



# Newsletter

## Report on CAREC Digital FDI Ecosystem in the CAREC Region

*“In the digital era, corporate digital competitiveness tops the agenda of firms and policymakers globally. Luring foreign direct investment (FDI)—digital FDI—into the digital economy is crucial.”*

The CAREC Institute, in collaboration with the Islamic Development Bank (IsDB), has launched a series of research projects on digitalization in the CAREC region. The new report titled “CAREC Digital FDI Ecosystem in the CAREC Region (phase II)” by Asif Razzaq, Tofiq Babayev, Mumtaz Ahmed, and Shokhrukh Avazov, is now available on [the CAREC Institute’s website](#).

This report introduces an integrated digital FDI conceptual framework to examine the enabling/inhibiting factors of digital FDI flows into the CAREC region. It analyzes five critical dimensions of digital FDI: (i) new digital activities, (ii) digital adoption, (iii) digital infrastructure, (iv) digital FDI restrictions, and (v) digital promotion tools. Using descriptive methods, the results are scaled between 0 (highest restrictions for digital FDI) and 100 (lowest restrictions for digital FDI). The average score for the CAREC region indicates the lowest score in digital infrastructure (59.6), followed by new digital activities (61.6) and digital adoption (63), while the highest score is observed in digital promotion tools (65). The report ends with brief discussions and policy recommendations for each CAREC country. According to the in-depth analysis of the authors, the core lagging areas are digital security and privacy, data regulations, intellectual property rights, the validity of e-agreements, higher tariffs and taxes, restrictions in acquiring land for business purposes, lack of regional integration and mutual investment/technology agreements, ineffective consumer laws, governance issues, lack of digital skills, lower connectivity of national and international infrastructure, higher approval turnaround time, lack of venture capital, privatization and competition policies, and sectoral and equity restrictions. By addressing these weaknesses, the CAREC region would attract more FDI.



We hope [this Report](#) can assist the policymakers and interested parties as they think through the many ways to build an enabling digital FDI ecosystem in the CAREC region.

To dive deeper into this topic, [a follow-up policy dialogue](#) is being planned on Wednesday, 15th March 2023.

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## Partnership Meeting with the Secretariat of China-Eurasia Expo and the Xinjiang International Expo Administration

On February 10, 2023, Dr. Huang Jingjing, Deputy Director One of the CAREC Institute, met with a delegation of visitors from the Secretariat of China-Eurasia Expo and Xinjiang International Expo Administration led by Ms. Merryghul Tursun, Deputy Secretary-General of the Secretariat of China-Eurasia Expo and Director General of the Xinjiang International Expo Administration.

Dr. Huang presented CAREC Institute's priority themes and the latest research and capacity-building activities, noting that the CAREC Institute is an intergovernmental organization dedicated to promoting economic cooperation in the CAREC region through evidence-based research, capacity-building services, knowledge sharing, and networking with research institutions and think tanks. Dr. Huang also briefed the roles and the growing impacts of the CAREC Think Tank Network, and the CAREC Think Tank Development Forum in promoting regional cooperation and integration through shared ideas, information, and joint research.

During the meeting, Ms. Tursun presented the history and development of the China-Eurasia Expo and the (China) Eurasia Commodity and Trade Expo - two biennial events, and informed about the active participation of CAREC member countries in these events. As the organizer of 2023 (China) Eurasia Commodity and Trade Expo, Ms. Tursun welcomes the participation of the CAREC Institute in the event.

Both sides also exchanged views on digitalization and smart exhibition and the potential areas for cooperation.



Partnership meeting between the CAREC Institute and the Secretariat of China-Eurasia Expo and the Xinjiang International Expo Administration.

## Expert Discussion on Regional Cooperation on Water Resources, Energy and Climate Change

The CAREC Institute and the Davis Center for Russian and Eurasian Studies of Harvard University jointly hosted a webinar about regional cooperation in Central Asia on water, energy and climate change on January 30, 2023. Two representatives of the CAREC Institute—Deputy Director Two Dr. Iskandar Abdullaev and Senior Research Fellow Mr. Shakhboz Akhmedov—contributed to a panel discussion of opportunities and limitations, and ways forward.

Dr. Abdullaev presented about the opportunities and risks of regional cooperation in the field of energy, water and climate change in Central Asia: the energy sector of the region has shown positive economic dynamics over the past few years with an increase in energy demand; water has traditionally been the main concern of the countries of Central Asia, causing long-standing transboundary problems but also having great potential for cooperation; and climate is already becoming a common threat to the socioeconomic stability of the region.

The institutions of regional cooperation created during last 30 years have coped with the problems of post-Soviet period, combining various national interests and regional priorities. During this period, the countries of Central Asia become of a part of global processes, which shape the policy and relations between countries in reaching the Sustainable Development Goals. Already in the water sector, more policy attention is being paid to the concepts of sustainable water management.

The energy sector in the region is mixed—some countries rely on fossil fuels, while others use water to generate electricity, creating imbalances in the use of water for agriculture in the region. In addition, the region is one of the most climate-affected regions in the world due to increased natural disasters, multiple temperature fluctuations and changing rainfall patterns. Climate change affects water resources and energy, with harsher summers and harsher winters leading to increased demand for both energy and water. “Therefore, energy sector policies should focus on promoting clean energy and expanding energy trade in the region. Regional cooperation should be aimed at rehabilitating existing and building new intra- and inter-regional energy facilities and infrastructure, and harmonizing standards,” said Dr. Abdullaev.

Mr. Shakhboz Akhmedov identified three main aspects requiring the attention of policy makers in the region. These include: 1) attracting additional funding using various regulatory frameworks and incentives for private sector participation; 2) accumulating technical expertise and knowledge as countries need to reduce their reliance on expertise outside the region, start investing in national education and developing regional human capital to help reduce technology and knowledge gaps in the region; and 3) strengthening regional cooperation, which helps build the necessary regional and cross-border infrastructure, and improves regional trade and prosperity.

Other invited regional experts contributed to various aspects of regional cooperation in the field of water resources, energy and climate change in the Central Asian region.

You can watch the video recording of the webinar [HERE](#).



Speakers of the webinar on the regional cooperation in Central Asia on water, energy and climate change.

## Project Report on Water Infrastructure in Central Asia: Promoting Sustainable Financing and Private Capital



The project report *[“Water Infrastructure in Central Asia: Promoting Sustainable Financing and Private Capital Participation,”](#)* co-authored by Dr. Iskandar Abdullaev, Deputy Director Two of the CAREC Institute, and Mr. Shakhboz Akhmedov, former Senior Research Fellow at CAREC Institute's Research Division, is available now on the website of the CAREC Institute.

The authors emphasize that water resources are important to economic growth, especially in Central Asia, a region highly dependent on water-intensive agricultural and energy products. Natural disasters caused by climate change, lack of safe water and sanitation infrastructure, aging infrastructure and water supply systems, and a highly regulated water sector of a public or state nature, droughts and floods, among other factors, give rise to a wide range of implications for water, food, energy, and especially human security in Central Asia, which in turn can lead to social and economic disruption.

The authors advocate that governments build legislative frameworks for non-institutional participants to manage investment risks and unlock values by collaborating with government agencies, regulators, and communities. The governments of Central Asia should modify their agricultural policies to encourage private enterprises to invest in water

services, and the operation and maintenance of irrigation infrastructure should be of the highest quality.

Yet, there is great value in opening up and engaging with communities and organizations of varying sizes to expose the required data and information. In fact, the long-term performance and sustainability of infrastructure are directly tied to the level of integration and cooperation amongst stakeholders, such as government agencies and other institutions. In conclusion, the improvement of water infrastructure, operation, and maintenance, as well as the provision of specialized water services, is reliant on enhancing capacity building and technological integration. Moreover, establishing commercial collaborations can increase technological innovation in the water industry. The extensive implementation of digital technologies and innovative approaches in the water industry will boost water resource development and utilization effectiveness.

Please visit [the CAREC Institute's website](#) for more information.

## Economic Brief on the PRC's OFDI to the CAREC Region—Prospects in Green Energy

[The CAREC Institute's new economic brief](#), authored by Shiliang Lu, paints a picture of the PRC's Outward Foreign Direct Investment (OFDI) flows to the CAREC region as part of the PRC's OFDI to the Belt and Road Initiative (BRI) region. It finds that the CAREC region received rather limited OFDI from the PRC as contractual cooperation was the most popular entry mode for Chinese enterprises to do businesses in the region. Energy, particularly hydrocarbons, still dominated the PRC's overseas engagement to the region. Pakistan was the largest recipient of the PRC's engagement in the CAREC member economies both in non-renewables and renewables.

The economic brief concludes that to fulfill their nationally determined contributions (NDC/INDC) targets for the reduction of greenhouse gases, the

CAREC member economies must accelerate the replacement of non-renewable energy by renewables and that such a transition can be materialized only by tightened cooperation and coordination between the CAREC member economies. In this regard, the PRC's strong resolve to build a green BRI underpinned by its supportive policies, cooperation initiatives and advancement in green finance could serve as a catalyst to promote the green agenda of the CAREC region to benefit all.

# Policy Brief on the Development of the Civil Aviation Industry in Selected Six CAREC Member Countries

The new CAREC Institute policy brief titled [“Development of the Civil Aviation Industry in Six CAREC Countries: Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Turkmenistan, Uzbekistan”](#) was completed by Bob Zhao, Qaisar Abbas, Ghulam Samad, and Emma Tong, with guidance from Dr. Iskandar Abdullaev from CAREC Institute.

This policy brief, funded by the International Cooperation and Service Center of Civil Aviation Administration of China, discusses the development of the civil aviation industry in selected six CAREC member countries which generally attach great importance to promoting the modernization of the civil aviation industry and have made remarkable progress in constructing civil airport infrastructure, enhancing the competitiveness of airlines, building domestic and international aviation networks.

While the modernization of the civil aviation industry in Central Asian countries has long faced many challenges due to historical and practical factors, mainly a lagging market mechanism; low level of modernization of civil aviation infrastructure; weak competitiveness of civil aviation enterprises; low efficiency of civil aviation management; the growing imbalance in the development of CAREC regional civil aviation;

lack of high-level control and technical personnel; and considerable pressure on the civil aviation industry caused by the COVID-19 pandemic.

Over the past five years, civil aviation authorities in all six countries have implemented a series of new strategies and policies in civil aviation to meet the new development demand on sustainability, digitalization, and inclusiveness. To build a more robust civil aviation system to support the need for economic diversification in each country, the promotion of a high level of openness and the establishment of a bank financing and market financing system for the civil aviation sector will be crucial.

The policy brief provides the following recommendations in the post-epidemic era: (i) enhancing the green technology application; (ii) strengthening the process of regional cooperation; (iii) expanding the economic supporting pillar role of the civil aviation industry; and (iv) encouraging hub airports to develop multimodal logistics systems.

## Research Digest: COVID-19 Impact on Household Income in Georgia and Mongolia

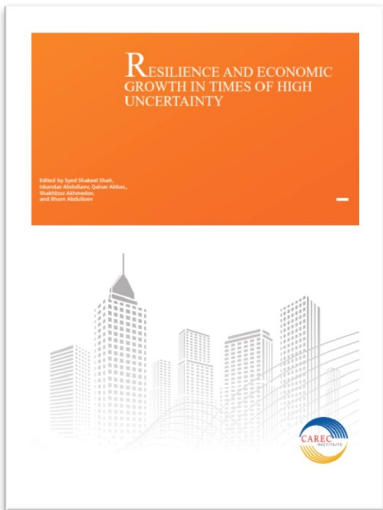
Chapter 3 of the CAREC Institute's Second Annual Book [“COVID-19 Impact on Household Income: Evidence from Georgia and Mongolia,”](#) authored by Kamalbek Karymshakov, Dastan Aseinov, and Burulcha Sulaimanova, empirically examines household characteristics to explain the likelihood of income decline during the COVID-19 pandemic in two CAREC countries, Georgia and Mongolia.

Based on the results of statistical and regression analysis, the authors found that government benefits provided in sustaining incomes during the pandemic had a significant positive effect that highlights the important role of government benefits in protecting households' incomes during economic crises. The authors also found that families with an older head of household are

better able to cope with income declines, while families with a male head of household are more likely to experience income declines, which is more likely to be related to job loss. In addition, female-headed households are less likely to experience a significant drop in income; this may be due to women's wage employment.

Another finding of the study is that wealthier families are less exposed to the risk of income reduction, which indicates at the uneven impact of the pandemic. Low-income households may not have enough savings to protect themselves from income fall.

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The authors draw several policy implications. First, the results of the study inform about the critical importance of government support mechanisms for maintaining household incomes during the crisis and post-pandemic recovery. In the context of the post-pandemic recovery, social support policies must continue so as not to exacerbate the effect of the income shock. Second, the various impacts of income decline on household welfare indicate at the potential risk of an uneven recovery from the COVID-19 pandemic. The potential rise in inequality highlights the importance of public policies focusing on inclusion

and empowerment. The impact of income decline by gender and household location requires a focus on inclusive growth and recovery in public policy design. Third, while this study is based on survey data during the pandemic and can therefore be considered a short-term effect of the crisis, over a longer period economic trends may indicate a gradual adaptation and recovery. However, the loss of learning during a pandemic increases the likelihood of inequality in the long run; this requires government measures in the field of access to education with special focus on vulnerable groups.

## Research Digest: Impacts of COVID-19 on Household Business, Employment and School Education

Chapter 2 of the CAREC Institute's Second Annual Book ["Impacts of COVID-19 on Household Business, Employment and School Education: Evidence from Household Survey in the CAREC Countries,"](#) authored by Dina Azhgaliyeva, Ranjeeta Mishra, Trinh Long, Peter Morgan, and Wataru Kodama, provides empirical evidence on the impact of the COVID-19 crisis on employment, household business, and child education in the CAREC region. The authors using the household survey data compared employment and household business conditions as well as education in school in June 2020 and in December 2020 to see how households were affected by and able to cope with the COVID-19 pandemic. The paper presents following findings on the COVID-19 impact on employment, business, and school education:

**Employment.** Twenty four percent of employees in the sample experienced either losing their job (temporarily or permanently) or a workload cut in December 2020 compared to June 2020. This number varies greatly by country, from 5 percent (Uzbekistan) to 67 percent (Pakistan). Furthermore, overall, there is no major difference in the reasons why household heads did not work in December 2020 compared to June 2020; however, there are differences by country. The share of those missing work owing to lockdown reduced from 9 percent in June 2020 to 7 percent in December 2020. However, in Georgia, the share of household heads not working owing to taking care of family members increased from 4 percent in June 2020 to 13 percent in December 2020. Such large changes could be associated with the lockdown of schools or online education for small children. The econometric analysis indicates that, on average, less educated and younger household heads were more likely to experience job loss owing to the pandemic. Households with income from household businesses or self-employment tended to experience job loss,

whereas those with income from wages were less likely to lose their job, while there are notable differences by country.

**Business.** Overall, 24 percent of households answered that their businesses were closed owing to the COVID-19 pandemic, of which 7 percent were closed permanently while 17 percent were closed temporarily. More than 40 percent of household businesses had lower income in December 2020 compared to June 2020. No/fewer customers (52 percent) and temporary closure owing to restrictions (30 percent) are two major reasons for the reduction in household business income. Regarding the factors associated with the likelihood of experiencing a decline in household business income, business adjustment to the pandemic and the household business sector are key determinants. On average, households who adjusted their business model to the pandemic were 11.3 percent less likely to experience a decline in business income compared to those who did not. Household business in some tourism-related sectors such as restaurants, hotels, and cafes were much more affected by the pandemic than others.

**School Education.** Overall, only 49 percent of households with schoolgoing children in the family reported the provision of online classes offered by the schools. A large proportion of households in Pakistan (74.8 percent), Afghanistan (63.5 percent), and Tajikistan (47.6 percent) reported a lack of availability of online classes for schoolgoing children in the household. Children in many households in Afghanistan (33.7 percent), Pakistan (44.5 percent), and Tajikistan (66 percent) could not attend online classes even if their schools had adapted to online classes. Children with responsibility for household chores were less likely to attend all online classes. Also, the availability of computers for each child increases the chance of them attending online classes.

## Partnership Meeting with the Islamic Development Bank

The CAREC Institute and the Islamic Development Bank held a partnership meeting on 28 February 2023 to discuss potential areas of partnership between the two organizations for 2023 and beyond.

Both parties fruitfully cooperate in research projects on digital economy issues. In 2021–2022, as part of the partnership between two organizations, the CAREC Institute conducted two studies that contribute to the implementation of the CAREC Digital Strategy 2030. The first study was conducted on four attributes of the digital divide: digital infrastructure, digital payments, e-commerce, and Internet access. The results of the study are published in the research report *["Digital CAREC: Analysis of the Regional Digital Gap"](#)*. The second study aimed to explore the different deriving/inhibiting factors of digital FDI in the CAREC region based on five critical aspects of digital FDI: (i) new digital activities, (ii) digital adoption, (iii) digital infrastructure, (iv) digital FDI restrictions; and (v) digital promotion tools. The results of the joint study are presented in the research report *["Report on CAREC Digital FDI Ecosystem in the CAREC Region"](#)*.

During the meeting, the parties discussed broader areas of cooperation in the field of research, capacity building, knowledge management, development of think tanks network and harnessing the potential of the CAREC Institute's



Partnership meeting between the CAREC Institute and the Islamic Development Bank.

e-learning platform. The parties highlighted two potential areas for further collaboration, such as (i) deploying telemedicine to rural areas, and (ii) the flipped classroom methodology in education as potential areas for collaboration. The parties agreed to strengthen the capacity of CAREC member countries by combining research and capacity building activities to develop and implement programs that effectively meet the countries' needs in these two areas.

The parties expressed their commitment for further cooperation in promoting knowledge for regional cooperation and integration in the CAREC region.

## Partnership Meeting with Westminster International University in Tashkent

On 28 February 2023, Dr. Iskandar Abdullaev, Deputy Director Two of the CAREC Institute, met with Dr. Bakhrom Mirkhasimov, Rector of Westminster International University in Tashkent (WUIT) and Ms. Etenesh Asfaw, Senior Research Fellow of the Centre for Policy Research and Outreach (CPRO). Both WUIT and CPRO are long-standing partners of the CAREC Institute.

During the meeting, Dr. Iskandar Abdullaev spoke about the activities of the CAREC Institute, including the current research areas and capacity building programs, emphasizing the previous fruitful cooperation with the university and the center as part of the CAREC Institute's Research Grants Program and Visiting Fellow Program. Both WUIT and CPRO contributed to the research work performed by the

CAREC Institute over the past few years. Dr. Iskandar Abdullaev expressed the readiness of the CAREC Institute to continue the friendly cooperation with WUIT and CPRO within the framework of the CAREC Institute's Rolling Operation Plan for 2023-2024.

Dr. Bakhrom Mirkhasimov shared information about WUIT and CPRO, proposing some areas for cooperation. In particular, he proposed to introduce a research exchange program with the CAREC Institute so that researchers of the institute could visit WUIT to conduct research. The parties also discussed the possibility of conducting research and capacity building activities in the field of public health with the participation of university students, joint publication of research books, and hosting the CAREC Think Tank Development Forum in Tashkent.

## Upcoming Event in March

### Digital CAREC Virtual Policy Dialogue: Digital FDI Ecosystem

The CAREC Institute will host a webinar titled "[Digital CAREC Virtual Policy Dialogue: Digital FDI Ecosystem](#)" on March 15, 2023, in collaboration with the Islamic Development Bank (IsDB) and the Asian Development Bank Institute (ADBI).

With the noteworthy exception of the People's Republic of China (PRC), the CAREC region has not yet completely benefited from the changes of the digital economy. The primary areas for improvement are those which deal with digital security and privacy, data regulations, intellectual property rights, and the legality of electronic agreements. Other areas include higher tariffs and taxes, restrictions on the acquisition of land for commercial use, a lack of regional integration and agreements on mutual investment and technology, ineffective consumer laws, poor governance, a lack of digital skills, and lower connectivity of national and international infrastructure. The CAREC region could draw more foreign direct investment if these issues are addressed.

Since 2019, the CAREC Institute has been working with development partners to launch a number of research projects on digitalization in the CAREC region. Based on the research findings, a series of webinars is held to engage CAREC policymakers and interested stakeholders in policy dialogues. The E-learning Platform of the CAREC institute contains all materials and recordings of previous policy dialogues and webinars (please visit [www.elearning.carecinstitute.org](http://www.elearning.carecinstitute.org)).

In 2023, the CAREC Institute will continue a series of webinars in collaboration with reputable development partners and host a subsequent virtual policy dialogue for interested audiences and policymakers from CAREC member countries to share viewpoints with top authorities on digital FDI and discuss how to put into practice the most crucial policies, measures, and regulations that governments of CAREC countries can adopt to attract investment in the digital economy.

This webinar's main objectives are to: 1) present and discuss policy alternatives resulting from CAREC Institute-IsDB research projects; and 2) assess lessons learned and pinpoint potential research areas to further advance capacity building initiatives and governance related to digital FDI in the CAREC region.

To attend the policy dialogue, please, register [HERE](#).

The sessions and materials will be recorded and uploaded to the CAREC Institute E-learning Platform, which is accessible to all users through [www.elearning.carecinstitute.org](http://www.elearning.carecinstitute.org).

The graphic features logos for CAREC, IsDB (Islamic Development Bank), and ADB Institute at the top left. The main text reads: "Virtual Webinar", "Digital CAREC Virtual Policy Dialogue: Digital FDI Ecosystem", "Wednesday, 15 March, 2023", "14:50-17:00 (UCT+8)", and provides the websites "www.carecinstitute.org", "www.isdb.org", and "www.adb.org/adbi/main". On the right, a large lightbulb icon is divided into three sections: "FOREIGN" (with a location pin), "DIRECT" (with a thumbs up), and "INVESTMENT" (with a briefcase). The Zoom logo and "Register via Zoom" text are in the top right corner. The background is yellow with various icons like a dollar sign, Wi-Fi, a laptop, and a megaphone.



# Advertisements

## Call for Consulting Services of International and National Consultants

The CAREC Institute engages the services of International and National Consultants for research project TA-6694 REG - Water sector financial governance gap analysis in Central Asia: from planning to practice.

The objective of the research project is to map the primary water financing requirements of the water industry and identify potential financing schemes in Central Asia, with a particular emphasis on major water infrastructure.

The project will utilize the findings of the CAREC Institute's prior researches on water sector finance as well as new data from other related projects, activities, and research.

The specific objectives are as follows:

- Mapping major water financing gaps of water sector of five Central Asian countries of CAREC region—mapping water infrastructure priorities.
- Understanding major obstacles for efficient water sector financing, classification of the major problems, highlighting policy and management actions for improving water sector financing.
- Developing water sector financing improvement action-plan.
- Assessment of both efficiency and performance of various water financing initiatives recently introduced in Uzbekistan, Kyrgyzstan, Kazakhstan and Tajikistan.
- Preparing and conducting a series of policy dialogues among water agencies, national and international financial institutions, and private financiers in order to develop joint implementation mechanisms for water sector financing.

Applications are accepted through the ADB Consultant Management System until March 1, 2023.

## Call for a Position of Deputy Director Two

The CAREC Institute invites applications for the management position of the [Deputy Director Two](#). Applicants must be nationals of the CAREC member countries except for Tajikistan, Turkmenistan and the PRC (the countries hold the positions of Director and Deputy Director One during the term of the Deputy Director Two) and must meet the qualifications and requirements stated in the [Terms and Reference](#).

The applications should be emailed to Ms. Wendy ([hr@carecinstitute.org](mailto:hr@carecinstitute.org)) by **7:00 p.m., Beijing time, Tuesday, March 14, 2023**.

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

The candidates are required to certify that information provided on any employment application form, resume, or CV is complete, true, and accurate to the best of his/her knowledge.

The candidates should understand that information may be verified, and any misrepresentation of facts may be considered cause for dismissal regardless of when discovered by the CAREC Institute.

For more information, visit [the CAREC Institute website](#).

### 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.