



CAREC Institute Newsletter

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Digital CAREC: Analysis of the Regional Digital Gap

Panelists and organizers of the Digital CAREC webinar on 23 February 2022.



On 23 February 2022, the CAREC Institute in collaboration with the Islamic Development Bank (IsDB) and the Asian Development Bank Institute (ADBI) held a roundtable to discuss findings of the recent research titled “Digital CAREC: Analysis of the Regional Digital Gap.”

Speakers at the event introduced country profiles and explained methodologies to estimate and analyze the digital divide. Initially, a questionnaire-based primary data was collected in six CAREC countries - Afghanistan, Azerbaijan, Kyrgyzstan, Pakistan, Tajikistan, Uzbekistan – which looked into four attributes of the digital divide: digital infrastructure, digital payments, e-commerce, and Internet access. This analysis revealed that digital infrastructure and internet access are top-performing indicators of digital development in the CAREC region, while digital payments and e-commerce both report the lowest average score. Overall, Azerbaijan and Uzbekistan were found relatively less digitally divided economies compared with Kyrgyzstan, Pakistan, Tajikistan, and Afghanistan.

This study has also constructed a cumulative digital divide index (CDDI) using secondary data from 2016 to 2020. CDDI considered cost and affordability, access and infrastructure, Internet quality, digital security, regulations, digital FDI, and ICT output. For CDDI, this study included eight CAREC economies: Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Tajikistan, and Uzbekistan, while Afghanistan, Turkmenistan, and the PRC were dropped from the analysis due to data limitations. The average CDDI score exhibited that Kazakhstan and Georgia are the least digitally divided countries among the selected, while Azerbaijan and Mongolia are moderately divided in the digital spectrum, whereas Uzbekistan, Kyrgyzstan, Pakistan, and Tajikistan are the least performing economies in CDDI, confirming a higher digital divide.

The study on digital gap in CAREC will soon be available [here](#).

Dialogue on Water Governance in Central Asia

On 10 February 2022, the CAREC Institute held a regional water dialogue where prominent water and development experts discussed collaboration opportunities in support of ongoing efforts and reforms in sustainable water management in Central Asia in times of growing climate uncertainty.

Experts noted that Central Asian water systems used to be centralized under the Soviets, so trans-boundary issues naturally emerged when these countries transformed into independent states. Further, post-soviet societal stratification brought more water competition. Today, water sector in Central Asia loses \$4.5 billion annually due to lack of coordination.

Water scarcity poses threats to food security, energy production, and regional peace. Participants discussed if the trend involves more competition or green recovery, if the spirit of cooperation of 2015s prevails or water becomes a reason for instability.

Synergizing different national water systems, policies, and priorities was identified as one of the main challenges. Differences were described at the local, national, and regional levels. It was explained how management of transboundary rivers, basins, and reservoirs is exercised to reduce frictions among states. Experts noted that not only the amount of water matters, but its timely supply is important.

“How to change old attitudes to solve new problems,” asked Dinara Ziganshina, Acting Director, Scientific Information Center for Water Coordination in Central Asia. “Water sector is characterized by lack of innovation, so coordination becomes crucial,” added Iskandar Abdullaev, Deputy Director Two of the CAREC Institute. Discussants further brought up issues about challenges in demonstrating value for money and potential profit margin to encourage the private sector participation in water sector financing; also water sector personnel and competence issues were brought up as significant.

It was further emphasized that a significant gap exists between strategic planning at the national level and investment planning by the multi-lateral development partners. A concern was voiced that dialogue platforms exist only in the framework of donor support where they have only temporary nature and where the process is not necessarily owned by local regional entities. Thus, a need for a sustainable systemized coordination body which would be owned by neighboring states who would not engage in ad hoc damage control but apply systemic management to water issues was articulated. The recording of the dialogue is available [here](#).

You can also explore the CAREC Institute work on water and climate issues of the past two years:

[Determinants of Vulnerability to Climate-Induced Water Stress in CAREC](#)
[Development of Sustainable WASH in Rural Areas of China, Mongolia, Tajikistan, and Uzbekistan](#)

[Regional Climate Cooperation – Challenges and Perspectives](#)
[Climate Vulnerability, Infrastructure, Finance and Governance in CAREC](#)
[Assessing Economic Impact of Climate Change on Agriculture in Central Asia](#)
[Climate Change Impact on Infrastructure in CAREC](#)
[Climate Change Policy Dialogue, Learning from COVID-19](#)
[Ecological Restoration and Integrated Management of the Aral Sea](#)

Webinar on Measuring Regional Integration

On 24 February 2022, the CAREC Institute, the Asian Development Bank (ADB), and the Regional Capacity Development Center (CCAMTAC) of the International Monetary Fund (IMF) hosted a webinar on regional integration to share a multidimensional assessment of regional integration in Asia in general, and in CAREC more specifically.

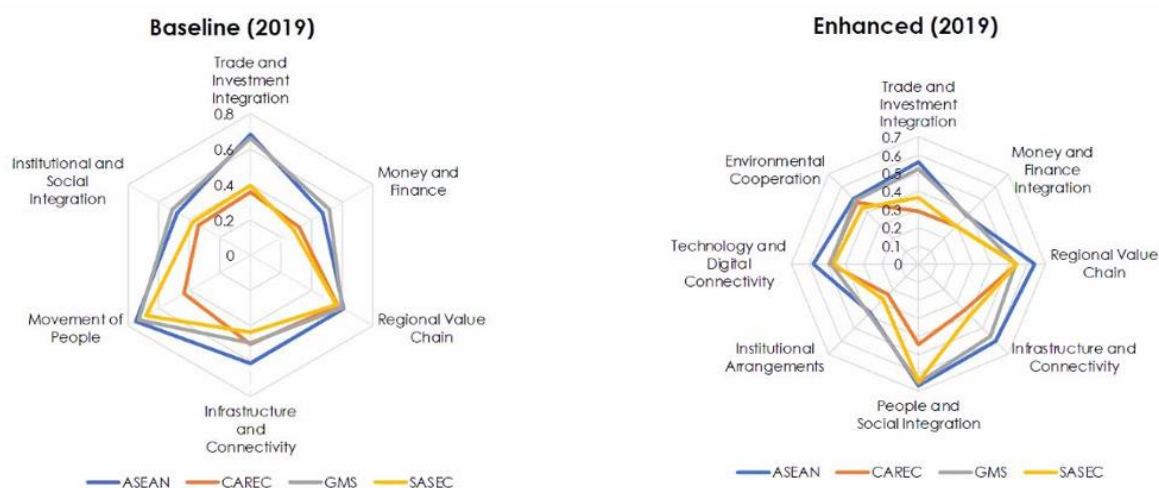
“Disconnect between countries created by geography, poor infrastructure, and inefficient policies is an impediment to economic development. Regional integration allows countries to overcome these costly disconnects; integrate markets for goods, services, and capital. It allows to share the costs of public goods and large infrastructure projects, to enable and anchor reforms, and to reap other non-economic benefits, such as peace and security,” said Syed Shakeel Shah, the CAREC Institute Director.

Rolando Avendano, Economist at the ADB, spoke about the Asia-Pacific Regional Cooperation and Integration Index (ARCII) and invited scholars to cooperate on its refinement through a dedicated [website](#) which has various datasets available. Hans Holzacker, Chief Economist at the CAREC Institute, elaborated on the [CAREC Regional Integration Index](#) (CRII) and noted that the strongest and increasing integration is observed in the regional value chain dimension due to forward linkages of commodity exports. He reasoned that CAREC is not so much about the internal regional market than it is about increasing the global (continental) weight of the CAREC region through cooperation and that this should perhaps be reflected in the CRII in future.

The presentations posed and invited a lot of questions from the audience, namely how the definition of integration, as a notion, defines the methodology, and how this notion evolves over time; also how much reflective work is required on indicators, baseline, and data quality.

More about this webinar [here](#), or contact us on this newsletter email address.

Excerpt from Rolando Avendano’s presentation on results for subregional initiatives where ASEAN and GMS have the highest RCI indexes across all dimensions, in both the baseline and enhanced frameworks, 24 February 2022.



Discussing Debt Sustainability with the Government of Pakistan

On 4 February 2022, the CAREC Institute was invited by the Economic Affairs Division (EAD) of the Government of Pakistan to share Pakistan specific findings of an ongoing research on debt sustainability in the CAREC Region. The CAREC Institute Director Syed Shakeel Shah and Senior Research Specialist Ghulam Samad together with Naseem Faraz from Pakistan Institute of Development Economics presented key findings. The meeting was chaired by Federal Secretary EAD Mian Asad Hayaud Din. The presentation highlighted the historical overview of the debt, the reasons of debt accumulation, its consequences, and debt sustainability options.

The overall picture demonstrates that debt has been accumulated in the CAREC region, albeit with varying degrees for different countries. In case of Pakistan, a long history of twin deficits (both fiscal and current accounts) has resulted in a debt stress with the country having the highest debt to GDP ratio among CAREC members. Long term structural imbalances are projected to further aggravate to negative externalities like COVID-related expenditures and debt, fluctuations in commodity and energy prices, and global logistics costs. In addition to stagnating exports, the country's challenge to attract sustained FDI inflows is further aggravating the debt issue. A potential solution lies in increasing trade and export base, fiscal reforms to increase tax-to-GDP ratio, rationalizing spending and having long term policies for attracting FDI inflows in productive sectors of the economy.

Secretary Mian Asad thanked and appreciated the work of the CAREC Institute in this very important area, and stated that the government fully realizes the importance of debt sustainability for macro-economic stability, and was taking measures for developing tools to bring discipline and focus on debt management. He also indicated desire for more engagement with the CAREC Institute.

The CAREC Institute meeting with the Economic Affairs Division of the Government of Pakistan, 4 February 2022.



Visiting Fellow Program 2022: Finalists

The CAREC Institute has been running a Visiting Fellow Program (VFP) in partnership with the ADB since 2020. The VFP supports scholars from the ADB member countries to produce targeted knowledge products which would add to the body of knowledge on regional cooperation. Under the VFP framework, scholars are encouraged to research regional integration topics and undertake comparative analysis between (sub) regions to draw lessons for promoting and deepening regional cooperation.

Since the beginning, research papers concerning migration, human capital development in CAREC, promotion of low-carbon energy, COVID-19 and impact on environmental regulations, climate change impact on agriculture, spatial mapping of economic clusters, economic development of Fergana Valley, ASEAN and CAREC integration comparison, and services gravity in CAREC countries have been completed under this program. The CAREC Institute presents findings of this research to policymakers for consideration. It also offers a discussion platform through its annual think tanks forum which has been convening since 2016. Adaptations of these research products are also available at the [Development Asia platform](#).

The following research has been prioritized this year:

Common Data Spaces for Boosting Digital Economy and Cooperation

Giorgi Parulava from Law and Innovation Research Center of Georgia will investigate the potential of developing common data spaces for CAREC countries. Firstly, he will look into the role of data as a key innovation enabler; secondly he will attempt to understand how large amounts of high quality data could contribute to economic growth, innovation, regional, and sectoral integration in CAREC; thirdly, he will explore current data-transfer mechanisms in the region; then he will map international data-transfer models; and finally issue recommendations for developing effective and secure data transfer governance mechanisms to create common data spaces in CAREC.

In his paper, he will look into mechanisms like regional data transfer agreement, bilateral agreements, binding corporate rules which could serve as data flow enablers jointly or separately; and will analyze the broader international context, including the PRC's Digital Silk Road initiative and the recent ambitious cross-border data flow initiatives developed by the EU and the ASEAN.

Governance of Energy Infrastructures between Central and South Asia

Mirza Sadaqat Huda of the OSCE Academy in Bishkek will undertake case studies of two ongoing transnational energy projects between Central and South Asia, namely Turkmenistan, Afghanistan, Pakistan, India (TAPI) gas pipeline, and Turkmenistan, Uzbekistan, Tajikistan, Afghanistan, Pakistan (TUTAP) hydroelectricity transfer project. He will try to identify governance mechanisms by which political, environmental, and social impacts of these projects can be appropriately managed.

Influence of the Pandemic on the PRC's FDI

Nam Foo from Edith Cowan University, Australia, will explore the potential economic impact of the COVID-19 crisis on the PRC's foreign direct investment, specifically involving Chinese state-owned enterprises (SOEs) in the Belt and Road Initiative (BRI) countries. He will attempt to understand attitudes of relevant stakeholders toward the performance of these SOEs in ASEAN and CAREC regions in relation to the current global health crisis.

Potential of Horticulture Exports from CAREC Members to the PRC

Tehseen Qureshi from International Food Policy Research Institute (IFPRI) Pakistan will estimate the gap between actual and potential horticulture exports of Pakistan, Tajikistan, Kyrgyzstan, and Uzbekistan to the PRC. He will try to understand why CAREC countries in the PRC's immediate neighborhood with significant comparative advantage in grapes, plums, apricots, cherries, citrus, and mangos trade so little of these products with the PRC. He will look into mis-invoicing in each selected commodity by all four trading partners to determine the 'true' actual horticulture exports by CAREC states, also will explore policy issues such as sanitary and phytosanitary measures (SPS), tariff and non-tariff measures (NTM) which hinder the horticulture exports in the region, and provide policy recommendations.

Enhancing Cooperation on Tourism and Climate in Central Asia

Shynar Toilybayeva from the Regional Environmental Centre for Central Asia, Kazakhstan, will examine the delicate relationship between tourism and the environment to issue recommendations for cross-sectoral sustainable investments. The fellow will conduct literature review, focus group and expert interviews, also will review data from hydrometeorological services.

She argues that international organizations and private equity funds see Central Asian countries as a new platform for cooperation on tourism and climate change due to several characteristics: large reserves of natural resources, cultural heritage, and large population which provides a high market capacity. She breaks down tourism as a cross-sectoral industry which involves health, transport, environment, foreign affairs, and economics – all of which require considerations for sustainability and resilience during post-pandemic recovery efforts.

Working Paper: Determinants of Enterprise Adaptation to COVID-19

In a collaborative project with the ADBI, our economist Kamalbek Karymshakov investigated the factors affecting firms' ability to adjust production in response to the COVID-19 outbreak. The study used firm-level survey data for four CAREC member countries: Azerbaijan, Georgia, Kazakhstan, and Mongolia. Using a probit model, this group of authors studied how different factors, including firm characteristics and government policy, affected the probability that a firm would be able to adjust its activities to the changed conditions. The results showed that firms which successfully adapted to the COVID-19 crisis were younger, foreign firms that had been innovative in the recent past, with female managers, a formal firm strategy with key performance indicators, and their own website. Read more [here](#).

Working Paper: Household Energy Consumption during COVID-19

Another collaborative project between the ADBI and our economist Kamalbek Karymshakov concludes that female household heads are more inclined to adopt cleaner sources of residential heating. The research team examined the impact of COVID-19 on households in Mongolia, particularly the choice of fuel for heating and cooking and awareness about harmful effects of indoor pollution due to the combustion of solid fuels for heating and cooking. Publicly available UNICEF MICS Plus survey data was used. The results showed that households where the decision maker is female are more likely to have a clean source of heating. The results also show that a larger proportion of households switched to cleaner heating in the COVID-19 period. Read more [here](#).

Trade Facilitation in CAREC - A 10-year CPMM Perspective

CALL FOR RESEARCH PROPOSALS

Deadline for Abstract | 20 March 2022

The ADB is seeking research proposals that employ the Corridor Performance Measurement and Monitoring (CPMM) database on topics that include, but are not limited to, trade, regional cooperation and integration, and global value chains. The CPMM database is an empirical tool designed to assess the efficiency of the CAREC six priority transport corridors which link the region's key economic hubs to each other and connect landlocked CAREC countries to Eurasia and global markets. All interested shall submit their research proposals as an extended abstract using the online form by **20 March 2022**. Apply [here](#).

Launched in 2009, the CAREC Corridor Performance Measurement and Monitoring (CPMM) mechanism performs the following: (i) identifies the causes of delay and unnecessary cost to cargo moving along the links and nodes of each CAREC corridor, including at border-crossing points (BCPs) and intermediate stops; (ii) helps national CAREC authorities determine how to address identified bottlenecks; and (iii) assesses the impact of regional cooperation initiatives implemented along the CAREC corridors by member countries. The CPMM methodology and data collection process capture a range of ground-level information by measuring and recording actual cargo shipments along CAREC corridors and at BCPs through an established pool of national freight forwarder and transport carrier partners.

Read more about CPMM [here](#).



Chief of Human Resources and Finance Division

The CAREC Institute is looking for Chief of Human Resources and Finance Division. A qualified professional with a minimum of 15 years of relevant experience; strong manager; excellent communicator; with an university degree in finance, economics, business administration or a related field; preferably holding certification as a Certified Public Accountant (CPA), Chartered Accountant (CA), Association of Chartered Accountants (ACCA), Chartered Financial Analyst (CFA) or Chartered Institute of Management Accountants (CIMA); a competent individual with international experience and English language proficiency. Apply [here](#) by **2 March 2022**.

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](#).