



Newsletter

Meeting of the CAREC Institute’s Governing Council

The 13th meeting of the CAREC Institute’s Governing Council was held on December 22, 2022, to review the institute’s 2022 Progress Report, 2023-2024 Rolling Operational Plan, and 2023 Budget and Recruitment Plan. Mr. Genadi Arveladze, Deputy Minister of Economy and Sustainable Development of Georgia and the CAREC National Focal Point, chaired the meeting.

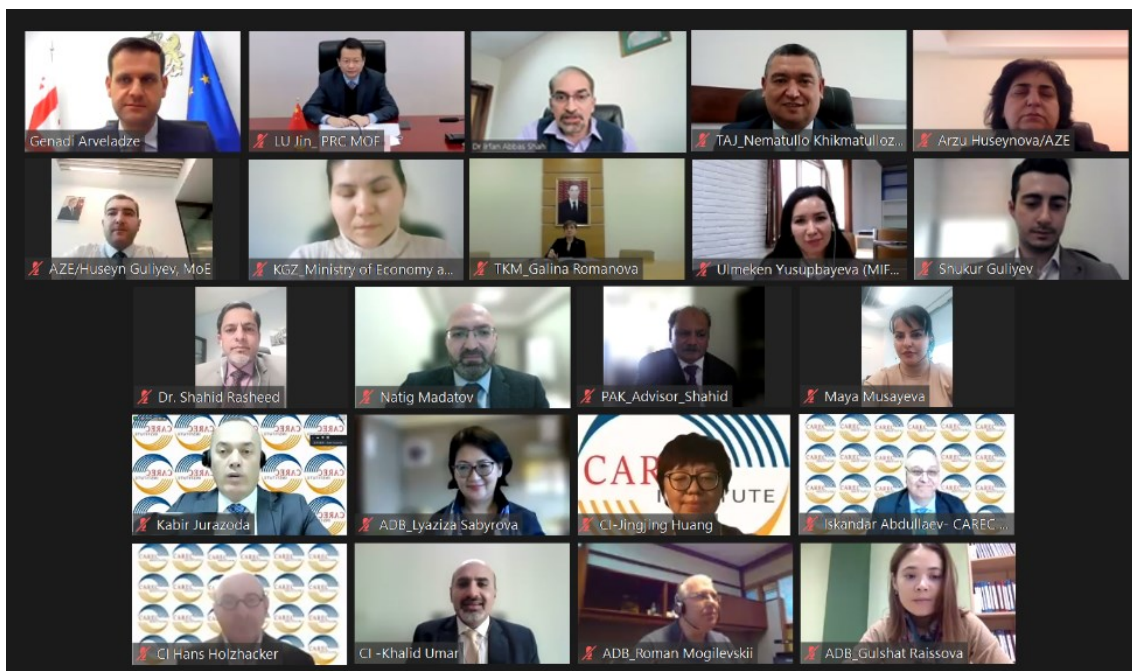
Mr. Kabir Jurazoda, Director of the CAREC Institute, presented the institute’s 2022 Progress Report. He noted that, in 2022, the institute held many policy dialogues on important regional topics, conducted 18 virtual and hybrid capacity building trainings, produced several key research reports, economic briefs, quarterly economic monitors and monthly newsletters in English, Russian and Chinese languages. The institute hosted the 6th CAREC Think Tank Development Forum and the 2nd Research Conference on subjects of inclusive and sustainable growth, and contributed to [*the Background Report for the CAREC Post-Pandemic Framework for a Green, Sustainable, and Inclusive Recovery*](#), which was endorsed by the Ministerial Conference. The Director noted that conferences of the CAREC Institute stimulate research collaboration and capacity building to create cutting-edge research products that will enable CAREC countries to remain at the forefront of sustainable development and economic integration. Based on the results of the conferences, the institute publishes annual books as collections of research papers. This year, the institute revised the work of the Advisory Council to improve its efficiency and involvement in institute’s activities. To ensure its financial sustainability, the institute has developed the Resource Mobilization Work plan and held the second discussion of its financial sustainability in the inter-governmental Financial Sustainability Working Group. The institute continues to expand its collaboration with regional and national institutions, strengthening partnerships in research, capacity building and knowledge sharing. New partnerships have been established with several academic institutions and think tanks, and negotiations for other new partnerships are ongoing. “Considering the fact that the institute began its physical operation in 2015, its institutional development is very remarkable due to the professionalism of the staff and strong external partnerships,” said Mr. Jurazoda. [Continued on next page](#) ➡

Inside This Issue

New Report	3
Strategies for Developing Asia’s Future	4
Discussions on Climate Change ...	5
Regional Trade Trends	7
Cooperation on TVET Reforms	8
Kazakh-German Logistics Forum.....	10
Energy Corridor CASA-1000.....	11
Research Digests.....	13

CAREC Institute’s Online Resources

- [News](#)
- [Events](#)
- [E-Learning Platform](#)
- [Publications](#)
- [CAREC Program](#)



Participants of the meeting of the CAREC Institute’s Governing Council.

Deputy Director Two Dr. Iskandar Abdullaev presented the 2023-2024 Rolling Operational Plan. The institute's research activities will continue to focus on the five priority operational clusters of the CAREC 2030 Strategy, integrating the post-COVID-19 situation, growing global uncertainties and new regional challenges. In the next two years, the capacity-building activities will be tightly aligned with research activities, optimizing geographical outreach and use of e-learning capabilities by designing and delivering hybrid and blended learning capacity building programs. The CAREC Institute will continue external communications and outreach, knowledge adaptation and advocacy campaigns, building new partnerships with national media.

Deputy Director One Dr. Jingjing Huang presented the 2023 Budget and Recruitment Plan of the CAREC Institute. In order to diversify its resource base, the CAREC Institute will continue to seek additional contributions from key partner organizations and member countries. Stable and diversified funding for the CAREC Institute will help expand its collaboration networks with international and domestic research institutions, think tanks and the private sector, which in turn will also benefit the CAREC Institute member countries through diversified knowledge sharing and capacity building activities.

Members of the Governing Council shared their views on the next year's budget and work plan. Mr. Lu Jin, Representative of the PRC, assured China's support for the CAREC Institute and suggested to focus on improving the institute's knowledge products and institutional effectiveness, expanding partnerships, and diversifying financial resources. Ms. Lyaziza Sabyrova, ADB Representative, stressed the importance of topics such as climate change, green energy and regional economic cooperation for CAREC Institute's research. Mr. Natig Madatov, Representative of Azerbaijan, offered to expand cooperation with national think tanks, and the Azerbaijan Institute for Economic and Scientific Research, a new partner of the CAREC Institute, will in turn provide detailed proposals for joint research projects. Members of the Governing Council have also selected the Representative of Pakistan as the new Chairman of the Budget and Audit Committee.

The Governing Council is an apex decision-making body of the institute that reviews the institute's progress and approves work plan, budget and institutional rules and policies. It draws its membership from all eleven countries of the CAREC Program, and currently CAREC Program's National Focal Points serve as members of Governing Council. The chairmanship of the Governing Council is held by the country chairing the CAREC Program, following the system of alphabetical rotation among CAREC member countries. Currently, under the CAREC Institute Governing Council, there are Advisory Council and two committees -- Selection and Recruitment Committee, and Budget and Audit Committee.



Office building of the CAREC Institute in Urumqi, the PRC.

Background Report on Green, Sustainable and Inclusive Recovery in the CAREC Region

The CAREC Institute has released [the Background Report for the "Post-Pandemic Framework for a Green, Sustainable and Inclusive Recovery"](#), a resolution that was prepared by the CAREC Institute as one of the key deliverables for the 21st CAREC Ministerial Conference held on November 24, 2022. The report was prepared by a group of CAREC Institute researchers led by Dr. Hans Holzhaecker, Chief Economist of the CAREC Institute.

The report draws upon various research projects and publications by the CAREC Institute over the last few years. It calls on the CAREC community to focus on issues of green, sustainable, and inclusive development and to cooperate on these issues, to build resilience against new shocks, accelerate technological change, promote human capital development, and further intensify trade to enable the CAREC region to realize its comparative advantages.

The reacceleration of GDP growth after the sharp slowdown in 2020 caused by the COVID-19 pandemic allowed real GDP to exceed 2019 levels in 2021 in almost all CAREC economies. However, 2022 brought serious new challenges such as new COVID-19 variants, geopolitical tensions creating setbacks for international trade, surging energy and food prices increase that risk to raise poverty again. In response to the pandemic, elevated government spending in support of households and businesses increased public debt ratios in most CAREC economies. Monetary policies, which were loosened during the pandemic, were retightened to counter inflation and exchange rate pressures. Fiscal and monetary policies need to be very well targeted now to secure stability while providing high quality public goods and social protection.

The CAREC region is among the most vulnerable areas worldwide to climate change and natural disasters. Food security and protection against disasters have gained utmost importance for the region. More generally, policies, regulations, and initiatives that support the CAREC region's green transition and adaptation to climate change must be given the highest priority. Sustainable agriculture and the energy transition will be key areas for structural change.

In order to ensure a smooth transition to new productions and services, and not to leave any group of population without adequate support during the coming major socio-economic changes, inclusiveness must be mainstreamed. Social discrimination needs to be overcome where it still exists, education needs to be made accessible and improved, and health systems and pandemic prevention need further support.

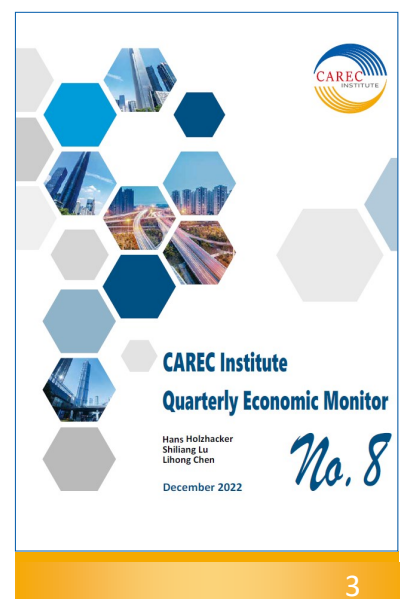
The report highlights that regional cooperation is essential to address challenges in the coming years and should be further strengthened to achieve the required economies of scale and scope. Development partners have a critical role to play in helping the CAREC region to prosper and further accelerate progress towards achieving the Sustainable Development Goals.

Quarterly Economic Monitor Issue No. 8

[The CAREC Institute Quarterly Economic Monitor issue No.8](#) discusses GDP, industrial production, and consumption growth in the CAREC region in 2022, along with foreign trade, inflation, monetary policy developments, and credit growth. It concludes that the performance of the CAREC economies has been generally quite resilient against the multitude of shocks faced since 2020, and that growth was actually stronger in 2022 than in the pre-pandemic period of 2015-2019. Inflation has remained high, but as economic growth has been slowing again somewhat, and monetary policy has been tightened, there are signs now that inflation is easing.

However, the COVID pandemic is not over yet, inflation is still in double-digits in several CAREC countries, and the region must deal with tectonic geopolitical and geoeconomic shifts on the Eurasian continent. As the recent floods in Pakistan drastically showed, the region is strongly exposed to climate change. Serious challenges and fundamental transition tasks thus remain.

Ministers from Azerbaijan, the People's Republic of China (PRC), Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan endorsed in a joint statement at the 21st CAREC Ministerial Conference held on 24 November 2022 and several important documents calling for a Green, Sustainable, and Inclusive Recovery.



CAREC Institute Makes Suggestions for Developing Asia's Future

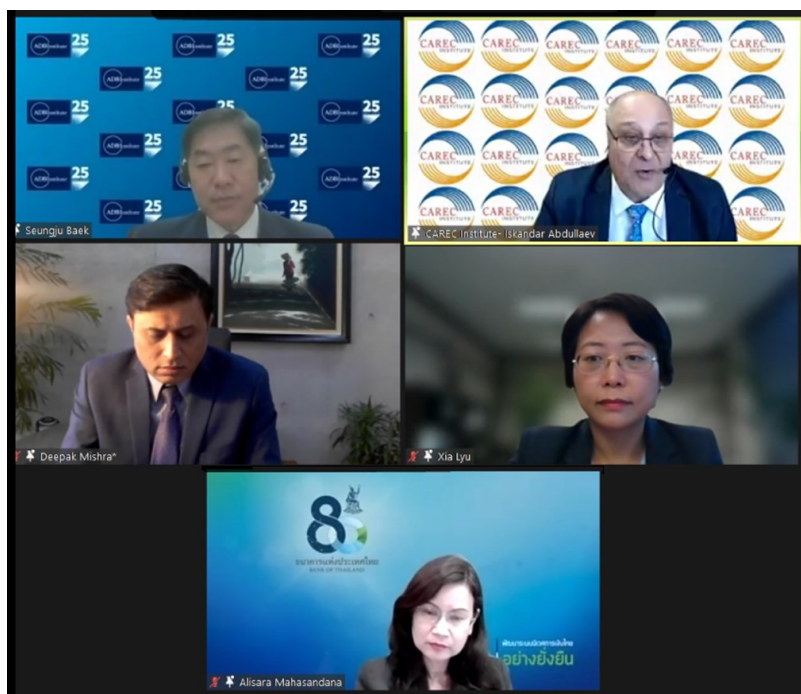
On December 1, the CAREC Institute, represented by Deputy Director Two Dr. Iskandar Abdullaev, contributed to the discussions on Strategies for Developing Asia's Future during a virtual event dedicated to the celebration of the 25th anniversary of the Asian Development Bank Institute (ADBI). The meeting highlighted the ADBI's knowledge contribution and discussed next steps to help the Asian Development Bank (ADB) developing member countries apply innovative approaches to advance post-pandemic resilience in addressing sustainability challenges and accelerating socioeconomic transition. The event was attended by representatives of the governments of the ADB member countries, experts from think tanks, universities, international organizations and the media.

Dr. Abdullaev spoke about critical economic development issues in the CAREC region and provided policy recommendations in response to current challenges based on the CAREC Institute's [*Background Report for the "Post-Pandemic Framework for a Green, Sustainable and Inclusive Recovery"*](#). While a trade war among the major economies was casting a shadow on global economic prospects in 2018, the COVID-19 pandemic wreaked havoc, leaving behind a trail of human tragedy, and widespread economic losses had a disproportionate impact on already marginalized population groups, overburdened health systems, increased fiscal gaps owing to massive response packages, rising debt levels, the fragmentation of global and regional value chains, and skyrocketing shipping costs. Science has delivered on its promise by developing and delivering vaccines in record time. The pandemic receded, and a quick economic recovery was afoot in 2021.

However, in 2022, a major geopolitical conflict in Europe shocked the world, exacerbating the structural damage caused by the pandemic to the global economy. Global energy prices have risen sharply, and food prices have reached unprecedented levels, exacerbating food insecurity and current account deficits for net food importers. Developed countries scrambled to secure their energy and food supplies while containing inflation through monetary policies that further complicated issues for developing countries, which faced widening current account deficits with shrinking windows for borrowing. The new crisis is exacerbating poverty due to food and fuel prices, which can lead to political and social upheavals. In addition to these

problems, climate change remains an overarching challenge as most countries find it increasingly difficult to achieve the Sustainable Development Goals.

Therefore, achieving a growth trajectory within a supportive macro-economic framework in an environmentally sustainable way, with due consideration for distribution supporting equitable human development, become a defining challenge for public policy makers today. "Fortunately, there are bright spots on the bleak horizon. Over the past decades, strong growth allowed the CAREC region to substantially narrow the national income gap with developed countries, but progress has slowed, and new sources of productivity need to be found. The major source for productivity growth, sustainability, and green transition is digitalization and, more generally, innovation and advanced technologies. Foreign trade and foreign direct investments also play a critical role in increasing productivity, securing needed products and services. It is necessary to continue policies focused on adaptation to climate change, strengthening food security, and promoting energy transformation. Inclusion remains as a fundamental requirement for smooth socio-economic change. And most importantly, regional cooperation is essential to address emerging challenges and should be strengthened to achieve shared regional prosperity," said Dr. Abdullaev.



Speakers of the session of the virtual event dedicated to the celebration of the 25th anniversary of the ADBI.

CAREC Institute Contributes to High-Level Regional Discussions on Climate Change and Resilience

On December 2, the CAREC Institute, represented by Deputy Director Two Dr. Iskandar Abdullaev and Senior Research Specialist Mr. Shakhboz Akhmedov, discussed water and climate issues of small basins in Central Asia at the High-Level Central Asian Dialogue on Climate Change and Resilience. The dialogue was aimed at bringing Central Asian states together to achieve a reasonable balance between mitigation and adaptation to climate change. The event was co-organized by the Government of Uzbekistan, UNDP and GIZ in Uzbekistan, with the administrative support of the Uzhydromet, the Ministries of Foreign Affairs, Agriculture and Water Resources of the Republic of Uzbekistan.

Dr. Abdullaev noted that the countries of Central Asia experienced much higher rates of temperature rise compared to the world average over the past hundred years. In this regard, the frequency of adverse natural disasters of a wide spectrum has increased in the region. Projections indicate that future temperature increases and changes in precipitation patterns in the region are likely to exceed observed historical changes. Such climatic changes in the region will cause significant changes in the annual volume and seasonal patterns of rivers' run-offs.

Climate change creates a vicious circle in which water scarcity causes unequal distribution of water, affecting livelihoods and crops, increasing poverty and social differentiation, and reducing the ability to adapt to climate change. Therefore, climate change leads to economic losses in the countries of Central Asia, primarily in the agricultural sector. Countries of the region need to identify appropriate mitigation and adaptation mechanisms which will reduce external environmental impacts and population vulnerability, especially in rural areas. Appropriate adaptation and mitigation mechanisms should include improving water use efficiency, establishing early warning systems for extreme

climate events, introducing no-till technologies, crop diversification and afforestation, improving crop management, and strengthening regional cooperation. Suitable financial mechanisms are not yet well developed in the region; therefore, countries should use modern financial instruments and mechanisms, in the form of loans, insurance, subsidies, carbon market and taxation.

Dr. Abdullaev provided policy recommendations. He proposed to introduce stronger water rights and water distribution principles into regional and national legal documents. Furthermore, countries should focus on preventing of major water risk under climate change in Ferghana Valley - emergence of higher demand and reduced water availability which will lead to the regular water shortages. To this end, governments should introduce regular, long-term planning of water resources for basins, sub-basins under different climate scenarios. The countries need prepare regularly updated local action plans for each sensitive basins, sub-basins in Ferghana Valley to cope with climate change risks in local areas. In cooperation, countries should also improve quality and density of climate and water monitoring systems in the crucial transboundary systems. "More importantly, countries need to build up information openness and digital means as tools for major analysis and communication on climate related risk in water sector," said Dr. Abdullaev.



Speakers of the High-Level Central Asian Dialogue on Climate Change and Resilience.

CAREC Institute Participated in Advancing CAREC Water Pillar Agenda

The CAREC Institute represented by Deputy Director Two Dr. Iskandar Abdullaev and Senior Research Specialist Mr. Shakhboz Akhmedov took part in the discussions at the CAREC Water Pillar Regional Workshop. The event was organized by the Asian Development Bank in Tashkent, Uzbekistan on November 29-30, 2022. The workshop participants discussed (i) the development of a shortlist of priority activities for the Water Pillar, and (ii) the composition and role of a Water Pillar working group.

The workshop consisted of three working sessions corresponding to the three blocks of the CAREC Water Pillar, focusing on i) climate resilient and productive water systems, ii) sustainable water resources and water services, and iii) nexus solutions and cross sectoral learning. Dr. Iskandar Abdullaev and Mr. Shakhboz Akhmedov moderated the breakout group sessions to identify thematic entry points for unlocking investments in the water sector of the five Central Asia countries that will be aligned with the CAREC 2030 Strategy.

The event was attended by more than 50 participants from ministries of water, environment, economy and investments of the Central Asian countries, multilateral development banks and international organizations working on water issues in the region. The event also welcomed interactive presentations by experts from various research institutions.



Participants of the CAREC Water Pillar Regional Workshop.

CAREC Institute Presents the CAREC Trade Trends in the Context of FTAs Designing

On November 28, Dr. Ghulam Samad, Senior Research Specialist of the CAREC Institute, presented CAREC regional trade trends at the CAREC Regional Workshop “China’s experience in negotiating and implementing of FTAs”. The workshop was organized by the Ministry of Commerce of the People’s Republic of China, the Asian Development Bank, the CAREC Program and Institute. The workshop session was moderated by Dr. Iskandar Abdullaev, Deputy Director Two of the CAREC Institute.

During his presentation, Dr. Ghulam Samad emphasized consideration of exogenous shocks (COVID-19 pandemic and Russian-Ukrainian conflict) in formulating and designing FTAs. The new generation FTAs should be vigilant to exogenous shocks. Also, designing and formulating holistic and pragmatic FTAs sectoral decomposition of the CAREC economy and trade is extremely important.

The economies of most of the CAREC countries are undergoing structural changes in which the share of the service sector is increasing, and the share of agriculture is declining. Despite the increase in the share of the service sector, regional trade in services is less developed. Further decomposition of service exports in CAREC countries shows the dominance of transport and tourism services, followed by other business services. The trade in digitally deliverable services is not developed in many CAREC countries. The sectoral decomposition also shows that many CAREC countries’ exports are less diversified and still focus on relatively few commodities. This decomposition helps to understand the sectors most affected by exogenous economic shocks and to identify sectors that create or divert trade.

Dr. Ghulam Samad noted the dominant role (achieved mostly after signing FTAs) of the PRC in trade, not only in the CAREC region but also in the world. China’s trade volume in 2021 was \$6,037.5 billion, with a trade surplus of \$686.1 billion. In 2021, China exported goods worth \$3,361.8 billion to the world and imported goods worth \$2,675.7 billion. China’s total trade with the CAREC region was US\$66.1 billion, including US\$46.2 billion of exports to CAREC countries and about US\$20 billion of imports from CAREC countries. China dominates trade with Kazakhstan: China exports \$12.6 billion worth of goods

to Kazakhstan and imports \$8.58 billion worth of goods and services from Kazakhstan. Pakistan is the largest importer from China among the CAREC countries (\$15.9 billion).

The CAREC region as a whole imported US\$2,812 billion worth of products from the world in 2021, up US\$594 billion from 2019 imports, while it exported US\$3,446 billion worth of products to the world, up \$808 billion from 2019 exports. The PRC plays a very dominant role in the CAREC region -- about 95% of the region’s products are imported and 98% of the region’s products are exported by the PRC. Exports from CAREC countries, especially landlocked countries, have stagnated over the past few years. For several countries in the CAREC region, the trade balance was negative for many years. The main barriers to intra-regional trade are related to underdeveloped infrastructure and the structures of economies.

Dr. Ghulam Samad noted that CAREC’s connectivity is critical to establishing regional cooperation mechanisms such as policy coordination, cross-border trade, and the integration of regional networks to achieve economic goals. The expansion of the range of trade products and services requires decisive action in the areas of policy coordination, transparency and business reform, cross-border trade and regional networks. Dr. Ghulam Samad proposes to deepen and expand regional cooperation through opening service markets, knowledge sharing, policy harmonization, and coordinated infrastructure development.



Speakers of the CAREC Regional Workshop “China’s Experience in Negotiating and Implementing of FTAs”.

CAREC Institute Shares PRC Experience on TVET Reforms with CAREC Member Countries

On December 13, the CAREC Institute, in collaboration with the ADB Resident Mission in the PRC, co-hosted a knowledge sharing webinar on the development of the technical and vocational education and training (TVET) in the PRC and other CAREC member countries.


Mr. Kabir Jurazoda, Director of the CAREC Institute, welcomed the participants of the webinar and noted that the post-pandemic economic recovery requires more skilled professionals in fields, where TVET plays an instrumental role. Governments have high expectations of TVET for employment, economic recovery, and social security. But the TVET sector is less developed in CAREC member countries. The former Soviet countries of the region face many challenges in transforming TVET systems in line with the needs of their labor markets. The challenges range from mismatches between the skills of TVET graduates and the skills of workers required by employers to inadequate human and financial resources in the TVET system.

ADB consultants Dr. Min Tang and Dr. Liu Yufeng presented the results from the ADB Technical Assistance report [*"People's Republic of China: Sharing ADB's Operational Knowledge in Technical and Vocational Education and Training in the PRC with CAREC Member Countries"*](#). The report shares the operational knowledge and policy lessons on TVET that ADB and other development partners have accumulated and learned in the PRC with other CAREC member countries. According to report's findings, six CAREC countries have made great efforts in vigorously developing TVET and have achieved remarkable progress in the past decade. However, three noteworthy challenges remain: a) mismatches between curricula in TVET programs and the skills required by employers; b) lack of a national qualification framework; and c) inadequate human and financial resources. Kazakhstan and Turkmenistan are facing TVET problems and challenges such as the supply of TVET does not match the demand of the labor market, high unemployment rates of TVET graduates, insufficient digital skills, inadequate teachers' ability, etc. The Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan face more severe problems and challenges, including an inadequate number of TVET schools, lack of TVET teachers, insufficient job opportunities for TVET graduates, etc. The PRC had similar problems in the development of TVET during its transition period. Since opening-up reforms, Chinese economy has generated strong demands for professional and skilled labor. The PRC has made great progress in many fields of TVET in recent years with the long-term unremitting efforts from governments and vocational schools. The assistance from the ADB, the World Bank, and several bilateral aid agencies has also contributed greatly to the development of the PRC's TVET.

Continued on next page ➡



Speakers of the knowledge sharing webinar on the development of the TVET.



National experts from CAREC member countries were invited to discuss the features and experience of TVET development in the PRC and potential replicability in their countries. They spoke about the new requirements that the socioeconomic development of the region imposes on the development of national TVET systems, the current TVET policies, and also made suggestions on how to apply the experience of TVET development in China for the region. Dr. Ilhom Abdulloev, Specialist on Research and Knowledge Connectivity of the CAREC Institute, spoke about the relationship between the labor emigration and the TVET in the three countries of Central Asia which face excessive labor resources -- the Kyrgyz Republic, Tajikistan and Uzbekistan. Migration from these countries is predominantly low-skilled and without professional education. Given the inability of these countries' economies to provide jobs for their growing young population in the near future, labor migration will remain as a key employment option for many young people. Therefore TVET institutions should attract and train future migrants. With certified professional skills received from TVET institutions at home, future migrants are more likely to find higher paying jobs in destination countries. TVET institutions may consider expanding their collaboration beyond national borders by collaborating with enterprises in destination countries. Such international cooperation is important because the existing national enterprises are either small or do not have sufficient resources to cooperate with TVET schools. TVET institutions can also provide predeparture orientation for future migrants through courses on preparation for work. The TVET curriculum can be developed in collaboration with national and foreign enterprises, migrant groups, overseas migrant diasporas and NGOs. In addition, the countries of the region can jointly establish the regional qualification framework which will reflect the occupational standards not only required in home countries but also in the region and promote the recognition of skills of migrant workers in the destination countries and the establishment of the skills validation systems necessary to certify migrants' skills earned abroad.

Ms. Xin Lei, Head of Knowledge Management, CAREC Institute, shared her views on the challenges and needs of the TVET in CAREC member countries and highlighted the main areas of potential cooperation between the PRC and CAREC member countries. She noted that the report provided an in-depth analysis of the existing problems of TVET systems in CAREC countries, such as the mismatch between the skills provided by national TVET systems and actual labor market needs, insufficient resources and low enrollment numbers, which is related to the low quality of education in TVET institutions due to difficulties in attracting qualified teachers. There are weak sectoral planning and labor market information systems. Key areas of regional cooperation should include TVET policy development, curriculum harmonization, student and staff exchanges, and increased industry participation in TVET and resource sharing. Recognition of skills standards will increase labor mobility in the region. The CAREC Institute is already contributing to the development of a practical road safety curriculum for technical universities and is conducting a multi-session training series on cross-border e-commerce. The CAREC Institute can help build a broad network of CAREC educational institutions and the private sector to apply global best practices at the regional level, to generate new and innovative ideas through research collaboration, capacity building, and knowledge sharing. At a high level, capacity building activities are needed to improve the capacity of workforce development strategies, increase the efficiency of public funding, promote effective workforce planning and transparent accreditation and certification, and monitor the quality of education in TVET. A cross-country knowledge platform such as the CAREC Institute can play the role of a knowledge broker in conducting capacity building activities for policy makers and sharing best practices in the region.

Dr. Jingjing Huang, Deputy Director One of the CAREC Institute, concluded the workshop by emphasizing that the findings and recommendations of the report contribute to the Human Development cluster of the CAREC Program which covers education and health. She noted that existing challenges in the TVET system of CAREC countries represent a potential risk that the region may fall behind the global skills development trend. The region needs to improve its skills standards to become more competitive, increase foreign direct investment and people-to-people connections. The CAREC Institute is mandated to be a knowledge hub for qualitative research and capacity building. "The CAREC Institute will continue to work with our member countries and development partners on this important topic," said Dr. Jingjing Huang.

CAREC Institute Speaks at the 10th Anniversary Kazakh-German Logistics Forum

Chief Economist of the CAREC Institute Dr. Hans Holz hacker spoke at the 10th Anniversary Kazakh-German Logistics Forum organized by Kazakh-German University, Business Club and LogCentre Logistics Transfer Center on December 7-9, 2022, in Almaty, Kazakhstan. The forum is aimed at supporting and developing scientific, educational and industrial relations in the field of logistics.

The forum brought together researchers, experts and practitioners in the field of logistics to discuss new opportunities and challenges on the Trans-Caspian International Transport Route (TITR) in the current geopolitical situation, digitalization and prospects for further development of the logistics industry.

Dr. Hans Holz hacker made a presentation at the forum, in which he emphasized the importance of the TITR for transportation and trade flows on the Euro-Asian continent under the new geopolitical and geoeconomic realities. He pointed to the plans for the development of the corridor agreed during the general meeting of the TITR Association in Tbilisi on October 21, 2022, and the establishment of a coordination council and a rail transport working group by the initiative of transport

ministers of Turkey, Bulgaria, Serbia, and Hungary. He also raised the question whether the TITR could become a major element of a broader ecosystem of corridors through Central Asia. Dr. Holz hacker emphasized the importance of soft infrastructure, proper management and coordination along with addressing specific bottlenecks for the enhancing the capacity of transportation corridors, including the TITR. And he noted that transportation corridors should become economic corridors in order to help develop the economies along the corridors. "For logistics this not least means to properly develop first mile and last mile services", said Dr. Holz hacker.

Forum discussions also included master classes by leading experts and managers of logistics companies on pressing issues of cargo transportation, route optimization and standardization of customs processes, as well as a student Olympiad, where teams competed on the depth of their knowledge in a multitude of areas of logistics.



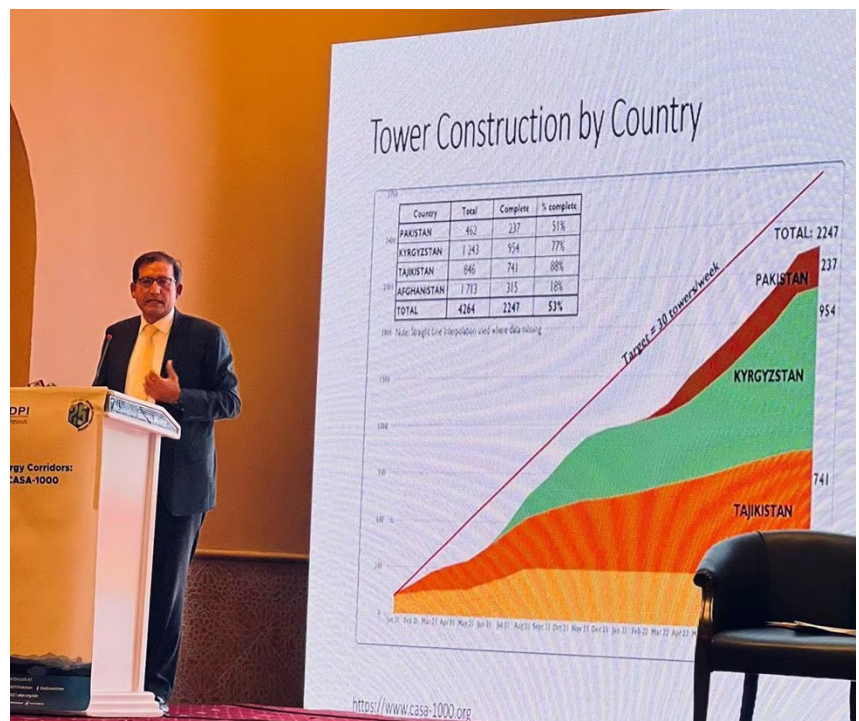
Dr. Hans Holz hacker speaks at the 10th Anniversary Kazakh-German Logistics Forum.

CAREC Institute Contributes to Discussions about Energy Corridor CASA-1000

On December 6, Mr. Khalid Umar, Chief of Strategic Planning Division, and Dr. Ghulam Samad, Senior Research Specialist of the CAREC Institute, participated at the 25th Sustainable Development Conference organized by CAREC Institute’s partner organization -- the Sustainable Development Policy Institute (SDPI) in Islamabad, Pakistan. Dr. Ghulam Samad spoke at the panel discussion about “Energy Corridors: CASA 1000”. The conference, titled “Sustainable Development in Unusual Times: Building Forward Better”, was held to promote dialogue among representatives of the government, civil society organizations, think tanks, academia, and the private sector, as well as international development partners.

Dr. Ghulam Samad spoke about the history of CASA-1000, its progress, current issues and provided some recommendations for policy actions. The CASA-1000 was initiated in 2006 to create conditions for sustainable trade in electricity between Central Asian countries of the Kyrgyz Republic and the Republic of Tajikistan and the South Asian countries of the Islamic Republic of Afghanistan and the Islamic Republic of Pakistan. The project provides mutual benefit from the cross-border energy connectivity for its participating countries, allowing them to trade energy at competitive prices, diversify energy sources and routes. While most CAREC countries are rich in fossil and hydro resources, other countries, particularly in South Asia, face challenges in meeting energy demand from domestic resources. The uneven distribution of energy resources in the region and their seasonal complementarities provide a strong imperative for regional collaboration and partnerships. Hence, creating smart links throughout the region to allow energy to flow from countries with excess supply to those with high demand will reinforce energy security and economic gains for all. The interconnection of natural gas and electricity industries across borders can justify mobilizing investments by expanding market size. Increased competition and lower costs lead to a win-win situation for all countries involved, creating a more conducive environment for broader economic integration and trade. These are aligned with CAREC Energy 2030 Strategy.

The CASA-1000 project is facing implementation challenges. However, the progress in most of the activities is moderately satisfactory. Two critical elements for the successful implementation and operation of the CASA-1000 project are the implementation of the open access regime and the possibility of reverse power flows from Pakistan to Tajikistan, which were discussed at length during several meetings. Dr. Ghulam Samad highlighted that the vertically integrated value chains continue to dominate in many CAREC countries. Therefore, separating the individual activities into distinct entities for generation and network-related activities will enhance the performance of the sector, as each entity will have to sustain itself financially without backup and cross-subsidies from the vertically integrated structure. Current end-user tariff rates in many CAREC countries are low and service quality lags because low rates do not reflect the actual costs incurred in operating and maintaining the network, let alone crucial investments are needed to perform quality service over a longer period. “For this, an adequate definition of the base cost, the gradual elimination of energy subsidies, the creation of a cleaner energy balance and the diversification of the economy are important,” said Dr. Ghulam Samad.



Dr. Ghulam Samad presents at the 25th Sustainable Development Conference.

CAREC Institute Presents about Development Vectors in the CAREC Region



Dr. Hans Holzacker speaks at the International Scientific and Practical Conference

On November 25, Dr. Hans Holzacker, Chief Economist of the CAREC Institute, spoke at the International Scientific and Practical Conference “Economic Transformation of Kazakhstan in the World Geopolitical Crisis”. The conference was organized by the Kazakhstan Institute of Economics on the occasion of the 70th anniversary of the institute in Almaty, Kazakhstan. The Institute of Economics was established in 1952 within the system of the Academy of Sciences. During the 70 years of its existence the institute made many fundamental contributions to the solving of theoretical and practical problems of macro- and regional economics, the economy of the oil and gas industry, and the transformation of industrial and socio-economic relations.

Dr. Hans Holzacker made a presentation on "Sustainable and Inclusive Growth in the CAREC Region: Situation and Development Vectors". He elaborated that the CAREC region has largely overcome the COVID-19 recession of 2020 but that new challenges are brought by tectonic shifts in geoeconomics, inflation, and climate change. Countries in the CAREC region should implement policies that increase resilience to new shocks, accelerate technological change, promote human capital development, and trade that enables countries to capitalize on their comparative advantages. The CAREC region is one of the most vulnerable regions in the world to climate change and natural disasters, and food security and disaster protection have come to policies' forefront. Dr. Holzacker concluded that to secure a smooth transition to new industries and services without a surge in inequality and heightened social tensions policies that ensure inclusiveness will be needed.

Staff Paper: Public Sector Enterprises in Post-Privatization in Pakistan

Dr. Ghulam Samad, Senior Research Specialist of the CAREC Institute, co-authored with Dr. Naseem Faraz the article [*“Public Sector Enterprises \(PSEs\) in Post-Privatization: Evidence from Pakistan”*](#), which was published in the Journal of Applied Economics, in November 2022.

The article takes a detailed look at the firm-level privatization of non-financial firms to examine its impact in Pakistan, supplementing academic discussions with recent evidence on the assessment of the effects of privatization in developing countries. Privatization of PSEs has raised billions of dollars to support fiscal and macroeconomic imbalances in a number of developing countries. Using the difference-in-difference approach that exploits within-firm variation in the outcome variables over time, the authors find that the performance of only few firms improved while it remains negative or insignificant largely in Pakistan. The efficiency of the firms is also not improved significantly in post-privatization period.

Based on these results, the authors provide key policy proposals for effective privatization in Pakistan. First, the management should be separated from the ownership of PSEs and tasked to the private sector while government can retain ownership of the PSEs and regulate them through the effective regulators. Secondly, the regulatory framework and the role of the regulator is extremely important in the post-privatization period. Price determination and capacity utilization of privatized facilities should be determined by the regulator. This will reduce the risk of cartels and monopolies. Thirdly, instead of separate public utilities, it is better to have a single body. Fourth, the Khazana (Malaysia) and Temaset (Singapore) models are under consideration for successful privatization, but their practical basis needs to be examined in detail before opting these two models. Finally, governments determine the strategic sequencing of privatization, often directing the most profitable firms to privatize early. The instantaneous privatization may also lead to costly unemployment; hence, the optimal privatization path may be sequential.

Research Digest: Tourism Cooperation between the Kyrgyz Republic and Uzbekistan

The research paper *“Analysis of Cooperation in the Tourism Sector between Uzbekistan and Kyrgyzstan: a Study of Cross-border Value Chains”* by Roza Aliyeva, Roman Mogilevsky, Zalina Enikeeva, and Aida Bolotbekova, written under the CAREC Think Tanks Network Research Grants Program, analyzes cross-border tourism value chains between Uzbekistan and the Kyrgyz Republic, explores operational modes, cooperation, and current successes and barriers in delivering cross-border tourism services.

The countries of Central Asia – the Kyrgyz Republic and Uzbekistan are located along the ancient Silk Road. While Uzbekistan has opened up dramatically to tourism in the past few years, the Kyrgyz Republic has pioneered many efforts to liberalize tourism. However, according to the World Travel and Tourism Council, the contribution of the travel and tourism industry to national GDP was 4.8% in the Kyrgyz Republic in 2017 and 3.4% in Uzbekistan in 2018, well below the global average of 10.2%.

The Kyrgyz Republic is a landlocked country with a population of 6.4 million people. Natural resources determine its main tourism products -- ecotourism, adventure, beach and skiing tourism. The Republic of Uzbekistan is a landlocked country with a population of 32.1 million people. Due to its location along the ancient Silk Road, Uzbekistan is well known destinations for cultural tourism, which include the UNESCO World Heritage Sites of Samarkand, Bukhara, Khiva and Shakhrisabz, as well as elements of intangible culture. Both countries offer a wide range of agricultural products and gastronomy; arts products; natural, pilgrimage and heritage sites; themed festivals; and warm weather with about 300 days of sunshine a year.

According to the study, the current barriers to tourism development include: i) high fees for bank transfers, especially in US dollars; ii) lack of public transport reaching popular tourist destinations; iii) the danger of increasing low-cost tourism in the Kyrgyz Republic; iv) border crossing issues for both Kyrgyz and Uzbek citizens at all existing checkpoints; v) payments in Kyrgyzstan can be done mostly in cash as electronic payment options are only available in Bishkek; and vi) seasonality in tourism has a negative impact on service improvement as services providers do not make large investments.

The authors believe that tourist flows between Uzbekistan and the Kyrgyz Republic, including the "sharing" of foreign tourists, represent a growing

opportunity for both countries. Intergovernmental cooperation between countries facilitated cooperation between business sectors in the field of tourism. Government support has also been critical for the implementation of major cross-border transport projects, the border and visa regulations, and marketing of tourism products and services. Cooperation between travel agencies and tour operators in both countries is becoming more intense, while cooperation between other players in the value chain – hotels and small transport companies – is sporadic. In order to exploit the existing untapped tourism potential, both countries should strengthen cooperation in (i) removing barriers in cross-border tourism value chains, (ii) overcoming common threats, (iii) strengthening and expanding existing good practices, and (iv) promoting wider systematic regional platforms and knowledge sharing for the sustainable development of tourism in the region.

The authors propose the introduction of the Silk Road visa to interested countries in the CAREC region. This will help attract a large share of tourists from all over the world to the region and will have a positive impact on the positioning of destinations under a single regional tourism brand. The authors also propose to improve border crossing conditions by improving services and upgrading checkpoints between Uzbekistan and Kyrgyzstan to match actual tourist flow. Transport links between Uzbekistan and Kyrgyzstan and connections to tourist sites require major improvements, in particular connecting regional cities within and between countries, , facilitating the market development by allowing new players in the sector, including low-costers, bullet trains, and foreign transport companies. The authorities should ensure the construction of necessary facilities for tourists (toilets, emergency points), the opening of non-functioning border crossing points in the Fergana Valley for citizens of all countries, the expansion of tourist corridors at border crossing points, the improvement of services and the reduction of control time by adding staff, volunteers and improving their foreign language skills, equipping cross border points with important tourist information or setting up tourist information points, abolishing border crossing fees for vehicles. Improving joint marketing, promoting the combined tours and creating a single booking system for countries of Central Asia also contributes to the development of tourism not only in the Kyrgyz Republic and Uzbekistan, but also in the region as a whole.

Research Digest: WASH in the CAREC Rural Areas

The CARCE Institute research study "[Development of Sustainable Water and Sanitation Systems in Rural Areas of the CAREC Region with a Focus on China, Mongolia, Tajikistan and Uzbekistan](#)", supported by UNICEF, looks at the status of water supply, sanitation, and hygiene (WASH) in four CAREC countries—the People's Republic of China (PRC), Mongolia, Tajikistan and Uzbekistan, exploring the best practices and solutions in the WASH sector for building the resilience of countries with fragile infrastructure and weak capacity to cope with future natural or man-made disasters in the long term. The study analyzes the current situation with drinking water supply and sanitation services in rural areas, identifies the critical problems of rural communities in accessing WASH services, and provides recommendations for the future development of the WASH sector.

The most common problems identified by the study are population growth requiring the construction of new systems to provide access to drinking water; differences in drinking water supply and sanitation between urban and rural areas; lack of human capacity to properly operate WASH networks; low tariffs and low collection rates for water supply and sanitation services.

The study provides regional recommendations for developing WASH services in rural areas:

- A. Institutional frameworks are key to ensuring the proper operation and progress of WASH management systems across different tiers. The identification of optimal models, considering country needs and the streamlining of functionality of different agencies, should become the main task for the governments.
- B. Zoning of territories based on promising drinking water supply sources and taking into account local specifics should guide the design of drinking water supply and sanitation systems in rural localities. Based on such zoning, the governments should elaborate long-term strategic plans for developing domestic rural and urban WASH systems.
- C. The development of WASH financial plans is necessary for the successful deployment of public WASH services. The scope of state strategies and policies should include projects to improve service fee collection and reconsider valid tariff schemes. While introducing nationwide pro-poor full cost recovery mechanisms, special emphasis should be placed on supporting vulnerable communities. Countries already have some mechanisms for

supporting vulnerable communities, but these only work as pilot schemes or require clearer implementation and monitoring mechanisms.

- D. The development of regulations and rules, as well as forging mechanisms allowing easy access to subsidies and tax incentives especially for rural areas, constitutes two more necessary conditions of an effective management of WASH systems. Lack of proper mechanisms for the distribution of subsidies and other financial benefits, and poor monitoring of the implementation of these mechanisms will lead to corruption and misallocation, nullifying efforts.
- E. Private sector involvement can become instrumental in ensuring sustainability and enhancing the operation of WASH systems. National governments should concentrate on elaborating clear cut and mutually beneficial mechanisms for engaging the private sector in establishing and operating local level WASH systems.
- F. Recognition of the water-energy-food nexus is another significant stipulation for the sustainable development of territories. Using water both for irrigation and household purposes does have certain advantages; however, several risks are associated with dual and/or multipurpose schemes. Since water resources are crucial for the development of different economic sectors, countries need to pay more attention to regularly coordinating them and identifying sector-specific benefits. The establishment of intersectoral and interdepartmental platforms, both nationally and locally, should become the basis for more effective and transparent management.
- G. Designing capacity-building programs and staffing plans and strategies for maintaining and retaining professionals should become a priority for the governments. Public water awareness programs encompassing different aspects, such as hygiene, technology, economy, and the environment will be necessary.
- H. Human resources development is necessary to foster research and innovations in water supply, sanitation, hygiene, and wastewater treatment. The development of effective and tailored knowledge, technology, and experience sharing mechanisms should be the basis for the successful implementation of WASH projects. The studied countries should also give special attention to developing and executing adaptation programs and/or developing novel scientific approaches and innovations with a special focus on rural development. This can be done via establishing knowledge and experience exchange centers.

About CAREC Institute

The Central Asia Regional Economic Cooperation (CAREC) Institute is an intergovernmental organization dedicated to promoting the economic cooperation in the Central Asia and along the Silk Road through knowledge generation and sharing. The CAREC Institute is jointly shared, owned, and governed by eleven member countries.

The institute acts as a knowledge connector among the five CAREC themes – economic and financial stability; trade, tourism, and economic corridors; infrastructure and economic connectivity; agriculture and water; human development – to ensure coherence in design and implementation of policies, programs, and projects to promote regional economic cooperation and integration.

