



CAREC Institute Newsletter

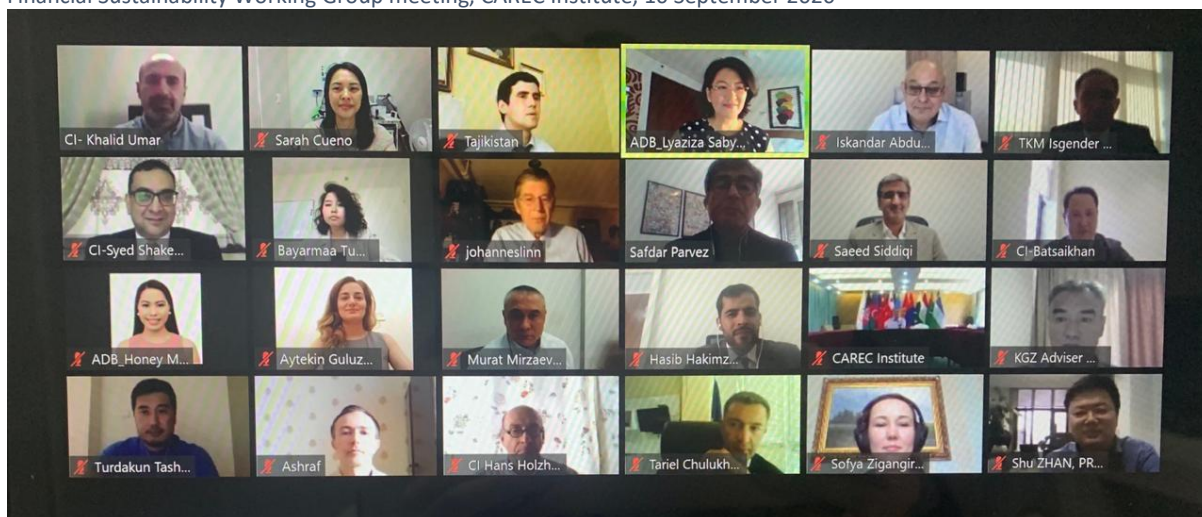
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CAREC Institute Financial Sustainability Working Group Meets

Financial Sustainability Working Group meeting, CAREC Institute, 10 September 2020



The CAREC Institute inaugural Financial Sustainability Working Group (FSWG) meeting was held on 10 September 2020 in a virtual mode. The CAREC Institute FSWG was established by a decision of the Institute’s Governing Council to examine and propose alternative financing options in addition to current financial arrangements agreed in its Inter-Governmental Agreement. CAREC senior country representatives considered the options proposed in the assessment report to achieve the financial sustainability of the Institute. The report was presented by Mr. Johannes Linn, a senior fellow of the Brookings Institution and former Vice-President of the World Bank. The session was moderated by Mr. Safdar Parvez, Director of Regional Cooperation and Operations Coordination Division, Central and

West Asia Department of the Asian Development Bank (ADB). The working group members provided their inputs and recommendations on contributions, replenishment mechanisms, alternative financial options and resource mobilization strategy. During the meeting, the government of Pakistan announced voluntary donation and ADB signaled its next technical assistance to the CAREC Institute.

CAREC Institute External Audit Completes

During 2015-2018, all accounting and financial affairs of the CAREC Institute have been managed by the Ministry of Finance (MOF) of the People’s Republic of China (PRC). Once the Inter-Governmental Agreement (IGA) took effect, registration completed at the Ministry of Foreign Affairs (MOFA) of the PRC, and the Host Country Agreement (HCA) got signed, the Institute has established its own bank account and introduced a set of rules, regulations, and procedures to conform with international standards. Under the new circumstances, the IGA and the Governing Council (GC) required external audit of the 2019 financial statement.

The Institute presented the “Note for Selection of External Auditor” at the 9th GC meeting in December 2019, and contracted Deloitte China after the GC approval. Currently, the audit report is under the CAREC Institute Budget and Audit Committee (BAC) review, which operates under the GC, and will be submitted for the 10th GC endorsement in December 2020.

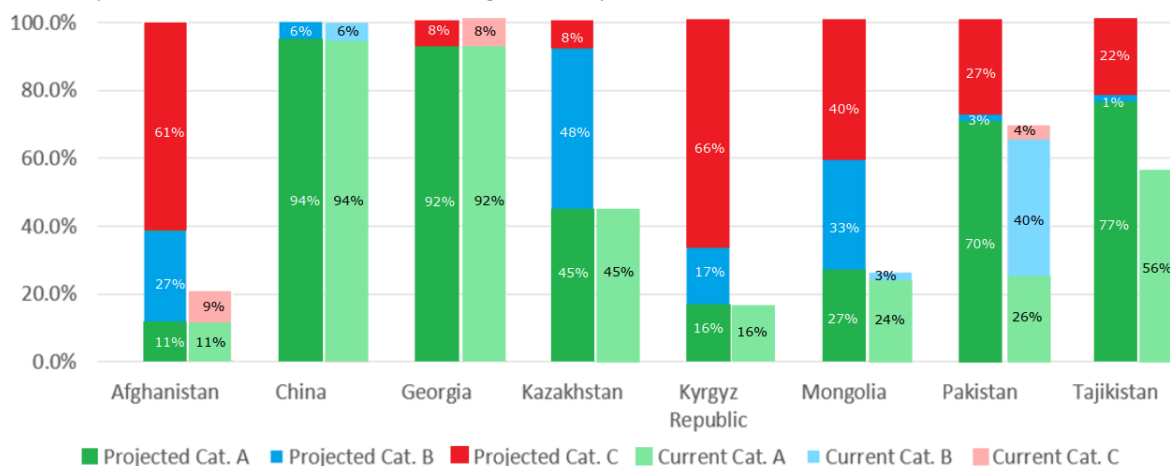
The audit gave an excellent opportunity to identify areas where efficiency can be improved and where controls and processes may be enhanced.

CAREC Customs Cooperation and Regional Trade Group Meetings

“A good neighbor is better than a brother far off,” said Chen Ning from the Ministry of Commerce of the PRC at the third CAREC Regional Trade Group (RTG) meeting on 10 September 2020 where senior government officials discussed trade facilitation measures which members are taking to advance cooperation. This was one of the [meetings](#) supported by the Asian Development Bank (ADB) to discuss the progress of [CAREC Integrated Trade Agenda \(CITA\) 2030](#) to assist CAREC members enhance their participation in global value chains and digitally-enabled trade.

The RTG and Customs Cooperation Committee meetings were chaired by Abdul Karim Malikyar, Acting Minister of Industry and Commerce of Afghanistan, and Mr. Khalilullah Salehzada, Director General of Afghanistan Customs Department of the Ministry of Finance respectively.

Rate of implementation of the Trade Facilitation Agreement by CAREC members



Source: WTO, shared at CCC on 8 September 2020

Participants welcomed Turkmenistan's observer status granted by WTO on 22 July 2020. Further, it was discussed how resumption of Uzbekistan's accession to WTO has highlighted the deepening relationship between WTO and Central Asia, ahead of the 12th WTO Ministerial Conference scheduled to be held in Nur-Sultan, Kazakhstan, in 2021. Afghanistan introduced its plans to launch the e-TIR system and integrate ASYCUDA with the International Road Transport Union (IRU) system, also details were provided about feasibility study of a single window, e-governance draft law, and MOUs on customs data exchange with partner countries. Azerbaijan and Georgia provided lessons of exemplary cooperation of their customs agencies during the COVID-19 emergency.

Further, the CAREC Institute along with development partners presented updates and plans. The CAREC Institute's Senior Capacity Building Specialist Rovshan Mahmudov provided updates on the Institute's ongoing customs cooperation and trade-related knowledge support to member countries and reiterated commitment to escalating efforts, in collaboration with all implementing partners, on improving border crossing services. The CAREC Institute has also highlighted the importance of e-commerce for the region and shared the main findings of phase I research project on regulatory framework, and the outline of phase II research project on e-commerce infrastructure.

The WTO representative mentioned the priority areas where different CAREC members request technical assistance, namely human resource skill development, regulatory framework, ICT technologies, infrastructure and equipment, awareness raising, institutional procedures, and needs assessments. Pakistan, Mongolia, and Kyrgyz Republic delegates mentioned progress under the ADB's Regional Improvement of Border Services (RIBS) project. As a result, country-specific rolling strategic action plans 2020–2022 - consisting of investment projects, policy dialogues, and knowledge products and services - are expected to be updated to respond to countries' needs and the changing global landscape.

Representatives of the Kyrgyz Republic during the Customs Cooperation Committee meeting on 8 Sep 2020



CAREC Cooperation Event with Historian Peter Frankopan

Prof. Frankopan during the online CAREC event on regional cooperation in the time of COVID-19



On 17 September 2020, the CAREC Program hosted a [high-level panel](#) during the 53rd ADB annual meeting of the Board of Governors to discuss regional cooperation in the time of COVID-19. Ministers and Deputy Ministers of CAREC countries participated in the panel whose discussion was moderated by a historian Peter Frankopan of Oxford University. The event was opened by Werner Liepach, Director General of the Central and West Asia Department of ADB; Shixin Chen, Vice President at ADB; and Abdul Hadi Arghandiwal, Finance Minister of Afghanistan.

The Chair Abdul Hadi Arghandiwal remarked in his opening speech that the duty of governments was to make it imperative to think beyond the moment and make necessary alignments to meet expectations of fellow citizens to provide relief and development options. After which, Prof. Frankopan noted that it was important to remember how strong the cooperation has been along the ancient Silk Road and how much attention leaders paid to invigoration of linkages, investments in institutions, and connectivity. He emphasized the principle on which the CAREC program was formed – good neighbors, good partners, good prospects – and underlined that nobody does well until everybody does well. He continued that despite the fact that there are significant trade tensions, and talks to decouple, evidence suggests that the opposite is happening, regional cooperation is strengthening, and the theme of this year is cooperation of global pharmaceutical companies in finding the medical solution to the pandemic. He further elaborated on [CAREC corridor performance](#) and their significance and called on country delegations to express their views on the utility that regional cooperation platforms, similar to CAREC, can provide.

Liu Weihua, Deputy Director General of the Department of International Economics and Finance Cooperation of MOF, the PRC, observed that the pandemic showed that destinies of all nations are connected, and only joint actions guided by multilateralism can help overcome this experience. He proposed three ideas for the inclusive post-COVID-19 future: enhance consensus to uphold globalization and multilateralism; coordinate macro policies to facilitate free trade and investment; and invigorate the economic corridor construction to strengthen high quality cooperation, advance digital economy, and promote risk management capabilities.

Ms. Mikabadze, Deputy Minister of Economy and Sustainable Development of Georgia, echoed Mr. Liu saying that countries need to find a necessary balance between globalization and self-reliance, that restrictive trade policies disrupt global supplies and influence prices negatively, and economic integration has no alternatives.

Pakistan representative Eazaz Aslam Dar, Additional Secretary of the Economic Affairs Division, noted that they have adopted human-centric approach to increase resilience of population during this pandemic, and that this crisis helped the government not only focus but do something about digital technologies so that population has this instrument for education and e-commerce.

Tajikistan's Nematullo Hikmatullozoda, Assistant to the President on Economic Policy, talked about failure of isolationism, and importance to learn how to benefit from mutual compatibility. He added that platforms, like CAREC, can offer assistance in facilitation of a political dialogue. Turkmenistan, Uzbekistan, and Kyrgyz Republic representatives – Deputy Minister Nuryagdyev, Deputy Minister Vafaev, Deputy Minister Akhmatov – called for harmonization of a toolkit for food security, fixing issues with mutual recognition, harmonization of pharmaceutical standards, and establishing digital connectivity among customs.

James Lynch, Director General of ADB, concluded the event providing that globalization remains key, reforms in CAREC shall continue, and coordination can help minimize safety risks when moving goods and people across borders.

WEF Sustainable Development Impact Summit

On 23 September 2020, Deputy Director Two of the CAREC Institute Dr. Iskandar Abdullaev was invited to make a presentation on Digital CAREC at the World Economic Forum (WEF) [Sustainable Development Impact Summit 2020](#) which focused on accelerating digital investment and trade.

The event was built on a premise that modern economies and firms need to be digitally competitive to survive and thrive. The event tried to identify champions and actions, including through new regional initiatives, and facilitate adaptation and replication of certain enablers, such as: digital investment-friendly policies and regulations, options for data transfers, and efficient digital payment systems. For this purpose, the event brought together an expanded community of purpose.

Dr. Abdullaev talked about the current state of digitalization in CAREC countries. He noted that during the pandemic, social benefits of digital economies have been manifested very clearly in efficient delivery of services, goods, and participation levels of citizens.

He then proposed a joint WEF and CAREC Institute project on Digital CAREC which will include analysis of current conditions of digital trade and digital economy, gap identification, development of policy framework to advance digital trade in the region, and researching opportunities for building on the digital economy with the fourth industrial revolution technologies.

Dr. Abdullaev elaborated more on digital FDI which implies identification of important policies, measures, and regulations that governments in CAREC region can adopt to attract investments in the digital economy; digital payment aspect which implies development of innovative policies to unleash the power of digital payment for trade and commerce in CAREC; and enabling e-commerce which includes identification of policies to advance the expansion of e-commerce in CAREC, from regional logistics to cross-border data flows to building consumer trust.

He concluded that digital CAREC can only enhance regional cooperation and magnify opportunities.

Innovation Summit: COVID-19, Innovation, and Economic Megatrends

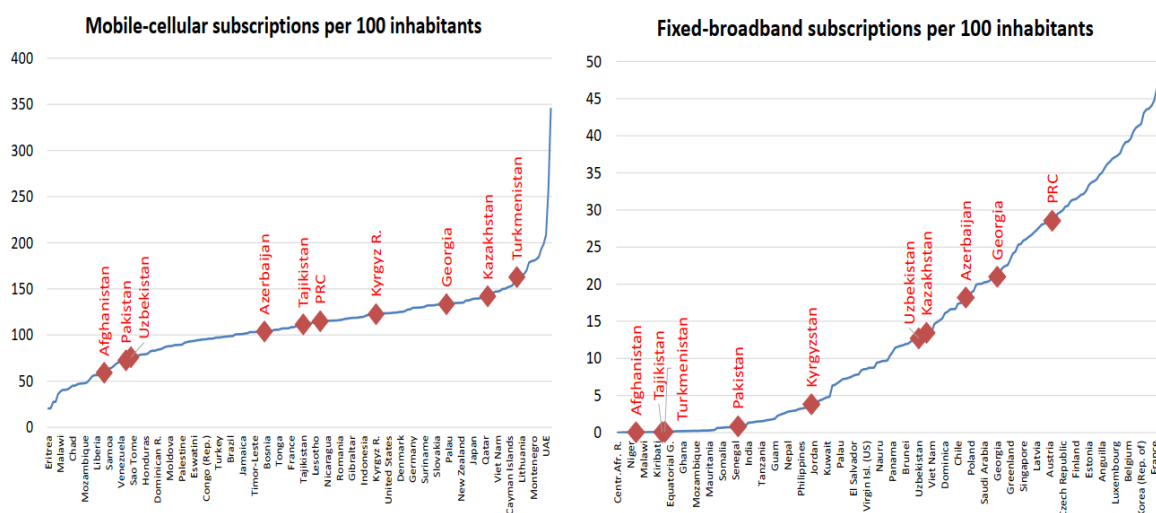
On 18 September 2020, the CAREC Institute Chief Economist Dr. Holzacker participated in the [innovation summit](#) organized by Pakistan Institute of Research Promotion, supported by Pakistan Council of Science and Technology, Pakistan Science Foundation, University of Management and Technology of Pakistan, and other partners.

Dr. Holzacker delivered a presentation on COVID-19, innovation and economic megatrends. He discussed how digitalization is revolutionizing production and services, reshaping supply chains, and changing how globalization works. He argued that it allows re-bundling, near-shoring, and insourcing for industrial production. By contrast, it facilitates unbundling, offshoring, and outsourcing of services. As a result, trade in cross-border services is growing much faster than trade in goods. The internationalization of tangibles is stagnating, and that of intangibles is growing. Digitalization favors non-equity modes of international governance at the expense of classical foreign direct investment.

He continued that COVID-19 is sharply accelerating global megatrends. The share of first-time users of digital access has substantially risen across all industries during the pandemic; the share of employees working remotely as well. The disruption of supply chains during the pandemic is triggering their redesign. COVID-19 is further muting foreign direct investment over the coming years.

CAREC countries have achieved significant progress in adopting new technologies, but a lot remains to be done. In some countries, the density of mobile phone possession is quite high, but others are lagging behind. Differences in broad-band availability are even higher. CAREC trade (ex PRC) in services has been stagnated since 2012. CO2 emissions are high in some countries. Oil and gas exporters might be adversely affected by global decarbonization efforts. To cope with the evolving new challenges and benefit from new opportunities accelerated by COVID-19, CAREC countries need speeding up digitalization and adoption of other advanced technologies, speeding up greening, and diversifying international value chains. This requires policies and actions in education, reform of national innovation systems, new (digital) infrastructure, incubators and techno parks, attraction of venture capital, legislation and policies appropriate for non-equity modes of international governance, e-government, fintech, new tax legislation/policies capturing digital value added flows, and a whole set of greening policies. Dr. Holzacker’s presentation is available [here](#).

Digitalization in CAREC countries, 2018 data



Source: www.itu.int

World Rural Revitalization Conference

Deputy Director One of the CAREC Institute Mr. Liang Ziqian was invited to make a presentation at the World Rural Revitalization Conference in Shanxi, the PRC, on 22 September 2020.

The conference was supported by the Food and Agriculture Organization of United Nations (FAO), and United Nations Educational, Scientific and Cultural Organization (UNESCO). The topics focused on prospects and development path of the world's rural areas in the post COVID-19 era; world rural crisis and rural revival in the age of industrial civilization; revival of rural civilization with ecological considerations; exchange of information on modern technologies and best practices.

Mr. Liang delivered a presentation about opportunities that Belt and Road Initiative provides for agricultural development in CAREC for creation of a new space for CAREC agricultural technology, science, and trade cooperation.

He emphasized that CAREC institute attaches great importance to this topic. The Institute has established partnerships with the International Food Policy Research Institute, Chinese Academy of Agricultural Sciences, and other notable institutions in CAREC to promote sustainable agricultural development, and value chain formation. The conference helped forge partnerships to promote rural rejuvenation and accelerate realization of sustainable development goals (SDG) by 2030.

Mr. Liang at the World Rural Revitalization Conference in Shanxi on 23 September 2020



Workshop on Unlocking Private Investment in CAREC

The CAREC Institute in collaboration with the Asian Development Bank Institute (ADBI) delivered a virtual workshop titled Unlocking Private Investments in Sustainable Infrastructure in Asia: Lessons from Central Asia targeting senior government officials/experts from investment related ministries/agencies of all CAREC countries. The four-day capacity building event was held during 23, 24, 30 September, 1 October 2020 online through a Zoom platform.

According to ADB (Meeting Asia's Infrastructure Needs, 2017), "developing Asia will need to invest \$26 trillion from 2016 to 2030, or ca. \$1.7 trillion per year if the region is to maintain its growth momentum, eradicate poverty, and respond to climate change." After extracting the "climate-adjusted estimate," the investment demand stands at \$22.6 trillion. The overall estimated investment of \$14.7 trillion is deemed necessary for power, \$8.4 trillion for transport, \$2.3 trillion for telecommunications, and \$800 billion for water and sanitation until 2030.

When looking beyond 2020, ADB identified infrastructure investment needs in its Operational Plan for Regional Cooperation and Integration (ADB, 2016) for several sub-regional cross-border programs including the Central Asia Regional Economic Cooperation (CAREC) Program where the number stood at \$79.7 billion, including \$37.5 billion for the transport sector, \$1.3 billion for trade facilitation and \$40.9 billion for energy.

Natural gas in CAREC countries, 2019. Excerpt from Prof. Chang's presentation on 23 September 2020

Unit: Billion Cubic Meters						
Country	Reserves	Production	Consumption	Export	Import	Remark
Azerbaijan	2,800	24.3	11.8	11.5	-	
Kazakhstan	2,700	23.4	17.9	27.5	6.9	
Turkmenistan	19,500	63.2	31.5	31.6	-	
Uzbekistan	1,200	56.3	43.4	13.2	-	
China	8,400	177.6	307.3	-	132.5	84.8*
Pakistan	400	33.9	45.7	-	11.8	11.8*
Total	35,000	378.7	457.6	83.8	151.2	

Webinar presentations included topics of infrastructure investment and managerial oversight, transition pathways, Silk Road smart cities, the role of tax incentives in attracting private sector in infrastructure investment, perspectives from a Pan-Asian natural gas trade model, models of local public financing for infrastructural investment, patterns of financing of logistics infrastructure, increasing infrastructure investment with spillover tax revenues, evidence based infrastructure financing: case of Uzbekistan, scope for PPPs in renewable energy projects, CAREC country updates, and more.

Keynote speaker Ramin Jahanbegloo, Director of Mahatma Gandhi Centre for Peace and Nonviolence, and Vice Dean of School of Law of Jindal Global University, underscored importance of "civic education" meaning adult learning for social, political, and economic engagement and responsibilities in the betterment of a community. He emphasized that embedding this mode of thinking in the structure of relations between private and public interests could help citizens and members of a community trust that a State will meet their obligations and expectations.

The workshop participants discussed the demand; lack of public funding; specifics of insurance companies and pension funds; short-, medium- and long-term investment horizons, and innovative and practical schemes of infrastructure refinancing and attracting private investment for sustainable development. Policymakers had an opportunity to engage with field experts to seek guidance for informed decision making. Webinar materials are available [here](#).

Road Asset Management: Workshop Report

Our new workshop report summarizes presentations and discussion of the workshop titled “Road Asset Management (RAM) and RAM System” delivered by the CAREC Institute for senior government officials and experts from ministries of transport, rural development, public infrastructure, and other relevant state agencies of the CAREC countries during 10-13 August 2020.

It provides how RAM shall be prioritized as one of the top policy directions, importance of starting out simple, and adding complex decision support tools (e.g. HDM-4) only when the system matures. The report suggests commencing with the customer focused service levels (e.g. connecting communities with a safe and comfortable all-weather roads), instead of technical service levels. Further, it covers discussions about assets valuation, performance-based contracts, road geohazard risk management, data being fit-for-purpose, and many more.

At the end of the report, readers can access links to useful reading materials on road asset management. Read more [here](#).

Role of Energy Pricing Reforms: Workshop Report

Another workshop report summarizes the content of the workshop titled “Meeting Environmental Objectives through Energy Sector Reforms in Asia and the Pacific: Role of Energy Pricing Reforms and Emissions Reduction,” jointly organized by CAREC Institute and the Asian Development Bank Institute during 22-24 June 2020 through an online arrangement.

Authors of nine papers engaged with discussants and the audience to hear feedback on their research methodologies, models, findings, and subsequently refine papers in preparation for publication. Topics included assessment of water-related energy usage, electricity cross-subsidies, household demand for energy, political economy aspects of energy reforms, relationship between energy subsidies and carbon emissions, understanding gas pricing mechanism, case of top 10 CO2 emitters, impact of wholesale electricity price, feasibility of hydrogen energy, etc.

The report also includes deliberations that energy accounts for two-thirds of the total greenhouse gases in the world and energy sector reforms have a strong potential to reduce emissions and mitigate climate change. Energy sectors of most CAREC countries are heavily state-owned, subsidized and mostly based on non-renewables. Key issues of the energy sector in the region include low energy efficiency, limited regional interconnectedness of energy systems, and limited private financing. It requires further scientific discourse how financial instruments can ease these difficulties considering the climate change impact. To this end, financing renewables and green financing in general might prove a key development challenge for CAREC. Read more [here](#).