

# CAREC INSTITUTE ANNUAL REPORT 2020

CAREC INSTITUTE





# CAREC Institute

## Annual Report 2020

## Table of Contents

1. Director's Message .....	4
2. Executive Summary.....	6
3. CAREC Institute Management.....	8
4. Governance .....	9
a) 2020 Governing Council Members .....	9
b) Governing Council Meeting .....	13
c) Advisory Council Meeting .....	13
5. Financial Highlights .....	14
6. Institutional Arrangements.....	15
a) UN Observer Status.....	15
b) Host City Memorandum.....	15
c) External Audit.....	17
d) Financial Sustainability Working Group.....	17
e) Partnerships .....	18
f) Strategy Mid-Term Review, Update, and Extension till 2025 .....	20
7. Research and Analytics .....	21
a) COVID-19 Economic Briefs .....	21
b) Visiting Fellow Program .....	22
c) CTTN Research Grants Program.....	24
d) Core Research Projects .....	24
e) Quarterly Economic Monitor .....	26
8. Capacity Building.....	27
a) E-Learning Platform .....	27
b) Infrastructure Investment and Transport Corridors .....	28
c) Road Asset Management and Road Safety Elements.....	29
d) E-commerce Development .....	30
e) Addressing Climate Change and Meeting Environmental Objectives .....	30
9. Knowledge Management.....	33
a) Knowledge Sharing Webinars .....	33
b) Development Asia Adaptations .....	34
c) CPMMA Advocacy .....	35
d) Participation in External Events .....	36
e) Media Coverage .....	42
10. Strengthening Operations, Policies, and Processes.....	43
11. The 2021 Outlook.....	44

## Abbreviations

ABEC	Almaty–Bishkek Economic Corridor
AC	Advisory Council
ACCA	Association of Chartered Certified Accountants
ADB	Asian Development Bank
ADB I	Asian Development Bank Institute
AEO	Authorized Economic Operators
AFDI	Asia-Pacific Finance and Development Institute
AIIB	Asian Infrastructure Investment Bank
BRI	Belt and Road Initiative
CAREC	Central Asian Regional Economic Cooperation
CITA	CAREC Integrated Trade Agenda
CMR	Convention of Contract for the International Carriage of Goods by Road
CPMM	Corridor Performance Measurement and Monitoring
CRII	CAREC Regional Integration Index
CTTN	CAREC Think Tanks Network
DBAR	Digital Belt and Road
FSWG	Financial Sustainability Working Group
FTA	Free Trade Agreement
GC	Governing Council
GDP	Gross Domestic Product
GHG	Greenhouse Gases
ICT	Information and Communication Technology
IGA	Inter-Governmental Agreement
MDP	Multilateral Development Partner
MOU	Memorandum of Understanding
MTR	Mid-Term Review
NFP	National Focal Point
PRC	People's Republic of China
QEM	Quarterly Economic Monitor
RAM	Road Asset Management
SCO	Shanghai Cooperation Organization
SDG	Sustainable Development Goal
SME	Small and Medium Enterprise
SNAI	Shanghai National Accounting Institute
SOM	Senior Officials Meeting
SPECA	(United Nations) Special Programme for the Economies of Central Asia
TIR	Transports Internationaux Routiers
TRACECA	Transport Corridor Europe-Caucasus-Asia
TVET	Technical Vocational Education and Training
UN	United Nations
UNICEF	United Nations International Children's Emergency Fund
WASH	Water Sanitation Hygiene
XIEG	Xinjiang Institute of Ecology and Geography
XUAR	Xinjiang Uygur Autonomous Region



## 1. Director's Message

It is my great privilege to present the annual report for the CAREC Institute for the year 2020.

This year has been momentous and remarkable in many ways. Just as the Institute embarked upon most ambitious program for operational outputs and institutional development, outbreak of a global health pandemic of a scale not witnessed or anticipated for generations completely transformed the context. As spread of contagion gradually encompassed the entire globe, governments and their health systems were tested and stretched to their limits. The immediate consequence of highly contagious pandemic was an unprecedented downturn of global economy, as workplaces were seriously disrupted by lockdowns. Focus of the policy makers shifted inwards, triggering an urgent demand for policy advice on how to navigate through this bleak horizon with well targeted and coordinated public policy interventions. The CAREC Institute quickly positioned itself to respond to unforeseen challenges while dealing with internal obstacles, like extended work-from-home mode.

Given this backdrop, it gives me a great pleasure to present this annual report as we have not only been able to achieve original work plan targets, but also delivered additional products in response to COVID-19.

Our research portfolio has expanded significantly. During the year, the Institute has established internal and external review boards to ensure quality of research outputs. Similarly, capacity building activities were implemented despite widespread travel restrictions. The Institute shifted to online delivery of workshops transforming and upgrading our capacity building approach by leveraging the latest trends in learning. The impact of this upgrade was immediate and profound, in terms of the number of trainees, and the cascading structure of training and possibilities of on-line courses. Utilization of the Institute's own research was another new approach.

This significant upturn in activities was complemented with enhanced knowledge management activities and outreach through the regular monthly e-newsletter, knowledge sharing webinars, direct communication with National Focal Points (NFP), use of partner platforms, and social media channels. A surge in the media coverage of the Institute's events was also witnessed. Growing recognition of the CAREC Institute as a regional knowledge center was evident from the fact that its staff were invited to many regional events to share knowledge and expertise.

Another new area in which the Institute ventured in 2020 was a series of economic briefs, most of which dealt with issues of imminent importance and concern related to COVID-19, an area which witnessed increase in demand for research and policy advice as governments struggled to avoid economic doomsday and maintain macro-economic stability at a level that could support recovery. In addition, the CAREC Institute has commissioned research projects on the impact of the pandemic on SMEs and tourism sectors. These efforts have been recognized by University of Pennsylvania's 2020 Global Go To Think Tank Report, which has listed the CAREC Institute among 83 think tanks who have provided considerable policy advice to governments related to COVID-19.

The Institute has also developed a Quarterly Economic Monitor which captures key trends in regional economies. The first of the series has already been issued, analyzing data trends for the last quarter of 2020.

In 2020, the Institute's task force has joined work on Asian Development Bank (ADB)'s Corridor Performance Monitoring and Measurement (CPMM) mechanism, and developed country specific CPMM briefs based on earlier CPMM reports, highlighting positive developments, and flagging areas

requiring policy makers' attention. This advocacy effort proved useful, and in some cases, improvement at border crossing points were also reported by CAREC member countries.

The Institute's newly established Chief Economist Unit has updated data and analysis of the flagship CAREC Regional Integration Index which is scheduled for release in Q1 2021.

On the institutional side, the CAREC Institute was granted the observer status by the General Assembly of the United Nations, which will not only link the organization with the UN knowledge sources, but will also open up new avenues of joint work with the UN agencies. In addition, the Institute has finalized the host city memorandum with Urumqi City and Xinjiang Uygur Autonomous Region, which will facilitate various aspects of institutional development and growth. The CAREC Institute has also expanded partnership with regional research organizations.

The Governing and Advisory Council meetings were held, albeit in a virtual mode, lending continuity and providing required guidance to the organization. The first meeting of the Financial Sustainability Working Group was also held, which was marked by an announcement and release of a voluntary financial contribution by Pakistan. Additionally, the Institute partnered with UNICEF in a research project, a positive step towards funding diversification. During the year, the CAREC Institute has also carried out the mid-term review of its approved strategy and has developed an updated document which now corresponds to changing realities and needs of CAREC members.

Year 2020 was immensely challenging, yet highly productive for the Institute. Support from the ADB, through its technical assistance, as well as constant sharing of ideas, remained critical in these challenging times. This gives me great confidence that the Institute will further build upon solid base of 2020, and achieve more, both quantitatively and qualitatively in 2021. We have set ourselves even more ambitious agenda, but I am fully confident that the Institute staff is fully capable and enthusiastically geared up to achieve all the milestones in the 2021 work plan. Growing confidence and support of CAREC member countries, as well as ADB, will surely drive the CAREC Institute towards achieving its goal of becoming a leading regional knowledge center striving to foster regional development in CAREC.

At the end, I wish to convey my very best wishes for health and prosperity for you, and for all the people in the region and beyond.



Syed Shakeel Shah  
CAREC Institute Director

## 2. Executive Summary

The COVID-19 pandemic of year 2020 disrupted the normal state of affairs of the CAREC Institute and brought both challenges and opportunities.

In 2020, the Institute employed three staff in the management, 14 international staff, 16 national staff, and three secondees, majority of whom were driven to work remotely from their home country locations in view of travel restrictions imposed by the pandemic.

It was the leadership of the Institute – Director Syed Shakeel Shah, Deputy Director One Dr. Liang, and Deputy Director Two Dr. Abdullaev – who persevered through these challenging times and mobilized the Institute’s team to keep the momentum going and deliver on its commitments despite extraordinary circumstances.

In this unusual year, the Institute not only completed an external audit by Deloitte China satisfactorily, it also signed a host city memorandum with Urumqi city of Xinjiang Uygur Autonomous Region to formalize a long-term partnership geared towards promoting regional cooperation, obtained the UN observer status to expand its work towards SDGs, conducted mid-term review of its 5-year strategy to reposition the Institute in relation to new developments and increase the relevance of its interventions, redefined its approach to financial sustainability and completed formation a Financial Sustainability Working Group, concluded four new MOUs with new partners, and conducted working visits and virtual dialogues with eight other institutions to expand the network.

To serve CAREC clients better amidst the pandemic, the Chief Economist team produced eight timely economic briefs offering measures to mitigate economic consequences of COVID-19, and introduced a periodical titled “CAREC Quarterly Economic Monitor.”

Under the CAREC Think Tanks Network and the Visiting Fellow Program, six research papers were produced on labor migration, tourism, low-carbon energy, free trade agreements, climate impact on agriculture, and mapping of economic clusters.

The year 2020 marked completion of water-energy-food nexus research by the CAREC Institute titled “Climate Insurance, Infrastructure, and Governance in CAREC,” and production of a policy brief on e-commerce regulatory framework in CAREC. A research collaboration on water and sanitation topic was established with UNICEF, and nine other research papers were conceptualized and commissioned to cover topics of e-commerce infrastructure readiness, COVID-19 impact on SMEs, promoting safe tourism destinations, migrant workers and labor mobility, COVID-19 vaccine skepticism, financial inclusion and fintech, mutual recognition and electronic exchange of phytosanitary certificates, and diffusion of high value crops. The analysis and data were updated under the CAREC Regional Integration Index (CRII) whereas the report is scheduled for release in Q1 2021.

To address impossibility of face-to-face knowledge services, an e-learning platform was established which formed a virtual learning space. Ten workshops were conducted with some 800 attendees on topics of infrastructure investment and transport corridors, road asset management and road safety, e-commerce development, and meeting environmental objectives.

Eight knowledge sharing webinars were conducted with expert speakers with some 600 attendees to share knowledge and experiences about economic and health consequences that the pandemic has inflicted on the world and identify opportunities to build back better.

Furthermore, the Institute formed a partnership with ADB's Development Asia knowledge sharing platform which allowed adaptations of the CAREC Institute's knowledge products for a large readership, which also highlighted the relevance of the Institute's work to SDGs.

In partnership with ADB, the CAREC Institute enhanced advocacy work in the framework of the CAREC Corridor Performance Measurement and Monitoring (CPMM) mechanism and delivered eight country specific CPMM briefs which proved impactful in improving efficiency along CAREC corridors and border crossings.

Finally, the CAREC Institute, represented by its Director, Deputies, Economists, and other staff participated in over 20 external events as speakers and moderators to advance awareness about developments in CAREC and cooperation options in the region and beyond.

Apart from participation in its own and partner events, also targeted dissemination of knowledge materials, the CAREC Institute reached out to wider audiences through its official LinkedIn and Weibo accounts and promulgated knowledge through its partner networks. The CAREC media in five countries covered nine CAREC Institute topics and events in Chinese, Russian, and English languages in over 60 articles in 2020.

## Key CAREC Institute Facts of 2020

- |                                       |                                      |
|---------------------------------------|--------------------------------------|
| ❖ 36 staff and secondees              | ❖ 8 Economic Briefs                  |
| ❖ UN observer status                  | ❖ CAREC Quarterly Economic Monitor   |
| ❖ Host city memorandum                | ❖ 2 CTTN research grants             |
| ❖ First external audit                | ❖ 4 Visiting Fellow research papers  |
| ❖ Strategy MTR and update             | ❖ Climate, WASH, e-commerce research |
| ❖ Financial Sustn-ty Working Group    | ❖ 9 new research commenced           |
| ❖ 4 new MOUs                          | ❖ e-Learning platform established    |
| ❖ Participation in 20 external events | ❖ 10 workshops with 800 attendees    |
| ❖ 9% engagement rate on LinkedIn      | ❖ 8 webinars with 600 attendees      |
| ❖ New Weibo social media account      | ❖ 8 CPMM country briefs              |
| ❖ 60 media articles in 5 countries    | ❖ 8 Dev. Asia knowledge adaptations  |

### 3. CAREC Institute Management

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#### **Mr. Syed Shakeel Shah**

Director



Mr. Shah is a career civil servant under the Pakistan's Customs Service with extensive experience in public policy, international trade, and regional cooperation, spanning over two decades.

He played a leading role in a collaborative engagement with the World Bank in developing the reform vision and a plan for Pakistan Customs through a Technical Assistance funded by the Trust Fund for Accelerated Growth in Revenue.

Being a focal person for the World Bank's Ease of Doing Business report, he has led reforms in Pakistani Customs to enhance efficiency and reduce cost and time of border compliance. In another governmental capacity, he has contributed to negotiations regarding Free and Preferential Trade Agreements with Turkey, Thailand, and the PRC. Mr. Shah coordinated complex assignments across the government, private sector, and development partners as the Head of Economic Affairs Wing in the Prime Minister's Office, including activities pertaining to the China-Pakistan Economic Corridor, Prime Minister's Delivery Unit and the Youth Development Program. He also served as a Community Welfare Attaché at the Consulate General of Pakistan in Barcelona (Spain).

Mr. Shah holds MA in International Trade Law and Economics from the World Trade Institute, Bern (Switzerland), and MSc in International Relations from Quaid-e-Azam University, Islamabad (Pakistan).

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#### **Mr. Liang Ziqian, Ph.D.**

Deputy Director One (DD1)



Mr. Liang has been a senior official of the PRC Ministry of Finance since 1992 until 2015. After serving as a senior advisor to the board of the World Bank in 1992-2001, Mr. Liang took the Board Member post for the China Development Bank in 2008. Since then, he has been engaged as a Council and Committee member and Vice Chair of high-profile funds and boards including the Global Environmental Facility and the Green Climate Fund.

Mr. Liang holds a Diploma in Civil Engineering from the Taiyuan Industrial University, MBA from Zhongnan University, and Ph.D. in Economics from the Chinese Academy of Agricultural Sciences. He is a distinguished fellow of H.J. Heinz scholarship under the University of Pittsburgh (USA).

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#### **Mr. Iskandar Abdullaev, Ph.D.**

Deputy Director Two (DD2)



Mr. Abdullaev has over 25 years of experience in the field of water and environmental management. His academic and professional experience include Central Asia, Sri Lanka, Iran, Pakistan, Thailand, Israel, USA, Germany, and Netherlands. Mr. Abdullaev held various advisory, editorial, research, and senior posts with GIZ, ZEF Center of Bonn, CCICED, NGOs, boards, and associations.

Mr. Abdullaev is well linked with the academic circles. He is a member of editorial boards of several internationally peer reviewed journals. He himself authored three monographs, over 30 peer reviewed articles, and over 150 conference papers.

Mr. Abdullaev holds MSc and Ph.D. degrees from the Tashkent Institute of Irrigation and Agriculture Mechanization Engineers where he also taught classes during 1992-1999. He continues teaching at the German-Kazakh University (2013-present).



## 4. Governance

### a) 2020 Governing Council Members

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**Mr. Abdul Habib Zadran**

Deputy Minister of Finance of Afghanistan

Mr. Zadran started his career with Siemens International in Afghanistan, followed by Chief of Staff post with the Independent Board of Kabul New City, and an advisory role at Japan International Cooperation Agency (JICA).

He joined the Ministry of Finance (MOF) in 2015, and took the Director's job at the Large Taxpayers Office shortly after. Mr. Zadran authored wide-ranging reforms resulting in increase of public revenue. After serving as the Director General of Revenue Directorate, he took the post of the Deputy Minister of Administration at MOF in 2018, later to be promoted to the Deputy Minister of Finance post which he currently holds.



**Mr. Rovshan Najaf**

Deputy Minister of Economy of Azerbaijan

Mr. Najaf began his career in 2001 as a Teaching Assistant at Azerbaijan State University of Economics. During 2003-2007, he advised the government on investments, and served as the Head of Investment Contracts Division in SOCAR in 2008-2009, later to rejoin the Ministry as the Head of Foreign Economic Relations Department until 2010. Following eight years, he held senior posts at Azerbaijan Investment Company, and was appointed as the Head of Innovation and e-Government at the Office of the President of Azerbaijan in 2018. He took the post of the Deputy Ministry of Economy in February 2020.

Mr. Najaf holds MA in Economic Policy Management & International Energy Management from Columbia University (USA), and a Ph.D. degree in Economics. He is also the Third Rank State Councilor.



**Mr. Liu Weihua**

Deputy Director General, Ministry of Finance, the PRC

Mr. Liu serves as the Deputy Director General of the Department of International Economic and Financial Cooperation of the Ministry of Finance (MOF) of the People's Republic of China (PRC). Simultaneously, he acts as the Executive Director of International Fund for Agricultural Development (IFAD) for the PRC.

Mr. Liu has been engaged in international economic and financial cooperation for more than 20 years. He held the position of Director in various divisions of the International Department, as well as the Department of International Economic and Financial Cooperation of MOF. He also worked as the Senior Advisor to the Executive Director of the World Bank Group PRC office for several years.

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**Mr. Genadi Arveladze**

Deputy Minister of Economy & Sustainable Development, Georgia



After the private sector experience in Georgia and USA during 2007-10, Mr. Arveladze joined the Tbilisi City Hall to head the Department of EU Programs and International Cooperation until 2012, to embark on a governmental career as the Head of Foreign Trade and International Economic Relations in 2012.

Mr. Arveladze represented Georgia in WTO. He was Georgia's chief negotiator on the Free Trade Agreement with the PRC and the European Free Trade Association Agreement. Currently, he is in charge of implementation of the Deep and Comprehensive Free Trade Area stipulated by the EU-Georgia Association Agreement.

Mr. Genadi Arveladze holds an MA in Liberal Studies from the City University of New York (USA).

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**Mr. Zhaslan Madiyev**

Vice Minister, Ministry of National Economy, Kazakhstan



Mr. Madiyev started his career in 2004 as a Chief Specialist to become the Head of Debt Securities Department of Alliance Bank JSC. He then moved to managerial roles in Morgan Stanley in 2007, and Kazyna JSC until 2009. He held membership of the Board of Directors and performed the Deputy Chairman duties of the Board of Development Bank of Kazakhstan JSC until 2014.

Afterwards, he was the Deputy Director for Monetary Operations and Asset Management of the National Bank of Kazakhstan and advised the Prime Minister of Kazakhstan in 2016. From 2017 to 2019, Mr. Madiyev worked as the Vice President for Finance of the Kazakhstan Temir Zholy JSC until the current appointment.

Mr. Madiyev holds Diploma in World Economy and International Finance from Al-Farabi Kazakh National University, MA in International Relations from Columbia University (USA), and MBA from the Massachusetts Institute of Technology (USA).

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**Mr. Sultan Akhmatov**

Deputy Minister, Ministry of Economy, Kyrgyzstan



In the 1990s, Mr. Akhmatov worked in the state committee for development grants and loans to move to the Ministry of Finance to monitor state investments during 2001-5. Later, he was part of the City Transport project working group before taking up the job of the Head of State Aid Department under the Ministry of Economic Development and Trade where he became Deputy Minister in 2009.

Since 2013 until 2019, he had posts of the Director of Inspection and Standardization, Counselor to the reformed Ministry of Economy, and Head of Strategic Aid Department.

Mr. Akhmatov holds Diploma in aeronautics engineering, MA in international Law, and a course certificate in Economics.





**Mr. Batkhoo Idesh**

Director General, Ministry of Finance, Mongolia

Mr. Batkhoo Idesh serves as a Director General of Development Financing Department in the Ministry of Finance of Mongolia. In his previous capacity, he worked as the Head of Projects and Cooperation Unit of Capital City Ulaanbaatar's Governor's Office.

Mr. Batkhoo holds MA in Economics from Seoul National University and BA in Economics from Inha University, Republic of Korea.



**Mr. Eazaz A. Dar**

Additional Secretary, Ministry of Economic Affairs of Pakistan

Mr. Eazaz A. Dar belongs to the Pakistan Administrative Service, and is also a development practitioner, consultant, diplomat and an author. Mr. Dar's recent assignments included the role of a CEO of Balochistan Board of Investment, secondment to the World Bank HQ, and work at Trade & Investment Consulate of Pakistan in Los Angeles (USA).

Mr. Dar has served on the boards of various organizations, and has contributed to many international conferences, workshops, and symposia next to leading various bilateral and multilateral negotiations as a country representative. His recent co-authored book is titled "Democracy and Public Administration in Pakistan."

Mr. Dar is a business graduate.



**Mr. Nematullo Hikmatullozoda**

Minister of Economic Development and Trade, Tajikistan

Mr. Hikmatullozoda started his career in 1992 as a Chief Expert and later the Head of Economic Department in the Ministry of Communications of Tajikistan.

From 2001 till 2007 he was assigned as the Head of the Department of Economic Reforms and Investments in the Executive Office of the President of Tajikistan and during 2007-2012 he was a Senior Adviser to the President of Tajikistan on Economic Policy.

In 2012, Mr. Hikmatullozoda was assigned as the First Deputy Minister and in 2015 as Minister of Economic Development and Trade of Tajikistan.

Mr. Hikmatullozoda holds Diploma in Economics from the Moscow Institute of National Economy named after Plekhanov and another Diploma in Economics from the Russian Academy of Civil Service under the President of Russia.

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**Mr. Muhammetgeldi Serdarov**

Minister of Finance and Economy of Turkmenistan



Mr. Serdarov graduated with a joint degree of an Engineer-Economist from the Institute of Transport and Communications of Turkmenistan in 2000.

His professional experience dates back to 1997 when he worked as an Accountant in Akhal province. He joined the Ministry of Construction and Building Materials in 2001, and moved to the Department of Construction under the Cabinet of Ministers in 2007. He then served at the Department for Coordination and Construction of Facilities in the Municipality of Ashgabat until 2013, and rejoined the Ministry of Construction until 2015 to work on state management system, pricing, and expenditure standards.

In 2015, Mr. Serdarov joined the Ministry of Finance and Economy, first in the General Directorate of Ashgabat, later to become a Deputy Minister in 2019, and Minister in 2020.

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**Mr. Shukhrat Vafaev**

Deputy Minister of Investments and Foreign Trade, Uzbekistan



In 1991, Mr. Vafaev joined the Tashkent Architectural Institute as Assistant Professor, and moved to the banking sector in 1996 until 1999. In 2000, Mr. Vafaev embarked on his governmental career under the Cabinet of Ministers of Uzbekistan. He served as an Advisor to the IMF and the World Bank Group during 2002-2007, to join the Ministry of Finance in 2007, and then become an Executive Director of the Fund for Reconstruction and Development of Uzbekistan in 2010, followed by the post of the Deputy Chairman of State Investment Committee in 2018.

Mr. Vafaev holds a Diploma in Civil Engineering from Moscow Institute, MSc in Banking from Tashkent State Economics University, and MIPP in Development Economics from John Hopkins University (USA).

## b) Governing Council Meeting

The CAREC Institute Governing Council (GC), chaired by Mr. Elnur Aliyev, Deputy Minister of Economy of Azerbaijan, convened on 17 December 2020 to adopt the 9th GC proceedings and make decisions on the Institute's 2020 progress report, work plan for 2021-22 and budget for 2021.

The Council expressed its overall appreciation for the Institute's work in the backdrop of many limitations imposed by the pandemic in 2020. The Pakistan representative highlighted the launch of e-learning platform, partnership with the World Economic Forum on digital CAREC, CAREC think tanks network research grants program, visiting fellow program, satisfactory external audit, and establishment of the financial sustainability working group as particularly noteworthy. Mr. Eazaz A. Dar reconfirmed Pakistan's voluntary financial contribution to the CAREC Institute.

Proposals by the PRC included enhancement of work on the CAREC Regional Integration Index (CRII), diversification of funding sources, production of original demand-driven research, strengthening institutional capacity building, solving the issues of the current governance and management structure, improving impact assessment, and strengthening partnerships to accommodate more synergies.

The Tajikistan representative Mr. Kabir Jurazoda expressed his appreciation for the COVID-19 and transport corridor performance related analytical products which the Institute provided in 2020.

The CAREC Institute Director Syed Shakeel Shah reaffirmed the organization's commitment to continue growing, improving, innovating, and creating value addition for its members.

## c) 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 CRII flagship publication.

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 ADB; Nazarbayev University of Kazakhstan; Asia Pacific Finance and Development Institute of the 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 CRII data and preliminary findings for 2006-2019 period. The 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.

## 5. Financial Highlights

The CAREC Institute 2020 budget was planned at \$7.8 million, whereas the overall utilization rate reached 63% (see Table 1). The variance between the planned and actual spending was caused by the COVID-19 pandemic and related movement restrictions. The Institute's workshops, meetings, and various large-scale events were adjusted to the virtual mode or postponed till 2021.

Table 1: CAREC Institute 2020 Spending<sup>1</sup>, \$, 000

	Item	Amount
a	Programmatic and operational activities	1,486
b	Staff salaries and benefits	2,518
c	Seconded subsidies	103
d	Rental	649
e	Administrative fees	119
f	Capital expenditure	36
	<b>TOTAL</b>	<b>4,911</b>

In 2020, the Institute received total contributions at a value of \$5.1 million from the government of the PRC, ADB technical assistance, ADB PRC mission, Asian Development Bank Institute (ADBI), UNICEF, Xinjiang Institute of Ecology and Geography, and Shanghai National Accounting Institute (SNAI). See Table 2 for details.

In addition, the government of Pakistan committed to make the first donation to the Institute with funds to be transferred early 2021.

Table 2: Partner Contributions in 2020, \$, 000

	Governments and Partners	Amount
a	PRC	4,000
b	ADB	685
c	ADB PRC mission	185
d	ADBI	21
e	Xinjiang Institute of Ecology and Geography	30
f	SNAI	120
g	UNICEF	45
	<b>TOTAL</b>	<b>5,086</b>

<sup>1</sup> Expenditure includes estimated contributions from ADB technical assistance and other partners. The preliminary financial statement is subject to audit in 2021.

## 6. Institutional Arrangements

### a) UN Observer Status

The CAREC Institute has been granted the United Nations (UN) observer status at the 45th plenary meeting of the 75th session of the UN General Assembly on 15 December 2020 in recognition of its work towards Sustainable Development Goals (SDGs), placing importance on alignment with national strategies and development plans of its member countries and support rendered to regional actions that complement national efforts.

The request for the UN observer status and the draft resolution was sponsored by the Government of the PRC and co-sponsored by all other CAREC member countries: Afghanistan, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.

Currently, the CAREC Institute enjoys the same observer status as the Asian Development Bank, the World Bank, the International Monetary Fund, and the Asian Infrastructure Investment Bank.

**As of 2020, over 60 knowledge products of the Institute have contributed to the following SDGs:**

**Goal 1: No Poverty**  
**Goal 2: Zero Hunger**  
**Goal 3: Good Health and Wellbeing**  
**Goal 6: Clean Water and Sanitation**  
**Goal 7: Affordable and Clean Energy**  
**Goal 8: Decent Work and Economic Growth**  
**Goal 9: Industry, Innovation and Infrastructure**  
**Goal 10: Reduced Inequalities**  
**Goal 13: Climate Action**  
**Goal 17: Partnerships for the Goals**

### b) Host City Memorandum

On 18 November 2020, the CAREC Institute and Urumqi city government of Xinjiang Uygur Autonomous Region (XUAR) of the PRC signed a host city memorandum 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, Vice Minister of Finance of the PRC, and Mr. Syed Shakeel Shah, Director of the CAREC Institute, delivered speeches. 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. 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 government 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 memorandum, signed on 18 November 2020, is set to enhance cooperation and harmonization among corridor countries.

CAREC Institute, Urumqi city and XUAR representatives at the MOU signing ceremony in Urumqi, 18 Nov 2020



### c) External Audit

During 2015-2018, all accounting and financial affairs of the CAREC Institute were 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 of the PRC, and the Host Country Agreement 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. Deloitte China issued an unqualified opinion of the CAREC Institute financial statement. The audit report was reviewed by the CAREC Institute Budget and Audit Committee, which operates under the GC, and was endorsed by the 10th GC 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.

### d) Financial Sustainability Working Group

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, and mapping of potential donors.

The exercise included review of the IGA in terms of direction it provides for resource mobilization, interpretation of voluntary contribution by members, and the extent of fundraising flexibility. Considerations were given to alternative definitions of financial sustainability, with or without recurring contributions from member countries. The exercise also looked 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.

The inaugural Financial Sustainability Working Group (FSWG) meeting was held on 10 September 2020 in a virtual mode. The 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 IGA. CAREC senior country representatives considered the options proposed in the assessment report to achieve the financial sustainability of the Institute.

The working group members provided their inputs and recommendations on contributions, replenishment mechanisms, alternative financing options, and the resource mobilization strategy. During the meeting, the government of Pakistan announced voluntary donation and ADB signaled its next technical assistance to 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, 79% of the CAREC Institute operations get funded by the PRC, 17% by ADB, and the remaining 4% by four other development partners. In the backdrop of financial sustainability initiative, voluntary contribution by members is an important development as it demonstrates increasing ownership and confidence of IGA participants regarding outputs and ability of the CAREC Institute to deliver on its mandate.



## e) Partnerships

This year saw four memoranda of understanding (MOU) with new partners and working visits or a virtual dialogue with eight other institutions to expand the network, identify feasible entry points, and enhance production of collaborative outputs to add to the body of knowledge on regional cooperation.

In May 2020, an MOU with **Xinjiang Institute of Ecology and Geography (XIEG)** of the Chinese Academy of Sciences was signed. The parties committed to 1) deliver joint capacity building activities relevant to priority areas of regional cooperation in CAREC; 2) conduct joint research to promote evidence-based policymaking in CAREC; and 3) operationalize an internship program for XIEG Ph.D. students at the CAREC Institute headquarters in Urumqi to offer them international experience.

In August 2020, an MOU was concluded with **Pakistan Institute of Development Economics (PIDE)**. This arrangement presented the parties with an opportunity to deepen their research in CAREC transport corridors and explore their complementarity with other multilateral and bilateral economic initiatives.

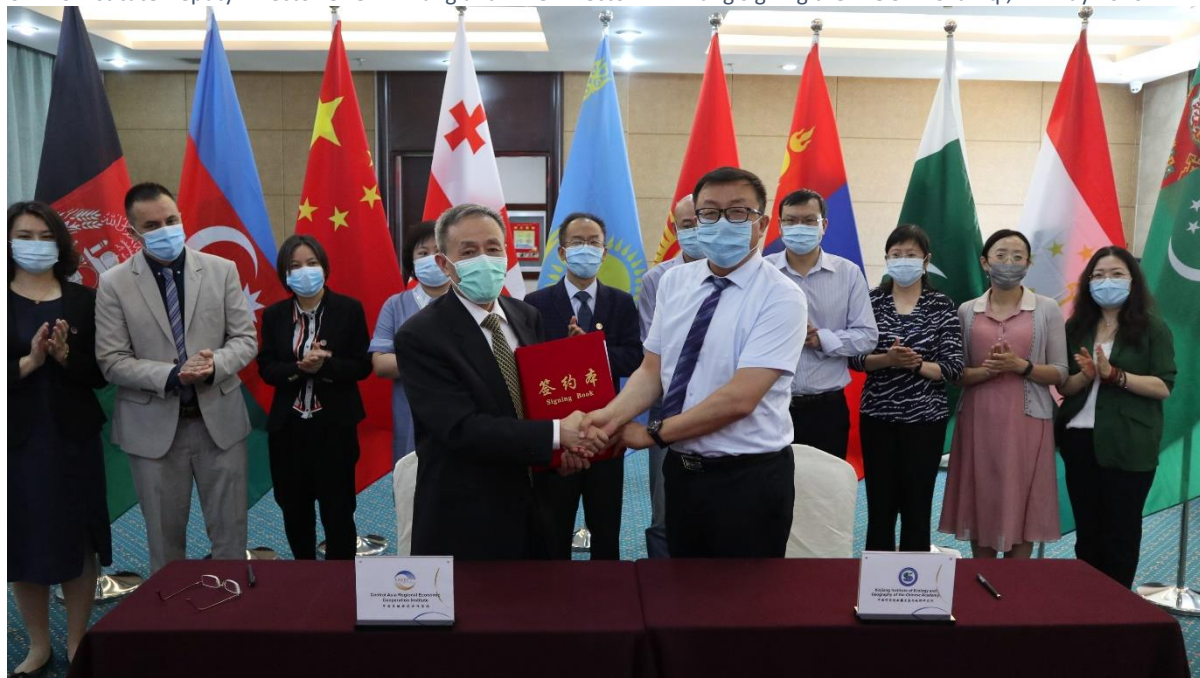
Dr. Durre Nayab of PIDE and CAREC Institute Director Shah concluding an MOU in Islamabad, 24 Aug 2020



Later in November 2020, an MOU with the **Institute of Standardization of the Xinjiang Uygur Autonomous Region (XUAR)** of the PRC followed to cooperate in capacity building to improve standards, norms, rules, and regulations in CAREC; facilitate harmonization of standards in the areas of trade, customs, transport, energy, and sanitary and phytosanitary regimes; and establish the Central Asian standardization expert database.

The fourth MOU with **Shenzhen University of the PRC** signed in December 2020 promises to produce joint research by Ph.D. students. Besides, joint research conferences, pitching for joint research grants, and joint capacity building will be the future cooperation priorities.

CAREC Institute Deputy Director One Dr. Liang and XIEG Director Dr. Zhang signing the MOU in Urumqi, 27 May 2020



Among working visits, **Tusheng Technology Company and Economic Research Institute for ASEAN** stood out where the CAREC Institute Deputy Director One Dr. Liang Ziqian explored opportunities for the use of artificial intelligence technology for data analysis.

In July 2020, the CAREC Institute and **World Economic Forum (WEF)** discussed their digital trade portfolios and future collaboration options with the focus on digital infrastructure readiness in CAREC; policies, regulations, and measures required to create a digital-friendly investment climate; and support needed to bring technology, digital know-how, jobs, and growth to developing countries.

Further, in a meeting with **Xi'an International Studies University (XISU)**, XISU expressed willingness to participate in the internship program and education coalition.

A meeting with the **Research Center of Ecology and Environment of Central Asia (RECEECA)** under the Chinese Academy of Sciences in Urumqi, the PRC, discussed collaboration in seven focus areas - ecosystems, water resources, geology, climate change, environmental pollution, sustainable development, and agricultural technologies.

An online meeting with the **Green Climate Fund (GCF)** in August 2020 brought exchange of thoughts regarding climate change and adaptation financing modalities. The parties agreed to continue the dialogue and explore the ways to strengthen collaboration in 1) sustainable investment in climate change adaptation and mitigation; 2) stakeholder coordination; and 3) promotion of the readiness program.

Later in December 2020, while participating in an opening ceremony of the **Belt and Road Initiative (BRI) Green Development Institute (BRIGDI)** and launch of Green Development Guidebook in Beijing, Deputy Director One of the CAREC Institute Dr. Liang Ziqian remarked: "Green cooperation plays a significant role in keeping balance between high-quality and sustainable development and environmental protection. Greening of BRI can deliver solutions to advance SDGs and resilient recovery in the wake of COVID-19. The guidebook and BRI project baseline study report is also very timely to provide implementable policy options through topical analysis and best practice sharing."

The CAREC Institute Director Shah's visit to the **Economic Cooperation Organization Science Foundation (ECOSF)** in Islamabad shed light on training programs for skilled labor development in ECO region.

Finally, the stakeholder workshop of the **Multilateral Cooperation Center for Development Finance (MCDF)** brought together 60 delegates from multilateral development institutions, international investment funds, Chinese domestic financial institutions, embassies, and think tanks in Beijing, the PRC, to discuss promotion of high-quality infrastructure investment that follows the standards of accredited International financial Institutions.

#### f) Strategy Mid-Term Review, Update, and Extension till 2025

The COVID-19 emergency accelerated the CAREC Institute's mid-term review (MTR) of its five-year strategy 2018-2022 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 was 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. Some of the questions included alignment with CAREC program, utility of research outputs that add to the body of knowledge on regional integration, efficiency of trainings in addressing capacity gaps, outreach efficiency, etc. Additionally, suggestions were sought to improve the Institute's engagement with its stakeholders.

The MTR examined these areas in terms of relevance, effectiveness, efficiency, impact, and sustainability. It summarized factors which have implications for the region with consequences for the CAREC Institute to realign its institutional and operational priorities. Consideration was 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 were also consulted.

Suggestions which were derived from the MTR, stakeholder consultations, and Advisory and Governing Council guidance highlighted need for alignment of activities with local contexts, conducting research with consideration of larger multilateral donor context, more policy dialogues to share policy experiences, strengthening coordination with CAREC sector ministries at the country level to identify gaps which need to be addressed, improving staffing diversity – ensuring representation of all CAREC members, more vigorous engagement of local think tanks, adopting more customized and agile approaches to training and research, and establishing and managing alumni networks.

As a result, implementation time horizon for the current strategy was extended until 2025 to respond to two new developments – the Institute's improved institutional baseline and COVID-19 related global health emergency and unprecedented economic meltdown. To adapt to the post-COVID-19 business environment, the following 12 priorities were defined to guide the Institutes' overall strategic direction to deliver on its mandate: 1) deepening stakeholder engagement, 2) attracting and retaining technical talent, 3) diversifying financial resources, 4) ensuring conducive working environment, 5) strategizing operational priorities, 6) expanding research portfolio, 7) revitalizing capacity building approach, 8) adopting innovative knowledge management approaches, 9) improving partnerships and networks, 10) expanding CAREC Corridor Performance Measurement and Monitoring mechanism, 11) adopting digital approaches, and 12) enhancing quality assurance framework.

## 7. Research and Analytics

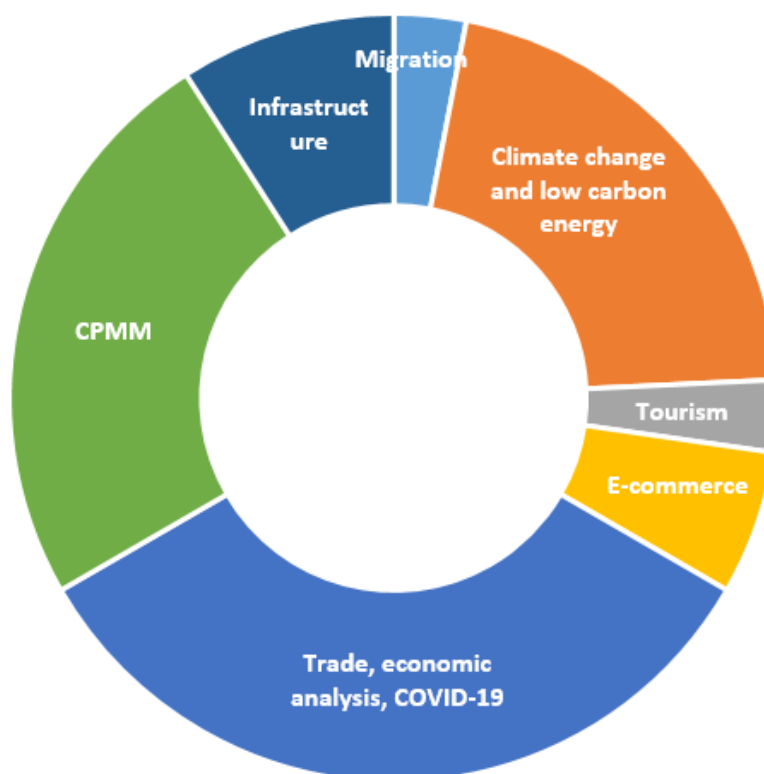


Figure 1: Quantity of the CAREC Institute written knowledge outputs per sector or work stream.

### a) COVID-19 Economic Briefs

The CAREC Institute was quick to adapt to the changing reality of 2020. To serve CAREC clients better amidst the pandemic, the Chief Economist team produced eight timely economic briefs analyzing impact of the pandemic and offered measures to mitigate consequences.

In a February issue of the economic brief, Dr. Hans Holzhacker spoke about potential relocation of value chains closer to the main global demand and production centers. He advised CAREC countries to improve their export performance, especially in the Asian direction.

In the following economic brief titled **“Global Uncertainty: Potential Effects on Capital Inflows into CAREC,”** it was argued that an extended period of global uncertainty and of lower commodity prices could contribute to lessening the potential of the CAREC region to attract foreign investments needed to modernize the CAREC economies. CAREC members, therefore, need to become part of the current technological revolution. Tighter regional integration, easier cross-border trade, and opening-up can provide opportunities to utilize better economies of scale.

In another economic brief about the **government response measures** to mitigate the economic impact of COVID-19, the narrative provided an overview of what possible scenarios of significant downside risks might be, and what the governments have been able to invoke.

The fourth economic brief explored **scenarios for economic development and recovery** with a focus on the CAREC region. It discussed potential trajectories and duration of the recovery and emphasized



that the current crisis can incentivize more sustainable development in future. This paper also provided recommendations that could serve as a checklist how to design, target, and time the crisis mitigation measures to avoid double dip recessions or prolonged stagnation.

In May 2020, the economic brief on **reaction functions and paradoxes** provided stylized reaction functions for the CAREC countries and - for comparison - a set of selected other countries by looking at the stringency of COVID-19 containment measures in relation to the number of confirmed infections. The main conclusion indicated that the danger of a second wave continued to be relatively high and that the identification of cases must be further improved.

In June, the economic brief looked into **COVID-19 impact on trade** and overall performance of CAREC members in terms of mutual trade against the background of the region's trade with its main trading partners: Russia, the EU, and the PRC. The economic brief introduced the "trade distance" concept and concluded that the product portfolio of CAREC countries' industry and agriculture had to be widened to invigorate intra-CAREC trade as well as the region's global exports.

The seventh economic brief in July 2020 focused on **resurgence of the pandemic and the global scramble for a vaccine**. It argued that to preserve lives and revive the economy, countries need to plan ahead to secure sufficient supplies of the future COVID-19 vaccine.

In the eighth economic brief in November 2020, the **acceleration of some megatrends** was discussed. The brief provided that the pandemic hampered social progress in poverty reduction, unemployment, gender inequality, technological divide, educational inequality, but accelerated digitalization and decarbonization trends. The economic brief advised CAREC countries to modify or develop programs aimed at preparing for a future that has become closer due to the pandemic next to dealing with the immediate health threats and economic and social hardship.

## b) Visiting Fellow Program

In 2020, the CAREC Institute launched a joint program with ADB which invited researchers from ADB member countries to address cross-border issues in CAREC that were considered of strategic importance to the region, were relevant to the CAREC 2030 operational priorities, and proposed options for important policy challenges. The visiting fellow program has produced the following four research papers:

### Reviewing Migration and Development in Central Asia

Dr. Giorgi Khishtovani from the PMC Research Center of Georgia reviewed migration and development and the role of local authorities in Central Asia to leverage migration's developmental potential. The paper focused on migration from the southern rim of Central Asia - Uzbekistan, Tajikistan, and Kyrgyzstan - to Russia.

It provided that these countries attracted nearly \$9 billion in remittances in 2019 from a stock of 2.2 million migrants. The stable inflow of remittances might have nurtured a false sense of comfort in respective governments and reduced the pressure for reforms. The paper concludes that governments shall pay more attention to 1) pre-departure trainings of migrants; 2) reintegration services including healthcare, financial literacy trainings, preferential grants and loans to increase access to finance; 3) matching remittances with an equal amount of funds from local governments to support local development; 4) diaspora engagement with more focus on peripheral areas for equitable access; and 5) leveraging the potential of "mahallas" for development-oriented migration management.

## Identification and Spatial Mapping of Economic Clusters in CAREC

Dr. Syed Muhammad Hasan of Lahore University of Management Sciences analyzed transformation of CAREC transport corridors (passing through XUAR of the PRC, Pakistan, and Tajikistan) from a simple transport infrastructure to a driver of economic growth. The analysis revealed that across a multitude of indicators such as population growth, economic activity variation, road density differences and change of land use, the values within the influence zone of the corridor are heterogeneous across countries but significantly higher (Tajikistan being an exception in population growth variable) in comparison with the country-wide averages determined from national statistics.

The above analysis points out variations in the impact of CAREC investments across countries. Such differences may arise on account of inherent heterogeneity and this is evident in Tajikistan where the impact of improvement in the transport infrastructure is relatively less distinct. This highlights the need for further analysis of the Tajikistan case to determine the constraints for development. A related aspect is to identify the potential for economic growth based on existing resources.

## Regional Cooperation in Promoting Low-Carbon Energy

In support of the CAREC Energy Strategy 2030, Ms. Bulganmurun Tsevegjav analyzed challenges and opportunities of regional cooperation in promoting low-carbon energy development in CAREC.

The author grouped CAREC countries in five categories: 1) fossil-fuel rich countries (Kazakhstan, Turkmenistan, Uzbekistan, Azerbaijan); 2) hydropower-rich countries (Georgia, Tajikistan, Kyrgyzstan); 3) transit countries (Mongolia, Afghanistan) earning valuable transit and transmission fees; 4) Afghanistan and Pakistan with enormous demand and lack of access to reliable power supplies; and 5) the PRC importing oil and natural gas from Kazakhstan, Uzbekistan, and Turkmenistan as an alternative source for energy security.

For more vigorous regional cooperation, she recommended: 1) setting up a governing body which would harmonize legal and regulatory frameworks, and technical standards for power connectivity and trade within CAREC; 2) facilitation of cross-border technology and knowledge transfer coupled with low-carbon research which would reduce investment risk for energy development projects; and 3) ensuring participation of all stakeholders, including private sector, regulatory authorities, transmission operators, development partners, investors, etc. to arrive at pragmatic solutions.

## Economic Impact of Climate Change on Agriculture in Central Asia

Dr. Samrat Kunwar of the College of Saint Benedict and Saint John's University of Minnesota, USA, assessed the economic impact of climate change on agriculture in Central Asia (Kazakhstan, Kyrgyzstan, Turkmenistan, Tajikistan, Uzbekistan) by employing the Ricardian method.

Findings indicated that countries need to adopt new regulations and technologies to counter an estimated \$66 million net welfare loss by 2040.

The results in this study highlighted the need for governments of Tajikistan, Turkmenistan, and Uzbekistan to implement regulations that allow private ownership of farmlands to encourage investments in adaptation measures; for the government in Kazakhstan to invest in novel technologies such as drip irrigation systems, climate smart agriculture, and canals for rainwater harvesting; while the government of Kyrgyzstan might benefit from ensuring that farming populations in the country alter easily their farm types or even switch between owning crops and livestock that are suited for dryer climatic conditions.

### c) CTTN Research Grants Program

In 2020, the CAREC Think Tanks Network (CTTN), administered by the CAREC Institute, invited applications for the second round of Research Grants Program to produce targeted research products which will add to the body of knowledge on regional cooperation in CAREC. Two research teams succeeded in submitting the following papers:

#### **Exploring Export Driven Growth: Learning from Pakistan-China Free Trade Agreement**

Dr. Anwar Shah et al. from Quaid-i-Azam University of Pakistan and Baku Engineering University of Azerbaijan examined the impact of Pakistan-PRC free trade agreement (FTA) on export creation. The paper suggested changes in the subsidy policy of Pakistan from export diverting industries of textile and leather towards export creating industries of beverages, rice, surgical Instruments and sports goods. It also suggested that potential FTAs between Pakistan and other CAREC countries is possible in industries where production of exportable surplus is relatively higher.

#### **Development Prospects of the Tourism Sector in Kazakhstan and Kyrgyzstan**

The paper by Kubat Umurzakov et al. focused on the potential of tourism along the Almaty–Bishkek Economic Corridor (ABEC) given post-COVID-19 development scenarios. Given high debt burden and strained budgets, tourism in Kyrgyzstan is expected to grow at a modest rate of 3% for 2025-2030, while the growth rate in Kazakhstan is projected at 6.3% 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.

### d) Core Research Projects

#### **Climate Insurance, Infrastructure, and Governance**

Year 2020 marked completion of water-energy-food nexus research by the CAREC Institute titled “Climate Insurance, Infrastructure, and Governance in CAREC.” The research report became possible through the partnership with Innovations and Scientific Research Cluster of Uzbekistan, IAMO-Halle, and Humboldt University.

The paper provided an overview of the changing climate and weather patterns in the region and analyzed most climate-vulnerable sectors and geographic areas. The diagnostics showed that intersectoral coordination mechanisms vis-à-vis global commitments of the countries is a pivotal driver of the climate change adaptation agenda. Such coordination and coherence of policies help avoid potential overlaps and minimize the risk that one sector progresses at the expense of the other. Besides, the pursuit of new technical solutions, new policies and economic frameworks is recommended to promote cooperation and integrated planning among sectors. This can leverage possible synergies for decreasing costs, assessing tradeoffs, demand-side interventions, and decentralized services for ensuring sustainability of infrastructure and sectors. The paper concludes that increased access to finance through insurance can be instrumental for implementing adaptation policies.

Two policy briefs were derived and promulgated from this research. The first policy brief reviewed determinants of vulnerability to climate-induced water stress in CAREC. It argued that climate change might 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. In addition, low levels of economic development and insufficient government effectiveness contribute to low capacity to adapt to rising water scarcity.

Another policy brief on climate cooperation challenges and opportunities argued that in 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; that regional cooperation became a necessity, which shall help unlock new opportunities, optimize resources and build on lessons of the past.

### E-Commerce Regulatory Framework in CAREC

In April 2020, the CAREC Institute released another policy brief on e-commerce regulatory framework in CAREC which argued that globalization of commerce requires consistent laws and regulations not only to authorize but also to regulate electronic communications. It set out the key policy issues: how strictly the state must prescribe acceptable methods of authenticating text and transacting parties; what shall be done to promote privacy, to prevent cybercrime and protect consumers; and how to follow the leading international trends.

### WASH Research Partnership with UNICEF

In May 2020, the CAREC Institute and UNICEF engaged in a joint research project which aims at exploring best practices and solutions on water resource management and experience sharing in CAREC. The research focuses on analysis of the state of water management in Uzbekistan, Tajikistan, Mongolia, and the PRC. The study will help identify the critical challenges of rural and urban communities in access to clean water and sanitation, and propose feasible modalities to strengthen water resource management. The paper is scheduled for completion and release for Q2 2021.

### Other Ongoing Projects

After the policy brief on e-commerce regulatory framework in CAREC, a new research was conceptualized and commissioned about **e-commerce infrastructure readiness** to examine affordability and access to ICT in CAREC to engage in online transactions, bandwidth availability, availability of online payment options, e-commerce platforms, delivery and logistics, economies of scale, etc. This research shall contribute to 2021 workshop agenda formation.

In its turn, the COVID-19 emergency dictated conceptualizing and commissioning research on **COVID-19 impact on SMEs**; harnessing the role of technology during and after COVID-19 in **promoting safe tourism destinations**; COVID-19 impact on **migrant workers and labor mobility**; and **COVID-19 vaccine skepticism** in CAREC. This new research shall contribute to understanding the altered reality and its possible implications on regional cooperation processes.

Further, data update for the **CAREC Regional Integration Index (CRII)** continued with the report scheduled for release in Q1 2021. A working paper was initiated on challenges and opportunities of **financial inclusion and fintech in CAREC** with release date in January 2021. Two other studies on developing a framework for **mutual recognition and electronic exchange of phytosanitary certificates** in CAREC, and **diffusion of high value crops** were also conceptualized and commissioned.

Finally, an **annual research conference** was conceptualized to call for papers and produce analysis of CAREC-customized up-to-date narratives around economic development and regional integration. The conference with the theme of economic recovery of the CAREC region in the post-COVID-19 era is scheduled for March 2021.

## Staff Papers

The Institute's research staff continued their engagement in extracurricular collaborative projects where an ADBI working paper on **Infrastructure in Central Asia and the Caucasus** stood out. The paper describes that infrastructure development pattern in CAREC is uneven, and utilization of infrastructure depends on regional infrastructure connectivity which shows mixed results.

Another collaborative project included a book chapter on **Pakistan's Trade with Central Asia** which discusses how multilateral trade agreements are criticized for delivery shortcomings, challenges that regional trade agreements face, and reasons why bilateral agreements are so frequent. Finally, the chapter walks the readers to show Pakistan's regional trade potential with Central Asia, and recommends that before moving towards the regional trade agreement, goods and services composition needs to be analyzed to find the niche that benefits the economies fairly.

One more collaboration with ADBI covered the topic of **leveraging SME finance through value chains in CAREC**. The paper is scheduled for release in January 2021. It will take stock of the challenges faced by SMEs in seven CAREC economies, including identifying cultural, procedural, institutional, and regulatory disincentives. The paper will assess opportunities for SMEs to link with both domestic and global value chains and the potential impact of this on their access to finance. The volume will attempt to propose policy recommendations to improve SMEs' access to finance, especially in the agri-business sector. The recommendations will address effective regulatory frameworks, access to finance, programs funded by foreign donor institutions, guarantee schemes, improvements in entrepreneurial skills and networking among SMEs, and the use of ICT. The outcomes and findings will prove useful for policymakers, think tank researchers, and academics.

## e) Quarterly Economic Monitor

In December 2020, the CAREC Institute launched a new knowledge product titled "CAREC Quarterly Economic Monitor" (QEM) which provides data and analysis across GDP; goods and service sectors; trade balances; investment, export, and consumption; recovery potential; local currencies, exchange rates, and monetary policy; external debt; governments' fiscal positions; COVID-19 and vaccine update; and some major cooperation initiatives in CAREC as reported by the media.

The December datasets presented a case for cautious optimism. Pace and extent of recovery will depend, in large part, on CAREC governments' ability to prepare and implement largescale vaccination programs. This is an emerging challenge as there are apprehensions that some developing countries might find themselves at the far end of the global queue for the vaccine and wait till 2024 to get their requirements.

## 8. Capacity Building

### a) E-Learning Platform

To navigate sudden challenges imposed by the COVID-19 travel restrictions and impossibility of offering face-to-face knowledge services, also to upscale and transform capacity building approach from a traditional mode of delivery into a hybrid learning approach, the CAREC Institute undertook an important project in 2020 – development of an e-learning platform which would establish a digital foundation and virtual learning space for target participants and all interested users.

The CAREC Institute e-learning platform offers a large cloud space to store lengthy video-audio recordings, photo and reading materials. It offers customized pages for topical workshops, research conferences, forums, expert views, interviews, and evaluation forms. Materials can be accessed at the user convenience. Options for quizzes and e-certification are also offered.

This change has quadrupled the number of the CAREC Institute workshop participants as compared with previous years (an average of 60-80 users online per workshop vs 20 participants during face-to-face workshops).

In 2020, the Institute has completed 10 workshops and produced policy-oriented workshop reports which captured all expert discussions and got promulgated through the website, monthly external e-newsletter, e-learning platform, and LinkedIn. Workshop topics focused primarily on the CAREC Institute in-house research which included climate change, e-commerce, infrastructure investment and transport corridors, and road asset management systems. The Institute plans to deepen its 2021 workshops with phase II research findings on the same topics and build on the foundation of 2020.

In 2021, the focus will be on blended learning which will offer a mixture of online and face-to-face workshops. Some pre-requisite online learning materials and quizzes will be assigned to nominated participants before face-to-face gatherings.

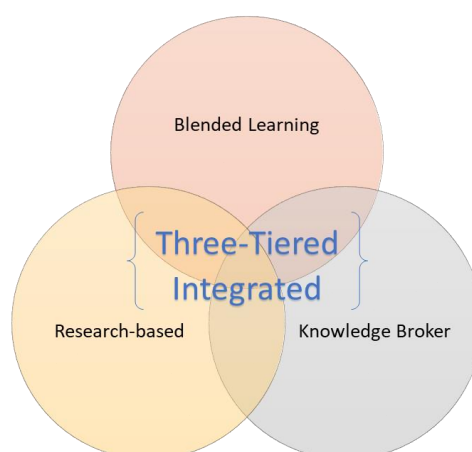


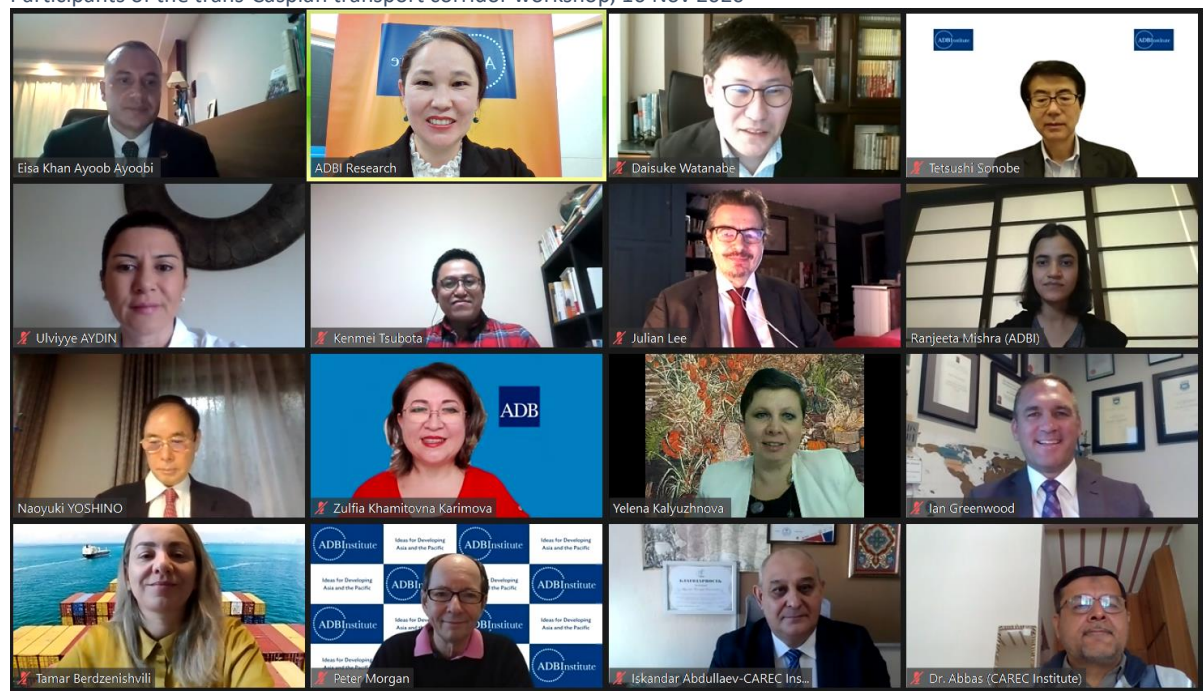
Figure 2: Three-tier integrated capacity building approach of the CAREC Institute

## b) Infrastructure Investment and Transport Corridors

A videoconference titled “**Unlocking Private Investment in Sustainable Infrastructure in Asia**” was co-organized by the ADBI and the CAREC Institute on 25 March 2020. The videoconference highlighted potential opportunities for unlocking private investment, importance of pension funds and life insurance, PPPs and financial education of the general public. While PPPs can stimulate sustainable infrastructure projects, financial literacy can provide investment knowledge that will ultimately affect the overall private investment mobilization. There was a shared understanding among the participants that promoting sustainable infrastructure in the region can be successful by ensuring that it considers both socio-economic and environmental aspects, and provides opportunities for active engagement of state and private actors.

Virtual workshops on the topic of **private investment in infrastructure continued with lessons from Central Asia** targeting senior government officials, field experts from relevant ministries and agencies of all CAREC countries. The four-day event was held during 23, 24, 30 September, 1 October 2020. The workshop discussed infrastructure investment needs in CAREC at \$37.5 billion for the transport sector, \$1.3 billion for trade facilitation and \$40.9 billion for energy, as estimated in various development literature. Presentations included topics of infrastructure investment and managerial oversight, transition pathways, Silk Road smart cities, the role of tax incentives in attracting the private sector in infrastructure investment, perspectives from a Pan-Asian natural gas trade model, patterns of financing of logistics infrastructure, increasing infrastructure investment with spillover tax revenues, 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.

Participants of the trans-Caspian transport corridor workshop, 16 Nov 2020



At a webinar titled “**Trans-Caspian Transport Corridor: Infrastructure and Trade**” organized by the CAREC Institute and ADBI 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-sectoral evidence at the firm level, etc. 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, and ICT integration is enhanced into transport operations.

### c) Road Asset Management and Road Safety Elements

The CAREC countries made the road safety a collective regional priority at the 15th CAREC Ministerial Conference in October 2016 when they adopted the regional road safety strategy 2017–2030. The strategy aims to reduce fatalities on CAREC roads by 50% by 2030, as compared with 2010.

During 12 May - 2 June 2020, the CAREC Institute conducted an online road safety workshop, in collaboration with the CAREC Program and the Asian Development Bank (ADB), targeting government officials and **road safety experts from Mongolia**. The virtual workshop was organized around six sessions over the period of three weeks. This event continued a series of road safety workshops that started in Dushanbe in 2017; followed by manuals in 2018 on road safety audit, safer road works, roadside hazard management; and workshops in Bishkek in March 2019, in Tbilisi in April 2019, in Hohhot, Inner Mongolia Autonomous Region of the PRC in September 2019, and in Tbilisi (for Afghanistan participants) in November 2019.

Mr. Batbold Sandagdorj, State Secretary of the Ministry of Road and Transport Development of Mongolia, attended the event. The CAREC Institute Director Syed Shakeel Shah mentioned that given the context of the six corridors of CAREC Program and numerous economic and trade corridors of the PRC's flagship Belt and Road Initiative, land connectivity is transforming the paradigms of industrial development and growth within the region and beyond. He also referred to the United Nations Decade of Action for Road Safety and SDGs to half the number of global deaths and injuries from road crashes.

The workshop participants shared best practices in road safety engineering, including treating hazardous road locations (black spots), road safety audits, roadside hazard management, and safety at road work sites. It equipped participants with necessary resources to advocate for changes in policies and practices that may be required at the national level.

Later in August 2020, **road asset management (RAM) and RAM system** four-day capacity building online event was held targeting senior government officials and experts from ministries of transport, rural development, public infrastructure, and other relevant state agencies of the CAREC countries. The workshop was led by Dr. Ian Greenwood, a Chartered Professional Engineer, a Fellow of Engineers New Zealand, and author of several internationally renowned RAM manuals. Expert discussions deliberated on the overall lifecycle of managing assets, particularly those vulnerable to the changing climate. The workshop highlighted the necessity for systematic asset management for all public infrastructures built or acquired at high or low costs. There were extended discussions on effective methods of data collection and their essential role in running RAM systems. Overall, participants were provided with updated knowledge on how RAM looks at optimizing levels and allocation of road



maintenance funding, and how it serves sustainable road maintenance as well as reduction of costs to road users.

Some of the recommendations which emerged from the August RAM workshop included strengthening connections with national technical universities to assist the teaching staff to be better equipped to teach road safety engineering to their students. The network of national technical universities was proposed to become a platform for knowledge sharing and mentoring in road safety audits (including cross-border audits) for national road authorities. Establishment of the national road auditor accreditation schemes, and enactment of national road audit policies were also part of recommendations.

#### d) E-commerce Development

On 28 May 2020, the CAREC Institute has delivered a policy workshop, in collaboration with ADB, ADBI, and SNAI, targeting senior CAREC government officials involved in e-commerce development in their respective countries.

The workshop aimed at presenting and discussing policy options bred from a joint research by the CAREC Institute and ADB on e-commerce development in CAREC, and promotion of e-commerce as a viable instrument for trade and commerce to enhance economic cooperation. In addition, ADBI and SNAI recent research findings on the positive impacts of e-commerce on small and medium enterprises (SMEs) during the COVID-19, and Chinese experiences and practices for e-payment system for e-commerce were presented and discussed during the workshop.

While the importance and potential of e-commerce is well understood in CAREC, and it has been expanding, its full development and utilization is hampered due to lack of compatible and comprehensive legal basis. These differences can cause inefficiencies and barriers to trade and commerce. Lessons were shared from the PRC in QR code payment innovation; how the PRC overcame three challenges in e-commerce development: lack of infrastructure, lack of finance, and lack of knowledge; how collaborative laws helped respond to consumer concerns about data privacy; and how Chinese firms responded to supply chain disruptions during COVID-19 lockdowns.

The participating experts and government officials discussed the issues of harmonization, compatibility, risks, lessons, best practices, and conditions for creating the enabling environment for e-commerce at the scale of regional cooperation to maximize economic benefits.

#### e) Addressing Climate Change and Meeting Environmental Objectives

A series of workshops on the topic of climate change and environment kicked off in June 2020 in partnership with ADBI, and XIEG of Chinese Academy of Sciences with a virtual event titled **“Climate Change Regional Policy Dialogue: Learning from COVID-19 Pandemic”** to share findings of the Institute’s research on climate insurance, infrastructure and governance in CAREC.

Field experts and senior officials of member countries discussed that the ongoing pandemic and ensuing global economic meltdown has necessitated economic recovery plans involving significant outlays as a percentage of GDP. This has offered countries a new opportunity of “greening” their recovery plans. Information was shared on the global collaboration efforts for climate action, how UN bodies, multilateral development banks, European aid partners, and other aid agencies are developing their respective areas of action and expertise which proves useful for public policymakers.

The CAREC Institute Director Syed Shakeel Shah remarked: “It is a 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.”

Later in the year, the CAREC Institute derived a policy brief from this workshop on challenges and perspectives of regional climate cooperation in CAREC which argued that in view of exponential increase in climate change impact and economic hurdles stemming from the COVID-19 pandemic, CAREC members shall draw particular attention to joint actions against ongoing and upcoming challenges; that regional cooperation became a necessity which shall help unlock new opportunities, optimize resources and build on lessons of the past.

The theme continued with an online workshop titled **“Meeting Environmental Objectives Through Energy Sector Reforms in Asia and the Pacific: Role of Energy Pricing Reforms and Emissions Reduction,”** in collaboration with ADBI, organized around six online sessions from 22 to 24 June 2020. The workshop aimed to analyze energy pricing reforms and their short- and long-term costs and benefits in the backdrop of the growing need to reduce greenhouse gas (GHG) emissions to address climate change impacts. Energy is estimated to account for two-thirds of the total greenhouse gases in the world and energy sector reforms have a strong potential to mitigate climate change.

The June workshop discussed that most enterprises in CAREC countries are state-owned, subsidized and mostly based on non-renewables. Key issues of the energy sector in CAREC include low energy efficiency, limited regional interconnectedness of energy systems, and limited private financing. Authors of nine research 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 CO<sub>2</sub> emitters, impact of wholesale electricity price, feasibility of hydrogen energy, etc.

It was explored how regional lessons can guide the implementation of energy reforms and realization of environmental objectives.

Further in November 2020, the CAREC Institute and Kazakh-German University in collaboration with other development partners held an online conference titled **“Silk Road of Knowledge Scientific-Practical”** which elaborated 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.

At a virtual symposium titled **“Ecological Restoration and Management of the Aral Sea** which was co-organized by the CAREC Institute and XIEG in collaboration with the National University of Uzbekistan during 24-25 November 2020, policymakers, researchers, experts, and high-level dignitaries from CAREC countries, including H.E. Ibrokhim Abdurakhmonov, Minister of Innovation Development of

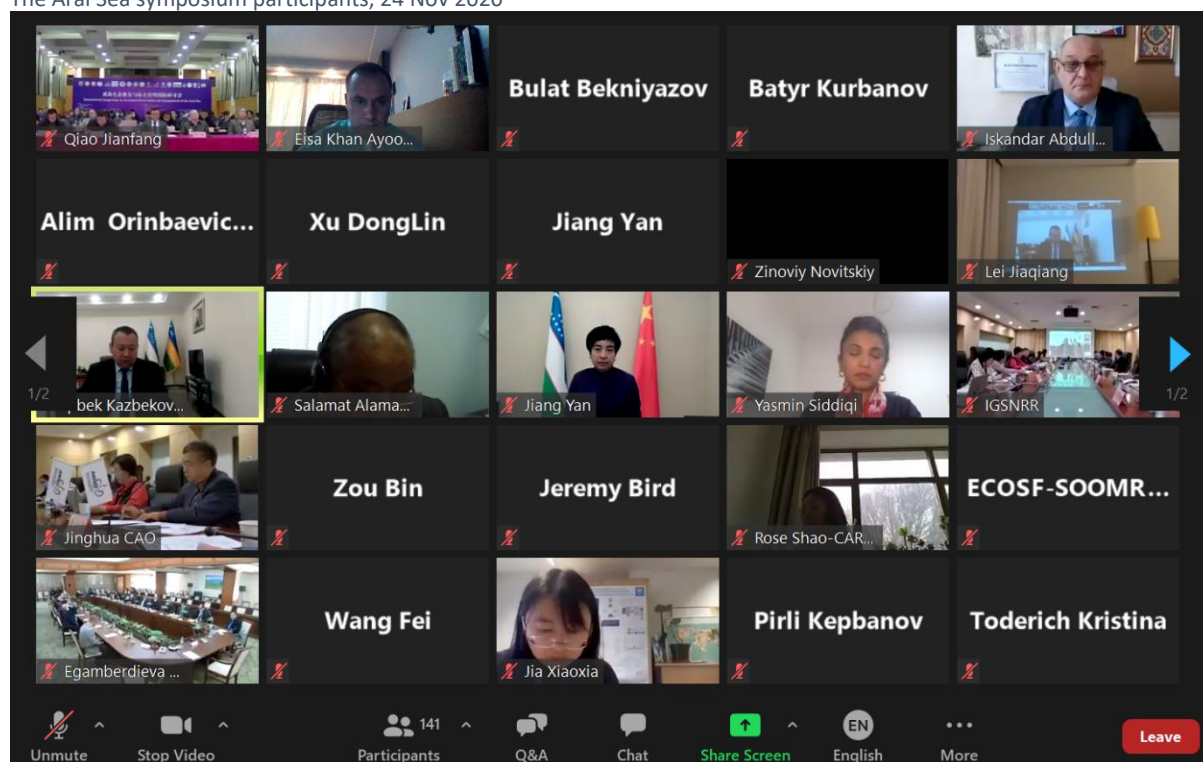


Uzbekistan, engaged in a dialogue to address environmental deterioration of the Aral Sea, knowledge sharing regarding water and ecological security of the Aral Sea, and promoting work towards SDGs.

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

The symposium was linked with the Urumqi Declaration on the PRC-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.

The Aral Sea symposium participants, 24 Nov 2020



## 9. Knowledge Management

### a) Knowledge Sharing Webinars

In response to COVID-19 pandemic, the CAREC Institute in partnership with the Asia-Pacific Finance and Development Institute (AFDI) has launched a series of webinars on 8 April 2020 to share knowledge and experiences about economic and health consequences that the pandemic has inflicted on the world and identify opportunities to build back better.

The first webinar hosted Professor Chen Mingquan, a Chief Physician of the Department of Infectious Diseases and Director of the Emergency Department of Huashan Hospital, Fudan University, to share **measures and experiences of the People's Republic of China (PRC) in fighting COVID-19**. In the second webinar, the CAREC Institute's Chief Economist Dr. Hans Holzhaecker covered analysis of the **economic impact of COVID-19 globally and, specifically, on CAREC countries**, and discussed measures taken by the CAREC governments to mitigate consequences for their economies and populations.

During the third and fourth webinars, Michael Taylor, Chief Economist of the Association of Chartered Certified Accountants (ACCA), discussed the ACCA 2020 Q1 **global economic conditions survey (GECS)** and **ACCA global member and stakeholder survey** and shared his views on the outlook for the global economy, severity of the current contraction in output across the world, global policy responses, recovery prospects, and main indicators of GECS which provide insights into the views of finance professionals on investment, employment, and costs.

The webinar series continued in May 2020 to explore the topic of **e-commerce development in CAREC**, particularly harmonization of its legal frameworks and use of e-commerce opportunities in the time of lockdowns, movement restrictions, and curtailed production.

A webinar on **the role of multilateral development partners (MDP) in response to COVID-19 in CAREC** with the emphasis on water, sanitation, and hygiene, was held on 29 May 2020. The topic emerged from the ongoing CAREC Institute and UNICEF partnership which has ventured to undertake a comparative analysis of water resource management policies and practices in CAREC. This webinar aimed at enhancing understanding of the role of MDPs in combating COVID-19; and linkages among sanitary services and water accessibility during and after COVID-19 pandemic.

The sixth webinar, held on 29 June 2020, concentrated on **high-quality development, modernization, and policy nexus induced by COVID-19**. Dr. Minsoo Lee, Senior Economist of ADB, shared his insight on the given topic covering risks of a global depression and importance of sustainable recovery. 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.

The seventh webinar was held on 28 October 2020 to share findings of the collaborative research with UNICEF on **development of sustainable water and sanitation systems in CAREC**.

The eighth webinar took place on 21 December 2020 jointly with International Finance Forum (IFF) to cover **green and low carbon cooperation of energy intensive industries** between the PRC and the Silk Road countries in the post-COVID-19 era. The webinar deepened understanding of the PRC's experience and lessons on clean transition of the energy-intensive industries. Besides, possibilities were explored for the potential of the Silk Road carbon neutral fund.



## Several CAREC economies heavily depend on mineral fuels. How should they cope with the green transition? How should they modernize?



### b) Development Asia Adaptations

The year 2020 marked establishment of partnership with ADB's Development Asia knowledge sharing platform which allowed adaptations of the CAREC Institute's knowledge products for the large readership, and engagement with our authors. This platform also highlighted the relevance of the Institute's work to the Sustainable Development Goals (SDGs):

- 1) The post on the role of local authorities in Central Asia's **migration governance** narrates how local governments can enhance the developmental impact of remittances, increase migrants' capacities, and support their communities.
- 2) An insight on ensuring timely access to the future **COVID-19 vaccine** provides how to preserve lives and revive the economy, and that countries need to plan ahead to secure sufficient supplies of the future COVID-19 vaccine.
- 3) Another insight on exploring an **export driven growth strategy** in CAREC communicates lessons from the Pakistan-PRC **free trade agreement** which show the way forward for enhancing economic partnerships in CAREC.
- 4) Another abstract on **high-value crops** discusses how CAREC countries adopt diversification strategies as they shift to a market-oriented agriculture.
- 5) A summary of research on **mitigating Central Asia's agricultural losses from climate change** provides that countries need to adopt new regulations and technologies to counter an estimated \$66 million net welfare loss by 2040.
- 6) In a post on **energy security in Central Asia**, the author discusses how to increase production and consumption of renewables to improve energy security and to also lower emissions per capita and carbon intensity.
- 7) A policy brief on **state-owned enterprise reform** argues that privatization and corporatization can reduce costs, raise productivity, and improve social welfare.

- 8) Another policy brief on **e-commerce development** informs that globalization of commerce requires consistent laws and regulations not only to authorize but also to regulate electronic communications.

### c) CPMM Advocacy

In Q2 2020, ADB and the CAREC Institute agreed to enter into a collaborative partnership for future administration and implementation of the CAREC Corridor Performance Measurement and Monitoring (CPMM) mechanism to draw on respective strengths of each partner and deliver an enhanced set of CPMM products to the end client, the CAREC member countries. While ADB has led and financed the development and maintenance of the CPMM methodology, data gathering and analysis, report production and publication since 2009, CAREC Institute is uniquely placed to leverage its growing network of research and knowledge institutions at the national level throughout the CAREC region to help the CPMM both expand its current methodology and outputs, optimize data collection and validation, also promote more effective use of CPMM data and analysis in policy-related decision-making, as well as in independent research.

In July 2020, the CAREC Institute started production of country specific CPMM briefs which were adapted from full CPMM reports of past several years for policymaker convenience. These briefs presented an opportunity to utilize CAREC Program and CAREC Institute knowledge products for developing analytical materials that could be applied as inputs for evidence-based public policy initiatives. Country specific briefs captured significant developments that have taken place in a CAREC country, listed challenges, and identified opportunities for improving efficiency along CAREC corridors traversing through those countries.

The first CPMM brief on Pakistan was shared with the relevant National Focal Point (NFP) on 23 July 2020. Seven other country briefs (Afghanistan, Tajikistan, Kyrgyzstan, Turkmenistan, Uzbekistan, Kazakhstan, and Azerbaijan) followed in August, September, October 2020. These eight CPMM briefs were intended to facilitate more vigorous exchange within the governments, also during the Ministerial, senior officials' meeting, and in sector working groups on transport, trade, and institutional reform topics. Their value has been recognized particularly by Pakistan and Tajikistan, in writing, also during high-level meetings.

The CPMM brief helped the Pakistani government achieve significant improvements at the key border crossing with Afghanistan by mitigating bottlenecks and congestion. It facilitated realignment of processes from Torkham to Michini and Jamrud, and improved the clearance procedure to expedite cross-border movement of cargo at Torkham. In addition, the government has assigned perishables and other essential goods imported from Afghanistan a priority lane cutting clearance time.

These briefs brought to the attention of member governments areas of common interest which can bring significant improvements along CAREC transport corridors, among them, the topic of TIR and e-TIR utilization, Authorized Economic Operators' (AEO) Program, Convention of Contract for the International Carriage of Goods by Road (CMR), development of single windows, benefits of cross-border data sharing and electronic documents, advantages of cargo tracking technologies, and utility of PPPs.

The knowledge product was also shared with the CAREC Institute's long-time partner Transport Corridor Europe-Caucasus-Asia (TRACECA) upon their request when TRACECA project team required context analysis for the trans-Caspian route trade volume estimation and transit tariff setting exercise.



## d) Participation in External Events

In 2020, the CAREC Institute, represented by its Director, Deputies, Economists, and other staff participated in over 20 external events as speakers and moderators to advance awareness about developments in CAREC and cooperation options in the region and beyond.

### COVID-19 Challenges and Prospects

Engagement in knowledge promulgation with respect to COVID-19 pandemic included the **Boao Forum** on 8 May 2020 where the CAREC Institute Director Syed Shakeel Shah delivered a presentation titled **“COVID-19 Pandemic: Challenges and Prospects Facing CAREC.”** Mr. Shah elaborated on fiscal positions of CAREC countries with reference to their ability to conjure up sizeable plans for mitigation of adverse economic impacts of the crisis. He further highlighted that governments’ social protection programs play a significant role in impact mitigation and preserving a conducive social order to ensure public welfare and economic recovery once the situation normalizes.

Further in August 2020, the CAREC Institute Chief Economist Dr. Hans Holzhacker contributed to the online discussion regarding **COVID-19 impact and healthcare system preparedness** among the Economic Cooperation Organization (ECO) members (which includes eight CAREC members<sup>2</sup>) held by the Economic Cooperation Organization Science Foundation (ECOSF) in collaboration with the Center of Excellence for International Economics (CEIE).

On 18 September 2020, the CAREC Institute 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. A presentation was delivered on **COVID-19, innovation and economic megatrends** which elaborated how digitalization is revolutionizing production and services, reshaping supply chains, and changing how globalization works.

On 3 October 2020, the CAREC Institute Chief Economist Dr. Holzhacker 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.

On 19 November 2020, the CAREC Institute was present at 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 Kyrgyzstan 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. The CAREC Institute’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.

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<sup>2</sup> Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, Uzbekistan



On 10 December 2020, the CAREC Institute Chief Economist Dr. Hans Holzhaecker was invited to present at a webinar titled **“Post COVID-19: The Changing Structure of National Economies in Eurasia and Caucasus - Building Back Better”** organized by Astana International Financial Centre (AIFC). The event was hosted by Marc Uzan, Executive Director of Reinventing Bretton Woods Committee, with Jacob Frenkel, Economist and the Chairman of JP Morgan Chase International, as a moderator, followed by presentations by Koba Gvenetadze, Governor of the Central Bank of Georgia; Assel Zhanassova, Deputy Minister of Trade and Integration of Kazakhstan; Baur Bektemirov, member of the Management Board of AIFC Authority; Christopher Weafer, Chief Executive of Macro-Advisory Ltd.; Sylvain Broyer, Chief Economist of S&P Global Rating; Werner Liepach, Director General of ADB; and other lead economists, private sector, and government representatives. The webinar explored post-COVID-19 recovery efforts and the challenges ahead for the Caucasus and Central Asia, the threat of economic scarring, fiscal challenges and financial stability concerns as well as potential policy priorities to embark on a stronger recovery. Dr. Holzhaecker of the CAREC Institute spoke about increase in application of new technologies, digital divide, supply chain reorganization, CAREC Regional Integration Index (CRII), and the trade distance concept which he elaborated in his June 2020 economic brief. He suggested CAREC countries to focus more on digitalization, economic diversification, greening, and trade in services.

### Regional Integration and SDGs



## THE GLOBAL GOALS

For Sustainable Development

Involvement in topics of regional integration, macroeconomy, trends in logistics, digital CAREC, and Sustainable Development Goals (SDG) included Asian Development Bank (ADB)'s webinar titled **New Approaches to Measuring and Assessing Regional Cooperation and Integration** held on 16-17 April 2020 where the CAREC Institute Director Mr. Syed Shakeel Shah was invited to participate and present progress and challenges in measuring regional integration in CAREC. Among challenges, he listed size asymmetries, varying stages of development of key economic structures, eight of the eleven countries being landlocked, CAREC not fully integrated into the global rule-based trading system, and fragmented regionalism with multiple and disjointed economic and trade arrangements. He also shared various ideas being discussed within the Institute regarding redesigning CRII and improving its methodology.

Further in May 2020, the CAREC Institute was present at the **EU-Central Asia brainstorming series** attended by Ambassador Peter Burian, EU Special Representative for Central Asia where participants discussed different analysis of COVID-19 impact on Central Asian economies and societies, including the impact of climate change, lack of job opportunities for the young, large numbers of returning labor migrants from Russia and Turkey, depreciation of local currencies, etc. In this context, **targeted international assistance** and support of donors was defined as crucial for addressing the emerging crisis at its early stages to mitigate the consequences and create the right environment for investments.

At an international seminar organized jointly by the government of Turkmenistan and the UN on 28 May 2020, hosted by Mr. Rashid Meredov, Deputy Prime Minister of Turkmenistan, titled **“Financing**

**Sustainable Development Goals (SDG) Implementation: The Role of Integrated National Financing Frameworks,”** the CAREC Institute Director Syed Shakeel Shah mentioned that most of the SPECA countries<sup>3</sup> have announced substantial fiscal packages to deal with adverse impacts of COVID-19. However, despite strong resolve, these responses might significantly reduce fiscal space for implementing other priority areas, like SDGs, where multilateral development partner support would be needed.

On 23 September 2020, at the **World Economic Forum (WEF) Sustainable Development Impact Summit 2020**, the CAREC Institute presented the concept of Digital CAREC. 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 transfer, and efficient digital payment systems.

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.

On 27 October 2020, 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 organized by the University of Central Asia (UCA) (Kyrgyzstan), Leibniz Institute of Vegetable and Ornamental Crops (Germany), the International Security and Development Center (Germany) in partnership with the American University of Central Asia (AUCA), Mercy Corps, and the World Bank. The conference 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.

On 4 December 2020, the CAREC Institute Chief Economist Dr. Hans Holzhacker participated in a conference organized by the Turan University Almaty where topics of **localization of innovative potentials, education as a tool for global change**, formation of new educational platforms for young specialists, myths and realities of forming learning ecosystems, design of contracts for educational programs, and future of the labor market were discussed. The rector and speakers from the Turan University presented along with experts from the Economic Institute of the Ministry of Education of Kazakhstan, the Scientific and Cultural Center of the State Historical and Architectural Reserve under the Cabinet of Ministers of Azerbaijan, the Russian Academy of Education, the Park for Innovative Technologies, among others. Dr. Holzhacker spoke about COVID-19 induced innovation and Central Asia focusing on measures needed to recover better with the special emphasis on education, national innovation systems, and CAREC cooperation.

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<sup>3</sup> UN Special Programme for the Economies in Central Asia (SPECA): Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

On 9 December 2020, 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 in Islamabad. Mr. Shah covered the topic of **regional connectivity, multilateral cooperation, and the role of CAREC**. 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.

### Climate Change and Environment

Engagement in topics of environment and climate change impact included the regional conference titled **“The Art of Neighborhoods: Border Dynamics, Natural Resources and Mobility in Central Asia”** organized by the University of Central Asia (UCA), Aga Khan Foundation, and UKaid on 5 February 2020 in Bishkek, Kyrgyzstan, which highlighted potential interventions required to set up sustainable water governance and management in the region.

The CAREC Institute Deputy Director Two Dr. Abdullaev at the conference in Bishkek, 5 Feb 2020. Photo credit: MSRI\UCA



This continued with a videoconference titled **“Environmental Problems in Water, Air Contamination and City Construction in Uzbekistan and Central Asia”** held on 18 April 2020 by the Bishkek-based Central Asian Bureau for Analytical Reporting under the Institute of War and Peace Reporting with support of the Norwegian Ministry of Foreign Affairs. “For sustainable development, the Central Asian countries shall integrate ecological aspects of water management into planning to meet their strategic goals. The countries of the region need long-term cooperation to protect water and its quality. The limits of trial and error in the field of ecology have long been exhausted,” the CAREC Institute Deputy Director Two Dr. Abdullaev said.

On 8 July 2020, a virtual seminar titled **“Digital Silk Road in Central Asia: Environmental Aspects,”** organized by Narxoz University, Sustainable Kazakhstan Research Institute, and Davis Center for

Russian and Eurasian Studies discussed potential benefits of the Big Earth Data system in detecting regional environmental trends, challenges in integrating datasets into the Big Earth Data platform, use of Digital Belt and Road (DBAR) program to predict climate change trends in vulnerable high mountainous regions of Central Asia, role of DBAR to facilitate partnerships and implementation of the Sustainable Development Goals (SDG) at the regional level, implications the Big Earth Data system of the Belt and Road Initiative (BRI) might have for national and regional policy making, engagement of the academia and the private sector to support environmental decision making, among others.

On 13-14 August 2020, the China Center of Shanghai Cooperation Organization (SCO) Environmental Cooperation held a webinar on **prospects for SCO environmental cooperation in the post-epidemic era**. The CAREC Institute shared findings on main stakeholders, processes and roles for environmental cooperation in CAREC. A number of policy prescriptions were suggested, namely, region to region cooperation on big initiatives, such as the Belt and Road, promotion of science-based strategic decision-making, private sector involvement and facilitation of exchange of information and innovative technologies.

On 22 September 2020, Deputy Director One of the CAREC Institute Dr. Liang Ziqian was invited to present at the **World Rural Revitalization Conference** in Shanxi, the PRC. The conference was supported by the Food and Agriculture Organization of United Nations (FAO), and United Nations Educational, Scientific and Cultural Organization (UNESCO). Dr. Liang delivered a presentation about opportunities that BRI provides for agricultural development in CAREC for creation of a new space for CAREC agricultural technology, science, and trade cooperation. The conference helped forge partnerships to promote rural rejuvenation and accelerate realization of SDGs by 2030.

The CAREC Institute Deputy Director One Dr. Liang at the World Rural Revitalization Conference in Shanxi on 23 Sep 2020





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.

On 3 November 2020, the CAREC Institute Chief Economist Dr. Hans Holzhacker 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. 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.

During 17-18 November 2020, participants from the CAREC Institute, 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, etc. attended 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.

On 9 December 2020, the China Council for International Cooperation on Environment and Development (CCICED) held a roundtable titled **Innovative Cities and Greater Bay Area Green Development**. The CAREC Institute Deputy Director Two Dr. Iskandar Abdullaev participated in the event as the council member. The event was chaired by Mr. Erik Solheim, CCICED Vice Chairman, Advisor of World Resources Institute, and it was attended by prominent experts of focus areas. The roundtable discussed the ways to leverage the research findings of CCICED special policy studies on green urbanization, climate change, ocean, and major green technologies. The event explored potential ways to work with local governments in applying policies drawn from research. The PRC's greater bay area was of particular focus as a center of innovation and important source for knowledge transfer.



## e) Media Coverage

Apart from participation in its own and partner events, also targeted dissemination of knowledge materials, the CAREC Institute reached out to wider audiences through its official LinkedIn and Weibo accounts and promulgated knowledge through its partner networks.

The LinkedIn account, established in June 2019, saw a 54% increase in followers in 2020, and 9% annual engagement rate, the latter being defined as the collective number of likes, comments, shares, and clicks, divided by impressions.

Weibo account in Chinese, on the other hand, was established in July 2020 and nurtured 7,379 followers, also attracted over 401,000 views of 52 posts.

The CAREC media in five countries covered nine CAREC Institute topics and events in Chinese, Russian, and English languages in over 60 articles in 2020. Some of the selected links include the following:

[Government of the PRC about host city MOU signing in CHN](#)

[Urumqi TV about host city MOU signing in CHN](#)

[Xinjiang news about host city MOU signing in CHN](#)

[Xinhua news about host city MOU signing in CHN](#)

[China Daily about host city MOU signing in CHN](#)

[Belt and Road portal about host city MOU signing in CHN](#)

[Pakistan's DAWN paper about the CPMM corridor monitoring, transit, and trade in ENG](#)

[Pakistan's The NEWS about the CPMM corridor monitoring, transit, and trade in ENG](#)

[Pakistan's Nawaiwaqt about the CPMM corridor monitoring in Urdu language](#)

[Pakistan's TRIBUNE about CAREC Ministerial and Regional Free Trade Agreement](#)

[Pakistan's DND \(Dispatch News Desk\) about CTTN research on Pakistan-China FTA](#)

[Business Kazakhstan about CAREC Institute's UN observer status in RUS](#)

[Capital Kazakhstan about CAREC Institute's UN observer status in RUS](#)

[Kazakhstan news portal about CAREC Institute's UN observer status in RUS](#)

[Gazeta Uzbekistan about CAREC Institute's UN observer status in RUS](#)

[World News Uzbekistan about CAREC Institute's UN observer status in RUS](#)

[Kazakhstan Today about the Aral Sea restoration and WASH research in RUS](#)

[Business Kazakhstan about the Aral Sea restoration symposium in RUS](#)

[Kazakhstan news portal about the Aral Sea restoration symposium in RUS](#)

[Kyrgyzstan ecological information service about WASH research in RUS](#)

[Uzbekistan green party about the Aral Sea restoration symposium in RUS](#)

[Afghanistan's MOF about SOM meeting in ENG](#)

[Uzbekistan's Geneva UN office about CAREC Institute presentation at SCO meeting in RUS](#)

[Uzbekistan info agency DUNYO about CAREC Institute presentation at SCO meeting in RUS](#)

[Asia Pacific Daily about MOU signing with Xinjiang Institute of Ecology and Geography in ENG](#)

[Chinese Academy of Sciences about MOU signing with CAREC Institute in CHN](#)

[Asia Pacific Daily on CAREC Institute webinar on MDP role in CAREC in response to COVID-19](#)

## 10. Strengthening Operations, Policies, and Processes

### Staffing

The CAREC Institute introduced the Chief Economist Unit and reinforced the research function with five more international personnel in 2020.

At the end of 2020, the Institute counted three staff in the management, 14 international staff, 16 national staff, and three secondees. The staff were represented by nine CAREC countries (AFG, AZE, PRC, GEO, KGZ, MON, PAK, TAJ, UZB), with Chief Economist as a non-CAREC national.

The international staff delivered work remotely from their home countries in view of restrictions imposed by the pandemic.

The local staff had an opportunity to engage in different online learning courses to enable more creative and value-added application of their resources.

### Policy Crafting

The Institute took the opportunity in 2020 to revise and craft new policies and rules concerning travel, procurement, management of fixed assets, use of translation services, management of seals, and management of records and archives.

### Finance

Considering the COVID-19 related interruptions, the overall budget utilization rate reached 63% in 2020. The PRC government and ADB's technical assistance remained the main source of funding for the Institute. Additional financial contributions were received from UNICEF, XIEG, and SNAI. The Pakistan government committed to make the first donation with funds to be transferred early 2021.

The budget management improvements included fine-tuning of unit costs for all budget line items, introduction of a contingency fund, and close monitoring of expenditure variance caused by foreign exchange rate fluctuations.

## 11. The 2021 Outlook

The CAREC Institute starts year 2021 with new responsibilities brought by the UN observer status to advance work towards the Sustainable Development Goals (SDGs), also freshly extended strategy till year 2025, and a new technical assistance from the ADB to help achieve set goals. The Institute is determined to continue shaping the change process to reposition the organization into a development entrepreneur to facilitate knowledge solutions for its stakeholders.

While the change project takes shape, the Institute will build on the results of its past activities and hold blended capacity building activities on the following topics in 2021: improvement of border crossings, 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.

Some of the COVID-19 related research which is scheduled to finalize early 2021 will examine attitudes to vaccination in CAREC, harnessing the role of technology in promoting safe tourism destinations, and COVID-19 impact on SME development in CAREC.

Other research and analytical projects which are close to completion in the first half of 2021 include financial inclusion and fintech in CAREC, framework for e-commerce infrastructure development in CAREC, development of sustainable water and sanitation systems, climate change and sustainable agricultural development in CAREC, and CAREC Regional Integration Index (CRII).

New research and working paper topics will incorporate debt and financial sustainability in CAREC, digital CAREC gap analysis, digital FDI, analysis of trade agreements affecting CAREC, analysis of technical barriers to trade and trade facilitation agreements, comparative analysis of selected CAREC transport corridors, sustainable pathways to energy security, and labor mobility.

Over 10 research papers are expected under the CTTN research grants and visiting fellow programs. The organization will sustain production of the CAREC Quarterly Economic Monitor and topical economic briefs on urgent issues. The CPMM analytical and advocacy support will also be extended to the ADB and CAREC stakeholders.

To promulgate knowledge, the Institute will hold a research conference in March 2021 on the theme of COVID-19 and potential for economic recovery in CAREC, and another conference in Q2 dedicated to challenges and opportunities of regional connectivity in Central and South Asia. In Q3, the 5th CAREC Think Tanks Development Forum is scheduled to explore CAREC transport and economic corridors. Some six more knowledge sharing webinars will include the topics of technical and vocational education and training (TVET), green finance, WASH, tax cooperation, accounting cooperation, urban development, and tourism promotion. This will be capped with distinguished invited speaker talk series.

With the strong support from member countries, the CAREC Institute will continue improving governance and management structure, strengthening institutional capacity building, and enhancing personnel management through a better performance evaluation system. The CAREC Institute will enhance engagement with member countries through recruitment of more secondees and diversifying country representation in the Institute.

To meet the financial management requirements of the ADB technical assistance, the CAREC Institute will work closely with ADB to conduct a specific assessment and will implement a financial

management action plan approved by both ADB and the CAREC Institute. The CAREC Institute is committed to ensure that principles of efficiency and transparency are rigidly followed to guarantee that its scarce resources are spent in a rational manner. The continued audit by Deloitte will contribute to further improvements in the financial management.

Faced with impending uncertainties of 2021 and committed to delivering a busy plan for its stakeholders, the CAREC Institute will continue organizational improvements, participation in regional events, policy dialogue, communication with the media, and adaptation and delivery of knowledge products to its respective audiences to contribute to regional cooperation.





# CAREC INSTITUTE

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