CAREC Institute Contributes to Discussions on CAREC Program Effectiveness and Deliverables

Mr. Syed Shakeel Shah, Director of the CAREC Institute, and Dr. Hans Holzhacker, Chief Economist, attended the Consultations Meeting on CAREC Program Effectiveness and 2022 Deliverables held in Almaty from 4 to 6 May 2022. The consultations focused on reviewing the implementation and monitoring processes of the CAREC Program, strengthening communication and outreach, and discussing key sectoral and cross-cutting issues.

Director Syed Shakeel Shah provided information about CAREC Institute’s expanding knowledge partnerships with national governments and organizations of CAREC countries. The CAREC Institute, in a partnership with the Civil Aviation of China conducted research studies on promoting cooperation in the civil aviation sectors among CAREC member countries. Another key collaboration of the CAREC institute with Chinese institutions is a study aimed at sharing PRC’s knowledge and policy lessons on reforming technical and vocational education and training with CAREC countries. The Institute cooperates closely with academic institutions in China on scientific research on climate change. Cooperation of the CAREC Institute with other international organizations is also expanding. The CAREC Institute currently works with UNICEF on research and experience sharing in sustainable water supply, sanitation and hygiene; works closely with the Islamic Development Bank on Digital CAREC related research and policy formulation; collaborates with ADBI, UNESCAP and the Boao Forum on various research projects. Director Syed Shakeel Shah also highlighted key achievements of the CAREC Institute not only as a "knowledge-based" organization, but also as a “communication-based” organization. The CAREC Institute uses different communication channels to share knowledge products in English, Chinese and Russian.

Dr. Hans Holzhacker, Chief Economist at the CAREC Institute, spoke about the forthcoming research paper "Revitalizing Regional Cooperation for Green, Sustainable, and Inclusive Recovery." The paper includes policy discussions on CAREC trade facilitation and sustainable connectivity, regional cooperation for sustainable energy and digitalization, climate adaptation and food security, and the impact of the COVID-19 pandemic on micro, small and medium enterprises. The research paper provides important policy recommendations to regional and national stakeholders.
CAREC Institute Contributes to the Discussion of Regional Issues at the Spring Meetings of the International Finance Forum

The CAREC Institute, in collaboration with the International Finance Forum (IFF) organized a webinar Celebrating the 30th Anniversary of the Establishment of Diplomatic Relations Between China and the Five Central Asian Countries as part of the IFF spring meetings on April 28, 2022.

Mr. Syed Shakeel Shah, Director of the CAREC Institute, Yu Hongjun, former Chinese Ambassador Extraordinary and Plenipotentiary to Kazakhstan, as well as high-level experts and scholars from international institutions such as the Asian Development Bank and UNESCAP, held a lively dialogue on New Global Landscape: Green Silk Road Cooperation in Central Asia discussing the issues of climate change, energy transition and how countries could further work together to accelerate efforts on green innovation.

Mr. Syed Shakeel Shah stated in his opening remarks that China and the five countries of Central Asia have laid a solid foundation for future bilateral cooperation, and that the CAREC Institute is working to accelerate development and interconnectivity in the region. The Director noted that the Central Asian region is facing severe challenges caused by climate change, and countries need more financial support through the development of green finance. Governments and corporations must work together to build a future of inclusive growth in the region.

Dr. Iskandar Abdullaev, Deputy Director of the CAREC Institute, contributed as an expert to the discussion on “Energy Decarbonization: Accelerating Cooperation for Clean Energy,” emphasizing the importance of regional cooperation and exchange of best practices, investments and innovative solutions for the development of green energy in the CAREC region.

CAREC Institute Joins the South-South Global Thinkers Initiative

The CAREC Institute, as the Secretariat of the CAREC Think Tank Network, joins the South-South Global Thinkers Initiative. This initiative of regional networks of think tanks is jointly hosted by the UN Office of South-South Cooperation and the United Nations Development Program.

On April 6, 2022, the CAREC Institute attended the 5th Steering Committee Meeting of the South-South Global Thinkers: the Global Coalition of Think Tanks Networks for South-South Cooperation, and contributed to the global discussion on priority areas for South-South and Triangular Cooperation in support of evidence-based policymaking in the global south. During the meeting, the Executive Secretariat of the South-South Global Thinkers Initiative officially welcomed the participation of the CAREC Institute in the Initiative.

During discussions, the CAREC Institute proposed climate change and regional cooperation as priority areas to be considered in the context of the Central Asia region. Regional cooperation can help reduce costs and improve resource efficiency, as well as disseminate best practices in technology and capacity building, and can attract innovative financing and private sector participation. The third proposed priority is the digitalization of the economies as a path to a more inclusive and sustainable economic recovery.
The CAREC Institute, in partnership with the Asian Development Bank Institute, held a virtual workshop on *Analyzing Infrastructure Impacts in Asia Through Big Data: Socioeconomic Spillover Assessment* from 16 to 18 May 2022.

The virtual workshop aimed to analyze the socioeconomic implications of infrastructure projects in the Asian region, assess the role of big data in evaluating the spillover effects of infrastructure growth and the factors that influence infrastructure projects, and identify post-COVID-19 infrastructure financing challenges and solutions.

During the opening ceremony, Mr. Syed Shakeel Shah, Director of the CAREC Institute, stated that every aspect of the economy is affected by the availability and reliability of its infrastructure systems, from transportation to communication networks. Infrastructure development is an important part of national poverty-reduction strategies. In addition, infrastructure development becomes critical to the recovery of developing Asian countries from the COVID-19 pandemic; however, this will require financing solutions that deal with the relatively limited availability of public funds due to the pandemic. Additional funding is vital for covering the CAREC region’s sustainable infrastructure investment deficit.

Sustainable infrastructure development is the focus of the CAREC Program 2030 strategy. In line with this strategic perspective, the CAREC Institute works with implementing partners to support member countries in the sustainable development of infrastructure in various sectors. For example, water supply and agriculture, along with other sectors, are in dire need of infrastructure upgrades. The climate-adjusted investment needed for such infrastructure requires many innovative schemes to attract investment.

During the workshop, guest speakers and researchers presented research findings and explored the relevance of data for assessing and identifying the spillover effects of "soft and hard" and digital infrastructure. The potential spillover benefits are associated with innovation, jobs, attracting investment, housing, ecology, ecology and transport, and other various areas of people’s lives.

The researchers briefed the audience on the importance of big data analytics in attracting private investment to meet post-pandemic needs.

All webinar materials and recordings are available on the CAREC Institute’s e-learning platform.
Knowledge Sharing Series: Chinese Best Practice in Cross-border E-commerce

The CAREC Institute, in partnership with the Asian Development Bank Regional Knowledge Sharing Initiative and the China Association of Trade in Services, launched a training series on cross-border e-commerce for national technical vocational education and training institutions of CAREC countries and other interested professionals.

Each training session takes place every Saturday from 15:00 to 18:00 (UTC+8) from March 5, 2022 to July 2, 2022 with simultaneous translation into Chinese, English and Russian.

The series of training aims at addressing existing digital development imbalances across the CAREC region, fostering regional digital collaboration, and sharing best practices among CAREC member countries. Training helps participants: to better understand the role and opportunities of digitalization in the CAREC region, particularly in the field of e-commerce; how e-commerce may hasten the transition to a digital economy, thereby stimulating economic development, creating jobs, especially in rural areas, and contributing to poverty reduction. E-commerce specialists from the world’s leading Internet enterprises and e-commerce platforms and experts from the CAREC member countries exchange views with training participants, and discuss the strength and opportunities of digitalization, as well as how to implement the necessary policy measures and adopt regulations to develop the digital economy.

On May 7, the cross-border e-commerce training program was officially launched with exchanging speakers’ experience in starting work in cross-border e-commerce.

Ms. M. Teresa Kho, Director General of ADB’s East Asia Department, and Mr. Syed Shakeel Shah, Director of the CAREC Institute, stressed the importance of cross-border e-commerce as a pillar of global economic sustainability and reaffirmed the support of ADB and CAREC Institute in this area.

Dr. Min Tang, Vice Chairman of YouChange China Social Entrepreneur Foundation, spoke about how cross-border e-commerce business can become more practical, scale, and strong.

On May 14, Mr. Chris Chen, founder and CEO of Sevens Marketing Consulting, discussed how social media could be integrated into a marketing strategy and shared real-life cases of social media adoption that fueled the brand’s rapid market growth.

On May 21, Ms. Guo Weihong, Attorney at Law, Deputy Director of Yingke National Cyber Data Security Compliance Centre, former Head of Compliance and Litigation Law, Data Security Law Specialist, Bilibili Group, discussed cross-border e-commerce Intellectual Property Rights (IPR), infringement risks and the handling process. She also analyzed the causes of risks associated with IPR in cross-border e-commerce and provided advice for cross-border e-commerce IPR compliance.

To join the training or access training materials, please, visit the CAREC Institute’s e-learning platform.

Digitalization Needs

Digitalization is critical to achieving the Sustainable Development Goals. The impact of digital transformation on economic growth, job creation, and social inclusion can be positive. The COVID-19 epidemic has also brought to light the significance of the digital economy.

The joint research of the CAREC Institute and the Islamic development Bank “Digital CAREC: Analysis of the Regional Digital Gap” finds the highest digital gaps in e-payments and e-commerce, and moderate gaps in digital access and infrastructure across six CAREC countries – Afghanistan, Azerbaijan, Kyrgyzstan, Pakistan, Tajikistan, Uzbekistan.

The CAREC region has not fully benefited from the digital economy transformation yet. Outdated regulations, uncompetitive investment policies, varied digital infrastructure, absence of a national digital platform agenda, heavy reliance on primary industries, and fragmented governance structures are examples of roadblocks to realizing the CAREC region’s potential.

More details are available HERE.

Speakers of the Knowledge Sharing Series: Chinese Best Practice in Cross-border E-commerce.
On May 6, 2022, Dr. Iskandar Abdullaev, Deputy Director 2 of the CAREC Institute, attended the UNDP’s Stakeholder Consultation Meeting on Climate Change in Tashkent, Uzbekistan. The Consultation Meeting aimed at discussing climate policy gap analysis, exchanging knowledge and ways for building synergies and partnerships with the ongoing projects implemented by various stakeholders including international organizations, NGOs, and other agencies in Central Asia.

Dr. Abdullaev provided information about CAREC Institute’s knowledge activities in Central Asia, and presented the results of CAREC Institute’s research project “Regional Climate Vulnerability in CAREC and Perspectives for Regional Cooperation.” Over the past hundred years, Central Asia experienced much higher temperature rise rates than the global average and is considered one of the world’s most vulnerable regions to climate change. In this context, Dr. Abdullaev stressed that unless suitable and immediate adaptation and mitigation strategies along with prioritized investment strategies are in place, economic, social and health implications of climate change will be enormous.

All participants underlined the need for further support for stability and climate resilient development in trans-border areas of Central Asia through improved knowledge of climate-related risks among local, national, and regional stakeholders. Emphasizing the importance of risk-informed policymaking and cross-regional resource management, the parties discussed the practical measures necessary to build resilience, adaptive capacity, and transboundary risk management in the region.

Enhanced resilience can be achieved through integrated actions addressing climate change adaptation, enhanced resilient livelihoods and climate-informed development. The CAREC Institute is expanding its climate change portfolio and fully supports climate-resilient green growth in Central Asia.

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On May 23, 2022, Dr. Huang Jingjing, Deputy Director 1 of the CAREC Institute, met with the Xinjiang Institute of Ecology and Geography - the partner organization of the CAREC Institute. Dr. Huang expressed her gratitude to the Xinjiang Institute of Ecology and Geography for supporting the CAREC Institute and highly appreciated the achievements in implementing the Memorandum of Understanding signed in 2020.

The two parties discussed further deepening of cooperation, exploring opportunities for research collaboration and personnel exchange, in addition to the existing joint training projects and conference events. Both sides expressed great interest in expanding areas of cooperation, working together to improve scientific research output and capacity-building for the CAREC region, and enhancing the impact of both sides in their respective fields.
Research Digest: Digital Transformation and COVID-19 in the CAREC Region

CAREC Institute Annual Book’s Chapter 1 “Digital Transformation and COVID-19 in the CAREC Region: A Computational General Equilibrium Model” by Muhammad Zeshan, describes how the COVID-19 pandemic has triggered a digital transformation, and digital technologies are now playing a key role in CAREC region’s economic prosperity and recovery from COVID-19 pandemic.

Applying the technological transformation in a computable general equilibrium model based on the Global Trade Analysis Project data through the increasing supply of IT equipped skilled labor force in the production process, the author explores the role of digital transformation in the economic growth of the CAREC region.

The study’s simulation results indicate that boosting IT increases production output in most sectors across all countries in the CAREC region. Output growth in the bigger economies of the People’s Republic of China and Pakistan is higher due to their better infrastructure than the region’s smaller economies. The technology boost increases skilled workers’ employment more than that of unskilled workers. Consequently, sectors employing skilled workers indicate robust growth, while sectors employing unskilled workers demonstrate moderate decline.

The structural change in CAREC economies also affects the regional trade, with net exports increasing in the People’s Republic of China, Georgia, and Pakistan, while declining elsewhere in the region. The change also affects the trade balances in the CAREC region. Because not all sectors support the new work environment equally, most CAREC countries face positive trade balances, with the exception of the Kyrgyz Republic and Tajikistan, which could face moderate losses in trade balances.

In the post-COVID-19 era, the employment of skilled labor will likely grow faster than unskilled labor, and skilled labor enjoys higher relative productivity. As labor productivity rises, so does the income level of the skilled labor, resulting in more consumption. The demand for goods grows, leading to higher commodity prices in most CAREC countries.

Overall, the real GDP of all the CAREC countries increased: the highest real GDP growth rates are witnessed in the People’s Republic of China (2.19%), Georgia (2.15%), and Pakistan (2.14%). The rising production level and improved trade balances increase the welfare level in all countries; the welfare level increases the most in the People’s Republic of China ($237.6 billion), Kazakhstan ($5.0 billion), and Pakistan ($4.9 billion).

The author concludes that the development of IT and the increase in the employment of skilled labor will reduce the economic and social costs associated with the COVID-19 pandemic and improve the economic prosperity of the CAREC region.

Research Digest: Impacts of COVID-19 on Households in CAREC Countries

CAREC Institute Annual Book’s Chapter 7 “Impacts of COVID-19 on Households in CAREC Countries” written by Dina Azhgaliyeva, Ranjeeta Mishra, Long Q. Trinh, and Peter Morgan, provides empirical evidence on the impact of the COVID-19 crisis on households in the CAREC region. Using regression analysis with unique data from a survey commissioned by the Asian Development Bank Institute, the authors examine the determinants of the impact of COVID-19 on (i) income decline, (ii) expenditure increase, and (iii) financial difficulty faced.

Income decline. The authors estimate that about 45% of households in the CAREC region experienced a decline in income during 2020. The income decline ranges from 80% of households in Pakistan to 20% of households in Mongolia. On average, more households who rely on income from wages experienced income decline.

The regression analysis shows that households with less educated household heads were more likely to experience a decline in income due to COVID-19: a household with a head with a high school diploma was 16.1 percentage points less likely to experience a decline in income than those with education from secondary school or below. If the head of household had a higher level of education than high school, his family income was less likely to experience an income decline by 27.6 percentage points.
The authors also note that male-headed households were more likely to experience a decline in income than female-headed households. Households located in a lockdown or urban areas were also more likely to experience an income decline.

There were no significant differences between the socioeconomic groups of households regarding the impact of the COVID-19 pandemic on their income, indicating that the pandemic affected the income of all households relatively equally, regardless of economic status.

**Expenditure increase.** The authors found that, on average, only the richest households experienced an increase in expenditure. Specifically, the wealthiest households were 14.5 percentage points more likely to increase spending than the poorest households.

In addition, households with income from household businesses or self-employment were more likely to increase their spending.

Households located outside a lockdown area also tended to experience an expenditure increase during the pandemic.

Financial difficulty. About 76% of households reported experiencing financial difficulty, which is defined as a lack of financial resources for at least a week. A share of households who reported financial difficulties varies across countries from 40% in Azerbaijan to 96% in Afghanistan.

On average, the poorest households had more likelihood of facing financial difficulty than the richest households by about 94.6 percentage points. Households receiving income from household businesses and/or self-employment were also more likely to suffer from financial difficulty that may be due to experienced an increase in expenditure. Households located in a lockdown area were more likely to face financial difficulties.

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**Research Digest: Influence of the Pandemic on China’s Outward FDI in ASEAN and CAREC Regions**

Mr. Nam Foo, the 2021 visiting fellow, examined the economic impact of the COVID-19 pandemic on the People’s Republic of China’s (PRC) foreign direct investment. The author provides an insight into the attitudes of relevant stakeholders toward the performance of the state-owned enterprises with regard to the Belt and Road Initiative in ASEAN and CAREC regions in connection with the current global health crisis.

Applying regression analysis to the quarterly panel data from Q1 of 2013 to Q2 of 2021, the author finds statistically significant outcomes for the business environment in terms of Chinese outward foreign direct investments (OFDI) initiated in these countries. The empirical results also show that the global pandemic can impair PRC’s OFDIs in ASEAN and CAREC member states.

The report evidences that the strong connections between the PRC, ASEAN, and CAREC member states in the Belt and Road Initiatives can eliminate the risks. These connections can provide PRC with another platform to promote shared regional prosperity while resisting counter-globalization. In addition, strong economic capacities in line with the demands of the on-going pandemic offer another opportunity for the PRC to develop its foreign economic assistance policy by offering more foreign aid, humanitarian assistance, and medical, professional, academic, and cultural exchanges to countries along the routes of the Belt and Road Initiative.

The study further reveals that the impact of the COVID-19 pandemic can be minimized if governments can implement useful and effective post-pandemic recovery plans to sustain their economic growth with respect to cross-border investments.

The electronic publication can be downloaded [HERE](#).

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**ADB–CAREC Institute Visiting Fellow Program**

The Visiting Fellowship Program, which the CAREC Institute hosts, is intended to achieve several objectives:

- foster a research environment at the CAREC Institute through a pool of selected fellows who will spend a considerable period of time researching selected topics that promote regional integration and cooperation in the CAREC region;
- closely work with the research team at the CAREC Institute and other visiting fellows;
- provide evidence-based policy recommendations to CAREC member country policy makers and CAREC Program partners and stakeholders to further the CAREC 2030 Strategy objectives.

More information is available [HERE](#).
The CAREC Institute, represented by Deputy Director 2 Dr. Iskandar Abdullaev, contributed to the discussion of the Second Regional Coordination Committee meeting under USAID Regional Water and Vulnerable Environment Activity that was held on May 13, 2022, in Bukhara, Republic of Uzbekistan.

During his presentation, Dr. Abdullaev spoke about the regional and national activities of the CAREC Institute, described the upcoming ADB CAREC Water Pillar, and highlighted research findings of the Institute’s recent study on “Climate Vulnerability, Infrastructure, Finance and Governance in CAREC Region.” The countries of Central Asia have experienced much higher rates of temperature rise compared to the global average over the past hundred years, and future temperature increase and shifts in precipitation patterns may accelerate even more, increasing the frequency of adverse natural disasters, rivers’ run-off, water scarcity, more frequent droughts and crop failures. The water sector in Central Asia continues to be publicly funded, facing budget constraints to fund the necessary infrastructure, human resources, transport and technology needs. As a result, water infrastructure remains insufficient to meet growing demand.

Despite these challenges, the region observed more cooperation during the dry years of 2018-2021. There was less competition between countries, but regional energy trade has improved using energy-water swaps; there is more coordination in water sharing and joint construction of water infrastructure.

Dr. Abdullaev emphasized the need to continue water reforms with a focus on investment attraction and the privatization in the water sector, the suitable climate change mitigation and adaptation mechanisms, better sector governance, management and maintenance, as well as further development of water infrastructure. The countries of the region should further strengthen water cooperation through bilateral agreements and joint problem solving using various institutional means, joint construction and operation of water infrastructure, systematic review of transboundary infrastructure exchange.

The CAREC Institute Presents Its Activities in the USAID Regional Water and Vulnerable Environment Activity

The CAREC Institute, represented by Deputy Director 2 Dr. Iskandar Abdullaev, contributed to the discussion of the Second Regional Coordination Committee meeting under USAID Regional Water and Vulnerable Environment Activity that was held on May 13, 2022, in Bukhara, Republic of Uzbekistan.

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Second Quarterly Review Meeting of the CAREC Institute and the Asian Development Bank

The second Quarterly Review Meeting of 2022 was held between the CAREC Institute and the Asian Development Bank on May 17, 2022. Senior management and operational teams from both sides attended the meeting and discussed progress on the implementation of the Rolling Operational Plan of the CAREC Institute, key activities, deliverables for the CAREC Ministerial Conference, institutional matters including management recruitment, financial and personnel issues, and communication and outreach coordination with the CAREC Secretariat.

The Quarterly Review Meeting is a regular and effective consultation mechanism between the CAREC Institute and the Asian Development Bank. The meeting reviews progress on key initiatives and exchanges views on improving and accelerating the implementation of operational and institutional activities included in the Rolling Operational Plan of the CAREC Institute.

The Quarterly Review Meeting also deliberates upon new geopolitical and geo-economic developments in the region and beyond, as well as how to fashion CAREC Institute’s knowledge response in support of CAREC member countries.
Upcoming Events in June

CAREC’s Third Chai Webinar “Understanding the Drivers of Poverty in Afghanistan”

Date: 7 June 2022, at 15:00 (Beijing time).

The CAREC Institute will host the third CAREC Chai event on 7 June 2022, at 15:00 Beijing time, in partnership with Asian Development Bank.

Food insecurity and poverty have drastically increased in Afghanistan as a result of ongoing hostilities, political uncertainty, and major economic instability.

Experts from the Afghan Biruni Institute, UNDP, the ADB, the CAREC Institute, and partner organizations will convene to discuss the primary drivers of poverty in Afghanistan during the last two decades and share their thoughts and perspectives on current measures and potential interventions for poverty alleviation in Afghanistan.

Simultaneous English and Russian interpretations will be available.

Please, register HERE.

Online Training Course “Industrial Value Chain Diagnostics for Policymaking”

Dates: June 7-20, 2022.

The CAREC Institute, in partnership with the United Nations Industrial Development Organization and the Asian Development Bank Institute, will deliver an online training course on “Industrial Value Chain Diagnostics for Policymaking” from June 7 to June 20, 2022.

This training course allows participants to acquire the necessary knowledge to analyze specific industrial value chains and define support programs to develop them. By performing the diagnostics, participants can take a “wide-angle snapshot” of the value chain and the constraints to and opportunities for its development. The information provided helps to make strategic decisions at the program or project level to implement development support measures at different points of the value chain. Due to its integrated character, this diagnostic tool also enables various government agencies and development partners to collaborate on developing value chains.

To participate in the training, please, register in UNIDO’s e-learning platform.

Vacancy Announcement

The CAREC Institute invites applications for the vacant position of the Economist, which is an international staff position under the guidance of Chief Economist. Applicants must be nationals of one of the eleven CAREC member countries.

The applications should be emailed to Ms. Wendy (hr@carecinstitute.org) by 17:00 (Beijing time), Wednesday, 5 June 2022.

The CAREC Institute is an equal opportunity employer, and women are encouraged to apply. Only short-listed applicants will be contacted.

Terms of Reference are available HERE.