



# CAREC Institute Newsletter

[km@carecinstitute.org](mailto:km@carecinstitute.org)

[LinkedIn](#)

[www.carecinstitute.org](http://www.carecinstitute.org)

In this issue:

CAREC Institute Signs the Host City Agreement .....	1
COVID-19 and Acceleration of Some Megatrends.....	2
Webinar on Trans-Caspian Corridor: Infrastructure and Trade.....	3
Silk Road of Knowledge Scientific-Practical Online Conference .....	4
Policy Brief: Vulnerability to Climate-Induced Water Stress in CAREC.....	4
Webinar on WASH System Development in CAREC .....	4
Symposium on Ecological Restoration and Management of the Aral Sea.....	6
Blue Peace of Central Asia Webinar on Water Cooperation .....	6
Experience Exchange Seminar on Biodiversity Conservation .....	7
LiK Conference 2020: Effects of External Factors on Macroeconomy.....	7
2020 SPECA Economic Forum .....	8
New Publications on CAREC.....	8

## CAREC Institute Signs the Host City Agreement

On 18 November 2020, the CAREC Institute and Urumqi city government of Xinjiang Uygur Autonomous Region (XUAR) of the People's Republic of China (PRC) signed a host city agreement to formalize a long-term partnership geared towards promoting regional cooperation.

Mr. Yasin Sidik, Mayor of Urumqi Municipality; Mr. Wan Haichuan, Director General of the Xinjiang Finance Department, Ms. Zou Jiayi, Deputy Minister of the Ministry of Finance of the PRC, and Mr. Syed Shakeel Shah, Director of CAREC Institute, delivered speeches. After which Mr. Zhang Chunlin, Executive Vice Governor of the People's Government of XUAR; Mr. Yasin Sidik, and Mr. Liang Ziqian, Deputy Director One of the CAREC Institute, signed official papers.

The CAREC Institute is the only international (inter-governmental) organization based in Urumqi – a geostrategic regional hub for CAREC countries – with the mandate of providing research, capacity building, and partnership with CAREC knowledge institutions. Urumqi city, on the other hand, lies at the heart of the ancient Silk Road and serves as a logistical gateway for all CAREC transport corridors. XUAR hosts the Kashi special economic zone, and a number of high throughput border crossing points, including Horgos, Alashankou, Irkeshtan.

While infrastructure investments and their benefits are significant, many credible studies indicate that without policy reforms and complementary trade facilitation measures, infrastructure improvements alone bring two to four times less gain. The work of the CAREC Institute is focused on facilitating policy reforms and complementary trade facilitation measures. Together with partners, the Institute provides knowledge products and services to governmental officials in areas of non-tariff barriers, corridor performance measurement and monitoring, trade facilitation agreements, border crossing



services, ease of doing business, e-commerce, and many more, in order to fill in gaps in regional knowledge accumulation, institutional capacity, and facilitate harmonization of enabling policies and standards to operate the transport corridors at their maximum capacity.

The host city agreement, signed on 18 November 2020, is set to enhance cooperation and harmonization among corridor countries.

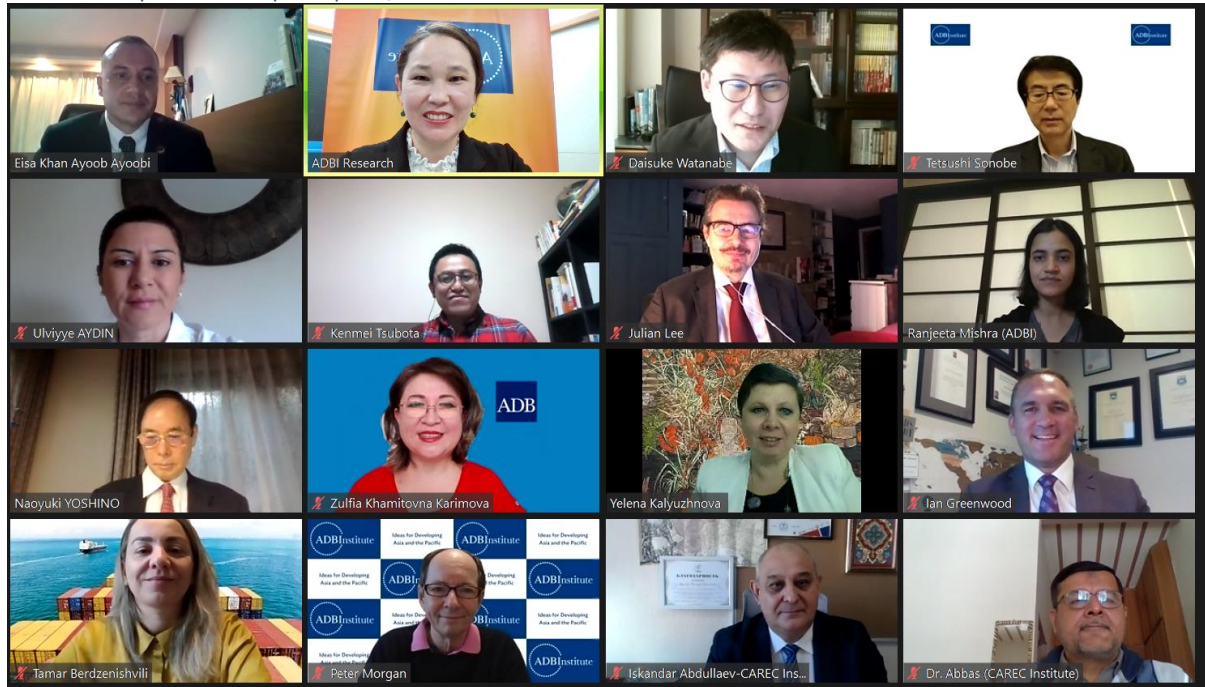
## COVID-19 and Acceleration of Some Megatrends

The new economic brief of our Chief Economist Hans Holzhaecker titled “COVID-19 and Acceleration of Some Megatrends” discusses new technologies that have emerged globally during the pandemic, and how these developments change the organization of supply chains and globalization. It then looks at some indicators reflecting where CAREC stands in the emerging new environment and what the challenges and policy implications are for its members.

The COVID-19 pandemic has far reaching economic and social consequences, both short and long-term. The pandemic slows some global megatrends. It hampers or reverses social progress in such areas as reducing poverty and unemployment, gender inequality, technological divide, and educational inequality. Other megatrends are accelerated by the pandemic, most prominently digitalization, and decarbonization. The COVID-19 pandemic also impacts the organization of global value chains and accelerates changes in the way globalization works. Some Asian countries, especially the PRC, are recovering faster than Europe or USA from the economic downturn caused by the pandemic, which might expedite the shift of global economic power towards Asia. For CAREC countries these changes imply that next to dealing with the immediate health threats and economic and social hardship brought by the pandemic, they must accelerate, modify, or develop programs aimed at preparing for a future that has become closer due to the pandemic. Read more [here](#).

## Webinar on Trans-Caspian Corridor: Infrastructure and Trade

The trans-Caspian webinar participants, 16 Nov 2020



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

Experts from think tanks, universities, and other institutions deliberated on the potential of the trans-Caspian transport corridors to drive regional connectivity and sustainable economic growth; and assess trade, infrastructure, and institutional barriers as well as policies for addressing them.

Some of the topics included logistics policy analysis and network model simulation for cross-border transport; regional impact of the trans-Caspian infrastructure improvement in the era of post COVID-19; findings of the [Corridor Performance Measurement and Monitoring](#) (CPMM) mechanism and trade impediments of CAREC trans-Caspian corridors; infrastructure and firm performance in CAREC countries: cross-sectional evidence at the firm level, etc.

It was mentioned that the share of intra-CAREC trade in the region’s trade with the outside world is low. It averaged only 6.8% in 2003-2019. The PRC’s share, by contrast, increased from 7.6% in 2003 to 23.2% in 2019. In 2019, eleven CAREC countries traded \$87 billion within CAREC, out of which the PRC alone exported \$47 billion into the rest of CAREC, 10 other CAREC members exported \$29 billion worth to the PRC, where \$19 billion was trade in mineral fuels. When removing the PRC data from the equation, 10 remaining CAREC countries traded \$11 billion in 2019 among themselves, where \$3 billion came on mineral fuels.

It was argued that there are prospects in transit, especially along the trans-Caspian route, if the trans-Caspian shipping capacity is enhanced, modern container terminals are developed, infrastructure operational and management costs are separated, a supranational legal framework harmonizes transportation tariffs along the corridor, free trade zones are developed to attract important value-added enterprises that contribute to promotion of new industries, the corridor opens up for private businesses, ICT integration is enhanced into transport operations, etc. The webinar recording is available [here](#).

## Silk Road of Knowledge Scientific-Practical Online Conference

The CAREC Institute and Kazakh-German University in collaboration with other development partners held an online conference titled “Silk Road of Knowledge Scientific-Practical” on 25-27 November 2020.

With the premise that development of science-based solutions to meet the climate change challenges is one of the crucial tasks for Central Asian decisionmakers at the regional and national levels, the conference set the basis for knowledge transfer to identify scientific gaps regarding the impact of climate change. It attempted to contribute to enhancement of constructive regional dialogue in Central Asia; knowledge generation covering the impact of climate change on water management, food security, infrastructure development, land management, water security, energy efficiency practices, decarbonization of energy systems, climate neutrality, and potentials of digitalization; also strengthening emphasis on educational and youth outreach and experience sharing.

The three-day online conference allowed governmental and educational institutions, senior and young scientists, youth organizations, international and regional partners, and civil society organizations discuss the impact of climate change on Central Asian countries and Afghanistan.

The CAREC Institute led a session on infrastructure and logistics under the climate change. This session aimed to present and discuss how transport corridors affect the economic potential of cities and regions. The session provided details of investments in infrastructure and logistics in CAREC under the increasing challenges of the climate change. It included presentations based on recent CAREC Institute-ADB, ADBI, and partner research projects.

## Policy Brief: Vulnerability to Climate-Induced Water Stress in CAREC

Our [new policy brief](#) reviews determinants of vulnerability to climate-induced water stress in CAREC and proposes recommendations to mitigate adverse effects.

It argues that many parts of CAREC exhibit much higher rates of temperature rise and substantial changes in precipitation patterns compared with global averages. It is projected that climate change will exacerbate the water supply-demand imbalance which already prevails across large parts of the region due to high water withdrawals. Increasing water scarcity will particularly affect the water-dependent sectors, such as the irrigated agriculture. High dependence of the economies on water resources and excessive water withdrawals explain high sensitivity of several CAREC countries to climate-induced alterations of future water supply. In addition, low levels of economic development and insufficient government effectiveness contribute to low capacity to adapt to rising water scarcity. The mismatch between the scale of expected climate impacts and the capacity to cope with them predisposes the high vulnerability of the region to climate-induced water stress. Read more [here](#).

## Webinar on WASH System Development in CAREC

On 28 October 2020, the CAREC Institute in collaboration with UNICEF held a webinar on development of sustainable water and sanitation systems in rural areas of Tajikistan, Uzbekistan, Mongolia, and the People’s Republic of China (PRC) where findings of the namesake research were shared.

The research team, also speakers from the CAREC Institute, UNICEF, ADB, World Bank, UNDP, and ministries of CAREC member countries shared their comments and insights. A comparative analysis of the WASH system in mentioned countries was presented, along with details of the rural drinking water

safety project of the PRC, opportunities for knowledge sharing from the PRC's Institute of Water Resources and Hydropower Research which supports WASH-related advanced technologies, results of behavioral change projects, infrastructural and operational conditions of water supply systems, situation with water tariffs and service fee collection, community-based WASH schemes, and options for involvement of the private sector.

Some highlights included that the PRC achieved the water related millennium development goal (MDG) six years ahead of schedule. This became possible through three five-year plans to carry out rural drinking water safety (RDWS) projects since 2006. These projects were linked with the anti-poverty programs. The construction of large-scale RDWS projects were funded by central and local governments, where gross investments reached \$25.57 billion by 2019.

Additionally, to improve resilience to climate and natural disasters, the PRC adopted certain innovations, including rapid assessment methods, emergency standards for water supply, rapid and efficient water quality testing techniques and repair technology for water supply facilities, as well as antifreeze devices for water supply pipes adopted in low-temperature and alpine regions.

The PRC's poverty reduction and regional cooperation fund which was established in 2005 and is managed by the Asian development Bank (ADB) with the total contribution from the PRC at \$90 million, has extended its support to Pakistan and Uzbekistan through the Ravi river basin ecosystem revitalization project, and water and sanitation strategy development and capacity building project in Uzbekistan. Other urban development improvement preparation projects are also funded by the RPC Fund in CAREC countries.

The research team provided recommendations how national governments can ensure access to this basic need for their populations; how international development partners can contribute to training of the technical staff and development of the most appropriate legal and financial mechanisms; and how to link the WASH "hardware" with efficient financial, institutional, and knowledge transfer setup.

The webinar recording and presentation are available [here](#). The research report itself is scheduled for release by mid-2021.

WASH webinar participants, 28 Oct 2020



## Symposium on Ecological Restoration and Management of the Aral Sea

The CAREC Institute and Xinjiang Institute of Ecology and Geography of Chinese Academy of Sciences (XIEG) in collaboration with the National University of Uzbekistan conducted a virtual symposium titled “Ecological Restoration and Management of the Aral Sea” during 24-25 November 2020.

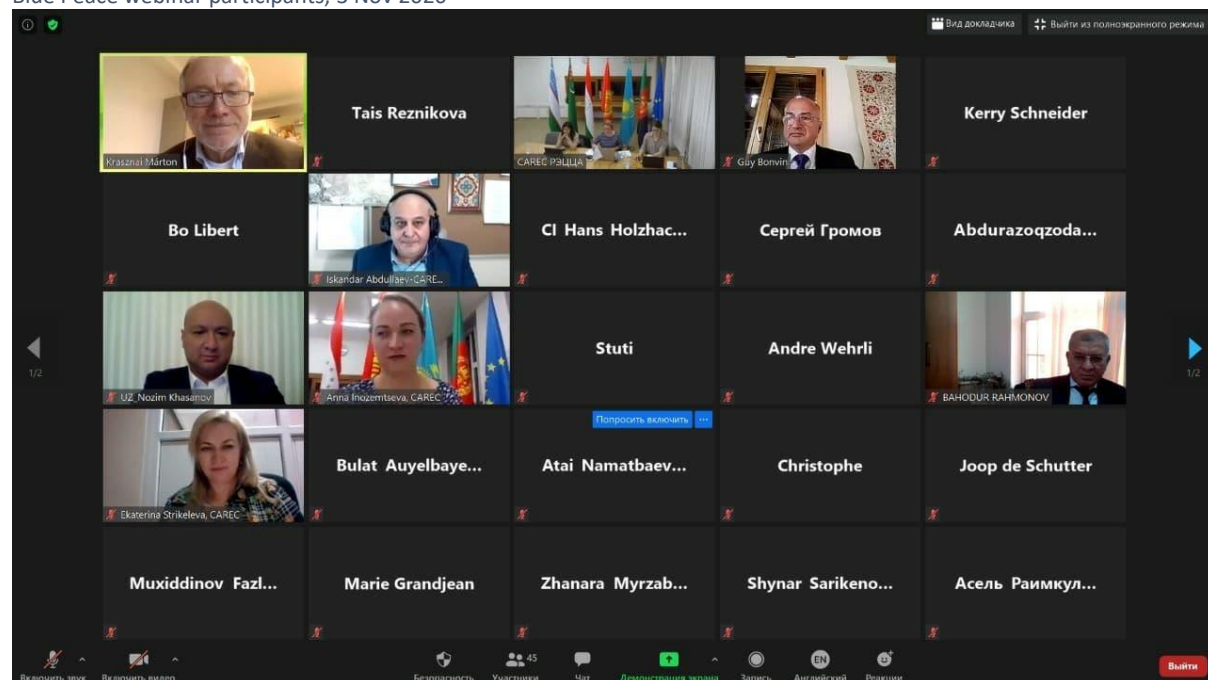
In this symposium, policymakers, researchers, experts, and high-level dignitaries from CAREC countries, including H.E. Ibrokhim Abdurakhmonov, Minister of Innovation Development of the Republic of Uzbekistan, engaged in a dialogue to address environmental deterioration of the Aral Sea, knowledge sharing regarding water and ecological security of the Aral Sea, and promoting work towards the United Nations Sustainable Development Goals (SDGs) 2030.

The symposium sessions included evolution of the Aral Sea; climate change and human activities; innovation technologies and green livelihoods under SDGs; and key effects of international cooperation in regional sustainable development.

The symposium was linked with the Urumqi Declaration on China-Uzbekistan Cooperation Initiative – Ecological Restoration for the Aral Sea Region signed by research institutions of the PRC and Uzbekistan on 13 October 2019, where leading experts and scientists agreed to leverage mutual efforts in science, technology, expertise, and best practices among the PRC, Uzbekistan, and other countries to facilitate innovation-driven regional cooperation on ecological restoration of the Aral Sea.

## Blue Peace of Central Asia Webinar on Water Cooperation

Blue Peace webinar participants, 3 Nov 2020



On 3 November 2020, the CAREC Institute Chief Economist Dr. Hans Holzhaecker and Deputy Director Two Dr. Iskandar Abdullaev presented at the webinar which was organized in the framework of the program titled “Water as a Driver of Sustainable Recovery: Economic, Institutional and Strategic Aspects of Water Resource Management in Central Asia,” supported by Blue Peace of Central Asia (BPCA) of Swiss Development Cooperation (SDC), and jointly organized by the Stockholm International

Water Institute (SIWI), the Center for Central Asia Research of Corvinus University Budapest (CUB) and the Central Asian Regional Environmental Center.

The event was attended by high level representatives including H.E. Ambassador Peter Burian - EU Special Representative for Central Asia, and H.E. Ambassador Guy Bonvin - Special Envoy of Switzerland for Water Resources in Central Asia. Many analysts believe that majority of problems that have plagued the water sector for the last three decades in Central Asia is the result of low profitability of and under-investment in the water sector (irrigated agriculture, hydropower, communal and industrial water use). Presenters talked about water as a human right, deliberated on the transboundary context, different levels of water systems, examples of improved cooperation, elements of sector reforms, rural vs. urban gap, and climate change impact.

Blue Peace Central Asia promotes water cooperation in the region to address questions related to increasing competing interests in water, foster understanding of interdependence, and support common solutions on water for the benefit of all.

## Experience Exchange Seminar on Biodiversity Conservation

During 17-18 November 2020, the CAREC Institute participated in the experience sharing seminar on biodiversity conservation organized by the China Center for Shanghai Cooperation Organization (SCO) Environmental Cooperation. It was to promote environmental policy dialogue within the framework of confidence building measures in Asia and strengthen cooperation in the field of biodiversity conservation.

Participants from Foreign Environmental Cooperation Center of China, Ministry of Ecology and Environment of China, Israel Ministry of Environmental Protection, Institute of Zoology of Kazakhstan, China-Russia Ecological Council, Association for the Conservation of Biodiversity of Kazakhstan, and related institutions attended the event.

Dr. Iskandar Abdullaev, Deputy Director Two of the CAREC Institute, delivered a presentation titled "Environmental Challenges, Potential Solutions and Cooperation Opportunities in Central Asia." He pointed out that Central Asian states are growing fast, increased need cannot be satisfied with outdated infrastructure, weak governance, limited human resources and technical capacities in environmental management. He noted that the Belt and Road Initiative (BRI) and multilateral cooperation initiatives bring opportunities for sustainable development at the regional level.

Dr. Abdullaev emphasized three main aspects for successful environmental and BRI cooperation. First, research institutions could build a scientific database which could serve as a solid basis for environmental cooperation. Second, policy makers should attach importance to data-driven policy measures, joint standards, green financing, and sustainability. Third, we should form enabling institutional environment to move forward with innovation, awareness, stakeholder engagement, ownership creation, and partnerships.

## LiK Conference 2020: Effects of External Factors on Macroeconomy

On 27 October, the CAREC Institute Economist Kamalbek Karymshakov chaired a session titled "Effect of External Factors on Macroeconomic Performance" at the 6th annual Life-in-Kyrgyzstan conference in an online format. Session speakers included Rocio Gondo, Deputy Manager of Macroeconomic Analysis at the Central Bank of Peru, Altynai Aidarova, Head of Economic Department at National Bank of Kyrgyzstan, Elvira Kurmanalieva, Economist at Eurasian Development Bank, and Tchoro Seyitov, Economist at National Bank of Kyrgyzstan.

This session discussed dollarization trends in the Caucasus and Central Asia, exchange rate and factors affecting interest rates on loans. Panelists mentioned that remittances represent an important factor affecting dollarization and exchange rate fluctuations in the region. It was indicated that there is a large heterogeneity of the natural rate of deposit dollarization and with expected lower inflows of remittances due to COVID-19, dollarization of deposits will remain at its natural rate.

It was mentioned that remittances have considerable contribution to the growth of the service sector, and the contraction in remittance inflows can negatively affect agricultural and industrial production in Kyrgyzstan and Tajikistan.

Participants underlined that decreasing remittance inflows and COVID-19 induced overall economic performance necessitates the countries of the region to focus on reduction of volatility of exchange rates and larger financial opportunities for private sector with lower interest rates.

The Life-in-Kyrgyzstan conference aims to promote research and evidence-based policy making in Central Asia. This year, the conference was organized by the University of Central Asia (UCA) (Kyrgyzstan), Leibniz Institute of Vegetable and Ornamental Crops (IGZ) (Germany), the International Security and Development Center (ISDC) (Germany) in partnership with the American University Central Asia (AUCA), Mercy Corps, and the World Bank. More information is available [here](#).

## 2020 SPECA Economic Forum

On 19 November 2020, the CAREC Institute Chief Economist Dr. Hans Holzhacker participated in a forum titled “Regional Cooperation to Support Socioeconomic Recovery in the Wake of COVID-19” organized by the United Nations Special Programme for the Economies of Central Asia (SPECA).

The event was hosted by H.E. Mr. Sanjar Mukanbetov, Minister of Economy of the Kyrgyz Republic and the current Chair of SPECA. The high-level policy dialogue discussed regional cooperation strategies to support socioeconomic recovery in the wake of COVID-19 in SPECA countries. Heads of delegations made statements and provided their views with regard to the theme topic.

Dr. Holzhacker’s presentation focused on COVID-19 and innovation, decarbonization, and social protection. It touched on topics of building back better and opportunities which emerged to implement the Sustainable Development Goals (SDGs) by 2030.

The forum participants deliberated that the 2030 agenda for sustainable development needs to be kept at the core of the socioeconomic recovery efforts in the wake of COVID-19. To help SPECA participating countries in their work, policy directions and key areas that can potentially drive sustainable development in the region were discussed, and the framework of SDG drivers was introduced during the forum.

## New Publications on CAREC

The CAREC Program released a [study on the impact of COVID-19 on CAREC aviation and tourism](#) with the objective of highlighting the gravity of the current situation and starting a dialogue.

The World Bank released a [study on variable renewable energy integration and planning](#) which answers critical questions for the future planning of the Pakistan electricity sector.

[The 2019 CAREC transport sector annual report](#) by the CAREC Program summarizes transport sector developments in member countries as of 2019.