



CAREC Institute Newsletter

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CAREC Institute Advisory Council Meeting

The CAREC Institute held the third meeting of its Advisory Council on 21 October 2020 in a virtual mode. The Council discussed the mid-term review of the [Institute's strategy 2018-2022](#), its response to COVID-19 pandemic, and a proposal regarding the annual flagship publication.

The Advisory Council serves the CAREC Institute as a sounding board and a source of new ideas to enhance its approaches.

The meeting participants included the CAREC Institute representatives, experts from the Executive Office of the President of Tajikistan; Ministry of Finance and Economy of Turkmenistan; Government of Pakistan; Experts' Centre of Investments of Uzbekistan; also special guests from the Asian Development Bank (ADB); Nazarbayev University of Kazakhstan; Asia Pacific Finance and Development Institute of the People's Republic of China (PRC), European Institute of Asian Studies of Belgium; National University of Mongolia; and Tashkent Institute of Irrigation and Agricultural Mechanization Engineers.

The Council noted a significant increase in the Institute's activities and outputs for the last 1.5 years since the second Advisory Council held in June 2019. Its adaptations during the COVID-19 pandemic and swift transition to online delivery of services were appreciated. Advice was given to revise the

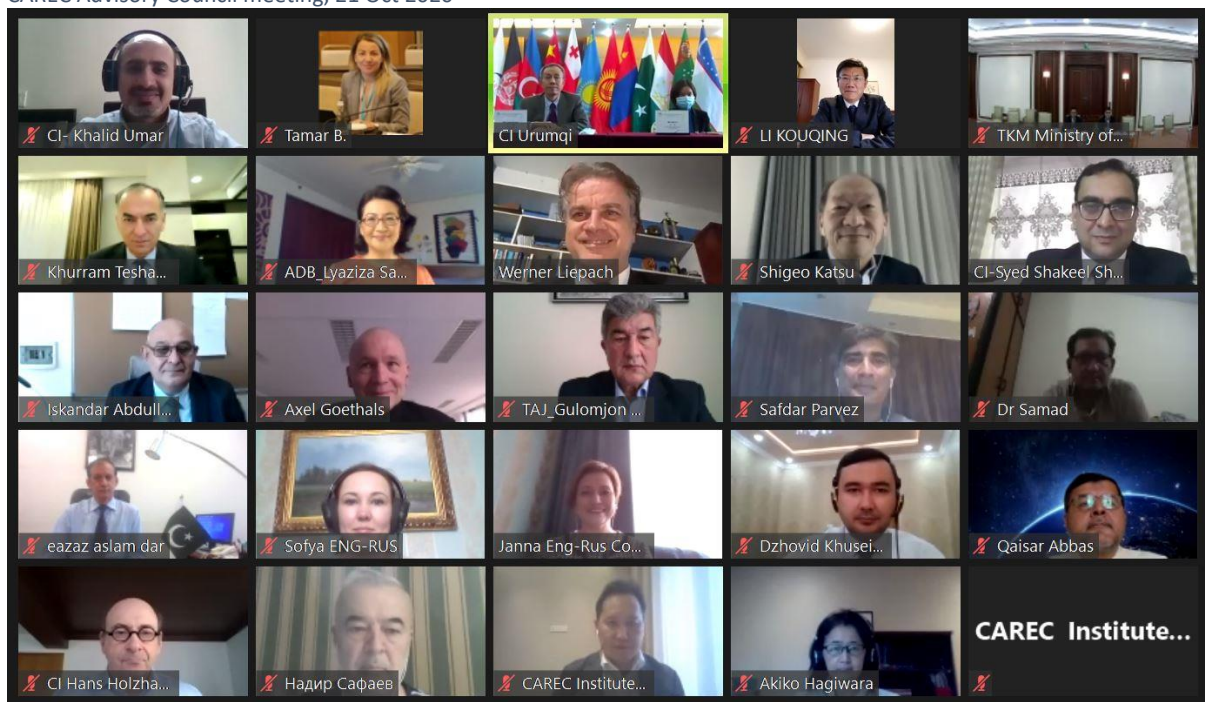
strategy and extend it for a safe duration to align the document with new imperatives of COVID-19. It was also suggested to revise organization’s performance measurement indicators, to keep a balance between operational and administrative expenditure, focus more on programmatic activities, deepen CAREC research to cover all area of regional cooperation, make research more inter-sectoral and inter-disciplinary, shift significantly to digitalization, and consider potential changes in the business model.

Further, the Council was presented an update of the CAREC Regional Integration Index (CRII) by the Institute’s Chief Economist. Findings for 2006-2019 period include:

- There is a slight increase in integration as measured by the CRII since 2008 including the PRC data, however numbers become modest when excluding the PRC data.
- CAREC integration numbers are the highest in the dimensions of “regional value chains” and “infrastructure and connectivity.” However, the CRII dimension of “regional value chains” is strongly influenced by commodity exports and reflects insufficiently the need to develop more sophisticated regional value chains.
- Afghanistan is found to be significantly more integrated than was the case in [the previous CRII report](#).
- As expected, the PRC is highly significant for the “trade and investment” dimension in the region. Excluding the PRC data, the index results in substantially lower integration scores.
- Under the “infrastructure and connectivity” dimension, Georgia shows the strongest integration, Afghanistan - the weakest. Most countries demonstrate a tendency towards greater integration over time.

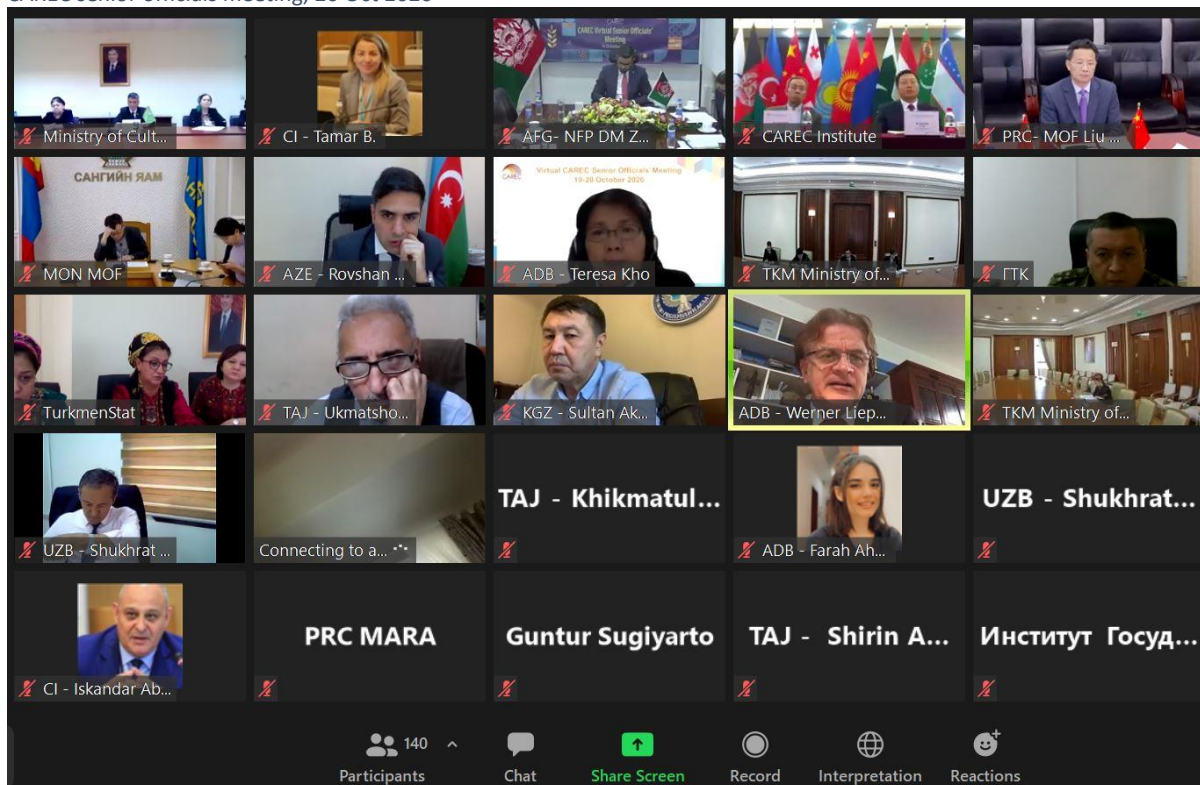
The Advisory Council suggested that the CAREC Institute publishes the current results rather soon but continues work on improving the CRII methodology and its capacity to reflect the most relevant dimensions for CAREC integration and cooperation.

CAREC Advisory Council meeting, 21 Oct 2020



CAREC Senior Officials Meeting

CAREC senior officials meeting, 20 Oct 2020



The CAREC senior officials convened online on 20 October 2020 to deliberate on the overall implementation progress of the CAREC 2030 strategy, CAREC program results framework, CAREC tourism strategy 2030, and CAREC gender strategy 2030 for presentation of the documents for endorsement at the 19th CAREC Ministerial on 7 December 2020.

The senior officials meeting (SOM) was chaired by Mr. Habib Zadrán, Deputy Minister of Finance of Afghanistan. He emphasized importance of CAREC as a platform for multilateralism and trade facilitation. The CAREC Secretariat delivered its 2020 report, also presented a [scoping study on promoting regional health cooperation in CAREC](#). Country representatives expressed overwhelming support for proposed new strategies and encouraged the CAREC Secretariat to adopt an annual progress reporting format against proposed result indicators to allow for timely corrective measures during strategy implementation.

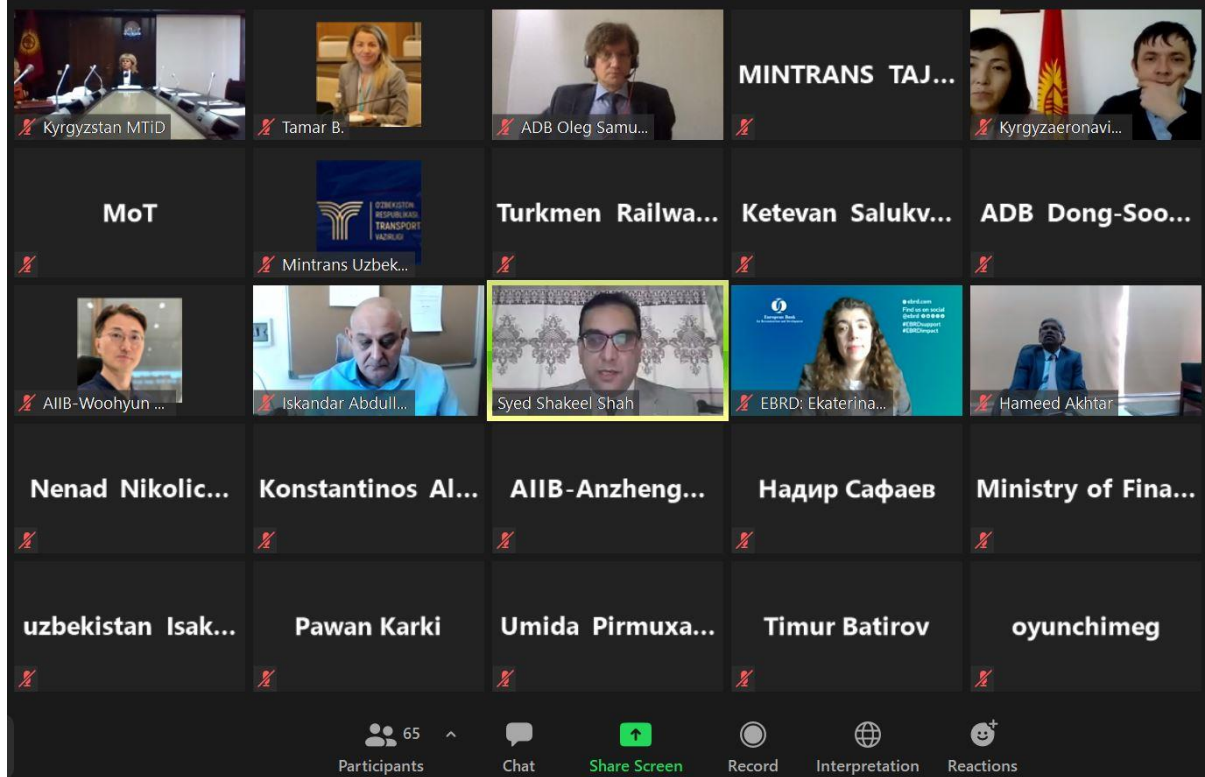
The CAREC Institute Director Shah briefed participants about Institute's work in 2020, namely:

- [Six workshops](#) delivered on topics of infrastructure, climate, and e-commerce
- [E-learning platform](#) developed to allow wide access to learning materials and online courses
- [Eight research completed](#) on climate change, promotion of low-carbon energy, e-commerce development, spatial mapping of economic clusters, migration, tourism development along Almaty-Bishkek corridor, and impact of free trade agreements
- Seven research ongoing on SMEs, fintech, vaccination, COVID-19 impact on tourism, water cooperation, sanitary and phytosanitary (SPS) assessment, and economic corridor assessment
- [19 economic/policy/CPMM briefs](#) developed and delivered to CAREC policy makers
- [Six knowledge sharing webinars](#) conducted on the COVID-19 topic and building back better
- Research conference and CAREC think tanks forum planned for Q1 2021 to promote findings

The National Focal Point of the PRC Director General Mr. Liu Weihua commended the CAREC Institute on its work in 2020, for adaptations and hard-won achievements in the face of COVID-19 restrictions. He encouraged the Institute to continue close work with the ADB and other development partners, and advance regional cooperation.

CAREC Transport Sector Coordination Committee Meeting

CAREC Institute Director Shah delivering a presentation at the CAREC transport sector coordination meeting, 19 Oct 2020



The CAREC transport sector senior officials convened online on 19 October 2020 to discuss progress and updates on transport projects, cross-border procedures, also share observations about the knowledge products relevant to their sector. The ADB hosted the meeting and informed the participants that seven new knowledge products will be shared in the next two quarters: CAREC railway sector assessments, CAREC traffic model, fourth road safety engineering manual, CAREC ports and logistics scoping study, impact of COVID-19 on CAREC civil aviation, CAREC road safety report card, and CAREC road asset management assessment.

Subsequently, country representatives shared their updates. Afghanistan participant commented on the pedestrian safety manual, emphasized lack of data, and highlighted that the document would help introduce reliable crash reporting system in the country. Georgia’s representative highlighted progress in the railway modernization project and their plan to increase cargo processing capacity from 28 million to 40 million tons, noted that a road safety strategy is being prepared for years 2021-25, and that the country places priority on digitalization and cross-border data exchange. Kazakhstan’s official talked about country’s 11 transit corridors and provided Nurlu Zhol program updates. Container shipment volumes were also shared along the PRC-Caucasus-Turkey corridor (180,000 TEU in 2019 with 300,000 TEU estimate in 2020), new Eurasian land bridge (311,000 TEU in 2018 with 800,000 TEU estimate in 2020), and Kazakhstan-Turkmenistan-Iran corridor (210,000 TEU in 2019 with 500,000 TEU estimate in 2020).

The Kyrgyz Republic and Uzbekistan representatives mentioned their priority railway project to connect Uzbek, Kyrgyz and Chinese railways. The Pakistan official also highlighted that the country is looking into the rail corridor development, besides an integrated logistics policy design is underway, and accession to the Convention of Contract for the International Carriage of Goods by Road (CMR) in 2019 is expected to facilitate transport movement significantly.

Later, development partners – AIIB, EBRD, IRU, IsDB, World Bank, UNECE – provided their updates. The International Road Transport Union (IRU) representative mentioned that there is a workshop planned with TRACECA on e-TIR and e-CMR. Georgia and Azerbaijan are well on the way to imbed e-systems, the PRC and Pakistan are also on board, and other CAREC members are expected to join soon. IsDB representative mentioned that there is a lot of potential for the public-private partnership (PPP) engagement in the region.

The CAREC Institute Director Syed Shakeel Shah updated the audience about the Institute's contribution to the [CAREC Transport Strategy 2030](#) implementation. Namely, details were shared about three workshops: [road asset management](#), [elements of road safety engineering](#), [unlocking private investment for sustainable infrastructure in Central Asia](#); about the Institute's [e-learning platform](#) which allows wide access to learning materials; book chapter titled "Infrastructure in Central Asia and Caucasus" written for the ADBI's book on the overview of infrastructure in Central Asia; also research of the CAREC Institute's visiting fellow 2020 on [spatial mapping of economic clusters with the focus on the PRC, Pakistan, and Tajikistan](#); eight Corridor Performance Measuring and Monitoring (CPMM) policy briefs developed for CAREC policy maker convenience based on ADB publications; and finally the CAREC Think Tanks Development Forum (CTTDF) which is scheduled for Q1 2021 and will be dedicated to transport and economic corridors.

CAREC Energy Sector Coordination Committee Meeting

CAREC energy sector coordination committee (ESCC) was hosted remotely by the ADB on 19 October 2020 to discuss priorities for regional energy sector, progress of the ESCC workplan 2020-2022, new working group structure, and findings made in a research on financial savings that can be achieved through renewable energy integration into the grid.

The meeting was opened by Mr. Joonho Hwang, Director at ADB, and Mr. Daud Noorzai, Chief Executive Officer of Da Afghanistan Breshna Sherkat (DABS).

The ADB representatives updated the participants about the strategic milestones delivered by the CAREC energy program in the reporting period (June 2019 - October 2020) which include adoption of the new CAREC energy strategy 2030, the first regional energy ministers dialogue and 2019 energy investment forum. Moreover, the ADB proposed revision to the ESCC workplan for 2020-2022 to include deliverables on establishment of a regional transmission cooperation association, development of CAREC energy reform atlas, engagement of private investors, development of financing vehicle for green energy projects, enhancement of consumer awareness for energy efficiency, and establishment of CAREC women-in-energy program.

During the online meeting, country delegates presented updates on recent developments in energy sector in their countries, exchanged views on the program priorities, and expressed their support for ADB initiatives, including the new ESCC working group structure. Development partners from AIIB, EBRD, IMF, IsDB, UNDP, USAID and the World Bank provided updates on their current activities in energy sector in CAREC and supported proposed initiatives.

The CAREC Institute representatives informed the participants about the Institute's workshop of June 2020 titled "[Role of Energy Pricing Reforms and Emissions Reduction,](#)" [research on promoting low-carbon energy in CAREC](#), and main findings related to the topic of energy of the research project completed in May 2020 titled "[Climate Vulnerability, Infrastructure, Finance and Governance in CAREC.](#)"

Round Table on Logistics Trends and Digitalization during COVID-19

On 9 October 2020, the CAREC Institute participated in a round table on the topic of global trends in logistics and digital technologies amid COVID-19 pandemic organized under the auspices of the Ministry of Education and Science of Kazakhstan, with support from KazAtiSo Academy, the Partnership for Transport and Logistics of Central Asia, Logistics Project Center, and the private sector.

Participants discussed logistics educational programs, integration of digital technologies into curricula, issues of transport corridor integration, and transformation of transport corridors into economic corridors.

The CAREC Institute presented findings of the [Corridor Performance Measurement and Monitoring \(CPMM\)](#) mechanism along transport corridors which traverse Kazakhstan.

Challenges of rail wagon shortages and time-consuming gauge change were discussed, issues of costliness and visibility of end-to-end supply chain, limited use of tracking technologies, lack of competition in logistics service sector, restrictive investment climate, privatization shortcomings, legislative loopholes, lack of standardization and harmonization with neighboring and corridor countries, etc. It was highlighted that all these challenges bring opportunities to revisit existing arrangements and establish new ones to use CAREC's immense transit potential, its large geographic area, strategic location, and transport infrastructure to its full advantage to advance regional cooperation.

Central Asia Nobel Fest

On 3 October 2020, our Chief Economist Dr. Holzacker participated in Central Asia Nobel Fest online session titled INPOLICY TALKS: THE PANDEMIC AND A WAY FORWARD FOR CENTRAL ASIA AND CAUCASUS, chaired by Johannes Linn, Senior Fellow at Brookings Institution and former Vice President at the World Bank, with participation of Giorgi Kvirikashvili, Advisor at EBRD and former Prime Minister of Georgia (2015-2018); and Lyaziza Sabyrova, Principal Regional Economist at ADB.

This session deliberated on experiences of the COVID-19 crisis in CAREC, availability of vaccines, preparedness of infrastructure for vaccine storage, population acceptance and awareness of vaccines, government rescue packages during lockdowns, growth scenarios, and intra-regional cooperation bottlenecks. The panelists mentioned that several CAREC countries handled the crisis relatively well thanks to coordinated actions by policy makers, science community, and population. It was noted that health system preparedness is very important but not sufficient, instead the whole administrative, political, and societal systems need be prepared and adhere to necessary measures.

It was underlined that countries need to overcome the rising skepticism towards multilateral institutions and speak in one voice to acquire better negotiating power and achieve a joint rebound of economies. In CAREC in particular, weaknesses of soft infrastructure need to be addressed, namely streamlining of border crossing and customs clearance procedures, more digitalization, information sharing, and coordination is required. Further, speakers elaborated about the support which

multilateral development institutions rendered to CAREC members to come out of crisis and embrace the concept of building back better.

The Central Asia Nobel Fest program was designed to run online during 1-4 October 2020 under the title “Infinite Science: Where the World is Heading?” and involved a big number of distinguished speakers, including David Gross, 2004 Nobel prize winner in physics, Jean-Marie Lehn, 1987 Nobel prize winner in chemistry, Rae Kwong Chung, 2007 Nobel peace prize winner, and many more to cover topics of science, technologies, governance, globalization, inclusive education, and other essential topics of our time. Recordings of all sessions are available here: <https://nobel-fest.inpolicy.net/>

Lyaziza Sabyrova, Johannes Linn, Giorgi Kvirikashvili, and Hans Holzhaecker at Central Asia Nobel Fest, 3 Oct 2020



CTTN Research Grants Program Findings

Under the CAREC Think Tanks Network (CTTN), the CAREC Institute has launched the first round of the research grants program in May 2019 to support researchers from members of the CTTN to produce targeted knowledge products which would add to the body of knowledge on regional cooperation in CAREC. Scholars from member think tanks were encouraged to research CAREC integration topics and undertake comparative analysis to draw lessons for promoting and deepening regional integration particularly as anticipated in the CAREC 2030 strategy and stated operational priorities. [The 2019 research grants](#) have been awarded to five researchers who presented their findings during the [August 2019 Think Tanks Forum in Xi'an](#), the PRC.

The second round of the program was launched in 2020 where two research teams succeeded in submitting the following papers:

Exploring Exports Driven Growth: Learning from Pakistan-China Free Trade Agreement

Anwar Shah, Shahriyar Mukhtarov, Tehseen Ahmed Qureshi from Quaid-i-Azam University of Pakistan and Baku Engineering University of Azerbaijan examined the impact of Pakistan-China free trade

agreement (FTA) on exports creation. The analysis covered 83 industries. The research found that post-FTA, total exports of the PRC from ten major industries was \$88 billion. While this figure for Pakistan stood at \$17 billion from ten major industries.

The in-depth analysis at the industry level showed that the total exports creation of Pakistan with the PRC after FTA stood at \$6.1 million per annum. This equals 0.02 percent of the total average yearly exports of Pakistan. Further, Shah et al. found that food and beverage sector had the highest (72 percent) share in exports creation with the PRC. Exports diversion with 15 most favored nations (MFN) of Pakistan was also analyzed. The findings demonstrated that half of the industries in the textile sector diverted exports from the MFN partner towards the PRC. This is in spite of the fact that the textile sector remains the largest beneficiary of subsidies in Pakistan.

This work also explores the possible factors of poor performance in terms of exports creation by Pakistani industries. The major factor happens to be low level of exportable surplus. The paper suggests changes in the subsidy policy of Pakistan from exports diverting industries of textile and leather towards exports creating industries of beverages, rice, surgical Instruments and sports goods.

The paper suggests that potential FTAs between Pakistan and other CAREC countries, especially Azerbaijan, is possible in industries where production of exportable surplus is relatively higher. The paper will be posted soon [here](#).

Prospects of Tourism Development in Kazakhstan and Kyrgyz Republic, including Almaty-Bishkek Economic Corridor

The paper by Kubat Umurzakov, Bolotbek Oruzbaev, Nurlan Kulbatyrov, and Aizhan Tulepbekova focuses on the potential of tourism along the Almaty–Bishkek Economic Corridor (ABEC) given post-COVID-19 development scenarios. The study finds that the gross value added in tourism in Kazakhstan will decline in the range of 31.1-49.6 percent in 2020, and in the Kyrgyz Republic between 35.8-42.7 percent. Authors assume that recovery will be protracted due to lasting impacts on consumers and firms as travelers remain risk averse and consumers have less disposable income amid widespread job losses. Assuming that restrictions related to COVID-19 are lifted by the end of the third quarter of 2021, the number of tourists and gross value added in the tourism sector is expected to return to the pre-crisis level after 2025. In view of difficult financial situation and high debt burden, tourism in the Kyrgyz Republic is expected to grow at a modest rate of 3 percent for 2025-2030 period, while the growth rate in Kazakhstan is projected at 6.3 percent annually for the same period. To expedite recovery, the tourism industry will require special support measures and ABEC would require vigorous implementation of reforms and planned investment projects. More [here](#).

CAREC Energy Corridor: Opportunities and Challenges

The CAREC Institute former employees continued tackling CAREC topics in their new roles and came up with a new research paper which examines CAREC integrated energy market potentials, challenges, and opportunities for 1) harnessing untapped renewable energy potential; 2) promoting the cross-border trade to cater the rising regional demand mismatch of electricity; 3) improving energy security; and 4) reducing the carbon footprint of the region. The research demonstrates that the CAREC energy corridor can optimize regional trade cooperation by building cross-border energy trade infrastructure, systems, and governance mechanisms by employing a regional public goods (RPG) framework. The research finds that a one percent increase in energy imports within the region is associated with the reduction in carbon dioxide emissions by 0.245 kg per USD of GDP; the increase in the gross domestic product (GDP) per unit of energy use by 0.233 per kg of oil equivalent; and the growth in electricity

production from renewable sources by 0.414 kW hour, thus improving regional electricity affordability, access, and energy security. The cost benefit analysis reveals that traditional (fossil fuel or hydro) power generation and transmission costs must either beat or match the price competition and transmission flexibility options offered by renewables to sustain competitiveness of the regional electricity market. Read more [here](#).

Webinar on the Caspian Sea – Issues of Economy and Ecology

On 20 October 2020, Deputy Director Two of the CAREC Institute Dr. Iskandar Abdullaev moderated an online webinar titled “The Future of the Caspian Sea - Economy or Ecology? The Crucial Role of the Caspian Sea for the Country's Development.” The webinar was organized by Eurasian Creative Guild and Open Central Asia magazine in Britain. Researchers and experts from Cambridge University, Cambridge Central Asia Forum, Nazarbayev University, and Russian Academy of Sciences participated.

The workshop focused on topics of historical, political, economic, and cultural role of the Caspian Sea for the countries around it; main projects related to the Caspian Sea today and in future; main economic issues associated with the Caspian Sea; the state of the Caspian ecosystem today; existing ecological threats and ways to minimize the risk.

Participants talked about the convention on the legal status of the Caspian Sea signed by five littoral states, also called the Caspian-5, in 2018 which took more than 20 years to finalize after numerous previous bilateral agreements. The convention regulates all aspects of cooperation among the Caspian-5, announces the Caspian as the sea of peace emphasizing importance of amicable resolution of all disagreements. It was noted that increased participation of the PRC in the region and its Belt and Road Initiative contributed to reestablishing cooperation around the Caspian. Further, prospects exist that littoral states might even negotiate the Caspian visa to boost the Caspian tourism. The webinar recording is available [here](#).

Upcoming Workshop: Trans-Caspian Corridor-Infrastructure and Trade

The CAREC Institute in partnership with the Asian Development Bank Institute (ADBI) will organize a virtual workshop titled “Trans-Caspian Transport Corridor: Infrastructure and Trade” during 16-20 November 2020.

Policy makers and experts from think tanks, universities, and other institutions, as well as post-graduate students will deliberate on the potential of the trans-Caspian transport corridors to drive regional connectivity and sustainable economic growth; and assess trade, infrastructure, and institutional barriers in the region as well as policies for addressing them.

Some of the topics include logistics policy analysis and network model simulation for cross-border transport; regional impact of the trans-Caspian infrastructure improvement in the post COVID-19 era; trans-Caspian transport corridor infrastructure in globalizing regional economies; trade impediments of CAREC trans-Caspian corridors; infrastructure and firm performance in CAREC countries: cross-sectional evidence at the firm level, etc. Register for the workshop [here](#).

Call for Conference Papers

The CAREC Institute invites papers for a research conference in February 2021 on topics of COVID-19 and its influence in CAREC on debt management and sustainability, labor mobility, SMEs, tourism, e-commerce, fintech, e-Phyto. Abstracts are expected for 10 November 2020. Details [here](#).