minister of Economic Development and Trade, Tajikistan

Mr. Hikmatullozoda started his career in 1992 as a Chief Expert and later the Head of Economic Department in the Ministry of Communications of the Republic of Tajikistan.

From 2001 till 2007 he was assigned as the Head of the Department of Economic Reforms and Investments in the Executive Office of the President of Tajikistan and during 2007-2012 he was a Senior Adviser to the President of Tajikistan on Economic Policy.

In 2012, Mr. Hikmatullozoda was assigned as the First Deputy Minister and in 2015 – as Minister of Economic Development and Trade of Tajikistan.

Mr. Hikmatullozoda holds Diploma in Economics from the Moscow Institute of National Economy named after Plekhanov and another Diploma in Economics from the Russian Academy of Civil Service under the President of the Russian Federation.



**Mr. Batyr Bazarov**

Minister of Finance and Economy, Turkmenistan

Mr. Bazarov started his professional career as an accountant in a commercial bank in Turkmenistan in 1997. In 2001, he moved to a private holding as a Head of Budget Department.

During 2002-2010, Mr. Bazarov worked as a Chief Economist in the Lebap Region, later to supervise the main department of the Lebap Region under the Ministry of Economy until 2014.

In 2014, Mr. Bazarov was appointed as a Director of an Agency safeguarding against economic risks under the Ministry of Economy and Development of Turkmenistan, where he became the Minister in 2016. Since 2017, he holds the post of the Minister of Finance and Economy of Turkmenistan.

Mr. Bazarov holds a Diploma from Turkmenistan Pedagogical Institute with specialty in mathematics and engineering. He graduated from the Moscow Commercial Institute as an Economist. Mr. Bazarov also studied at the Academy of Public Service under the President of Turkmenistan.

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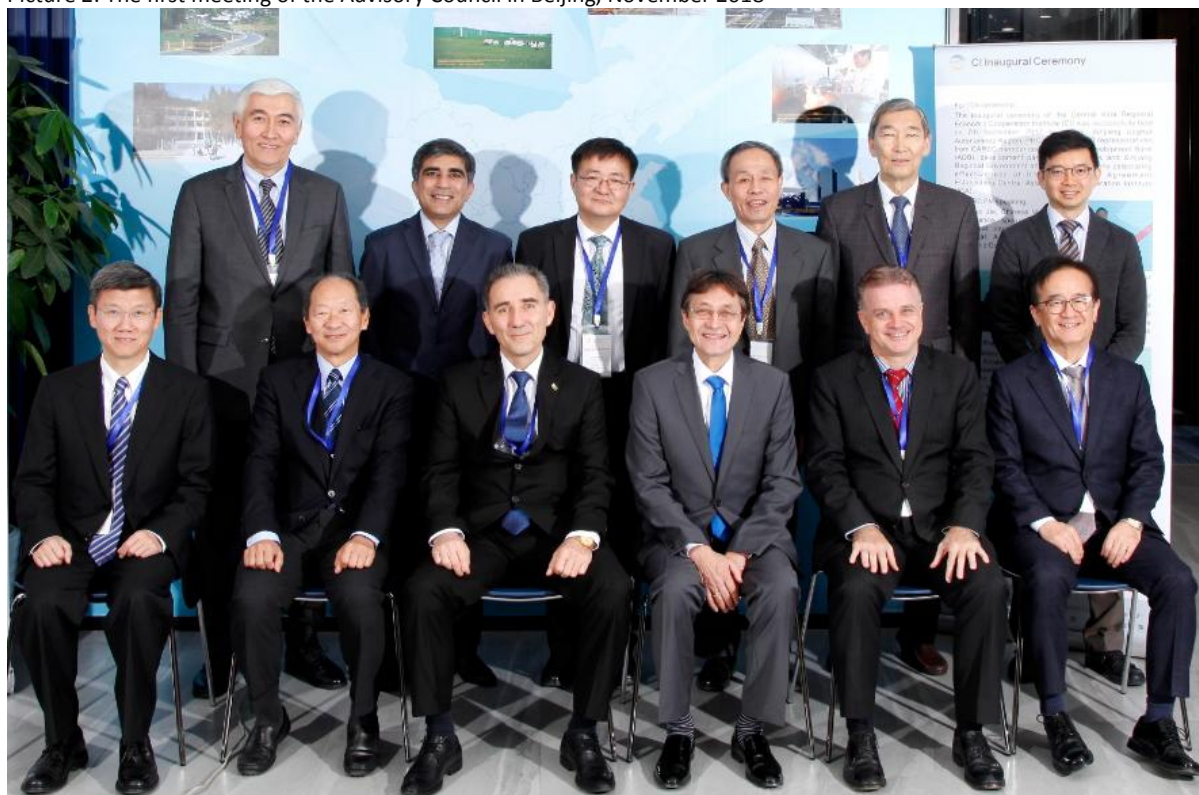


### c) Advisory Council

The Intergovernmental Agreement (IGA) establishing the Central Asia Regional Economic Cooperation Institute (CI) which entered into force on 28 August 2017, stipulated formation of the CI Advisory Council (AC) to serve as a sounding board and counsel the CI on ideas to enhance its strategies and approaches. The 7th Governing Council (GC) meeting held in Xiamen in December 2017 endorsed rules of procedure of the AC. The rules divided the countries into two groups: A and B. the GC further decided that the AC activities would start from group B comprised of Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan, majority of whom nominated scholars and experts from their respective countries. The Turkmenistan representative was elected as a Chair with the CI Director as the AC Secretary. The chairmanship was agreed to rotate alphabetically every year (with Tajikistan and Uzbekistan in line). Additionally, the CI was mandated to invite five eminent professionals from the region and beyond as special guests. This status was conferred to representatives of the Asian Development Bank, the Nazarbayev University of Kazakhstan, the Asia Pacific Development Finance Institute of PRC, and the Islamic Development Bank.

The first AC convened in November 2018 in Beijing. The agenda included emerging economic trends, the CI's strategic framework, financial sustainability, and CAREC-BRI collaboration.

Picture 2: The first meeting of the Advisory Council in Beijing, November 2018



The AC highlighted that proximity of the CI's office to member countries gave it a strong advantage to work closely with respective entities and deliver knowledge services. It was also discussed that the CI's mandate and ability to network was its key strength. The AC advised that CAREC clusters were wide-ranging and the CI would need to prioritize research within clusters, introduce research product lines, conduct country-specific research, and look into budgetary allocation analysis of the SDG economics. Further, integrating technology and delivery of services through IT was emphasized.

Finally, the AC advised to look into best practices of other regional collaboration platforms, such as the ASEAN+3 Macroeconomic Research Office (AMRO).

To expand the CAREC-BRI collaboration, the AC advised incorporating knowledge corridors in this collaboration framework as there are significant knowledge asymmetries within CAREC especially about laws, taxation structures, and accounting standards. The AC reasoned that CI could play a major role in addressing these knowledge asymmetries.

On the topic of financial sustainability, the CI proposed scenarios based on the UN contribution system and member country voluntary donations to diversify the three main current sources: a) Government of PRC, b) Asian Development Bank through its technical assistance (TA), and c) in-kind support through the member government Secondment. The AC agreed that the country contribution would be the important source for CI's long-term financial sustainability, however further diversification was proposed. The CI was advised to offer to GC the formation of a working group on this topic.

The special guests held discussions on emerging challenges in the region and ensuing opportunities for the CI. The variety within the region, need for economic diversification, issues of equity and growth, the need to convert some landlocked CAREC economies into land-linked economies were discussed. It was noted that CAREC and BRI were good initiatives to address these issues. The AC urged the CI to continue guiding knowledge initiatives as a robust regional think tank, focus more on digital delivery, and explore possibilities of communities of practice and research task force.

The first AC meeting was noted a resounding success. The AC proved itself as a sounding board and a source of new ideas for the CI to consider.

Picture 3: During the 8<sup>th</sup> Governing Council meeting in Tashkent, December 2018





## 2) CAREC Institute Strategy 2022

In 2019, the CAREC Institute (CI) marks ten years of helping the CAREC member countries and partners in providing support to CAREC program through research, knowledge services, and knowledge management. The CI continues supporting and collaborating with member countries, partners, and other stakeholders. The organization's focus is building and developing a culture of knowledge sharing, research, and capacity building across the CAREC member countries and unifying all levels of cooperation between partners and governments into an integrated approach to regional economic development.



# 6 PRINCIPLES

ALIGNMENT WITH **CAREC** PROGRAM

CONSISTENCY WITH BEST PRACTICES

TRANSPARENCY

BALANCE

FAIRNESS AND EQUITABILITY

COLLABORATION

The CI 2018-2022 strategy provides a framework for supporting the CAREC member countries through knowledge generation, knowledge services, and knowledge management. The document builds upon the foundation established by the CI in previous years and aligns objectives with **CAREC 2030 priorities**.

In developing this strategy, the CI used a methodological planning process which included participation of staff and various stakeholders, consultants and experts through numerous engagement platforms and meetings. Discussions focused on current challenges and opportunities, where the organization needed to be in five years, and how it would get there.

During 2018-2022, the CI will focus on **two main strategic goals** - institutional strengthening and operational excellence - and invite the member countries, partners,

and other stakeholders to adopt these shared priorities. The CI will drive progress through **seven strategic objectives** which highlight meaningful ways that CI can focus on its workforce, achieve financial sustainability, enhance organizational capacity, advance research mechanisms, strengthen

## 5 CAREC THEMES:

ECONOMIC AND FINANCIAL STABILITY  
TRADE, TOURISM, AND ECONOMIC CORRIDORS  
INFRASTRUCTURE AND ECONOMIC CONNECTIVITY  
AGRICULTURE AND WATER  
HUMAN DEVELOPMENT

knowledge management, up-scale knowledge services, and promote partnerships and networking with other entities.

The implementation of the CI strategy rests on **six guiding principles** for all core focus areas to achieve goals and objectives by 2022, namely: alignment with CAREC Program, consistency with international best practices, transparency, balance, fairness and equitability, and collaboration.

Amidst contextual, institutional, operational, and financial sustainability challenges, the CI will act as a knowledge connector among the **five CAREC thematic areas** to ensure coherence and in design and implementation of policies, programs, and projects to promote regional economic cooperation and integration. The CI's approach is to deepen its existing work in the first three CAREC cluster areas - economic and financial stability; trade, tourism, and economic corridors; infrastructure and economic connectivity - and gradually expand into two additional clusters - agriculture and water, and human development.

The demand for such research would emerge from the CAREC Ministerial Council, Senior Officials Meeting, Sector Coordinating Committees, CI Governing Council, CI Advisory Council, and other fora. The CI will actively utilize different clusters under the CAREC Program as a source of topics and themes for policy research. Following are some of the proposed mechanisms to enhance research capacity: i) collaborative research with institutions and development partners; ii) research workshops, public seminars, and presentations by distinguished experts and visiting scholars; iii) call for research proposals; iv) research fellowships (resident and non-resident), post-doctoral studies and internships; and v) small research grants program. Finally, the CI will focus on finding technical solutions to pilot online and cascade trainings to reach a wide range of stakeholders, customize its knowledge products, and improve dissemination channels to build on opportunities and achieve goals of this strategy.

## 2 GOALS

INSTITUTIONAL STRENGTHENING  
OPERATIONAL EXCELLENCE

## 7 OBJECTIVES

WORKFORCE DEVELOPMENT  
INSTITUTIONAL STRENGTHENING  
FINANCIAL SUSTAINABILITY  
ADVANCING RESEARCH MECHANISMS  
STRENGTHENING KNOWLEDGE MGMT  
UP SCALING KNOWLEDGE SERVICES  
FORGING PARTNERSHIPS

### 3) Financial Highlights

#### a) 2018 Budget Utilization Summary, 000, \$

	Plan	Actual	Rate
<b>Operational activities</b>			
Governing Council meeting	120	116	97%
Third Think Tanks Forum	150	72	48%
Consultants for operational activities	30	-	0%
Legal services	40	40	100%
2017 annual report development	10	8	80%
Secondment and capacity building	30	10	33%
Advisory Council meeting	80	50	63%
External auditor	50	-	0%
<b>Operational activities, sub-total</b>	<b>510</b>	<b>296</b>	<b>58%</b>
<b>Programmatic activities</b>			
Workshop activities	350	305	87%
Research activities	150	89	59%
Program and partnership development travel	50	29	58%
Consultants for programmatic activities	50	12	24%
<b>Programmatic activities, sub-total</b>	<b>600</b>	<b>435</b>	<b>73%</b>
<b>Non-operational expenditure</b>			
Staff salary and benefits	2,171	2,212	102%
Benefits for secondees	330	127	38%
Administrative expenses	350	241	69%
Office rental	746	615	82%
<b>Non-operational expenditure, sub-total</b>	<b>3,597</b>	<b>3,195</b>	<b>89%</b>
<b>Capital expenditure</b>			
Website development and launch	80	10	13%
Computer and telecon equipment	80	20	25%
Institute campus design	30	-	0%
<b>Capital expenditure, sub-total</b>	<b>190</b>	<b>30</b>	<b>16%</b>
<b>Grant total:</b>	<b>4,897</b>	<b>3,956</b>	<b>81%</b>

#### b) 2018 ADB TA Utilization Summary, 000, \$

Plan	Actual	Rate
<b>1,160</b>	<b>1,416</b>	<b>122%</b>

#### c) Partner Contribution for 2018, 000, \$

	Plan	Actual	Rate
Kyrgyz National Institute of Strategic Studies (NISS) for TTDF		20	
ADBI - workshop support		307	
ERDI - workshop support		31	
EAPF - workshop support		24	
CWRC - workshop support		17	
Nazarbayev University, Kazakhstan		10	
ERCDC - workshop support		9	
SAT - workshop support		8	
CWER - workshop support		8	
	<b>330</b>	<b>434</b>	<b>132%</b>

## 4) Building Partnerships

### a) CAREC Think Tanks Development Forum

Realizing its role as a knowledge support arm of the CAREC 2030 agenda, the CI, in collaboration with the National Institute of Strategic Studies of Kyrgyzstan, organized the third CAREC Think Tanks Development Forum (CTTDF) in Bishkek in July 2018 with the theme of building knowledge corridors along the Silk Road.

With the belief that connectivity is a multidimensional concept, and knowledge corridors, on top of hard and soft infrastructure, translate into connectivity of ideas and knowledge; and with the assumption that the region lacks effective mechanisms for promoting regional knowledge integration, that the knowledge corridor is the missing link for completing the connectivity paradigm, the CI convened the key players in the forum to deliberate on this topic.



**Harnessed and carefully processed knowledge can drive regionalism.**



The third CTTDF brought around 130 key stakeholders (universities, think tanks, governments, and business sector) with the potential of building, influencing, and maintaining the knowledge corridors. The forum aimed at initiating the intellectual discourse to build consensus and synergies to contribute in building such virtual infrastructure along with the economic corridors of the Silk Road.

Picture 4: Farhad Taghizadeh-Hesary from ADBI speaking at the third CTTDF



The forum was designed to provide a holistic understanding of the knowledge corridors by introducing global, regional, and country-specific perspectives, and then narrowing down the discussions and ideas to the role of each group - universities, think tanks, government officials and business sector - in building knowledge corridors. The forum was divided into two segments. The components of the first segment aimed to collate and map the respective ideas and suggestions on the mainframe of the knowledge corridor that were extracted from panel discussions and breakout sessions. The second segment comprised of parallel sessions of intra-university, intra-government, intra-think tank and intra-business discussions. This segment provided dialogue opportunity to each group to discuss their respective roles in providing solutions to eliminate the key issues confronting the region and building the knowledge corridors. The forum covered a wide range of topics including intra-regional trade connectivity and economic integration, investment and tourism, new approaches to regional markets and technology transfers, regional employment generation, and strategies for making knowledge corridors a reality through creating knowledge park networks and building on strengths of academia, think tanks, business and government stakeholders as well as development partners.

Picture 5: Professor Aradhna Aggarwal from Copenhagen Business School at the third CAREC TTDF



The forum concluded that knowledge corridors will have physical dimensions but they will be virtual in nature (with internet as an appropriate ICT counterpart), an interconnected web where thoughts and ideas of knowledge enablers (government), knowledge articulators (think tanks), knowledge generators (universities), and transformers (business sector) interact to develop directional frameworks and translate knowledge into tangible gains. The premise was that harnessed and carefully processed, not controlled, knowledge would drive regionalism.



During the forum, several policy actions were proposed to governments to trigger the process and enable it, to link knowledge generation with business needs, and for universities and think tanks to articulate knowledge to make it useful for business.

The CAREC Think Tanks Network (CTTN) was assigned the role of a secretariat to coordinate, control quality and assure knowledge exchange across the knowledge corridors, assess feasibility of physical and virtual connectivity among various networks, deliberate on regional copyright issues, choose the themes derived from CAREC 2030, and furnish them to the knowledge network.

## **b) Cooperation with the TRACECA, SDPI, CAFS, and XNAI**

In 2018, the CAREC Institute focused on networking and expanding its partnerships to deliver informed and quality work aligned with CAREC 2030, sustainable development goals, and the 21<sup>st</sup> Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21).

### **Transport Corridor Europe Caucasus Asia (TRACECA)**

The following common interest and areas of cooperation were identified with the Intergovernmental Commission of Transport Corridor Europe Caucasus Asia (TRACECA):

- ✓ Promotion of investment in transport infrastructure, including intermodal chains (dry ports) of the CAREC region.
- ✓ Promotion of development of international transport and transit along TRACECA routes.
- ✓ Practical realization of PPP by maintaining the ongoing dialogue on international transport and by coordination among relevant entities.
- ✓ Simplification and harmonization of border-crossing documentation and procedures including the application of IT technologies in international transport.
- ✓ Targeted trainings in harmonization of international normative legal acts in transport.
- ✓ Promotion of effective operational practices and the improvement of the efficiency of intermodal transport and logistics.
- ✓ Promotion of harmonization of transport tariff policy.
- ✓ Development and maintenance of transport databases including GIS.
- ✓ Promotion of policy measures for mitigating the relevant environmental impacts.
- ✓ Promotion of safety in the field of transport.
- ✓ Development of effective strategies and programs for human resource development (targeted trainings) in multimodal transport and logistics.

### **Sustainable Development Policy Institute (SDPI)**

The CI entered into the MOU with the Sustainable Development Policy Institute (SDPI) who is one of the prominent global think tanks whose work on food security and food and water security issues has been recognized globally.

This independent non-profit organization serves as a source of expertise for policy analysis and development, policy intervention, and provides evidence-based policy solutions to inform policy decisions.

This partnership will enhance CI's role in analyzing the issues confronting CAREC countries amid the growing needs to address the challenges of food and water security, climate change, urbanization, overpopulation, and use of land and water resources.

## Chinese Academy of Fiscal Sciences (CAFS)

The CI and CAFS joined hands to identify topics for research across CAREC region, promote regional economic cooperation, tap into resources of experts and staff members, exchange research materials, organize targeted trainings, recruit and nurture graduate students with finance major from CAREC countries, and hold international seminars to share findings.

The partnership has already translated into research titled:

- ✓ Risk management of infrastructure financing based on sustainable development in PRC
- ✓ Agriculture SME financing practices of PRC and their experience sharing for CAREC members

On the eve of forty years of PRC reforms, the CAREC Institute in collaboration with the Chinese Academy of Fiscal Sciences (CAFS) has initiated an ambitious research agenda to share the policy lessons of the PRC with fellow member countries in the region to customize these policy experiences and fast track their development agenda. The research is scheduled to be published as a book in 2019:

- ✓ Trade policy and trade facilitation reform
- ✓ Fiscal policies for development
- ✓ PPP financing to promote infrastructure construction and development
- ✓ Public sector reform
- ✓ Sustainable urbanization and municipal services
- ✓ E-commerce policies and practices
- ✓ The policies and practices of promoting SME development in PRC
- ✓ The policies and practices of poverty reduction in PRC

Picture 6: Two Deputy Directors of the CAREC Institute



## **Xiamen National Accounting Institute (XNAI)**

The CI entered into the MOU with the Xiamen National Accounting Institute to build a solid think tank, conduct joint studies on financial and economic issues of CAREC countries along the Belt and Road Initiative, provide intellectual support for informed decision making, hold forum on finance and economics topics, provide joint trainings to member countries, jointly enroll master's degree candidates with accounting majors from CAREC countries in training and internship programs, tap into each other's expert resources, and exchange research materials.

## **5) Knowledge Generation**

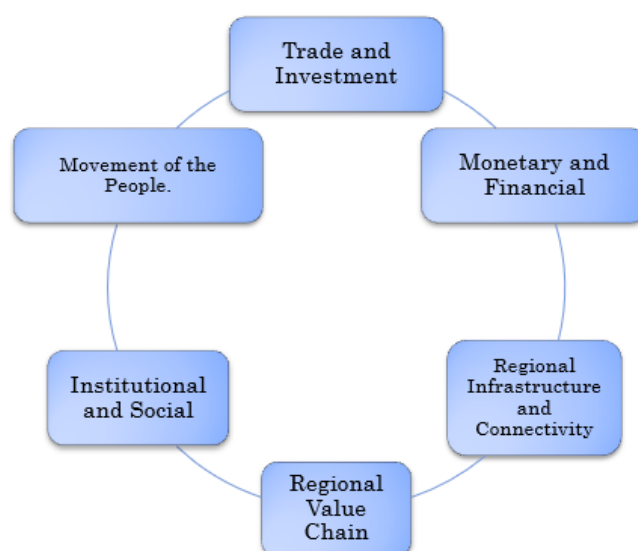
The CAREC Institute's research portfolio 2018 focused on providing high-impact knowledge solutions and analytical underpinnings to facilitate an open and inclusive regional cooperation. The CI aimed at identifying research areas yielding high returns to regional approaches for catalyzing technically sound and balanced development solutions synergizing national development challenges and priorities with regional aspirations. To promote CAREC Program's strategic goals of expanding trade and improving competitiveness, CI pursued collaborative research strategy by networking with the development partners (ADB and ADBI) and leading regional think tanks.

### **a) CAREC Regional Integration Index**

The CAREC Regional Integration Index (CRII) is a flagship research project of the CAREC Institute to measure the depth and extent of integration among the CAREC member countries. The CRII has been developed in collaboration with the Regional Cooperation and Integration Division in the Economic Research and Regional Cooperation Department (ERCD) of the Asian Development Bank.

The CRII is a composite weighted index comprising of the following six dimensions with 26 indicators capturing diverse socioeconomic aspects of the regional integration. The CRII aims to provide a user-friendly tool for both the public and private stakeholders (including policy makers and decision makers) to assess the level of regional cooperation and integration along six dimensions to identify gaps.

### **SIX DIMENSIONS OF THE CRII**



The index scores range from 0 to 1. A low score signifies low integration. The index takes into account heterogeneities in terms of size, scale, scope, institutional and market capacities (domestic margins), asymmetries (negotiations and bargaining), and macroeconomic vulnerabilities that characterize the region.

The findings of 2018 included that among the six dimensions of the CRII, the dimension VI 'Institutional and Social Integration' and Dimension V 'Movement of People' have the highest scores. It is then followed by dimensions III and IV, which are 'Regional Value Chain' and 'Infrastructure and Connectivity' respectively. The dimension I 'Trade and Investment' and dimension II 'Money and Finance' demonstrate the lowest cooperation and integration across CAREC countries.

In order to leverage its cooperation and integration potential, recommendations of the CRII analysis include scaling up political commitment, improving trade facilitation, streamlining the rules and procedures, reducing regulatory burden and costs to promote cross-border trade and opening up the service sector under the WTO General Agreement on Trade in Services.

## b) Policy Perspective: Deepening the CAREC Regional Cooperation and Integration

The research paper provided deeper policy analysis and perspectives on the findings of CRII. The CRII findings underscore the need to enhance the CAREC regional cooperation and integration which at present can be categorized as sub-optimal compared with other sub-regional groupings in Asia.

The policy perspective on the CRII pinpoints at areas of vulnerability, provides a menu of suggestive measures (policy coordination and harmonization) for a targeted strategy, and gives prescriptions for member countries based on their individual index scores. These policy interventions, in turn, should have an impact on regional integration. Some of the proposals include:

**Trade and Investment:** elaborating trade promotion strategies to identify comparative advantages; removing the regulatory barriers to cross-border trade; reforming labor markets and promoting intra-regional labor exchanges; conducting research on trade in services; undertaking a comparative study of trade and investment policies; conducting comparative analysis and case studies with ASEAN, Greater Mekong Sub-region (GMS), and South Asian Association for Regional Cooperation (SAARC); achieving economic diversification to create value-added products; making progress on trade liberalization.

**Money and Finance:** development of the strong financial and monetary domestic regulatory regime for modernization of the banking sector and related financial institutions; managing risks of capital account liberalization; enhancing the role of central banks in financial and monetary integration to enable better access for SME.

**Institutional and Social Integration:** conduct case studies on FTA, RTA, intra-regional knowledge exchange programs; establish intra-regional working groups and business councils; map the terrain of multilateral and bilateral RTA to avoid the "noodle bowl"<sup>1</sup> effect in CAREC; review the collective action problem: lessons from the EU; study the impact of RTA on economic growth in CAREC member countries; examine the role of Multilateral Financing Institutions (MFI).

This CRII is intended as an ongoing research for the CAREC Institute. Further plans include efforts at monitoring integration progress on an annual basis to respond to the knowledge and policy support needs of member countries.

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<sup>1</sup> Complication which might occur when applying domestic rules in multilateral FTAs.

### c) CAREC RVC: a Case Study of Garment Sector in Kyrgyzstan

The research study on Regional Value Chains (RVC) is a subset of the CRII research project. The RVC constitutes one of the six dimensions of the CRII. The role of RVC in intra-regional trade is very significant in light of the crucial participation of business enterprises to spur cross-border trade. The data from the CRII revealed that RVCs in the CAREC region are at a low level of development, one of the lowest in the Asia-wide region and much lower than East and Southeast Asia. The logic for this study, therefore, was to investigate the factors that contribute to the low level of RVC development and propose policy measures that will correct this deficiency. Through the lens of the Kyrgyzstan case study on garments, the RVC analysis yielded strategic policy lessons by examining the prospects, problems, and potentials to expand value chains throughout the region.

Among these lessons are: i) a stable macroeconomic environment to support the operation of firms and businesses; ii) capacity building for firms and enterprises to capture the benefits of RVC; iii) special assistance to SME as these constitute the bulk of economic activity throughout the CAREC region; iv) access to finance for SME for upgrading activities to advance along the value chain and establish links with overseas markets and assistance in expanding beyond the region; v) easing of the regulatory burdens to facilitate cross-border trade, cutting transaction costs and time to simplify procedures on both sides of the border; and vi) establishing links with business associations, collective bodies, and networks that perform valuable tasks in terms of knowledge sharing about market outlets, customer preferences, industry regulations and procedures, modern technologies, sponsor trade shows, establish representation in overseas markets to expand business contacts.

The RVC study provides a template for future studies for CAREC member countries in other potential sectors (e.g., agriculture, energy, tourism). It is envisioned that similar case studies of RVCs in different countries will yield important policy insights in deepening the regional integration, and providing comparative policy lessons.

### d) Leveraging SME Finance through Value Chains in the CAREC Landlocked Economies

The CAREC Institute pursued a collaborative research project with ADB and ADBI to study SME financing through value chains in the CAREC landlocked economies. The research focused on identifying cultural, procedural, institutional and regulatory incentives, disincentives and barriers faced by SME to access finance, and the reasons for rejection. The research assessed the opportunities of SMEs to link with both domestic and global value chains and the potential impact of this on their access to finance. The research was organized through the call for research paper mechanism followed by a research inception workshop held in Beijing in June 2018. The findings were shared during the ADB-ADBI-CI research conference at the Nazarbayev University in Astana in November 2018.

The subsequent policy recommendations included improvement of access for SME to project and trade finance, especially in the agri-business sector, considering PRC lessons. The study provided the policy framework to nurture and support SME with regards to effective regulatory environment, access to finance (banks, capital markets, start-up finance and non-traditional micro-lending or community lending, risk capital), incentives and programs funded by foreign donor institutions, guarantee schemes, improving skills (entrepreneurial training), developing networks among SME, and use of information and communication technology.

The seven country studies and regional synthesis papers have been widely disseminated through the online media. A joint publication in a book format is scheduled to be completed in 2019.



## e) Measuring Impacts and Financing of Infrastructure in CAREC Countries

This research project on financing of infrastructure was organized with support of ADB and ADBI. The findings provided an objective assessment of the current capacity of CAREC member countries to finance infrastructure from both public and private funds; and barriers which may limit such financing relative to required infrastructure needs.

The project proposed new avenues for closing the infrastructure investment gaps, including the PPP mechanism, infrastructure bonds and land-value capture schemes. The research findings identified some of the key regulatory, institutional, and implementation challenges faced by the private sector to participate in infrastructure projects in light of the global best practices. The country studies proposed a framework for evaluating viable projects, and risk management strategies for developing risk mitigation models, instruments, and techniques.

The research provided country specific case studies to estimate the impact of specific projects along six economic corridors of the CAREC region. This included estimating the impact of infrastructure projects across given outcome variables, such as GDP, value added to the sector, number of newly established enterprises, trade turnover, fiscal revenues, etc.

Conducting this research for several CAREC countries has provided new evidence on the size of spillover effects such projects can have for the private investors in the short- and medium-term.

Picture 7: Research conference on financing of infrastructure, Astana, 2018.



## f) Review of Trends, Challenges, and Opportunities for Agricultural Development

The CAREC Institute, in collaboration with ADB and IFPRI, carried out a joint research project to review trends, challenges, and opportunities for agricultural development in the CAREC member countries. This study was to expand the joint ADB-IFPRI-CI research workshop on challenges, opportunities, and policy options for agricultural development and animal disease control in central Asia which was organized in December 2016 in Shenzhen, PRC.

The study looked into agricultural reforms and production trends, land tenure and policy, grain and livestock sector issues, value chains and markets, regional integration and trade policy, and research capacity.

The research study aimed to situate national policies in a regional context and foster dialogue for further regional cooperation. The study provided a review of all 11 CAREC member countries across the following key areas:

- i. Description of agricultural production, food consumption, and value chain development in selected agricultural subsectors.
- ii. Review of agricultural policies, reforms, and performance.
- iii. Identification of opportunities for agricultural policy development dialogue for enhanced cooperation from both regional and national perspectives.
- iv. Identification of challenges arising from natural resource constraints, climate change, and policy responses.
- v. Assessment of investment opportunities in CAREC countries.
- vi. Identification of opportunities for advancing intra-regional trade on agricultural and food products in the region.

## g) Agricultural Development in CAREC: Climate Change Findings

In 2018, the CAREC Institute has undertaken a joint analysis with the International Food Policy Research Institute (IFPRI) on review of trends, challenges, and opportunities for agricultural development in the CAREC member countries.

In the short term, water flows for irrigation might increase and have positive impact on pasture productivity.

The research found that the climate change might impact significantly region's water resources, agricultural productivity, farm incomes, and poverty, particularly as it relates to melting of glaciers due to rising temperature, shortage of rainwater and irrigated farmland, and natural disasters provoked by the climate change, which allegedly might pose threat to public safety.

Some consequences, though, might prove suitable for agriculture in the short term, e.g. glacier melting might increase water flows for irrigation and have positive impact on pasture productivity in most regions. However, in the long term, the authors projected negative impacts, especially

during dry seasons. Furthermore, the study suggested that it was difficult to predict future trends in extreme weather events and anomalies, including the prevalence of pestilence and diseases.

Specifically, findings<sup>2</sup> included that in **Kazakhstan**, climate change is projected to produce a faster increase in mean temperature by around 4.6 degrees Celsius by 2085. Higher temperatures are projected to accelerate glacier melt, increasing water availability in the medium-term but causing shortages in the longer term<sup>3</sup>. In **Kyrgyzstan**, faster-melting glaciers are expected to increase surface

<sup>2</sup> Murisic, M., T. Levine, N. Rinnerberger, J. Shah, and J. Srivastava. Kazakhstan - overview of climate change activities. Report No. 85559, World Bank, 2013.

<sup>3</sup> *ibid.*

water flow by 2025, also increasing the risk of periodic flooding<sup>4</sup>. Like Kazakhstan, Kyrgyzstan is also expecting to suffer from longer-term water scarcity. The projected impact of climate change on crop productivity will vary: for instance, wheat, maize, and sugar beet productivity is expected to fall while the productivity of tobacco, rice, cotton, and some horticultural crops is expected to increase. Climate change is also projected to have a positive impact on pasture productivity in most regions in the short term<sup>5</sup>.

Around 93 percent of **Tajikistan's** territory is covered by mountainous terrain, which is also home to glacial water reserves vital for downstream countries on the Amu Darya river. Temperatures in Tajikistan are expected to increase by around two degrees Celsius by 2030. Precipitation is also expected to become more erratic and intense. One of the principal dangers of climate change for the Central Asian region is the possibility that these glaciers may disappear, which some observers have projected may occur in 30 to 40 years<sup>6</sup>.

Natural disasters leading to agricultural crises are projected to increase in the region.

...Glaciers may disappear in 30 to 40 years.

Like other Central Asian countries, **Uzbekistan** is also expected to witness an increase in temperature of two to three degrees by the 2050s, along with added volatility in precipitation patterns. These changes are expected to be detrimental to crop and livestock productivity, particularly in the form of damage to harvests caused by extreme weather events that are more likely under this scenario<sup>7</sup>.

Likewise, the countries of **the Caucasus** face similar challenges with regards to climate change over this century. A World Bank study revealed that all four major agricultural regions of Azerbaijan will face increasing temperatures unprecedented in the country's recent

history. Over the next five decades, the average increase in temperature is expected to be 2.4 degrees Celsius assuming moderate impacts, compared to the 0.6 degree increase observed from 1961 to 2000<sup>8</sup>. Moreover, the study projects that the climate impacts described will be most pronounced from August to October, which is the country's key agricultural production period. Summer temperature increases may reach as high as four degrees Celsius in the country's southernmost subtropical agricultural region and precipitation declines are projected to be greatest during the late spring to early autumn<sup>9</sup>.

**Natural disasters** leading to agricultural crises are projected to increase in the region. Mirroring the region's wide topographic and climatic diversity, Central Asia and the Caucasus are also prone to variety of natural disasters, including earthquakes, floods, avalanches, mudflows, landslides, extreme weather events, wildfires, and epidemics. Seismic threats have been realized throughout much of the region's modern history and they pose threats to agriculture in addition to public safety.

While many major agricultural zones in Central Asia and the Caucasus are heavily irrigated, droughts pose significant risks for areas depending on rain-fed agriculture such as northern Kazakhstan, where

<sup>4</sup> Shah, J., T. Levine, J. Srivastava, M. Murisic, and N. Rinnerberger. Kyrgyz Republic - overview of climate change activities. Report No. 85561, World Bank, 2013.

<sup>5</sup> Broka, S., A. Giertz, G. Christensen, C. Hanif, and D., Rubaiza, R. Rasmussen. Kyrgyz Republic: agricultural sector risk assessment. World Bank Group, 2016.

<sup>6</sup> Shah, J. Tajikistan - overview of climate change activities. Report No. 85563, World Bank Group, 2013.

<sup>7</sup> Sutton, W., J. Srivastava, J. Neumann, P. Droogers, and B. Boehlert. Reducing the vulnerability of Uzbekistan's agricultural systems to climate change: impact assessment and adaptation options. Washington, DC: World Bank, 2013.

<sup>8</sup> Ahouissoussi, N., J. Neumann, J. Srivastava, C. Okan, B. Boehlert, and K. Strzepek. Reducing the vulnerability of Azerbaijan's agricultural systems to climate change. Report No. 87847, World Bank, 2014.

<sup>9</sup> Ibid.

around four-fifths of the country's grain and oilseed crops are produced. Many agricultural zones in Georgia and Azerbaijan are also reliant on rainwater, particularly in mountainous areas. Both countries are located in an area vulnerable to droughts and in the past twenty years have experienced drought episodes that had widespread impacts on agriculture<sup>10</sup>.

The region's mountainous areas suffer from a myriad of terrain-related disasters and weather risks. For example, floods occur mostly in the southern and eastern parts of Kazakhstan due to heavy rainfall and snow melt from the area's mountains<sup>11</sup>. Many of Kyrgyzstan and Tajikistan's rural populations reside in areas near mountainous landscapes, making them vulnerable to recurring natural disasters which cause approximately \$30 million in damage in Kyrgyzstan annually<sup>12</sup>.

Thorough understanding of the nature and extent of the climate change would be necessary to increase the ability of policymakers to design adaptation and mitigation measures, including budgetary provisions to ensure preparedness.

## h) Policy Dialogue on Climate Change

Alongside the eighth GC meeting, the CAREC Institute held a policy dialogue on climate change in December 2018 in Tashkent with participation of CAREC member country National Focal Points (NFP), ADB, Global Climate Fund (GCF), and the PRC's Ministry of Ecology and Environment (MEE).

The policy dialogue aimed to initiate an informed discussion about financing climate change mitigation and adaptation measures. The dialogue covered the following areas:

- a) overview of the economic costs of climate change in CAREC countries covering both adaptation and mitigation
- b) overall investment needs in low-carbon and climate resilient infrastructure
- c) current climate finance solutions to these investment challenges
- d) how MDB can push the climate finance agenda given the climate finance targets
- e) role of GCF and how CAREC member countries projects can be brought to GCF
- f) case studies from China by MEE
- g) PRC framework for climate finance

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<sup>10</sup> Ahouissoussi, N., J. Neumann, J. Srivastava, C. Okan, B. Boehlert, and K. Strzepek. Reducing the vulnerability of Azerbaijan's agricultural systems to climate change. Report No. 87847, World Bank, 2014.

<sup>11</sup> Broka, S., et al. Kazakhstan: agricultural sector risk assessment. World Bank, 2016.

<sup>12</sup> World Bank. Kyrgyz Republic Partnership Program Snapshot. Washington, DC: World Bank, 2014.



## 6) Knowledge Services

### a) Horticultural Value Chains: Opportunities and Challenges

The CAREC Institute Knowledge Services (KS) unit held a workshop on development of horticultural value chains (HVC) in March 2018 in Turkey. The objective of the workshop was 1) to increase awareness of the high potential of converting raw horticultural products into standardized finished products to connect to regional horticultural value chains to increase exports to PRC (where high standards of phytosanitary controls apply), 2) enhance understanding of modern technologies for value additions along the horticulture value chain, and 3) increase awareness in HVC governance and management for improved policy and regulatory controls.

The workshop included the following three representatives from each of the CAREC countries: one policy making high level official from the respective Ministry of Agriculture, one participant from the relevant regulatory agency, and one participant from the private sector.

The learning program was designed to make participants familiar with the high-end value addition to horticultural products which are eligible to be exported to high-end markets, including the European one, and have the organization of the value chains as well as the requisite standardization and certificates.

Picture 8: Horticultural value chains workshop participants getting ready for the field trip, Turkey



The CI chose Turkey as a workshop location for the reason of climate and soil condition similarity with many CAREC member countries, similarity of fruits and vegetables produced (e.g. grapes, melons), and for Turkey being the conduit of value processing points for various horticultural products. It was argued that despite these similarities, Turkey's CAREC neighbors are far from matching Turkey's production and export volumes. So, the representatives were brought to Turkey to witness best practices first hand.



The workshop participants argued that the PRC is a good market for the horticultural exports from the CAREC countries due to its proximity and many regional arrangements. The PRC itself imports USD 117 billion (among them vegetables at USD 530 m and fruits USD 581 m)<sup>13</sup> worth of agricultural products annually where the share of CAREC member countries is negligent. The workshop participants were trained and encouraged to review and seek ways of improvement of the horticultural value chain structures both in terms of intra-CAREC trade and connections with the global value chains (GVC). The HVC and GVC development can yield benefits for the whole economy as processing and value addition points and facilities represent a separate industry which requires specialization, adds to GDP, produces skilled labor, and creates back end demand for the labor market skill development.

The content focused on a) an input-output structure which describes process of transforming raw materials into final products, b) geographical and logistical considerations and transport methods, c) governance structure which explains how the value chains are controlled and managed, and d) industrial context in which the value chain is embedded. The field visit demonstrated to participants the entire chain including fruits, vegetables, and flowers from farm to airport; nurseries, production (covering production and postharvest technology), processing, distribution, value adding, export, domestic sales at the wholesale market, and the sea- and airport infrastructure.

Picture 9: Horticultural value chains workshop participants during field trip, Turkey



## b) Achieving Energy Security in Asia: Role of Renewable Energy

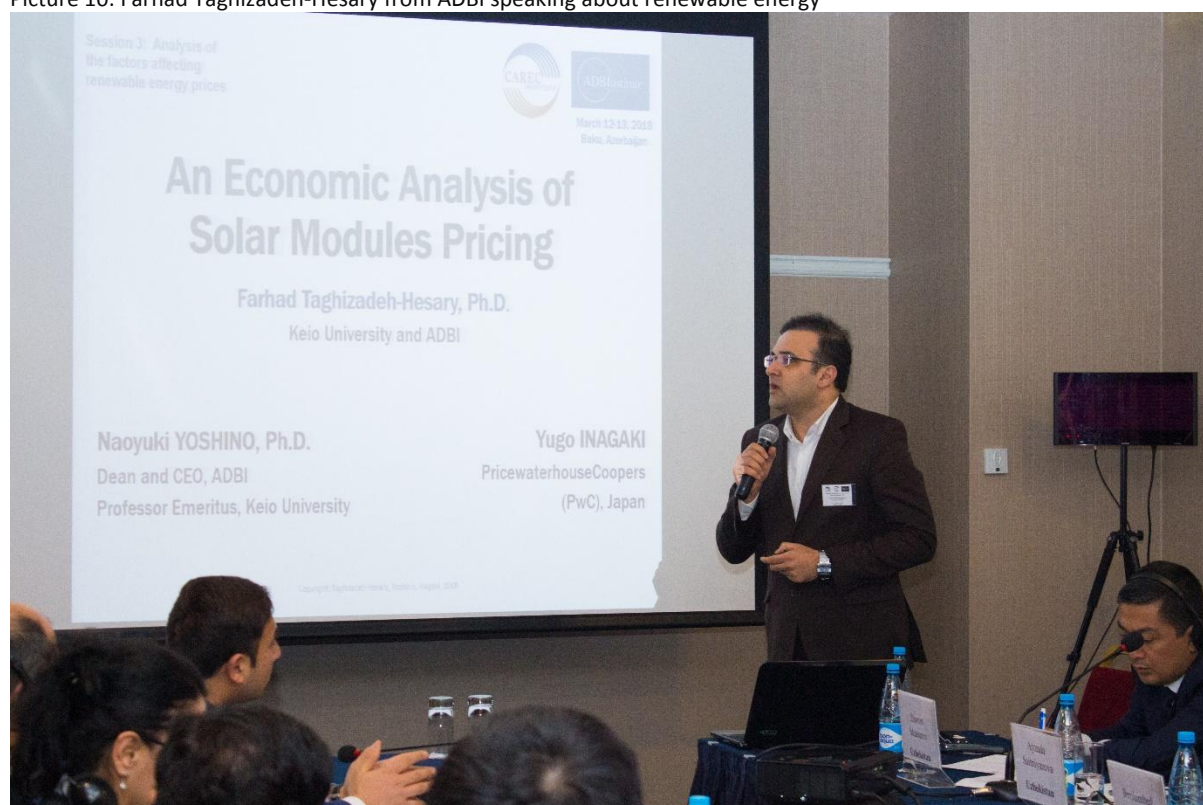
The workshop titled “Achieving Energy Security in Central Asia: Role of Renewable Energy” was held in March 2018 in Baku. It aimed at 1) improving knowledge and enhancing capacity of the CAREC member countries in renewable energy and implications on energy security, 2) enhancing dialogue among government officials and experts regarding trends and challenges of renewable energy as well as development of policy options and solutions to address financing gaps.

The workshop presented keynote expert speakers from ADBI, Singapore University of Social Sciences, and Keio University of Japan who gave an overview about the general situation of renewable energy in Central Asia and defined the energy security based on the 4-A framework (Availability, Applicability, Acceptability, and Affordability). They shared results of an empirical study on energy security that applied to all CAREC countries.

<sup>13</sup> Source: Statistics Department of International Cooperation of the Ministry of Agriculture of the People’s Republic of China, 2017.

The remaining sessions focused on 1) benchmarking of other regions (case of ASEAN) in comparison with the Central Asia where the speakers provided a framework which integrated three pillars of energy security concept - sustainability, affordability, and secure supply; 2) factors affecting renewable energy prices, especially the solar modules; 3) innovative public policy instruments to establish and enhance the link between green technology and finance; 4) risks, opportunities, and challenges influencing renewable energy development in the Central Asia which are at different levels of readiness for adoption of renewable energy solutions; 5) financing renewable energy – green finance and innovative solutions; 6) potential of power trading and the development of a regional energy market to promote energy security and efficiency in Central Asia.

Picture 10: Farhad Taghizadeh-Hesary from ADBI speaking about renewable energy



To conclude, the CAREC countries are very rich in energy resources, however the current situation is still characterized by untapped energy generation opportunities in many countries and inefficient use of regional energy resources. The evidence suggests that by 2035, energy security will notably decrease in the Central Asia as domestic resources will meet less than 50 percent of the annual average needs. This presents a new opportunity for the region to consider increasing deployment of innovative renewable energy solutions. The workshop, comprising of interactive lectures and group discussions, aimed at addressing these issues to increase uptake of renewable energy in the region.

### c) Ease of Doing Business: Taxation and Contract Enforcement

The CAREC Institute held a workshop on ease of doing business and its taxation dimension in July 2018 in Urumqi in collaboration with the State Administration of Taxation of PRC.

The workshop included participants from member country tax and revenue departments, also keynote speakers from the Xinjiang Uygur Autonomous Region Office, Deputy Director-General of the International Taxation Department of PRC, and Deloitte UK.

Presentations were delivered and discussions were held around the following topics: the Base Erosion and Profit Shifting (BEPS) project and the relevant 15-point action plan with focus on implementation via changes in domestic laws and practices, G20 tax reforms, tackling tax avoidance, overview of PRC's tax system with emphasis on taxes applicable to foreign enterprises operating in PRC, role and purpose of tax treaties, the interpretation and application of the main tax treaty provisions, the BEPS Multilateral Instrument (MLI) and its use to implement the BEPS treaty-related changes.

The session on contract enforcement focused on understanding various taxation regimes in CAREC member countries to support investment flows in the region, and learn about various taxes that trade and businesses have to pay. Discussions focused on taxation treaties for furthering the inter-regional investment and capital flows.

The participants paid a visit to the Urumqi Tax Service Hall and got introduced to its functions, services, and work improvement plans.

The workshop was perceived to deliver on its objectives enabling participants to understand member country domestic taxation structures, tax holidays for FDIs, details of taxation treaties to attract intra-regional FDI flows, and elements of regional investment climate to improve ease of doing business.

Picture 11: Workshop participants visiting the Urumqi Service Hall





#### d) Corridor Performance, Time Release Study, and Behind-the-Border Indicators

The workshop titled “CAREC Corridor Performance Measurement and Monitoring (CPMM), Time Release Study, and Behind-the-Border Indicators” was held in July 2018 in Baku.

Participants from the Corridor Performance Measurement and Monitoring program (CPMM) partner associations, ADB, World Bank, United Nations ESCAP, and research institutions attended the workshop to contribute to the design and development of the proposed behind-the-border data collection methodology to promote the use of CPMM, and assist in finalizing the behind-the-border methodology developed for CPMM.

Picture 12: During the CPMM workshop



Under the trade sector of the CAREC Program, ADB has been engaging the support of the private sector in measuring the competitiveness of the CAREC corridors. The time-cost-distance data gathered through the CPMM enables monitoring and evaluation of the efficiency of borders. The Time Release Study (TRS) methodology, as designed by the World Customs Organization (WCO), provides an overview of the effectiveness of customs administrative procedures. The CPMM and TRS complement each other and yield information which helps identify constraints and bottlenecks hindering the flow of goods and provides critical inputs in formulating viable solutions.

The development partners have been planning to expand the scope of the CPMM to capture data on performance of trade logistics service provision as the compliance costs for customs and border procedures and other non-tariff measures prove significant due to document requirement duplications and inadequate support services in transport and logistics at and behind the borders. The relevant questionnaire and methodology was discussed to implement the trade logistics service module under the CPMM.



The workshop participants discussed the importance of CPMM, joint border cooperation, new trade corridors, factors influencing the process of trade facilitation (among them inefficiency and corruption), capacity of CAREC economic corridors, pilot trade logistics and BTB (behind the border) procedures study to support CAREC Integrated Trade Agenda (CITA), trade transparency, streamlining trade processes, reducing trade costs and trade cycle time, outcomes and challenges of TRS, importance of linking the CPMM and TRS to complement the BTB data collection, and business process analysis to simplify the trade procedures.

The PRC representatives shared their examples of the green channel for exporting the agriculture products, and disadvantages of truck to truck transfer of goods, limited operating hours at borders, and other issues, and recommended the unified standards among countries to ensure the quality of goods at the final destination. The Afghanistan representatives shared their examples of non-tariff barriers at crossing points, and duplication of charges and taxes which increase the price of the imported goods.

The objectives of the workshop have been met with participants contributing to the preliminary design of the questionnaire and methodology of the trade logistics service module of the CPMM, both to be finalized by the CPMM partners and research institutions.

## e) Promoting Regional Tourism Cooperation

The CAREC Institute held a workshop on promoting regional tourism cooperation under CAREC 2030 in October 2018 in Tashkent with participation of relevant specialists and policy makers from member country governments, private sector, ADB, UNESCO, and other experts.

Over the past decades, tourism has experienced continued growth and has become a major generator of jobs and a key driver of inclusive and sustainable socio-economic development worldwide.

The CAREC region demonstrates tremendous potential for tourism given its rich history and culture, and arresting natural endowments that traverse national boundaries. It also has a wealth of biodiversity, especially the mountainous areas of the region, with several unique and/or endangered plant and animal species.

The workshop aimed to identifying inter-country and CAREC-wide initiatives that would promote tourism development in the region and increase tourism cooperation among countries.

The participants discussed the regional approach to sustainable tourism development for CAREC countries, scoping study on promoting regional tourism cooperation under CAREC 2030, the current state of tourism and future prospects, strengths and opportunities of CAREC countries, challenges to regional cooperation, integration recommendations, facilitating cross-border routes and inter-country tourism products, linkages between tourism cluster and urban development, managing impacts of tourism on culture and environment, UNESCO platform to develop sustainable tourism, and addressing the tourism marketing challenge.

Further, presentations about the comparative analysis of tourism indicators in the CAREC Region and the joint tourism proposal under Almaty–Bishkek Economic Corridor (ABEC) resulted in discussion about tourism and aviation aspects of the ABEC's Tourism Master Plan. Examples were shared from different countries, including lessons learnt in promoting regional tourism cooperation in Southeast Asia showcasing the Great Mekong region. Representatives from private sector shared the experience and appealed to policy makers to enhance cooperation among CAREC member countries.

## f) System of National Accounts

The workshop titled the “2008 System of National Accounts” was held in September 2018 in Almaty.

The main purpose of the workshop was to discuss the 2008 System of National Accounts (SNA) recommendations, identify data and capacity gaps in the national statistical systems among participating countries, map common standards for the National Statistics Offices (NSO), strengthen capacity of NSOs to meet the increasing data demands for policy making and monitoring of development goals and targets, and chart country specific courses of action for bridging those gaps.

The CI collaborated with the ADB Development Economics and Indicators Division of the Economic Research and Regional Cooperation Department (ERCD), Central Asia Regional Economic Cooperation (CAREC) Program and Central West Asia Department (CWRD) to provide knowledge support and knowledge products to participating member countries.

The high- and mid-level officials and technical experts from NSOs in CAREC region responsible for national accounts/economic statistics, knowledgeable of national statistical systems and standards, were invited to participate in the workshop.

The country representatives described the system of national accounts in their respective countries, including development of satellite account details and other economic data, data sources and estimation methodology, and challenges in adopting SNA recommendations. This session was followed by the formulation, finalization, and presentation of the Framework of Partnership among ADB and NSOs.

Picture 13: Workshop participants in Almaty, September 2018.



The capacity building part focused on data collection compatibility with global standards such as SNA 2008, institutionalization of statistical business registers, GVC statistics and analysis, compilation of extended supply and use tables, input-output tables, social accounting matrices, data availability (high-frequency data at disaggregated level) for economic transactions by industry and product to conduct evidence based policy analysis, institutionalization of statistical business registers, subnational disaggregation of SDGs, enhanced compilation of national accounts and other key

economic indicators, provision of strategic inputs for the modernization of national statistical systems (NSS) to inform policy design and statistical capacity-building initiatives of the global statistical system.

This workshop has demonstrated to the CAREC member country NSOs the need for developing standard accounting framework and its link with economic activities, and social and environmental consequences to elaborate on policy issues and track progress towards SDGs.

## g) 2nd WTO Trade Facilitation Agreement Implementation

The workshop titled “World Trade Organization Trade Facilitation Agreement: Roadmap for CAREC Countries” was held jointly with the ADB forum on implementation of the World Trade Organization Trade Facilitation Agreements in October 2018 in Bangkok. It built on results of the December 2017 workshop held in Bangkok where CAREC countries indicated the need to prepare action plans to implement immediate commitments (category A) and prioritize their capacity building needs.

The participants of this workshop included senior officials from member countries who are actively involved in implementation of provisions of the WTO TFA, representatives from customs administrations, trade-related agencies, private sector (e.g. freight forwarders, customs brokers, business associations), and experts from ADB, UNCTAD, and other international organizations.

In the CAREC region, immense efforts have been applied to introduce a more effective trade facilitation regime. The WTO TFA is designed to alleviate bureaucratic and logistical barriers to trade by cutting “red tape” and simplifying and streamlining customs procedures to reduce delays and costs incurred by importers and exporters. WTO member countries across Asia and the Pacific have focused efforts and resources on getting ready to comply with TFA provisions, albeit at varying degrees of success. The 2017 UN Global Survey on Trade Facilitation and Paperless Trade Implementation Report by ESCAP estimated the CAREC FTA implementation at 45% which is below the global average of 59.6%.

The ADB, through the regional and sub-regional cooperation programs - the Central Asia Regional Economic Cooperation (CAREC) Program, the South Asia Sub-regional Economic Cooperation (SASEC) Program, the Greater Mekong Sub-regional (GMS) Program, the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) and the Pacific Islands Forum - has been supporting its developing member countries (DMCs) in their implementation of the WTO TFA and/or accession to the WTO. The joint event of the workshop and forum was used to share knowledge and experiences.

The CAREC WTO member countries briefly presented the status of implementation of category A provisions, all mandatory provisions, and implementation gaps. Countries in accession or considering accession (Azerbaijan, Turkmenistan, Uzbekistan) shared a brief update of accession status. Participants agreed that a regional approach under CAREC would be effective for TFA implementation, as well as execution of pilot projects. A session was undertaken to develop country roadmaps to review the status of implementation among CAREC countries, as well as identify challenges and bottlenecks towards their full compliance with TFA commitments, including provisions of National Committees on Trade Facilitation, authorized economic operators, post-clearance audit, national single window, advance rulings, time release studies, transit, and cross border cooperation.

This workshop and the forum were jointly assessed to have met the objectives to prepare CAREC countries to seek added value in regional cooperation and improve delivery on TFA commitments.

## h) Special Economic Zones: Focus on Landlocked Countries

The workshop on challenges and perspectives of special economic zones (SEZ) in landlocked CAREC countries was held in November 2018 in Shenzhen. It built on experience of the first country-specific SEZ workshop organized in December 2017 in Pakistan focusing on lessons from the PRC-Pakistan experience.

The participants included government representatives from agencies (e.g. economic planning, trade and transport ministry, foreign investments board or agency, zone authority) who are responsible for or involved in the formulation, implementation, or management of economic zones in each member country. International experts were engaged as resource persons.

Out of roughly 4,000 SEZ in the world, most, including Shenzhen, are organized around seaports. The success of SEZ in landlocked countries depends on other preconditions, such as their link with economic corridors, participation in value chains and production networks. In general, SEZs show mixed results being subject to a host of factors including the operational environment, fiscal and tax incentives, private sector involvement, location, logistics services, institutions, skills or links with national strategies. Developing an appropriate model of SEZs is thus of major interest to CAREC, whose members are mostly landlocked (all except for PRC, Georgia, Azerbaijan, and Pakistan).

The CAREC Integrated Trade Agenda (CITA) 2030 proposes feasibility studies on the establishment of free trade zones and/or cross-border economic zones in a number of CAREC member countries. The importance of identifying the pros and cons of such zones, and of learning from the experience of other countries, cannot be overemphasized.

Realizing the growing importance of SEZs for landlocked countries, CAREC Institute (CI) intends to work on the potential of SEZs as regional connectivity hubs. At the same time, ADB has completed technical assistance (TA) on “Supporting Industrial Park Development in the Central Asian Regional Economic Cooperation Region” which conducted an assessment of the SEZs in Kazakhstan and Kyrgyz Republic and proposed a strategic framework that outlines strategies and policies for leveraging the SEZs to enhance productivity and promote regional development.

The workshop deepened the understanding of SEZs among participants, enhanced their capacities for formulating and implementing current development strategies for SEZs as regional connectivity hubs that promote both trade and diversification. The global and PRC experiences were shared, with a special focus on a model of SEZs for landlocked countries. Participants discussed concepts, trends, best practice and lessons for design, implementation and management of SEZs in landlocked economies, legal and regulatory frameworks conducive to the success of SEZs in landlocked economies, economic impact of SEZs, profiles and guidelines of zones across Asia. The workshop concluded with a field visit to Shenzhen SEZ.

## i) Small and Medium Enterprise Trade Finance

The workshop titled “Promoting Small and Medium Enterprises (SME) Trade Finance in the CAREC Region” was held in Xiamen in December 2018.

In recognizing SME as essential for economic diversification and sustainable development, international development organizations stress the importance of availability of trade finance for

healthy growth of SME to contribute to domestic, regional, and global trade. The ADB's 2017 Survey finds that global trade finance gap is estimated at \$1.5 trillion, of which 40% of gap originates in Asia and the Pacific. The report also suggests that 74% of rejected trade finance transactions fall on SME.

Under the CAREC 2030 strategy, strengthening access to finance is a priority. This includes proposals to develop trade finance, the possible establishment of a multilateral trade credit and investment guarantee agency to bolster SME financing which is a common constraint in CAREC countries, and where cross-country learning could be useful to adopt effective financing models.

The workshop aimed at helping CAREC countries promote SME trade finance, enhance capacity of CAREC countries to provide enabling environment for SME trade finance through analyzing supply and demand challenges for SME, enhance knowledge among government officials on trends, prospects and options for increased SME access to trade finance, address regional financing gaps for SMEs, potential use of innovation, availability of information to support policy dialogue and cooperation among CAREC countries.

The workshop participants included government officials from central banks supervising or responsible for SME trade finance and departments of ministries responsible for overall SME development, international experts, financial institutions and commercial banks with experience in SME trade financing.

The workshop topics and discussions included concepts of trade finance and SME, role of development and commercial banks in SME trade finance and overall SME development, experience of CAREC countries in trade finance especially catering to SME, regulatory reforms and innovative solutions to improve SME access to trade finance, bridging financing gap, restrictive collateral requirements, high cost of screening and interest rates.

Overcoming challenges to SME will help CAREC countries improve overall business environment, trade within the region, and support increased SME participation in the global and regional value chains.

## j) Environmental Readiness for E-Commerce

The workshop titled "Environmental Readiness for E-commerce: Economic, Legal, and Institutional Factors" was held in November 2018 in Shanghai.

Promotion of digital trade and e-commerce is a priority action under the CITA 2030. Most CAREC member countries have difficulties in implementing e-commerce systems in their economies due to ICT infrastructure costs, non-compliance with legal and fiscal provisions in foreign e-markets, deficiencies in policy and financial regulatory mechanisms, including issues with the payment systems and consumer confidence.

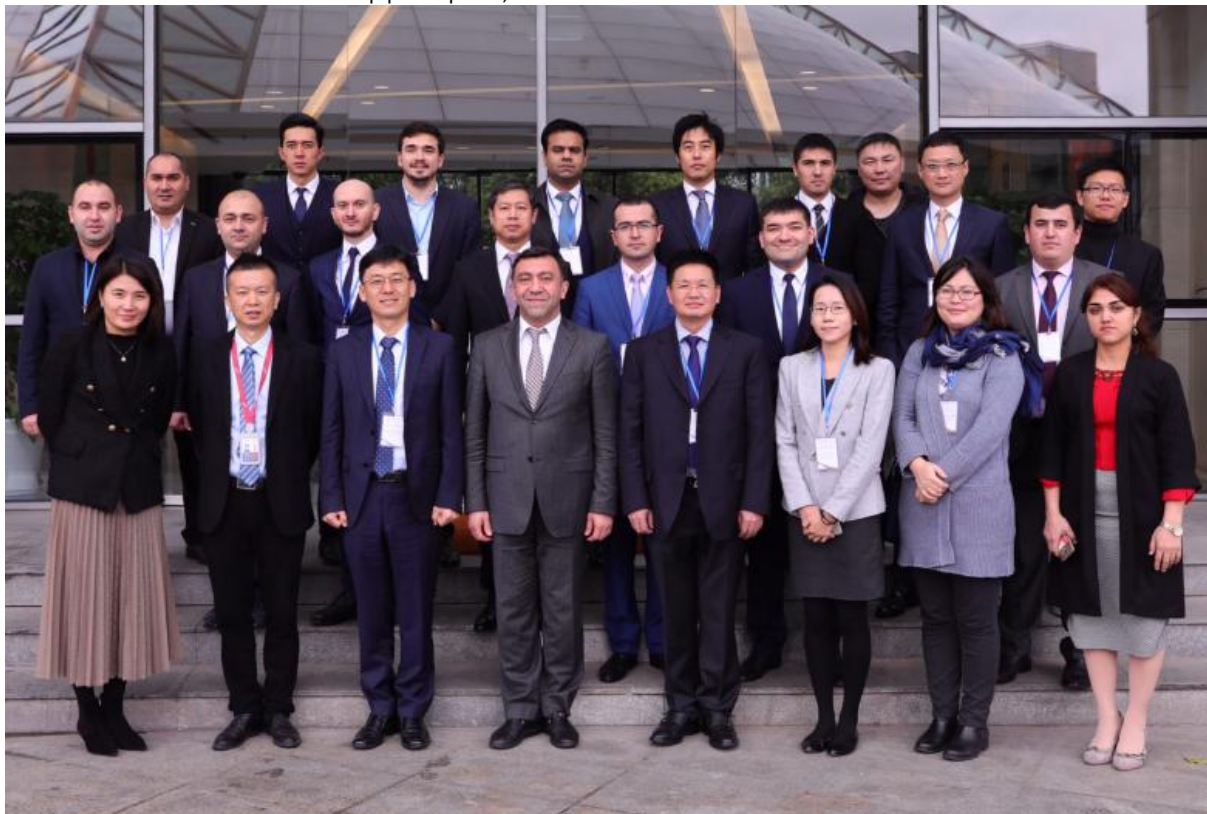
The workshop aimed at enhancing understanding of the economic, regulatory, and institutional environment of e-commerce and its links with regional trade (providing PRC's positive experience as well as lessons from other CAREC countries); and deepening participants' understanding of challenges and perspectives including assessment of their readiness to promote e-commerce in their countries.



The Principal Economist from the Economic Research and Regional Cooperation Department of ADB introduced the importance of e-commerce in Asia, factors affecting e-commerce, and its potential economic benefits for the region. The Chairman of the CAREC Federation of Carrier and Forwarder Associations introduced the private sector perspective on the cross-border e-commerce, shared experience from PRC, and stressed the importance of developing the standards for the cross-border e-commerce. The Head of Market Advocacy of the Deutsche Bank AG Singapore made an overview of e-payment methods, interoperability among various payment solutions, and explained legal and regulatory considerations. The representative from PRC shared the status of the e-commerce law legislation in PRC, elaborated on its contents, and announced its potential entry into force in January 2019. Further, ADB experts introduced ADB supported e-commerce examples in PRC in the field of agriculture and poverty reduction, elaborated on importance of internet connectivity, infrastructure readiness and risk management. The country representatives have shared their national strategies, experiences, and practices in e-commerce.

The workshop concluded with a panel session identifying key actions for CAREC countries at national and regional levels including proposal for interventions in terms of policy and infrastructure needs and areas for capacity building and technical assistance support.

Picture 14: The E-commerce workshop participants, November 2018.



## 7) Organizational Administration

### a) The Headquarter Agreement with the People's Republic of China

Desiring to define the legal status and preferential treatment for the operation and functioning of the CAREC Institute in the People's Republic of China (PRC), the CI and PRC entered into the headquarter agreement in 2018 - "Agreement Between the Central Asia Regional Economic Cooperation Institute and the Government of the People's Republic of China Regarding the Headquarters of the Central Asia Regional Economic Cooperation Institute in Xinjiang, China" - to enable the CI perform its duties and fulfill its purpose fully and effectively in the PRC.

According to the agreement, the CI bears the complete international legal person status and possesses full legal personality with the capacity to contract; acquire, and dispose of, immovable and movable properties; to institute, and respond to, legal proceedings; take other actions as may be necessary or useful for its purpose and functions; receive voluntary contributions and sponsorship from members, other nations or institutions, or any other legal financial resources as approved by the Governing Council; and hold and dispose of any self-owned funds and currencies, open and operate accounts in relevant currencies.

The agreement shall prove instrumental in enhancing CI's organizational effectiveness.

### b) HR and Administration

As of December 2018, CI had three staff in management, five international staff, thirteen national staff, and five international seconded specialists.

In 2018, the CI started recruitment of national and international staff in April 2018. The selection process for four international and four national positions was complete in June 2018. Subsequently, the CI administration engaged in the work permit acquisition and international onboarding process with the new arrivals to start in January 2019.

The Unit Head positions were advertised in August 2018 and the process for two positions (HR/Finance and Knowledge Management) has been completed. For the KG, the CI did not received high quality applications, therefore, with some changes in recruitment conditions, endorsed by the GC, the process was rescheduled for 2019.

To be well placed to perform its tasks as per the strategy and the plan, the CI started preparations for enhancement of the research unit for 2019 with one international Chief Economist with proven research credentials in CAREC clusters, one international Senior Research Officer, two national Research Officers, and five seconded Specialists with sector expertise within CAREC priority clusters – all to be inducted in 2019.

In 2018, the CI continued experiencing rather basic IT infrastructure without the full web access and the LAN network limiting its ability to embark on advanced KG and KM work such as web- or portal-based interactive policy discussion and exchange. The 2018 acquisition of the legal status in PRC and the 2019 negotiations with the Xinjiang Uygur Autonomous Region shall bring solutions to many technical issues.

## 8) The 2019 Outlook

The CAREC Institute has designed its Rolling Operational Plan (ROP) for 2019 based on CAREC 2030, CAREC sector strategies, and research and capacity building needs of CAREC countries with the guiding principle of regionalism. The following criteria were used: i) regional dimension; ii) alignment with the CAREC program; iii) alignment with national development plans; iv) impact on the activities in the relevant field; and v) availability of financial sources.

The CI will deliver knowledge services on 14 topics to around 300 government officials further enhancing the impact of learning through TOT and cascade training modality. The topics will include: WTO trade facilitation agreement implementation; promoting economic diversification in the CAREC region; comparison of economic integration in Asia and Europe; enhancing quality of key economic indicators; national accounts capacity building; road asset management; road safety engineering; reforming state-owned enterprises; regional tourism promotion; energy security in Asia: challenges, solutions and renewable energy; energy investments; and food safety.

The CI Knowledge Generation Unit (KGU) will deepen and finalize the study on the CAREC Regional Integration Index (CRII) which measures the state of regional integration on six socioeconomic indicators namely: trade and investment integration; monetary and financial integration; regional infrastructure and connectivity; institutional and social integration; regional value chain integration; and free movement of labor. This index will provide a user-friendly tool for both the public and private stakeholders (including policy makers and decision makers) to assess the level of integration in each of the dimensions and identify gaps. The CRII will also provide a menu of policy measures for a targeted strategy and action plan to boost the regional cooperation and economic integration process across the CAREC region and beyond. The CRII is designed to be dynamic to track integration initiatives and efforts undertaken by member countries in each of the six dimensions of the index.

The research efforts will further concentrate on the regional value chain dimension of the CRII, global value chain integration analysis, regional economic cooperation of CAREC member countries, capital markets and financial integration, climate change and green growth strategies, agriculture market development through rural revitalization and use of technology, case study on agricultural value chain development and review of trends, framework for mutual recognition and paperless certification exchange mechanism under the regional sanitary/phytosanitary regulatory regimes, and eco-tourism & micro trade clusters in CAREC landlocked economies.

Some of the joint research will look into PRC's best practices in relation with e-commerce policies, SME development, fiscal policies for development, PPP financing to promote infrastructure construction and development, poverty alleviation policies, public sector reform, sustainable urbanization and municipal services, trade policy and trade facilitation reform, and technical vocational education.

To deepen engagement with stakeholders and promulgate knowledge, the CI will hold its fourth CAREC Think Tanks Development Forum (CTTDF) in 2019 with an overarching theme of "Trading for Shared Prosperity." The forum will discuss trade across the ancient Silk Road, translating shared prosperity into CAREC intraregional trade, cross-border informal trade, shifting dynamics of global and regional trade, the age of big data and its impact on trade, and e-commerce as a new normal.

In 2019, the CI will select and fund five research studies under the Research Grants Program to support scholars and researchers from members of CAREC Think Tanks Network (CTTN). The overarching theme of the program is integrating CAREC region, though scholars will also be encouraged to undertake comparative analysis between (sub) regions within Asia (e.g., ASEAN and

CAREC, GMR and CAREC etc.) to draw lessons for promoting and deepening regional integration among CAREC member countries.

The CI will focus on developing and formalizing partnerships with the Xinjiang Uygur Autonomous Region and the Belt and Road Research Institute of Shenzhen University to promote and reinforce cooperation, exchange information, initiate and improve research and academic programs, exchange experts and researchers, cooperate in the government policy consultations, build platform to facilitate collaboration of the regional enterprises and business groups. The CI also plans to expand a series of consultations on climate change, tourism, and SDGs to build platform for dialogue among CAREC countries and contribute to the sustainable development in the region.

In conclusion, to add value to the global efforts through the evidence-based research, capacity building services to its member countries and networking with the research institutions, the CI will strive to obtain an observer status with the United Nations (UN).

In light of the busy year ahead, the CI will continue institutional improvements, and provision of knowledge products to its respective audiences to contribute to regional integration and economic prosperity.

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