



CAREC Institute Newsletter

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Regional Connectivity, Multilateral Cooperation, and Role of CAREC

The CAREC Institute Director Syed Shakeel Shah was invited to present at a training session for diplomats organized by the Institute of Peace and Diplomatic Studies Islamabad on 9 December 2020. Mr. Shah covered the topic of regional connectivity, multilateral cooperation, and the role of CAREC.

The concept of economic regionalism was defined as an institutional arrangement designed to facilitate the free flow of goods and services and to coordinate foreign economic policies among countries in the same geographic area. The presentation included models of regionalism; regional connectivity as a pre-requisite for regional integration; multilateral vs bilateral approaches to connectivity and project financing; CAREC Program clusters, investments, and corridors; CAREC Regional Integration Index; role of multilateral cooperation in regional integration; and enhanced role for diplomacy in fostering regional cooperation.

Director Shah advised that diplomats could contribute to shaping new economic realities through increased understanding of global production processes, regional and global value chains and the role of trade; closer collaboration with ministries dealing with regional programs; and enhanced partnership with multilateral development partners and their national missions.

Workshop on Improvement of Border Crossings

On 14 January 2021, the CAREC Institute together with the Asian Development Bank (ADB) conducted the first virtual workshop of 2021 on the topic of border crossing improvement with participation of project managers of the ADB-funded projects - Uran Abdynasyrov of Kyrgyzstan, Parviz Zarifzoda of Tajikistan, Norov Unurtsetseg of Mongolia, and Muhammad Ali Raza Hanjra of Pakistan – who shared lessons of these projects with other CAREC representatives.

“Disruptions caused by the pandemic have re-enforced the significance of regional connectivity for economic resilience and mitigating the impact of shocks,” said the CAREC Institute Director Syed Shakeel Shah, “the CAREC [Corridor Performance Measurement and Monitoring](#) (CPMM) mechanism indicates that a number of border crossing points in CAREC pose serious impediments to cross-border transport and trade... These disruption add prohibitive costs to regional trade, and cause substantial welfare losses in terms of reduced economic activities. This is why the CAREC Institute together with ADB brought together in this workshop the member country experts to promote necessary measures in trade facilitation through knowledge sharing.”

Project focal points provided update on infrastructure upgrade progress at Karamyk, Guliston, Torkham and other border crossing points (BCP), and described work conducted on introducing the national single window systems. They pointed out that implementing legislation to regulate the single window environment and relevant inter-agency coordination, also the land acquisition process and joint customs control proves challenging and time consuming. Mr. Abdynasyrov estimated that in five years, the paper-based business processes might get replaced with the digital approach in Kyrgyzstan.

The workshop continued on 21-22 January with knowledge sharing regarding the single window system development, and the role of development partners, including technical assistance and international instruments for modernizing customs services.

The CAREC Institute plans 12 more workshops in 2021 with the purpose to promote regional cooperation through knowledge sharing. Topics of upcoming workshops include [sanitary-phytosanitary standards](#), [unlocking private investment in infrastructure](#), [road asset management](#), [road safety](#), [regional integration index](#), [transport corridor performance measurement and monitoring mechanism](#), [e-commerce](#), [financial technologies](#), [small and medium enterprise development](#), [tourism promotion](#), [water and sanitation](#), and [climate change](#). All these workshops have presentations and recordings which are open for a wide audience [here](#).

Karamyk BCP in Kyrgyzstan while infrastructure upgrade works are ongoing. Photo by Uran Abdynasyrov



Participation in ADB's Economists Forum

The CAREC Institute staff Dr. Ghulam Samad and Ms. Tamar Berdzenishvili, MPA, were invited as discussants at the ADB's Economists Forum on 13 January 2021 to discuss economic activities at border crossing points in CAREC.

ADB's Zulfia Karimova introduced the [Corridor Performance Measurement and Monitoring](#) (CPMM) mechanism, while Dr. Kijin Kim and Dr. Akiko Hagiwara presented their research, respectively, on reducing time and costs at borders - COVID-19 implications for trade facilitation; and gauging cross-border spillover impacts in Mongolia from the People's Republic of China (PRC): the case of an Inner Mongolia investment program.

The feedback on research methodology was delivered, also suggestions were made on enhancing monitoring of the rail network and Caspian ports; setting performance targets for corridors, sub-corridors and popular segments of corridors; also enhancing analysis of common themes relevant to all CAREC members, such as TIR and e-TIR, Authorized Economic Operators' (AEO) Program, CMR, single windows, cross-border data sharing, and use of cargo tracking technologies.

Workshop Report on the Trans-Caspian Transport Corridor

A new workshop report summarizes presentations and discussions of a joint webinar by the CAREC Institute and the Asian Development Bank Institute (ADBI) titled "Trans-Caspian Transport Corridor: Infrastructure and Trade" held during 16-20 November 2020.

Experts from think tanks, universities, and other institutions deliberated on the potential of the trans-Caspian transport corridor to drive regional connectivity and sustainable economic growth; and assessed trade, infrastructure, and institutional barriers as well as policies for addressing them. Research materials are scheduled for release in 2021 in the form of a book edited by Prof. Yelena Kalyuzhnova from the University of Reading (UK).

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 the CAREC trans-Caspian corridor; infrastructure and firm performance in CAREC countries: cross-sectional evidence at the firm level, etc. Read more [here](#).

Workshop Report on Unlocking Private Investment in Infrastructure

Our new workshop report covers proceedings of a September 2020 virtual event titled "Unlocking Private Investments in Sustainable Infrastructure in Asia: Lessons from Central Asia." It highlights the importance of investment in sustainable infrastructure and emphasizes that sustainable development is a triple bottom line of environmental conservation, economic prosperity, and social equity.

The report covers discussions on public-private partnership (PPP) approaches, infrastructure investment and managerial oversight, transition pathways for Central Asian energy infrastructure, Silk Road smart cities as sustainable drivers for Central Asia, 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 from the PRC, 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, and CAREC country updates. More [here](#).

Working Paper on Infrastructure in Central Asia & the Caucasus

In a collaborate project with the Asian Development Bank Institute (ADBI), our staff Dr. Ghulam Samad and Dr. Qaisar Abbas produced a working paper on infrastructure in Central Asia and the Caucasus.

The paper provides that without realizing the importance of soft infrastructure, hard infrastructure cannot ensure a significant impact on sustained economic development. Central Asia and the Caucasus continue to rely on a physical development model that has resulted in generating revenue but has failed to embed a sustained growth pattern in these countries.

This work describes where Central Asia and the Caucasus stand in terms of physical and soft infrastructure. It notes that the infrastructure development pattern is uneven. Tajikistan and Kyrgyzstan are catching up with the rest of the region. The utilization of infrastructure depends on regional infrastructure connectivity which shows gradual improvement but still faces challenges. To untap infrastructure financing, the PPP models and utilization of the bond market is recommended, also significant enhancement of institutional and regulatory environment. More [here](#).

Working Paper on Financial Inclusion & Fintech in CAREC

In a new working paper on financial inclusion and fintech in CAREC, our staff Khalid Umar, MA, discusses financial inclusion as an imperative to achieving economic growth in a globalized market, and as an essential element to accomplish important objectives, such as poverty alleviation, anti-corruption measures, employment, social equity, and wealth redistribution. The paper examines the potential of financial technology (Fintech) for accelerating financial inclusion level, and discusses prospects to widen the net of financial services in the CAREC region.

The paper provides that many CAREC member states lag behind in provision of services and infrastructure that are critical to increasing financial inclusion, and their digital adoption is among the lowest in the world.

The author provides best practices of the PRC and Kenya and suggests that elevating levels of trust in the banking and financial sector and bridging the access gap necessitates multi-faceted policy measures by governments. The leadership role of the latter as a sovereign of last resort should be conspicuously seen to reinforce people's trust in the financial products offered by the private sector. Targeted efforts on the part of the governments would help ensure equitable provision of financial services across gender, income groups, and age groups. Suggestions include that CAREC member state governments have to lead through policy responses that invest in quality digital infrastructure, enable regulatory environments, build trust in financial service providers by protecting consumers, and incentivize the private sector. Read more [here](#).

Policy Brief on Regional Climate Cooperation

Our new policy brief which was derived from the CAREC Institute's research titled "Climate Insurance, Infrastructure and Governance in CAREC" and the namesake virtual workshop delivered in collaboration with ADBI and Xinjiang Institute of Ecology and Geography (XIEG) of the Chinese Academy of Sciences on 18-19 June 2020, argues that in the view of exponential increase in climate change impact across CAREC and economic hurdles stemming from the COVID-19 pandemic, CAREC members shall draw particular attention to joint actions against ongoing and upcoming challenges. Now, regional cooperation is not only a priority, but it has become a necessity, which shall help unlock new opportunities, optimize resources and build on lessons and successful practices of the past.

This brief attempts to highlight key niches to frame additional research around climate change agenda in the CAREC region. The challenges touch upon the lack of coordination among different regional and national players, peculiarities of institutional arrangements and legal frameworks, limitations in mainstreaming direct climate change objectives in large regional infrastructure projects, while different languages, which the region speaks, add to the constraints.

Meanwhile, opportunities exist to focus on a certain niche (e.g., water-agriculture-energy nexus). CAREC countries can enhance cooperation with existing regional organizations to deal with the climate agenda as well as seek innovative solutions in a post-COVID-19 world. Focusing on new climate studies in times of new realities could supplement the region's policies with a strong evidence-based component. More [here](#).

Webinar on Green Cooperation along the Silk Road post-COVID-19

On 21 December 2020, the CAREC Institute jointly with International Finance Forum (IFF) held a webinar titled “Green and Low Carbon Cooperation of Energy Intensive Industries between the PRC and the Silk Road Countries in the Post-COVID-19 Era.”

Deputy Director One of the CAREC Institute Liang Ziqian and IFF Academic Committee Member and former Chair of the Compliance Review Panel of ADB Tang Dingding delivered opening remarks. Speakers from the CAREC Program, ADB, UNESCAP, and National Center for Climate Change Strategy and International Cooperation shared insights during the event.

The webinar deepened understanding of the PRC's experience and lessons on clean transition of the energy-intensive industries. The experts assessed the current situation, challenges, and potentials. The urgency of low-carbon development cooperation programs for the Silk Road countries was noted. Future cooperation areas were also outlined. The CAREC Institute will join hands with IFF to explore the potential of the Silk Road carbon neutral fund with international financial institutions, and continue holding the webinar series to create a communication platform for promotion of green financial cooperation in CAREC.

CAREC Institute and AIIB Discuss post-COVID-19 Recovery in CAREC

The CAREC Institute, represented by Director Syed Shakeel Shah, and the Asian Infrastructure Investment Bank (AIIB), represented by AIIB Vice President Konstantin Limitovskiy, met on 25 January 2021 in a virtual mode to discuss post-COVID-19 recovery in CAREC.

The parties noted that AIIB membership has reached 104 countries with \$22 billion in commitments. The Bank is very active in water and transport sectors in Uzbekistan, energy and transport sectors in Tajikistan, and budget support activities in Kazakhstan. The COVID-19 pandemic brought the social infrastructure to the forefront and opened an opportunity for a \$13 billion investment by AIIB in CAREC.

The Bank showed interest in the CAREC Institute's work on post-COVID-19 recovery, digital CAREC, road safety trainings, tourism research, and transport corridor performance measurement and monitoring (CPMM) mechanism. The CAREC Institute Deputy Director Two Dr. Iskandar Abdullaev briefed the meeting participants about the upcoming [24 February workshop](#) which will discuss e-phyto solutions to facilitate trade in CAREC, also the 4-5 March research conference which will generate new research and give a momentum to a new dialogue on debt management and sustainability in CAREC, labor mobility, SMEs, tourism, and digital CAREC. He provided further details on the Institute's upcoming gap analysis on digital CAREC.

The AIIB remarked that they will sharpen their focus on digitalization and look forward to cooperation with the CAREC Institute. The Bank also noted the utility of the CAREC Institute’s road safety workshops and the Institute’s advocacy work on CPMM to facilitate removal of trade barriers in CAREC.

The parties agreed to complement each other’s work with their strengths and cooperate to enhance engagement and economic cooperation in CAREC.

ISRS of Uzbekistan and CAREC Institute Discuss Bilateral Cooperation

On 14 January 2021, Institute for Strategic and Regional Studies (ISRS) under the President of Uzbekistan hosted a meeting with the CAREC Institute Deputy Director Two Dr. Iskandar Abdullaev in Tashkent, Uzbekistan. The parties exchanged views on the current situation in Central Asia, the impact of the pandemic on socio-economic development of the region’s countries, as well as areas of mutually beneficial scientific and practical cooperation between research institutions, designed to contribute to solving urgent tasks facing Central Asia in the post-pandemic period.

Dr. Abdullaev appreciated the efforts of President Shavkat Mirziyoyev to strengthen friendship, partnership and mutual understanding with the region’s countries. He noted that open, pragmatic, and constructive approach of the President of Uzbekistan nurtured a new political atmosphere of trust, dialogue, and mutually beneficial cooperation in Central Asia what is gaining recognition and support in the socio-political, economic, and expert communities of CAREC countries, and increases the interest of investors in the implementation of connectivity projects in Central Asia.

Dr. Abdullayev emphasized the importance and relevance of initiatives to develop connectivity between Central and South Asia, put forward by the President of Uzbekistan at the meetings of the UN General Assembly, the Council of Heads of State of the Shanghai Cooperation Organization (SCO) and Commonwealth of Independent States (CIS), as well as within the framework of the address to the country’s parliament.

An agreement was reached to cooperate in preparation for the May 2021 international conference dedicated to challenges and opportunities of regional connectivity in Central and South Asia.

Dr. Abdullaev of the CAREC Institute meeting with Institute for Strategic and Regional Studies in Tashkent, 14 Jan 2021



New Publications on CAREC

Leveraging SME Finance through Value Chains in CAREC

A joint CAREC Institute and ADBI paper on leveraging small and medium enterprise (SME) finance through value chains in CAREC takes stock of challenges faced by SMEs in seven CAREC economies, including identifying cultural, procedural, institutional, and regulatory disincentives. It assesses opportunities for SMEs to link with both domestic and global value chains and the potential impact of this on their access to finance. The paper also proposes policy recommendations to improve SMEs' access to finance, especially in the agri-business sector. More [here](#).

CAREC Railway Working Group Update

The Asian Development Bank (ADB) released an update from the CAREC Railway Working Group which provides details of the CAREC Railway Strategy 2030 implementation with a view to identifying opportunities for investment in CAREC railways and sharing best practices for railway commercialization and reform (e.g., rail freight sales and marketing function, track capacity and timetabling software) that could be drawn upon by CAREC railways. More [here](#).

Infrastructure Public–Private Partnerships in Tajikistan

The ADBI working paper titled “Are Public–Private Partnerships a Solution to the Infrastructure Backwardness of Tajikistan?” discusses two high-profile PPP projects in Tajikistan - the Dushanbe-Chanak motor toll road and Pamir Energy hydropower projects through analysis of 2000–2017 data. The results show increase in gross regional product of those regions which enjoyed investments as compared with other regions, also a positive impact on regional budget revenues and expenditures is noted. More [here](#).

Measuring the Impact of Road Infrastructure on Household Well-Being: Evidence from Azerbaijan

This ADBI working paper constructed a two-wave dataset with regional data and household characteristics, spanning the course of eight years, and estimated the differentials created by regional-level access to national roads. More [here](#).

Almaty–Issyk-Kul Alternative Road Impact Economic Assessment

Another ADB publication discusses impact of an alternative road on Almaty in Kazakhstan and Issyk-Kul in Kyrgyzstan in driving tourism and economic development, exploring the potential of a more direct link between the countries. The economic impact assessment provides economically viable solutions that, within a supportive policy environment, can shorten travel time across the region and lead to strong economic development. More [here](#).

CAREC Tourism Strategy 2030

The CAREC Tourism Strategy 2030 sets out the long-term vision, objectives, programs, and targets to promote sustainable, safe, and inclusive tourism development in the region. The strategy also aims to enhance the region's attraction as a competitive tourism destination globally. It builds upon countries' efforts to develop their tourism sectors as well as existing initiatives being implemented by development partners. It adopts a holistic approach, covering five strategic pillars: connectivity and infrastructure, quality and standards, skills development, marketing and branding, and market intelligence. More [here](#).