



CAREC Institute Newsletter

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In this issue:

Consultation Meeting with CAREC National Focal Points.....	1
CAREC Country Gap Assessment Approach.....	2
CAREC Institute Financial Sustainability Approach.....	3
CAREC Institute Strategy 2022 Mid-Term Review.....	3
Pakistan Announces Financial Contribution towards CAREC Institute.....	3
Economic Brief: Intra-CAREC Trade - Business as Usual or Change?.....	4
Development, Modernization, and Policy Nexus Induced by COVID-19.....	4
Climate Change Regional Policy Dialogue: Learning from COVID-19.....	5
Meeting Environmental Objectives: Role of Energy Pricing Reforms.....	6
e-Commerce Infrastructure Development in CAREC.....	7
COVID-19 Impact on SMEs and Policy Lessons in CAREC.....	7
Role of Technology in Promoting Safe Tourism Destinations in CAREC.....	7
Meeting with RECEECA under Chinese Academy of Sciences.....	8

Consultation Meeting with CAREC National Focal Points

On 16 June 2020, CAREC national focal points (NFPs) held a virtual meeting to discuss the economic impact of and response to the COVID-19 pandemic in the region. Progress of trade, transport, energy, tourism, and economic corridor development under CAREC was reviewed. Necessary adjustments to the CAREC calendar of events were discussed.

Afghanistan Deputy Minister for Finance Abdul Habib Zadran, Asian Development Bank (ADB) Central and West Asia Department Director General Werner Liepach, and ADB East Asia Department Deputy Director General Teresa Kho co-chaired the meeting.

The CAREC Institute Director Syed Shakeel Shah presented Institute’s research and capacity building work across CAREC sectors and elaborated on the modifications that the Institute introduced in times of the pandemic, among them shift to online activities and e-learning platform development. He answered questions on topics of particular interest for NFPs, including e-commerce development in CAREC, Institute’s joint work with ADB on Corridor Performance Measurement and Monitoring (CPMM), research on Pamir and Wakhan economic corridor, and the upcoming CAREC Think Tanks Development Forum which is dedicated to the topic of CAREC economic corridor development.



CAREC Country Gap Assessment Approach

The CAREC Institute, in collaboration with ADB, started a capacity gap assessment exercise for CAREC countries which also incorporates development of methodology and tools for future assessments, and country capacity gap assessment framework. The exercise takes place concurrently with the midterm review of the [CAREC Institute's 2022 strategy](#).

The assessment will focus on gaps within five operational clusters as listed in [CAREC 2030 strategy](#); identify key priorities for CAREC to inform the gap assessment; review county-level diagnostics for ten CAREC countries, other than the People's Republic of China (PRC), including multilateral partner work and development plans that countries themselves have prepared; develop and deploy stakeholder mapping (also known as collaboration mapping) for each of the five operational clusters; and develop questionnaires and worksheets to assess baselines, gaps, and targets.

The exercise will attempt to cover the diversity of CAREC countries by focusing on certain sub-groups, such as several former Soviet Central Asian countries with common characteristics, one CAREC member with particularly large population, members with closer ties with European economies, higher income countries, etc. The PRC will not be included in the gap assessment; however, a special note will be made of specific areas in which the PRC can continue to share knowledge and expertise with fellow CAREC members.

While the CAREC Institute strives to contribute to recovery from the COVID-19 induced crisis in CAREC, the ongoing pandemic may create or expose capacity gaps that will need to be identified and addressed. Additionally, this exercise will help the CAREC Institute target its outreach for partnerships, including with national training institutions, to leverage its impact across CAREC. The assessment will include challenges that the CAREC Institute will be well poised to address with its existing and planned resources.

CAREC Institute Financial Sustainability Approach

The CAREC Institute started redefining its approach to financial sustainability to develop an assessment of resource mobilization requirements, framework for the Institute's financial diversification, mapping of potential donors, and materials for consideration of the Financial Sustainability Working Group under the Governing Council.

This exercise will include review of the Intergovernmental Agreement (IGA) in terms of direction it provides for resource mobilization, interpretation of voluntary contribution by members, and the extent of fundraising flexibility.

Consideration will be given to alternative definitions of financial sustainability, with or without recurring contributions from member countries. The exercise will also look into modalities of financial contributions, e.g. cash versus in-kind contributions, resource mobilization experience of think tanks around the globe, and links between sustainable finance and Institute's governance.

CAREC Institute Strategy 2022 Mid-Term Review



In parallel with the country gap assessment and financial sustainability redefining exercise, the CAREC Institute has embarked on a mid-term review (MTR) of its [five-year strategy 2022](#).

The MTR aims to reposition the Institute in relation to new developments and challenges to increase the effectiveness and relevance of its interventions.

The progress under the current strategy will be reviewed against two strategic goals – institutional strengthening and operational excellence – and seven objectives under those goals - enhancing organizational capacity, augmenting human resources, achieving financial sustainability, advancing research, upscaling capacity building, strengthening knowledge management, promoting partnerships and networking.

The MTR will examine these areas in terms of relevance, effectiveness, efficiency, impact, and sustainability. It will summarize factors which have implications for the region with consequences for the CAREC Institute to realign its institutional and operational priorities. Consideration will be given to the newly adopted CAREC sectoral strategies, such as CAREC Integrated Trade Agenda (CITA), Transport and Energy Strategies, CAREC Ministerial and Senior Officials Meeting (SOM) statements and CAREC Working Group recommendations. Key reports produced by multilateral development partners regarding the regional economic landscape will be consulted. The MTR will rely on the ongoing country gap assessment and will highlight the Institute's role in both regional integration and targeted approaches.

Pakistan Announces Financial Contribution towards CAREC Institute

In June 2020, Syed Mujtaba Hussain, Pakistan's NFP for the CAREC Program, officially intimated that the Government of Pakistan has decided to make a voluntary contribution for the CAREC Institute. In

2019, Mongolia, as a member country, also started a consultative process for making a financial contribution to the Institute. As of today, 80% of the CAREC Institute operations get funded by the PRC, 10% by ADB, and another 10% by five other development partners. Resource diversification is an important objective for the long-term sustainability of the CAREC Institute.

In the backdrop of financial sustainability initiative, it is an important development as it demonstrates increasing ownership and confidence of IGA member countries regarding outputs and ability of the CAREC Institute to deliver on its mandate.

The CAREC Institute management and ADB have appreciated the voluntary contribution announcement from Islamabad and thanked the NFP for his efforts in the matter.

Economic Brief: Intra-CAREC Trade - Business as Usual or Change?

In a new economic brief, CAREC Institute's Chief Economist Dr. Hans Holzhaecker provides insights in CAREC countries' mutual trade against the background of the region's trade with its main trading partners: Russia, the EU, and the PRC.

The paper gives a short overview of products that CAREC countries trade among themselves. The brief shows that the product composition of intra-CAREC trade is similar to the one of the region's global trade. It concludes that business as usual is not sufficient and the product portfolio of CAREC countries' industry and agriculture has to be widened to invigorate intra-CAREC trade as well as the region's global exports. This has become even more pertinent due to global decarbonization efforts and green transition, widely discussed now in connection with efforts to revive the global economy after the slump caused by the COVID-19 pandemic.

It would not be easy to broaden the range of export-ready products and services. This requires a whole set of measures in areas such as trade policy, coordination of sectoral policies, diversification, and business reforms. The [CAREC Integrated Trade Agenda 2030](#) calls for such policies and offers support. Especially, the countries that are in the center of CAREC trade flows are expected to step up their initiatives for industrial change and closer cooperation within CAREC. Read more [here](#).

Development, Modernization, and Policy Nexus Induced by COVID-19

On 29 June 2020, the CAREC Institute, ADB, and Asia-Pacific Finance Development Institute (AFDI), co-hosted a knowledge sharing webinar on high-quality development, modernization, and policy nexus induced by COVID-19.

Dr. Minsoo Lee, Senior Economist, ADB, shared his insight on the given topic covering risks of a global depression and the criticality of a sustainable recovery. Dr. Lee noted that next few months are decisive for the global economy to protect employment and move from rescue to recovery which shall mark the beginning of a global transformation to strong, sustainable, inclusive, and resilient economic development and growth. He discussed the concept of "recover better" where countries must ramp up broad range of investment including physical, human, social, and natural capital. He also shared South Korea's experience of modernization as a guide for the PRC's 14th Five-Year Plan and discussed progress on modernization indicators for 1995 – 2018 years. Dr. Lee elaborated how modernization indicator analysis can apply to CAREC.

Dr. Hans Holzhaecker, Chief Economist, CAREC Institute, and Dr. Wang Lei, Deputy Director of AFDI, joined as discussants with questions about cross-border supply chains, dependence on mineral fuels, green transition, and more. The webinar presentation and video recording is available [here](#).

Modernization Indicator Performance for PRC, Korea and Japan (1995-2018)

Category Sub-Category	PRC			Korea, Rep. of			Japan		
	1995	2018	Δ	1995	2018	Δ	1995	2018	Δ
State	L	L		L	M	↑	M	M	
Basic rights	L	L		M	M		M	M	
Accountability	M	M		L	M	↑	M	M	
Market	L	M	↑	M	H	↑	H	H	
Stable growth	L	H	↑↑	M	H	↑	H	M	
Industrial Competitiveness	L	M	↑	H	H		H	H	
Civil Society	L	L		L	L		M	M	
Social cohesion	H	M	↓	L	L		M	M	
Environment	L	L		L	L		M	M	
Market Intervention	L	L		M	M		M	M	
Quality of Administration	L	L		L	M	↑	M	M	
Competition	L	L		M	L		M	H	↑
Wellbeing	L	L		M	H	↑	H	H	
Health	L	L		M	M		H	H	
Education	L	L		H	H		M	M	
Inclusiveness	M	L	↓	M	M		M	M	
Economic Equity	M	L	↓	H	M	↓	M	M	
Social Equity	M	M		L	L		M	H	↑
Globalization	L	L		L	L		L	L	
Economic Openness	L	L		L	L		M	L	

Legend:
H: High-performance group with upper 30%
M: Middle-performance group with between 70%–30%
L: Low-performance group with lower than 30%.

Climate Change Regional Policy Dialogue: Learning from COVID-19

From 18 to 19 June 2020, the CAREC Institute and the Asian Development Bank Institute (ADBI), in collaboration with Xinjiang Institute of Ecology and Geography (XIEG) of Chinese Academy of Sciences delivered a virtual policy workshop – “Climate Change Regional Policy Dialogue: Learning from COVID-19 Pandemic” – for senior officials from ADB member countries who are leading climate change adaptation, mitigation and financing strategies, to exchange knowledge, best practices and lessons learned on pressing climate change issues at the regional level.

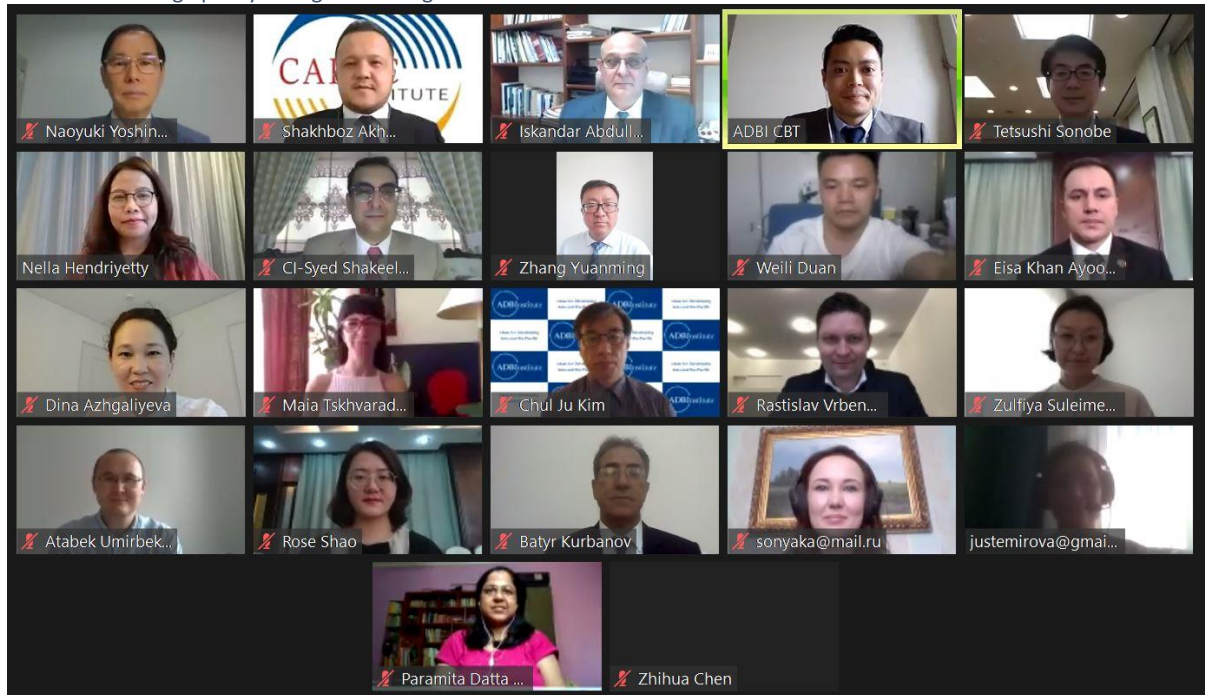
Participants discussed that realization of enormities of climate change challenges has increased, and world community has included climate dialogue as the main agenda item of international discourse, however estimated costs of climate change adaptation and mitigation are enormous. It will require more regional and international cooperation, investment, and stakeholder engagement that will lead to a comprehensive response to the climate change impact. Moreover, the ongoing pandemic and ensuing global economic meltdown has necessitated economic recovery plans involving huge outlays as a percentage of GDP. This has offered countries a new opportunity of “greening” the recovery plans.

Information was shared on the global collaboration efforts for climate action, how UN bodies, multilateral development banks, European Commission, European aid partners, and other aid agencies are developing their respective areas of action and expertise which proves very useful for public policy makers.

The CAREC Institute Director Syed Shakeel Shah remarked: “It is welcome news for the world that Chinese leadership is mainstreaming green outcomes in their vision of global cooperation and development, like BRI and AIIB initiatives, especially keeping in view the setbacks which the global climate agenda has suffered in recent years due to withdrawal of USA, the world’s biggest economy,

from Paris commitments.” The CAREC Institute’s recent research report on Climate Vulnerability, Infrastructure, Finance and Governance is available [here](#). Workshop materials are accessible [here](#).

The climate change policy dialogue meeting screenshot of 18 June 2020



Meeting Environmental Objectives: Role of Energy Pricing Reforms

The CAREC Institute and the Asian Development Bank Institute (ADBI) delivered an online workshop on “Meeting Environmental Objectives Through Energy Sector Reforms in Asia and the Pacific: Role of Energy Pricing Reforms and Emissions Reduction,” targeting senior government officials and leading experts from across Asian sub-regions, including CAREC. The virtual workshop was organized around six webinar sessions from 22 to 24 June 2020. The workshop aimed to analyze energy pricing reforms and their short- and long-term costs and benefits.

Energy prices are usually controlled or subsidized in developing Asian economies to reduce energy costs to low-income consumers and firms. However, the growing need to reduce greenhouse gas (GHG) emissions to address climate change impacts is prompting calls by international organizations for energy pricing reforms which have emerged as one of the regions’ most important policy challenges and opportunities given their potential to advance climate change mitigation and green growth. These reforms could help reduce government expenditure on energy subsidies, which in developing Asia and the Pacific can range between 2-4% of GDP. They could also promote investment in renewable energy and energy efficiency improvements, reducing GHG.

During the workshop, leading energy experts and senior government officials engaged in policy dialogue to explore innovative reform schemes in reducing government expenditure on energy subsidies while sharing knowledge and best practices. They also discussed feasible policy options for investment in renewable energy and energy efficiency improvements. This webinar featured research on the short and long-term costs and benefits of energy pricing reforms for developing Asian and Pacific economies, including liberalization, privatization, and enhanced competition related to energy generation, transmission, and distribution. It also explored how regional lessons learned can guide the implementation of energy reforms and realization of environmental objectives. Workshop materials are accessible [here](#).

e-Commerce Infrastructure Development in CAREC

The CAREC Institute, in collaboration with ADB, started a research on e-commerce infrastructure development in CAREC in continuation of a research on regulatory framework for e-commerce development in CAREC completed in 2019 (to be released in Q3 2020).

Pursuant to outcomes of the Institute's previous workshops on environmental readiness for e-commerce regarding economic, legal, and institutional factors, and priorities identified in [CAREC 2030](#) and [CITA 2030](#), this research project will examine the economic factors and conditions in CAREC in terms of affordability and access to ICT to engage in online transactions, bandwidth availability, availability of online payment options, e-commerce platforms, delivery and logistics, economies of scale, etc. Preliminary information shows that the basic infrastructure in many CAREC countries still lags behind.

This research will complement the phase one research where the state of legislation and regulation of e-commerce in CAREC was analyzed and [recommendations were issued](#) to modernize and harmonize them to harness the opportunities of e-commerce.

COVID-19 Impact on SMEs and Policy Lessons in CAREC

Another ongoing research by CAREC Institute involves analysis of COVID-19 impact on SMEs; their domestic commerce, export, and supply chain disruptions; formal and informal employment disruption; changes of global economic perspective from CAREC lenses; analysis of support measures introduced by CAREC governments and their potential regional effects; identification of SME sectors which functioned well during the pandemic; and identification of possible fiscal and monetary measures for CAREC countries to revitalize the SME sector to benefit the regional cooperation processes.

In CAREC, substantial amount of GDP (42%) and employment (62%) is generated by SMEs. Many CAREC economies concentrate on extractive labor-intensive enterprises which prove susceptible to external shocks like economic crisis and COVID-19 pandemic. Leveraging SMEs in both informal and formal sectors in CAREC will not only fill the employment gap but will have enormous contribution to regional GDPs. The focused analysis of SMEs will help derive targeted interventions.

Role of Technology in Promoting Safe Tourism Destinations in CAREC

One more analytical paper in 2020 will focus on harnessing the role of technology in promoting safe tourism destinations in CAREC. Prior to COVID-19, prospects for tourism in CAREC looked promising with tourist arrivals in eight CAREC countries (excluding the PRC, Afghanistan, and Turkmenistan) reaching almost 20 million in 2018 which represented an annual growth of about 4.5% over the past five years. Employment in tourism sector in CAREC ranged from 4% to 27% country by country.

Some economists predict three, five, and seven-year recovery scenarios after the COVID-19 pandemic in CAREC. While there is a potential for each of these scenarios to become a reality, the likelihood is that tourism sector remains hampered until the vaccine becomes available.

The new research project by the CAREC Institute will attempt to identify travelers' likely future needs in terms of safety and security; analyze implications of these emerging needs in development, management and promotion of tourism destinations; and provide recommendations on how such needs could be met through the use of technology considering best practices.

Meeting with RECEECA under Chinese Academy of Sciences

On 17 June 2020, the CAREC Institute delegation led by Deputy Director One Mr. Liang Ziqian held a consultation meeting with the Research Center of Ecology and Environment of Central Asia (RECEECA) under the Chinese Academy of Sciences in Urumqi, the PRC.

Mr. Chen Xi, Secretary of RECEECA, elaborated on RECEECA's seven focus areas - ecosystems, water resources, geology, climate change, environmental pollution, sustainable development, and agricultural technologies – and its cooperation framework with the Kazakhstan Academy of Agricultural Sciences, Kyrgyzstan Academy of Sciences, Tajikistan Academy of Science, and Uzbekistan Academy of Sciences. The center hosts around 200 international students and coordinates the Central Asian Ecological Environment Alliance with offices in Urumqi, Almaty, Bishkek, and Dushanbe, additionally three joint labs, three information sub-centers, 15 field observation and research stations, and four experimental and demonstration sites.

The parties discussed joint plans to establish a Central Asian Institute of Science and Technology in Karamay City of Xinjiang Uygur Autonomous Region, the PRC. The plans include launch of eight subject courses including resource and environment, tourism, geology and mineral resources, big data, astronomy, new energy, new materials, and medical treatment, and involving 500 master's and doctoral students from Central Asia.

Parties also discussed participation in the Aral Sea eco-environmental conference and Silk Road geographic information technology annual meeting, exchange of climate data, and other areas to strengthen bilateral cooperation.

The RECEECA meeting participants in Urumqi on 17 June 2020

