



CAREC Institute Newsletter

km@carecinstitute.org

[LinkedIn](#)

www.carecinstitute.org

In this issue:

| | |
|---|---|
| Meeting with a New Director General at the PRC MOF ICFD | 1 |
| CAREC National Focal Point Survey Results | 2 |
| Corridor Performance Measurement and Monitoring (CPMM) 2019 | 3 |
| Economic Brief: The Global Scramble for the COVID-19 Vaccine | 3 |
| Findings of Visiting Fellow Research | 4 |
| Reviewing Migration and Development in Central Asia | 4 |
| Identification and Spatial Mapping of Economic Clusters in CAREC..... | 4 |
| Regional Cooperation in Promoting Low-Carbon Energy | 5 |
| Seminar on Digital Silk Road in Central Asia: Environmental Aspects | 7 |
| CAREC Institute and WEF Discuss Digital Trade Portfolios | 7 |
| Upcoming Workshop: Road Asset Management..... | 8 |
| CAREC Think Tanks Forum Rescheduled for 2021 | 8 |
| Development Asia Blog..... | 8 |

Meeting with a New Director General at the PRC MOF ICFD

Mr. Wang Zhongjing at a conference, 2017. Photo credit: IISD Reporting Services



On 15 July 2020, the CAREC Institute leadership conducted a virtual meeting with Mr. Wang Zhongjing - a new Director General of the International Cooperation and Finance Department (ICFD) of the Ministry of Finance (MOF) of the People’s Republic of China (PRC), National Focal Point (NFP) Deputy Director General Mr. Liu Weihua, and Director of ADB Division Mr. Zhan Shu.

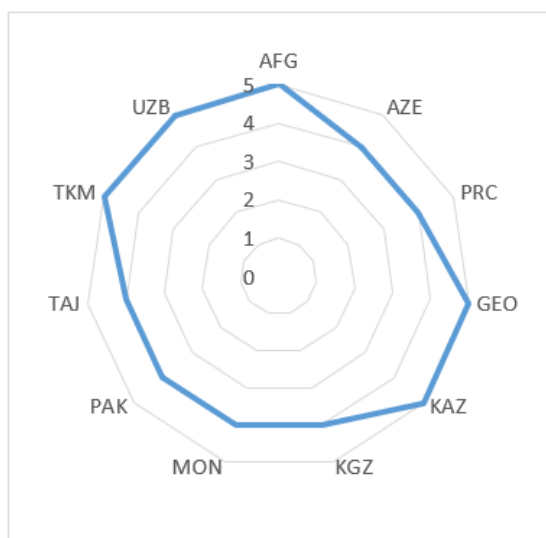
The CAREC Institute Director Syed Shakeel Shah briefed participants about the Institute’s progress and plans. Institute’s divisions provided detailed reports about operational modifications induced by COVID-19, launch of e-learning platform, initiation of work on debt management and debt sustainability, optimization of topic selection for research and capacity building activities, identification of impediments to regional integration and design of mitigation strategies.

Mr. Wang Zhongjing welcomed Pakistan’s pledged contribution towards the Institute’s budget and thanked Director Shah for support. He highlighted the ongoing mid-term review of the Institute’s strategy 2022 and necessary redesign the strategy might require. Mr. Wang advised to focus on economic recovery and post-COVID-19 topics, also adding more research topics to the portfolio concerning capital flows in CAREC member countries, monetary policies, value of currency in CAREC, impact of COVID-19 on migrant workers, and labor mobility. His recommendations also included increasing use of e-platform.

Parties agreed to continue consultations in a regular format.

CAREC National Focal Point Survey Results

Figure 1: NFP satisfaction with CAREC Institute knowledge dissemination through established channels and communication products



As part of the mid-term review (MTR) of the CAREC Institute strategy 2022, the NFP survey was conducted in June 2020. It asked 23 questions about the Institute’s achievements in enhancing the quality and effectiveness of the CAREC Program by providing evidence-based research, capacity building interventions, dissemination of knowledge products, and networking with research institutions. Some of the questions included alignment with CAREC program, utility of research outputs that add to the body of knowledge on regional integration issues and solutions, efficiency of trainings in addressing capacity gaps, outreach efficiency, etc. Additionally, suggestions were sought to improve the Institute’s engagement with its stakeholders.

Some of the suggestions included alignment of programs with local contexts, conducting research with consideration of larger multi-lateral donor

context, more policy dialogues to share policy experiences, strengthening coordination with CAREC sector ministries at the country level to identify gaps which need to be addressed, improving staffing diversity – ensuring representation of all CAREC members, more vigorous engagement of local think tanks, adopting more customized and agile approaches to training and research, establishing and managing alumni networks, etc.

Results have been shared with key stakeholders. The interim draft of the MTR will be presented to the Advisory Council for input and guidance in September 2020. The final draft with strategy modification suggestions will be presented to the Governing Council for endorsement in December 2020.

Corridor Performance Measurement and Monitoring (CPMM) 2019

The Asian Development Bank (ADB) has released the Corridor Performance Measurement and Monitoring (CPMM) report for 2019. CPMM is an empirical tool designed by the Central Asia Regional Economic Cooperation (CAREC) Program to assess and track the time and cost of moving goods across borders and along the six CAREC corridors, spanning the 11 participating countries—Afghanistan, Azerbaijan, the People’s Republic of China (PRC), Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.

The CPMM data for 2019 reported comparatively diverging results for road and rail transport. While average border-crossing time (TFI1) remained unchanged for road, TFI1 for rail transport improved by 11.3%. Average border-crossing costs (TFI2) deteriorated and increased for both road (4.1%) and rail (1.2%). On the other hand, good progress in total average transport cost (TFI3) showed a decline of 5.5% for road transport and 15.5% for rail. Overall average road speed (TFI4) decreased, while overall average rail speed increased. For road transport, average speed without delay (SWOD) fell by 3.2%, and speed with delay (SWD) fell by 5.9%. However, for rail transport, robust results showed an increase of 19% for average SWOD, and of 26.9% for average SWD.

The 2019 CPMM annual report also identifies country-level developments and challenges to assist national policy makers in determining the necessary focus of national strategies to address both national and regional transport, trade, and trade facilitation issues. The 2019 case study explores the common ground shared by the CAREC CPMM and the World Customs Organization (WCO) time release study (TRS) tools, which both seek to measure the time and cost of specific trade facilitation activities with the ultimate aim of better informing government and trade-related entities of priority reform and modernization steps. The experience and findings of TRS activities completed by Georgia Revenue Service in 2013 and 2016 are discussed and compared against the findings of the 2019 CPMM data for Georgia. Both the TRS and CPMM tools covered Sarpi, Poti, and Tsiteli Khidi border crossing points. Read more [here](#).

Economic Brief: The Global Scramble for the COVID-19 Vaccine

In a new economic brief titled “Resurgence of the Pandemic and Economic Uncertainties: The Global Scramble for a Vaccine,” our Chief Economist Hans Holzhaecker writes that the global economy shows some momentums of resumed growth, but they are not solid. There is a lot of good will, and efforts are made, for a “better recovery” from the COVID-19 crisis, and hope for a greener and digitalized economy, which will also lead to more inclusive post-COVID-19 economic order.

However, as long as the pandemic pervades, investment by the private sector will remain subdued, and the recovery, including the intended better one, will be sluggish. With worsened prospects to overcome the COVID-19 pandemic by containment measures alone, the availability of medical treatment, and of a vaccine in particular, has become critical for defeating the disease. Some progress has been made in developing a vaccine, and a race among the major powers has begun for securing for themselves a large number of doses. In the short run, after the development of a vaccine, there is a real possibility that developing countries, including most of CAREC countries, will be left out in the global scramble for vaccines. Some of the CAREC countries have undertaken some planning and initiatives to address this important public health concern. However, in order not to be left behind in this global scramble, plans have to be specified, obstacles for procurement, financing and dissemination of future vaccines must be identified before an effective vaccine is developed and ready for large scale use. Opportunities for cooperation with multilateral or bilateral partners have to be investigated and all avenues of cooperation must be leveraged to ensure that vaccines are available to CAREC countries at the earliest. Read more [here](#).

Findings of Visiting Fellow Research

In 2020, the CAREC Institute and ADB have selected seven fellows under the 2020 Visiting Fellow Program. The preference was given to proposals that addressed cross-border issues relevant to the [CAREC 2030](#) operational priorities. In this issue of the e-newsletter, we are pleased to present the findings of three papers which are scheduled for release before the end of 2020.

Reviewing Migration and Development in Central Asia

Dr. Giorgi Khishtovani from the PMC Research Center of Georgia reviewed migration and development and the role of local authorities in Central Asia to leverage migration's developmental potential. The paper focuses on migration from the southern rim of Central Asia - Uzbekistan, Tajikistan, and Kyrgyz Republic - to Russia.

It provides that Central Asia harbors one of the most stable and large-scale migration flows in the world, attracting nearly USD 9 billion in remittances in 2019. Same year, the total stock of migrants from Uzbekistan, Tajikistan and the Kyrgyz Republic in Russia reached 2.2 million people. Russia hosts 58% of Uzbek and 78% of Kyrgyz and Tajik migrants. Given the seasonal and, often, informal nature of movement, the actual scale of migrant flow is believed to be as much as three times larger. The most prominent push factors driving emigration from Central Asian countries are unemployment, low wages, and limited opportunities for improving livelihoods at home. Among pull factors are Russia's visa-free regime, high demand for low-skilled labor, sociocultural affinity and familiar administrative arrangements. More than half are in the 15-29 age group, and only a third of migrants work on construction sites in Russia while most are engaged in the service sector.

The stable inflow of remittances might have nurtured a false sense of comfort in Central Asian governments and reduced the pressure for reforms while these countries found themselves in an emigration trap where economic stability of a country strongly depended on the flow of remittances from migrants (at least before COVID-19 which had very significant negative impact on remittances).

The author continues provision of rich analysis, including notions of forsaken schooling as one of the effects of labor migration, attempts to consolidate diasporas through Buyuk Kelajak expert council and El-Yurt Umidi Foundation in Uzbekistan, local legislative environment, role of "mahallas" (a collective of resident families in a rural and urban neighborhood) in Uzbekistan and Tajikistan and their institutional status in Uzbekistan as an official self-governing administrative unit in the governance structure of the country, etc.

The paper concludes that governments shall pay more attention to 1) pre-departure trainings of migrants to provide information on the legal rights and obligations of migrants in destination countries; 2) reintegration services including healthcare, financial literacy trainings, preferential grants and loans to increase access to finance and support entrepreneurship; 3) matching remittances with an equal amount of funds from local governments to support local development; 4) diaspora engagement with more focus on peripheral areas for equitable access; and 5) leveraging the potential of "mahallas" for development-oriented migration management.

Identification and Spatial Mapping of Economic Clusters in CAREC

Dr. Syed Muhammad Hasan of Lahore University of Management Sciences analyzed transformation of CAREC transport corridors (passing through Xinjiang Uygur Autonomous Region (XUAR) of the PRC, Pakistan, and Tajikistan) from a simple transport infrastructure to a driver of economic growth by using

satellite imagery data and GIS based techniques such as Multiple Criteria Decision Analysis (MCDA). The analysis revealed that across a multitude of indicators such as population growth, economic activity variation, road density differences and change of land use, the values within the influence zone of the corridor are heterogeneous across countries but significantly higher (Tajikistan being an exception in population growth variable) in comparison with the country-wide averages determined from national statistics.

The above analysis points out variations in the impact of CAREC investments across countries. Such differences may arise on account of inherent heterogeneity and this is evident in Tajikistan where the impact of improvement in the transport infrastructure is relatively less distinct. This highlights the need for further analysis of the Tajikistan case to determine the constraints for development. A related aspect is to identify the potential for economic growth based on existing resources.

The results obtained in this study indicate that Tajikistan needs massive interventions to truly reap the benefits of its strategic location whereby it serves as a bridge for the transit of goods and services between the PRC, Central Asia, South Asia, and Middle East. Its road infrastructure comprising three Asian highways (AH 7, 65 and 66) and four of the six CAREC transit corridors (2, 3, 5 and 6) provides the country with an unmatched potential to act as a major transportation hub in the Hub-and-Spoke model which provides greater flexibility within the transport system through a concentration of flows. To assume the role of a transportation hub, it is imperative to attain significant improvements in indicators determining the Logistics Performance Index (LPI). This approach shall ensure quick benefits from its transportation infrastructure by improving systems and procedures regulating transit goods and hence be a reasonable strategy for Tajikistan.

Regional Cooperation in Promoting Low-Carbon Energy

In support of the CAREC Energy Strategy 2030, Ms. Bulganmurun Tsevegjav analyzed challenges and opportunities of regional cooperation in promoting low-carbon energy development in CAREC.

After providing international and regional contexts (see Figure 2 for energy inter-linkages in CAREC) and the concept of low-carbon development, she lists key aspects of renewable energy cooperation in the European Union, mentions the regional energy cooperation toolbox of 2016 by Benelux Secretariat, and then groups CAREC countries in five categories: 1) fossil-fuel rich countries (Kazakhstan, Turkmenistan, Uzbekistan, Azerbaijan); 2) hydropower-rich countries (Georgia, Tajikistan and The Kyrgyz Republic); 3) transit countries (Mongolia and Afghanistan) earning valuable transit and transmission fees; 4) Afghanistan and Pakistan with enormous demand and lack of access to reliable power supplies; and 5) the PRC importing oil and natural gas from Kazakhstan, Uzbekistan, and Turkmenistan as an alternative source for energy security.

The analysis encompasses net energy import statistics in CAREC, energy self-sufficiency, greenhouse gas (GHG) emission levels, GHG emission reduction targets and policies, share of renewables in final energy consumption, energy intensity levels, electricity transmission and distribution losses, potential for installed renewable resources country by country, legislative frameworks, ongoing and planned regional infrastructure projects, and many more.

The author notes that an initial step for establishing regional cooperation on renewable energy was the release of the joint communique by Energy Ministers from Central Asia during the Astana Expo in 2017. She also lists numerous multilateral initiatives, among those ADB-supported CAREC Program, the World Bank's Central Asia Water and Energy Program (CAWEP) and the Central Asia-South Asia Regional Electricity Market (CASAREM), the European Union INOGATE Program, the European Bank of Reconstruction and Development (EBRD) renewable energy investment projects, UNDP's Europe and

the CIS Sustainable Energy for All (SE4ALL), Eurasian Development Bank’s renewable energy investment projects, project by the private sector, etc. majority of which are restricted to individual CAREC countries and focused on electricity trading and electricity market development, e.g. investing in new transmission networks and modernization of existing electricity grids. The paper finds that a notable gap exists in regional cooperation on energy efficiency in terms of governance, investment, dialogue, and regional technology and knowledge transfer.

Among challenges, there are: 1) lack of governance arrangements in electricity trade to set rules, mitigate barriers, provide mechanism for negotiation and dispute resolution, etc.; 2) strong reliance on fossil fuels which delays shift to renewable energy, coupled with limited expertise; and 3) inefficient and aging regional electricity infrastructure.

On the other hand, reduced cost of renewable energy, global investment shift to low-carbon energy, and cost-effectiveness of cooperation in low-carbon development are listed as opportunities which CAREC shall capitalize on.

The paper emphasizes the positive role that the PRC can play in the region as an investor and developer of renewable energy resources. In 2011, the PRC produced 63% of the world's solar panels. Its success in renewables is characterized by setting national targets, strong enforcement mechanisms, low cost, and revenue-driven business model. There are several renewable projects which the PRC implements in CAREC and this portfolio could be scaled up for more extensive knowledge and technology transfer, the author notes: 1) construction of a 200MW wind farm in the Caspian Sea part of Azerbaijan with \$510 million financed by China’s Export Import Bank; 2) Pskem hydro powerplant in Uzbekistan (the second largest in the country) with the capacity to produce 900 million kWh of electricity/year, financed by China’s Export-Import Bank.

For more vigorous regional cooperation, the author recommends 1) setting up a governing body which would harmonize legal and regulatory frameworks, and technical standards for power connectivity and trade within CAREC; 2) facilitation of cross-border technology and knowledge transfer coupled with low-carbon research which would reduce investment risk for energy development projects; and 3) ensuring participation of all stakeholders, including private sector, regulatory authorities, transmission operators, development partners, investors, etc. to arrive at pragmatic solutions.

Figure 2: Existing energy Inter-linkages among CAREC countries

| | AFG | AZE | PRC | GEO | KAZ | KGZ | MON | PAK | TAJ | TKM | UZB |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| AFG | | | | | | | | √ | √ | | √ |
| AZE | | | | √ | √ | | | | | | |
| PRC | | | | | √ | √ | √ | √ | √ | √ | √ |
| GEO | | √ | | | | | | | | | |
| KAZ | | √ | √ | | | √ | | | √ | | √ |
| KGZ | | | √ | | √ | | | | √ | | √ |
| MON | | | √ | | | | | | | | |
| PAK | √ | | √ | | | | | | | | |
| TAJ | √ | | √ | | √ | √ | | | | | √ |
| TKM | | | √ | | | | | | | | √ |
| UZB | √ | | √ | | √ | √ | | | √ | √ | |

Seminar on Digital Silk Road in Central Asia: Environmental Aspects

On 8 July 2020, the CAREC Institute Deputy Director Two Dr. Iskandar Abdullaev participated in a virtual seminar titled “Digital Silk Road in Central Asia: Environmental Aspects,” organized by Narxoz University, Sustainable Kazakhstan Research Institute, and Davis Center for Russian and Eurasian Studies.

Participants discussed potential benefits of the Big Earth Data system in detecting regional environmental trends, challenges in integrating datasets into the Big Earth Data platform, use of Digital Belt and Road (DBAR) program to predict climate change trends in vulnerable high mountainous regions of Central Asia, role of DBAR to facilitate partnerships and implementation of the Sustainable Development Goals (SDG) at a regional level, implications the Big Earth Data system of the Belt and Road Initiative (BRI) might have for national and regional policy making, engagement of the academia and the private sector to support environmental decision making, and many more.

Dr. Abdullaev talked about six types of environmental problems – water challenge, land degradation, desertification, waste management, climate change, institutional shortcomings, also about stakeholder groups, roles and resources, environmental process, BRI and environment in Central Asia, and potential impact of digital information systems on environmental cooperation. He said that Central Asian states experience fast economic growth and are hungry for investments, the BRI investment is attractive for Central Asia and Central Asian transit corridors attract BRI, however infrastructure and economic development in Central Asia seriously affects already vulnerable and highly degraded environment, and requires more sustainability considerations.

On the impact of big data, Dr. Abdullaev noted that there is insufficient presence of Central Asia on international platforms, the regional vision for environmental cooperation is in its nascent stage, and environmental and sustainable development challenges are not listed as priority issues for regional policies. He concluded that innovative approaches and global processes in Central Asia shall be promoted in view of the high demand for inter-sectoral dialogue platforms.

CAREC Institute and WEF Discuss Digital Trade Portfolios

On 2 July 2020, CAREC Institute and World Economic Forum (WEF) discussed their digital trade portfolios and future collaboration options in a virtual dialogue.

WEF introduced “Shaping the Future of Trade and Global Economic Interdependence Platform” where they assist governments to facilitate the development of inclusive and efficient digital payment systems, ensure safety and reliability of payments, improve interoperability of bank and non-bank financial service providers, enhance consumer trust, upgrade skills of all types of workers in the digital ecosystem (from SME traders who are adapting to e-commerce, to software coders, government regulators, etc.). The dialogue also focused on the specification of foreign direct investment in the digital economy especially how to help bring technology, know-how, jobs, and growth to developing countries. WEF has launched a global survey among the industry groups and specific firms to identify what policies, regulations and measures are required to create a digital-friendly investment climate.

The CAREC Institute provided details of two phases of its e-commerce research, the first one about [e-commerce regulatory environment](#), and the second [about digital infrastructure readiness in CAREC](#). Joint workshops were discussed to facilitate regional cooperation and national implementation. WEF invited the CAREC Institute to participate in coming global workshop on digital trade to connect with the global network of think tanks.

Upcoming Workshop: Road Asset Management

On 10-13 August 2020, the CAREC Institute will deliver a virtual workshop on road asset management (RAM) and RAM system targeting senior government officials and experts from ministries of transport, rural development, public infrastructure, and other relevant state agencies in CAREC. The four-day capacity building event will be held online through the Zoom e-platform.

According to ADB, RAM “looks at optimizing the level and allocation of road maintenance funding in relation to medium- and long-term results on road conditions and road user costs.” Therefore, RAM is as much about sustainable road maintenance as it is about minimizing the cost for road users. RAM falls under the CAREC regional “infrastructure and economic connectivity” cluster and the transport sub-cluster of the CAREC 2030 Strategic Framework which articulates objectives as follows: (a) establish competitive transport corridors across CAREC; (b) facilitate efficient movement of people and goods across borders; and (c) develop safe, people-friendly transport systems.

This virtual workshop aims to update and upgrade knowledge and skills of target participants on various important aspects of RAM and associated information system for managing assets related to roads. It intends to promote regional cooperation in CAREC on RAM and the importance of data collection in overall management of road assets through dialogue and direct cooperation among experts and policymakers. It also aims to facilitate a platform for best practices and knowledge sharing on RAM among CAREC members for collective sustainable regional development.

Target participants will engage with leading experts on various aspects of RAM to broaden their asset management expertise within CAREC regional cooperation framework.

Register for the workshop [here](#).

CAREC Think Tanks Forum Rescheduled for 2021

The CAREC Institute hosted the first CAREC Think Tanks Development Forum (CTTDF) in June 2016 in Astana, Kazakhstan, with the theme of “Promoting Economic Cooperation for an Integrated Central Asia.” The [second CTTDF](#) was held in Urumqi, PRC, in September 2017 with the theme of “Exploring Knowledge Solutions for Regional Cooperation and Integration.” The [third forum](#) took place in Bishkek, Kyrgyzstan, in July 2018 under the theme of “Building Knowledge Corridors along the Silk Road.” The [fourth forum](#) was conducted in Xi’an, Shaanxi, PRC, in August 2019 under the topic of “Trading for Shared Prosperity.”

The fifth forum is rescheduled for March 2021 due to COVID-19 pandemic. It will be built around the topic of CAREC economic corridors.

Development Asia Blog

Development Asia blog of ADB has published two policy briefs prepared by CAREC Institute based on its research regarding [state-owned enterprise \(SOE\) reform](#) and [e-commerce development](#). One post argues that privatization and corporatization can reduce costs, raise productivity, and improve social welfare. Another one on e-commerce provides that globalization of commerce requires consistent laws and regulations not only to authorize but also to regulate electronic communications.

We welcome your engagement with our authors.