



CAREC Institute Newsletter

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In this issue:

Boao Symposium on Asian Development Prospects	1
SDG Financing Seminar in Turkmenistan	2
EU-Central Asia Videoconference on Covid-19 Implications	3
Webinar on the Role of MDPs in Response to Covid-19.....	3
Economic Brief: Covid-19 Reaction Functions and Paradoxes.....	4
Webinar on Covid-19 Business Impact and Responses	4
Policy Workshop on e-Commerce Development in CAREC	5
Workshop on Improving Road Safety in CAREC.....	6
Research Report on Climate Governance in CAREC	7
Joint Research with UNICEF on Water Resource Management	7
MOU with Xinjiang Institute of Ecology and Geography	8

Boao Symposium on Asian Development Prospects

On 8 May 2020, the CAREC Institute Director Syed Shakeel Shah was invited to participate and deliver a presentation titled Covid-19 Pandemic: Challenges and Prospects Facing CAREC at the launch of the Boao Forum for Asia 2020 flagship report and symposium on Asian development prospects and challenges under the Covid-19 pandemic.

In his presentation, Mr. Shah elaborated on fiscal positions of CAREC countries as it will determine their ability to conjure up sizeable plans for mitigation of adverse economic impacts of the crisis. He informed participants that Kyrgyzstan, Tajikistan, and Georgia show relatively high public debt, above 40% of their GDPs. Crash of oil and gas prices will impact government revenues in Kazakhstan, Turkmenistan, and Azerbaijan which otherwise enjoy stronger fiscal position. Most economies have high external debt relative to total export, which can potentially lead to difficulties in debt servicing. Weakening of national currencies might further exacerbate debt servicing as external payments are not sufficiently hedged in foreign earnings in most of CAREC. Anticipated reduction in remittances due to crash in commodity prices will likely have negative impact on Kyrgyzstan, Tajikistan, Georgia, and Uzbekistan where these remittances constitute significant percentage of gross GDP.

He further highlighted that governments' social protection programs play a significant role in impact mitigation and preserving a conducive social order to ensure public welfare and economic recovery once the situation normalizes. Mr. Shah advised that policy makers need to aim at a "V" shaped recovery curve, which means a sharp and sustained upturn in growth trajectory. It will require ensuring sustenance of the population through the worst period of the crisis, enlisting maximum external support and maintaining fiscal and external accounts within manageable limits to support the recovery process when the macro-economic situation becomes sufficiently favorable.

SDG Financing Seminar in Turkmenistan

The CAREC Institute Director Syed Shakeel Shah and the Chief Economist Hans Holzacker were invited to participate and present at the international seminar (videoconference) titled “Financing Sustainable Development Goals (SDG) Implementation: The Role of Integrated National Financing Frameworks” organized jointly by the Government of Turkmenistan and the UN on 28 May 2020, hosted by Mr. Rashid Meredov, Deputy Prime Minister, Minister of Foreign Affairs of Turkmenistan.

The seminar aimed to facilitate experience sharing on immediate response measures which the countries are taking to mitigate the impact of Covid-19 pandemic and linking such measures with longer term goals on SDG financing through integrated national financing frameworks. Geographically, the seminar covered members of the UN Special Programme for the Economies in Central Asia (SPECA): Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

In his presentation, Mr. Shah mentioned that, in SPECA countries, substantial portion of population lives below \$1.9 per day, namely 38.8% in Afghanistan, 18.4% in Uzbekistan, to mention only few. The ongoing economic shock and resultant unemployment will highly likely increase these numbers. To make matters worse, coverage of unemployment benefit schemes by governments is low, ranging from zero (Afghanistan) to around 18% in Tajikistan.

Most of the SPECA countries have announced substantial fiscal packages to deal with adverse impacts of Covid-19, ranging from 1.5% of GDP (Uzbekistan) to 9% of GDP (Kazakhstan). Despite strong resolve, these responses might significantly reduce fiscal space for implementing other priority areas, like SDGs, where multilateral development partner support would be needed.

Averaging the growth forecast for SPECA countries based on WB, IMF and ADB projections, the CAREC Institute has worked out a projected growth of 0.8% for 2020, as compared with 2019 estimate of 4.8%. For 2021, this projected average forecast (IMF, WB, ADB) has been assessed at 4.4%. There are many variables which might impact this growth, among them the Covid-19 containment timeframe, cooperation, partnership, and the ability of governments to maintain the stability of macro-economic framework to resume growth once global recovery starts.



EU-Central Asia Videoconference on Covid-19 Implications

On 14 May 2020, the first session of the EU-Central Asia brainstorming series took place. The session was opened by Ambassador Peter Burian, EU Special Representative for Central Asia.

The videoconference participants discussed different analysis of Covid-19 impact on Central Asian economies and societies, including the impact of climate change, lack of job opportunities for the young, large numbers of returning labor migrants from Russia and Turkey, depreciation of local currencies, etc. which was characterized as an “explosive mix” coupled with global and regional economic downturn. In this context, targeted international assistance and support of donors was defined as crucial for addressing the emerging crisis at its early stages to mitigate the consequences and create the right environment for investments. The participants have also highlighted potential EU policies and support to Central Asia in light of Covid-19.

Different donors are currently assessing the needs and eligibility for humanitarian assistance programs of the Central Asian countries. The EU has proposed an ambitious response package amounting to more than €15.6 billion with more than €120 million pledged for Central Asia.

During the videoconference, Deputy Director Two of the CAREC Institute Dr. Abdullaev highlighted relevant work of the CAREC Institute which aims at supporting member countries with knowledge products to facilitate informed policy decisions, and most importantly, facilitate regional cooperation and solidarity which gains particular importance in the time of the pandemic.

Webinar on the Role of MDPs in Response to Covid-19

On 29 May 2020, the CAREC Institute, Asian Development Bank (ADB), and UNICEF co-hosted a webinar on the role of Multilateral Development Partners (MDP) in response to Covid-19 in CAREC with emphasis on water, sanitation, and hygiene. The topic emerged from the ongoing CAREC Institute and UNICEF partnership which has ventured to undertake a comparative analysis of water resource management policies and practices in CAREC. This webinar aimed at enhancing understanding of the role of MDPs in combating Covid-19; how MDP programs help improve resilience to epidemics; and linkages among sanitary services and water accessibility during and after Covid-19 pandemic.

Recognizing that countries with fragile infrastructure and outdated approaches have less capacity to handle the health crisis, the webinar convened around 70 experts from international development and research organizations and government officials from the region to propose practical recommendations for resource mobilization and other policy measures.

Currently, a large number of International Financial Institutions (IFI) and MDPs are making financing available to fight the Covid-19 pandemic. The importance of water and hygiene in these times could not be overestimated. A projected 22 million people in Central Asia alone, or 31 percent of the population, still lack access to safe water. Across CAREC, access to drinking water ranges from 50% to 95%, access to sanitation is between 40 and 80%. The current economic downturn, growing public debt and structural problems make investment in water infrastructure risky, while the demand for infrastructure investment in the region is estimated at around 5-7% of the GDP annually.

The webinar participants discussed how multilateral development partners have been tested by this pandemic, and resilience and agility which the institutions demonstrated. The webinar concluded with a better understanding how to deepen partnerships and enhance synergies with governmental programs to help countries recover and improve resilience to similar future challenges. The webinar recording and speaker presentations are available [here](#).

Economic Brief: Covid-19 Reaction Functions and Paradoxes

In the recent economic brief, our Chief Economist provides stylized “reaction functions” for the CAREC countries and - for comparison - a set of selected other countries by looking at the stringency of Covid-19 containment measures in relation to the number of confirmed infections. He finds that CAREC countries have done well both with regard to infections and fatalities.

The reaction functions indicate that decisive early containment measures were key for keeping infection rates low. This is to some extent also confirmed by investigating a larger set of countries. He also highlights the paradox that infection and death rates are much higher in high-income countries with better health systems than in lower-income countries. There is a significant correlation between high rates of confirmed infections and the number of tests conducted. This might indicate underreporting in countries with little testing, and that the pandemic is still a serious threat globally.

The main conclusions indicate that the danger of a second wave continues to be relatively high and that the identification of cases must be further improved. Early and decisive reaction matters. The incoming data confirm that the global economic downturn is severe, and this will, in all likelihood, increase pressure on the countries of the region to fast track the easing of government's countermeasures, which can potentially erode some advantages. Thus, healthcare systems have to be prepared by concentrating on a number of most critical issues. Maintaining fiscal space for public policy options for stringent countermeasures, at least till Q3 2020, must remain a priority. To facilitate early and effective warning and adoption of measures, exchange of information, cooperation and mutual help among CAREC countries is of high importance. Moreover, restrictions on trade related to Covid-19 goods and equipment also need to be continuously reviewed to avoid situations of oversupply and shortages happening concurrently because the failure of one health system can potentially trigger another wave across countries. Read more [here](#).

Webinar on Covid-19 Business Impact and Responses

On 8 May 2020, the CAREC Institute, Asia-Pacific Finance and Development Institute (AFDI), Global Development Learning Network (GDLN), and Association of Chartered Certified Accountants (ACCA) co-hosted a webinar to share results of ACCA global member and stakeholder survey on Covid-19 which ran between 13-26 March 2020. Mr. Jamie Lyon, Head of Business Management, Professional Insights, ACCA, discussed details of the survey; business and financial impact on organizations and their short to medium term implications; the measures taken and considered by organizations to mitigate the impact of Covid-19; early lessons learnt to support preparedness in future; and possible ways to manage the organizations through this crisis.

The findings of the survey, where some 10,000 respondents participated, include that organizations irrespective of size, sector or country of operation are being hit right across the value chain; revenue and profit forecasts are being dramatically reduced; an immediate response about employee and stakeholder health and safety is followed by shoring up the operational fundamentals; organizational response is compromised by a lack of regular financial forecasting and poor data; and the effectiveness of government economic interventions so far is uncertain for many. Overall, 80% of business leaders foresee a significant downturn in expected revenues and profit year on year, over one third of organizations already facing cashflow problems, one fifth of organizations deferring investments, almost half of businesses had not undertaken a reforecast impacting ability to plan, over one fifth of organizations already freezing recruitment.

The presenter listed options for the organizational recovery and business resumption, including business model assessment, digital transformation, review of global supply chain, workforce planning,

etc. He also highlighted the importance of continuous learning and protection of human capital. ACCA will administer the survey again at the end of Q2 2020. More about the survey [here](#). The webinar recording is available [here](#).

The 8 May 2020 webinar screenshot



Policy Workshop on e-Commerce Development in CAREC

On 28 May 2020, the CAREC Institute has delivered a policy workshop, in collaboration with the Asian Development Bank (ADB), ADB Institute, and Shanghai National Accounting Institute (SNAI), targeting senior CAREC government officials involved in e-commerce development in their respective countries.

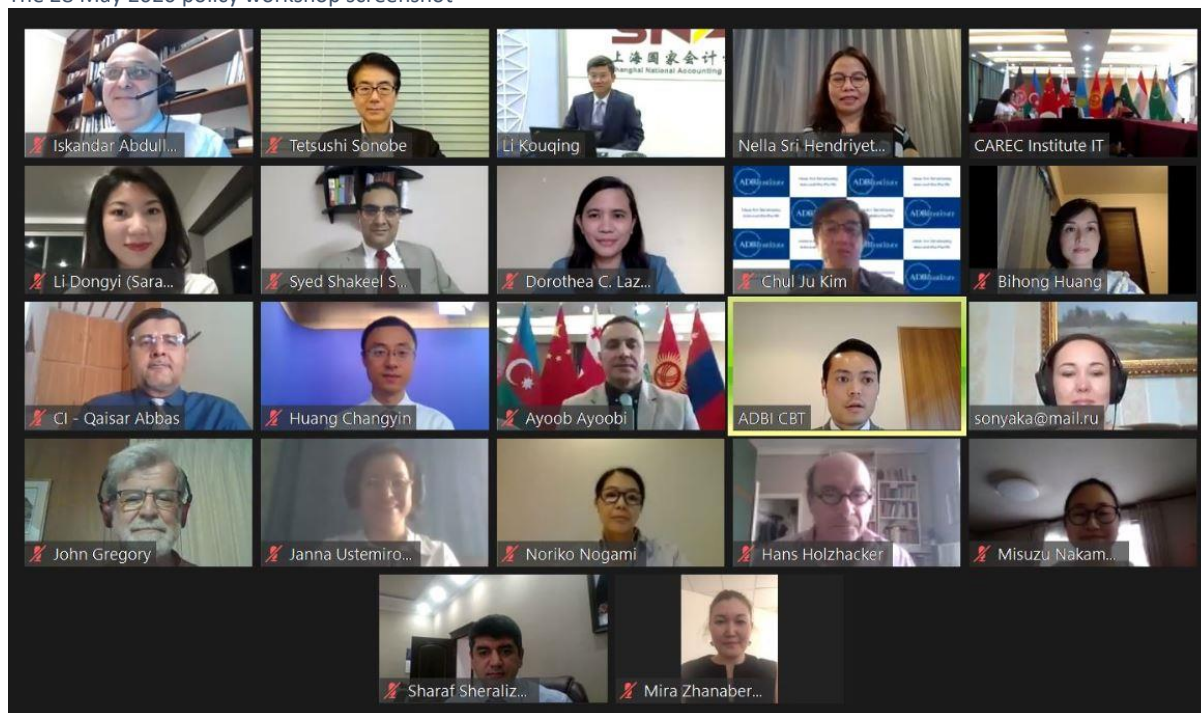
The workshop aimed at presenting and discussing policy options bred from a [joint research](#) by the CAREC Institute and ADB on e-commerce development in CAREC, and promotion of e-commerce as a viable instrument for trade and commerce to enhance economic cooperation. In addition, ADBI and SNAI recent research findings on the positive impacts of e-commerce on small and medium enterprises (SMEs) during the Covid-19, and Chinese experiences and practices for e-payment system for e-commerce were presented and discussed during the workshop.

While the Covid-19 epidemic has halted and shattered many socio-economic activity platforms in the physical world, e-commerce has emerged as the resilient force to not only defy the pandemic but also to facilitate various vital economic activities for individuals, societies, governments, and interested economic entities in the virtual world. Although the importance and potential of e-commerce is well understood in CAREC, and it has been expanding, its full development and utilization is hampered due to lack of compatible and comprehensive legal basis. These differences can cause inefficiencies and barriers to trade and commerce.

The participating experts and government officials discussed the issues of harmonization, compatibility, risks, lessons, best practices, and conditions for creating the enabling environment for

e-commerce at the scale of regional cooperation to maximize economic benefits. The workshop proceedings report will be shared in upcoming newsletters. The workshop materials are available [here](#).

The 28 May 2020 policy workshop screenshot



Workshop on Improving Road Safety in CAREC

The CAREC Institute has conducted an online road safety workshop, in collaboration with the CAREC Program and the Asian Development Bank (ADB), targeting government officials and road safety experts from Mongolia. The virtual workshop was organized around six sessions over the period of three weeks and the first session was held on 12 May 2020.

The CAREC Institute Director Syed Shakeel Shah opened the event and greeted Mr. Batbold Sandagdorj, State Secretary of Ministry of Road and Transport Development of the Government of Mongolia, among other participants. Mr. Shah referred to the United Nations Decade of Action for Road Safety and SDG goals to half the number of global deaths and injuries from road crashes by 2020. He further mentioned that given the context of the six corridors of CAREC Program and numerous economic and trade corridors of the PRC's flagship Belt and Road Initiative, land connectivity is transforming the paradigms of industrial development and growth within regions and beyond. The CAREC Program alone has mobilized \$37 billion investment in the region thus far, 78% of which went in overland systems of the transport sector. The CAREC road corridor network is set to expand for better connectivity, thus road safety plays a major role in operating the corridors at their optimal capacity.

The CAREC countries made the road safety a collective regional priority at the 15th CAREC Ministerial Conference in October 2016 when they adopted the [regional road safety strategy 2017–2030](#). The strategy aims to reduce fatalities on CAREC roads by 50% by 2030, as compared with 2010. The CAREC Institute has shifted to online training delivery to remain relevant in the time of pandemic and assist the member countries to achieve the CAREC road safety strategy objectives.

This event continued the series of road safety workshops that started in Dushanbe in 2017, followed by manuals in 2018 on [road safety audit](#), [safer road works](#), [roadside hazard management](#), and workshops [in Bishkek](#) in March 2019, [in Tbilisi](#) in April 2019, [in Hohhot](#), Inner Mongolia autonomous region of the People's Republic of China (PRC) in September 2019, and [in Tbilisi](#) (for Afghanistan participants) in November 2019.

The workshop aimed at sharing the best practices in road safety engineering, including treating hazardous road locations (black spots), road safety audits, roadside hazard management, and safety at road work sites. It equipped participants with necessary resources to advocate for changes in policies and practices that may be required at the national level.

Research Report on Climate Governance in CAREC

A team of researchers led by the CAREC Institute Deputy Director Two Dr. Iskandar Abdullaev, in cooperation with the Innovations and Scientific Research Cluster (ISRC) of Uzbekistan, has finalized a research report on Climate Vulnerability, Infrastructure, Finance and Governance in CAREC. The paper examines adaptation and mitigation strategies of CAREC countries in the context of COP21, the Agenda 2030 on Sustainable Development and Sendai Framework for Disaster Risk Reduction. The paper looks into sectors which need to be prioritized for funding at national levels in the light of climate change induced risks. It also examines how national programs can contribute to the regional adaptation agenda.

The diagnostics show that intersectoral coordination mechanisms vis-à-vis global commitments of the countries is a pivotal driver of the climate change adaptation agenda. Such coordination and coherence of policies help avoid potential overlaps and minimize the risk that one sector progresses at the expense of another. Besides, the pursuit of new technical solutions, new policies and economic frameworks is recommended to promote cooperation and integrated planning among sectors. Integrated planning and cross-sector cooperation can leverage possible synergies for decreasing costs, assessing tradeoffs, demand-side interventions, and decentralized services for ensuring sustainability of infrastructure and sectors. Increased access to finance through insurance can be instrumental for implementing adaptation policies.

The paper recommends further analysis for examining capability gaps of specialized governance structures at national levels, and regional focus of international cooperative platforms. More [here](#).

Joint Research with UNICEF on Water Resource Management

In May 2020, the CAREC Institute and UNICEF started a joint research project which aims at exploring best practices and solutions on water resource management and experience sharing in CAREC.

The research will focus on analysis of the state of water management in Uzbekistan, Tajikistan, Mongolia, and the PRC. The study will help identify the critical challenges of rural and urban communities in access to clean water and sanitation. The team of researchers will 1) compare policies and practices between the PRC and selected CAREC countries with regards to access to safe drinking water, efficient water application and treatment mechanisms, climate-resilient water solutions; 2) propose feasible modalities to strengthen community-based water schemes and application of just and equal distribution of drinking water and sanitary services in rural areas of the targeted countries; 3) enhance South-South knowledge sharing and application of efficiency-enhancement technologies for local water management, access to safe water, sanitation and hygiene; and 4) conduct case studies on WASH supply chain and investment cases for sustainable water management solutions to benefit local communities. Research openings are advertised [here](#).

MOU with Xinjiang Institute of Ecology and Geography

The CAREC Institute and Xinjiang Institute of Ecology and Geography (XIEG) of the Chinese Academy of Sciences signed a Memorandum of Understanding (MOU) on 27 May 2020 in Urumqi, Xinjiang, the PRC.

The CAREC Institute is the only international (inter-governmental) organization based in Urumqi – a geostrategic regional hub for CAREC countries – with the mandate of providing research, capacity building, and partnership with CAREC’s knowledge institutions to promote regional cooperation along the ancient Silk Road.

Dr. Liang Ziqian, Deputy Director One of the CAREC Institute and Dr. Zhang Yuanming, Director of XIEG signed the MOU and delivered opening remarks. They highlighted the importance of working closely for better leverage of efforts in promoting regional cooperation in CAREC based on mutual trust and long-term strategic visions. Particularly, Dr. Liang stated that the CAREC Institute has strong interest to contribute to Xinjiang’s development by providing knowledge support and promoting economic cooperation with CAREC members.

Formalization of a long-term partnership between the CAREC Institute and XIEG brings various opportunities to the region. Both parties committed to: 1) delivering joint capacity building activities relevant to priority areas of regional cooperation in CAREC; 2) conducting joint research to promote evidence-based policy-making in CAREC; and 3) operationalizing an internship program for XIEG PhD students at the CAREC Institute headquarters to offer them international experience.

The CAREC Institute and XIEG partnership started in October 2019 when they held a joint workshop on “Technology Application for Disaster Risk Reduction in Central Asia” for CAREC participants to gain technical and technological experience through a 10-day experiential learning program.

CAREC Institute Deputy Director One Dr. Liang and XIEG Director Dr. Zhang signing the MOU in Urumqi

