



# CAREC Institute Newsletter

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In this issue:

CAREC Quarterly Economic Monitor No.5 .....	1
CAREC Corridors and COVID-19: Monitoring Report 2020 .....	1
Research: Developing the Services Sector in CAREC Countries .....	2
Report Launch: Regional Cooperation Responding to Global Trends .....	2
Working Paper: Promoting Fintech to Meet Underserved Needs.....	3
MOU with the Agricultural Development Bank of China.....	4
Announcement: Chinese Best Practice in Cross-Border E-commerce.....	5
Vacancy: CAREC Institute Deputy Director Two .....	5

## CAREC Quarterly Economic Monitor No.5

Using the latest 2021 data, our fifth CAREC Quarterly Economic Monitor (QEM) found substantial acceleration of GDP growth in the CAREC region after the sharp slow-down in 2020 caused by the COVID-19 pandemic, allowing GDP to exceed 2019 levels in 2021 in most CAREC economies. However, significant volatilities remain. The fast recovery associated with the rebuilding of inventories, the need to re-employ personnel, and other heightened demand is one of the reasons of supply chain disruptions, renewed slow-down, and substantial inflation pressures on top of continuous disruptions by the COVID-19 pandemic.

After monitoring the situation throughout 2021, the QEM production team concluded that getting the COVID-19 pandemic under control remains key for a sustainable recovery, that accelerated technological change, especially digitalization and decarbonization, opens new opportunities for the region but also brings new challenges for growth and employment. Deep structural change is on the agenda. Growth must be of a different quality. Appropriate policies would help facilitate the transition, and CAREC cooperation should be an important element of these policies. Read more [here](#).

## CAREC Corridors and COVID-19: Monitoring Report 2020

The Asian Development Bank (ADB) released the analysis of the 2020 data of its Corridor Performance Measurement and Monitoring (CPMM) mechanism.

The report provides that time and cost estimates for road transport were adversely impacted by COVID-19 in 2020 in CAREC. In 2019, time and cost to cross a border increased by 23.7%, and by 22.8% in 2020. Total transport cost increased slightly to 1.8% as counteracting forces moderated the cost changes. Speed without delay (SWOD) dropped 1.6% while speed with delay (SWD) rose 3.8%. Rail transport attracted a sizable increase of freight from road and air. Between 2019 and 2020, time to cross a border showed a 11.3% increase, while the cost to cross a border dropped 2.5%. Total transport cost inched up 1.9%. SWOD registered a decrease of 6.2% and 11.5% for SWD.

This 2020 report continues the yearly analysis of four CPMM trade facilitation indicators at the national level for all 11 CAREC countries, segregated by road and rail transport, and further separated into outbound and inbound direction for border-crossing time and costs. These data are supplemented by average border-crossing time and cost estimates for border-crossing points (BCP) along relevant CAREC corridors. Country-level developments and challenges are also identified to assist national policy makers in determining the necessary focus of national strategies to address both national and regional transport, trade, and trade facilitation problems. Read more [here](#).

## Research: Developing the Services Sector in CAREC Countries

The ADB's new publication titled "Developing the Services Sector for Economic Diversification in CAREC Countries" provides that the growth rate of gross value added in the services sector is much faster than in agriculture in all CAREC countries as well as in the manufacturing sector in most of them. Exports of services had positive annual growth over the 2005–2019 period. However, services inputs broadly considered to support diversification are lacking, and there remains a high concentration of natural resource-dependent manufacturing economies.

CAREC countries could further foster growth of their services sector, especially their services subsectors and industries which are critical to economic diversification and sustainable development. These include (i) telecommunication and information services, (ii) financial services, (iii) education and research and development services, (iv) tourism-related services, (v) freight transport and storage services, (vi) quality testing and certification services, and (vi) other agriculture-related services.

Several enabling or facilitating conditions are essential for robust development of the services sector and economic diversification in CAREC, including (i) improving governance, (ii) enhancing market competition, (iii) deepening regional cooperation and integration, (iv) raising the efficiency of the labor market, and (v) developing physical and digital infrastructure. CAREC countries need to adopt a coherent and comprehensive approach to the balanced development of the interdependent services subsectors. Establishing and maintaining favorable legal and regulatory frameworks for the overall services sector will deliver the greatest net benefit. Read more [here](#).

## Report Launch: Regional Cooperation Responding to Global Trends

On 17 January 2022, the CAREC Institute Director Syed Shakeel Shah was invited as a panel discussant at the joint multi-lateral development bank (MDB) report launch on regional cooperation and integration along with Bambang Susantono, Vice President, ADB; Joachim von Amsberg, Special Advisor to the President, AIIB; Beata Javorcik, Chief Economist, EBRD; Amer Bukvic, Acting Director General, Global Practice & Partnership, IsDB; Hartwig Schafer, Vice President, the World Bank Group (WBG); Alpana Roy, Director, ASEAN Division, Ministry of Trade and Industry Singapore; H.E. Tenzin Lekphell, BIMSTEC Secretary-General; Dr. Paula Vivili, the Pacific Community Deputy Director General Science and Capability, and other respected participants.

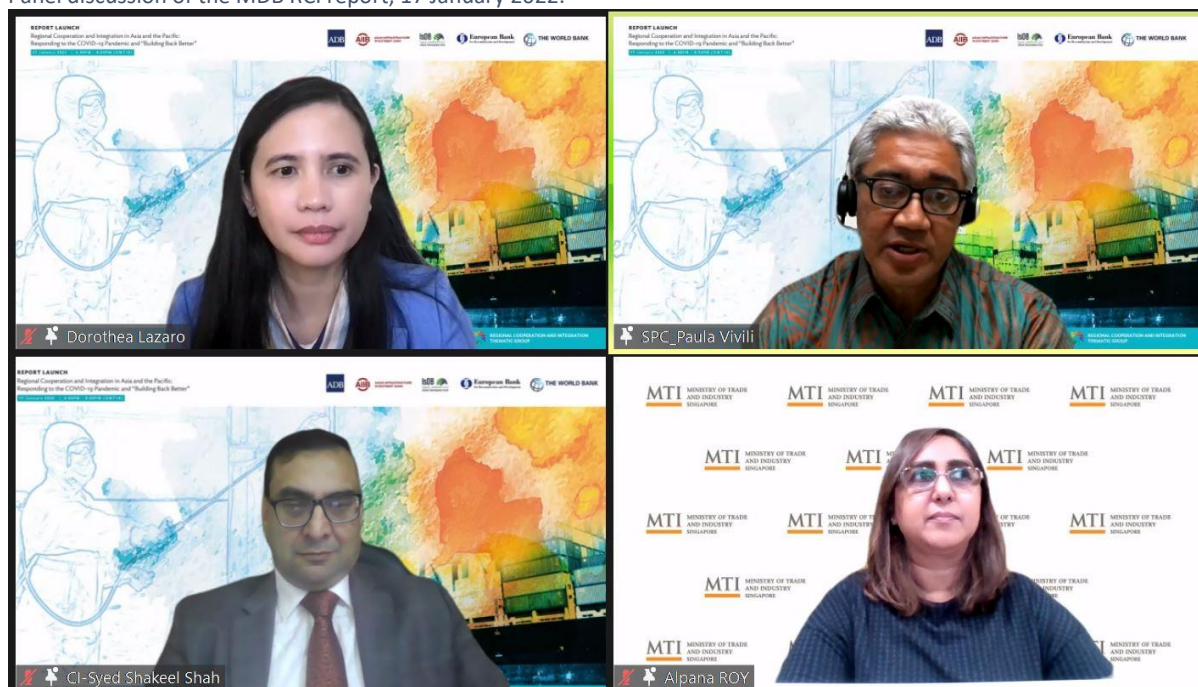
Five leading MDBs —ADB, AIIB, EBRD, IsDB, and WBG —used regional cooperation and integration (RCI) to tackle the pandemic and its aftermath among their members in Asia and the Pacific. The MDBs collaborated on a report to summarize the lessons they and their members have learned from the journey to recovery. The report is useful for anyone engaged in RCI.

The region's development partners, including MDBs, have contributed significantly to ending the emergency and starting the recovery. However, further innovations in knowledge work, technical and advisory services, programming of operations, and resource mobilization and allocation will be

essential. The MDBs take varied and complementary approaches to the following themes and suggest how countries can collaborate and what trends they should consider to maximize the benefits of RCI:

- ❖ Innovation and strengthening of collective action
- ❖ Quality regional connectivity
- ❖ Inclusive trade, investment, and migration
- ❖ Regional approaches to manage air pollution in South Asia
- ❖ MDBs as key partners in promoting regional cooperation and integration

Panel discussion of the MDB RCI report, 17 January 2022.



The report points to the indispensable role and the efficacy of the established RCI subregional programs and regional cooperation organizations. They are the result of countries' own efforts and the essential and sustained support of MDBs. The pragmatic, flexible, consensus-based, and operations-focused nature and practices of the RCI architecture enabled countries and MDBs to act decisively against the pandemic. Those same characteristics will help support an RCI-based recovery. Read more [here](#).

## Working Paper: Promoting Fintech to Meet Underserved Needs

The CAREC Institute's March 2021 research conference gave venue to share findings of a lot of important research for CAREC policy makers to consider, including the working paper by Joon-Kyung Kim, Minsoo Lee, Raymond Gaspar, Ghulam Samad, Qaisar Abbas titled "Financial Inclusion in the CAREC Region: Promoting Fintech to Meet Underserved Needs in Trade Finance" which was featured by Korea Development Institute for Public Policy And Management in their working paper series.

The paper argues that trade financing inadvertently falls short to the needs of even the viable transactions from smaller firms, unmet demand expected to reach around \$2.4 trillion by 2025 if effective solutions are not in place. In 2018, 57% of trade finance applications from firms in CAREC — mostly from the Kyrgyz Republic and Pakistan — were rejected, almost half of which no longer seek alternative finance, altogether withdrawing from a potentially viable trade activity.

The paper validates that smaller firms experience higher incidence of trade finance rejections relative to larger firms, owing largely to their weak company financial health and history. Interestingly, results suggest potential of fintech in reducing the incidence of trade finance rejections disproportionately experienced by smaller firms, thus advancing financial inclusion. The paper maps the financial ecosystem in CAREC member countries and explores the potential opportunities and limitations of fintech adoption and entry points for intra-regional cooperation. Policy proposals put strong emphasis on efficient financial structures, effective regulatory frameworks, and the needed capabilities to advance inclusive trade and finance. Read more [here](#).

## MOU with the Agricultural Development Bank of China

The CAREC Institute and ADBC MOU signing ceremony in Beijing, 20 January 2022.



On 20 January 2022, the CAREC Institute and the Agricultural Development Bank of China (ADBC) signed a Memorandum of Understanding (MOU) in Beijing. Zhang Wencai, Vice President of the ADBC, and Syed Shakeel Shah, Director of the Institute witnessed the signing ceremony. The General Manager of the Institute of Rural Finance Development of the ADBC and the Deputy Director One Liang Ziqian of the CAREC Institute signed the MOU on behalf of both parties.

The signing of the MOU marks the extensive cooperation between the ADBC and the CAREC Institute in the areas of agricultural development, sustainable agriculture, rural infrastructure construction, ecological environmental protection, and the whole agricultural industry chain.

On the basis of complementary advantages and win-win cooperation, the two sides will carry out mutually beneficial cooperation in multiple fields such as information exchange, topical research, and business training around key areas of mutual concern, and jointly support and promote the integration of regional economic cooperation in CAREC to facilitate sustainable development of the regional economy and society.

## Announcement: Chinese Best Practice in Cross-Border E-commerce



The CAREC Institute, in collaboration with the China Association of Trade in Services (CATIS), national partner from the People's Republic of China (PRC), is organizing a multi-session training series on cross-border e-commerce for national technical vocational education and training (TVET) institutions of CAREC countries and others interested from **5 March 2022 to 2 July 2022, every Saturday, 3-6 pm, Beijing time.**

As a fast-growing digitally enabled business model for trade, cross-border e-commerce has been leading the transformation of global trade in recent years. During the COVID-19 pandemic, it became one of the driving forces for the development of global trade. Among others, the PRC has been making significant progress in cross-border e-commerce and accumulating valuable experience and knowledge which will be shared with all CAREC countries during this series.

To strengthen knowledge sharing, the CAREC Institute and CATIS invite e-commerce professionals of worldwide tier-one Internet enterprises and e-commerce platforms to join the program. English and Russian simultaneous interpretation will be available throughout the sessions. Register [here](#).

## Vacancy: CAREC Institute Deputy Director Two

The CAREC Institute invites applicants for the Deputy Director Two position at the Institute. It is a managerial post supervising research, capacity building, and knowledge management divisions. Applicants must be CAREC nationals (except for the PRC, Tajikistan, and Pakistan whose nationals occupy other managerial posts). Strong academic credentials, expertise in CAREC work areas, and at least 20 years of combined professional and senior managerial experience is required.

Apply by **14 March 2022** [here](#).