



# Newsletter

## CAREC Institute Holds a Joint CTTN Dialogue and CAREC Chai Event

The Russia-Ukraine conflict has a significant impact on the countries in the CAREC region, which were starting to recover from the COVID-19 pandemic. The effects of the conflict are being felt around the world, especially with the disruption of global supply chains, rising commodity prices, massive inflation, and food and energy insecurity. To discuss the economic impact of the conflict on the CAREC countries, including the impact of the sanctions imposed on Russia, the CAREC Institute and the Asian Development Bank (ADB) held a joint CTTN Dialogue and CAREC Chai webinar on April 27, 2022.

Dr. Lyaziza Sabyrova, Director of the Regional Cooperation and Operations Coordination Division, Central and West Asia Department of the ADB, welcomed the participants of the webinar and highlighted key questions for discussion. These included major economic impacts of the Russia-Ukraine conflict and sanctions on Russia on CAREC countries, national policies implemented by countries of the CAREC region to mitigate the impact of the conflict and to address emerging challenges, and a role of think tanks for advising such good policies. She stressed that the ADB, in cooperation with national governments, is monitoring the impact of the conflict on the economy and that the ADB has published an initial analysis as *a special topic in the Asian Development Outlook*.

Dr. Hans Holzacker, Chief Economist at the CAREC Institute, noted that despite the multitude of shocks since 2020, all CAREC economies with data availability have exceeded 2019 real GDP levels; however, growth was generally more consumption-driven than investment-driven. Due to the surge in commodity prices, the countries of the region face strong polarization in foreign trade and the current account of the balance of payments as the net exporters of oil and gas have gained and net importers had losses. There are also geo-economic fragmentation costs and partially also opportunities that affect the countries of the CAREC region, although unequally.

[Continued on the next page](#) ➡

### Inside This Issue

Fourth CAREC Chai.....	3
Research in Action Workshop .....	5
New issue of the Quarterly Economic Monitor.....	6
New Publications.....	8
Research Digests.....	10
Upcoming Events>.....	12
Announcements.....	14

### CAREC Institute's Online Resources

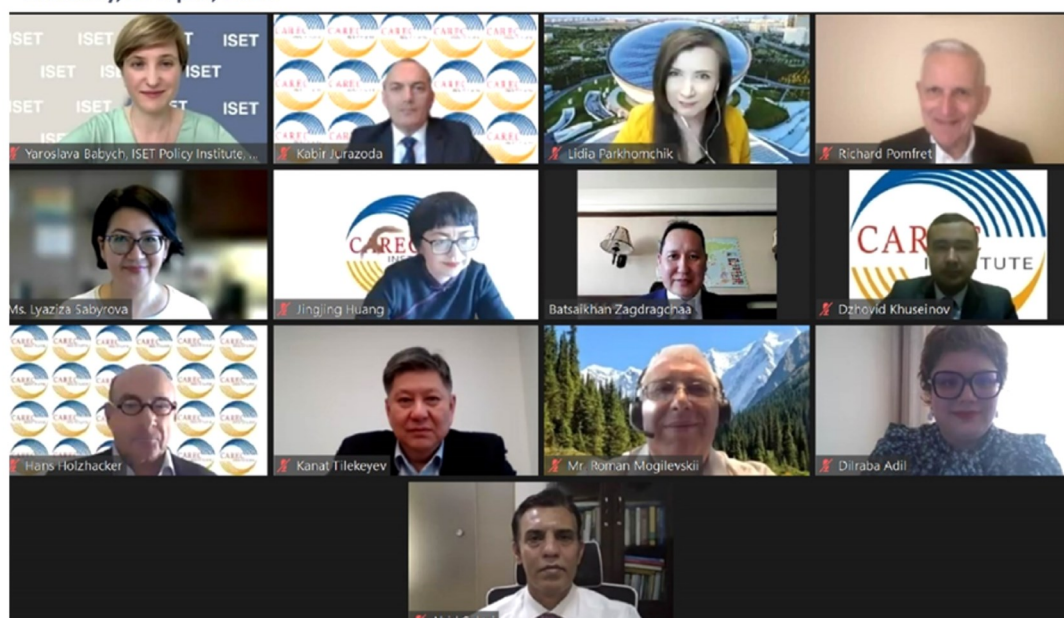
- [News](#)
- [Events](#)
- [E-Learning Platform](#)
- [Publications](#)
- [CAREC Program](#)

### CTTN Dialogue / CAREC Chai



#### Impact of the Russian-Ukraine Conflict on the CAREC Region

Thursday, 27 April, 2023



Participants of a joint CTTN Dialogue and CAREC Chai event.

Dr. Hans Holzacker expressed the opinion that the relocation of Russian businesses to the CAREC region might contribute to fixed capital formation and thus stimulate productivity and economic growth, but that needs to be watched for how long and to what extent. Importantly, CAREC countries should continue to work together to increase intra-CAREC trade and economic cooperation, which might in part be a substitute for products imported from Russia.

Professor Richard Pomfret, Bologna Center, Johns Hopkins University, spoke about the organization of transit and the importance of economic cooperation in the CAREC region. The conflict has shifted the focus to developing sustainable alternative routes bypassing Russia. In March 2022, Georgia, Azerbaijan, Türkiye, and Kazakhstan signed an agreement on the development of the Trans-Caspian International Transport Corridor. In the longer term, the currently complex Uzbekistan-Turkmenistan-Iran and Uzbekistan-Afghanistan-Iran routes, which could connect Central Asia to the Turkish railway network or to Iranian seaports, could be realized. An agreement on the construction of a railway connecting Kashi with Uzbekistan (the PRC-Kyrgyz Republic-Uzbekistan route), which will provide an alternative route from east to the Caspian (bypassing Russia), was signed at the Shanghai Cooperation Organization Summit in September 2022. CAREC countries need to continue cooperation for the use of a new alternative rail network that will provide key infrastructure for diversified exports of these countries.

Dr. Roman Mogilevskii, Senior Economist of the Central and West Asia Department of the ADB, spoke about trade re-orientation and migration developments in Central Asia. In 2022, many economies of the region recorded all-time high values of merchandise exports and imports driven by a dramatic increase in exports of energy, mostly crude oil, due to a price increase. Another major source of trade growth was re-exports, export creation, and export destruction resulted from the voluntary departure of international companies from the Russian market because of the sanctions. Continued increase in the number of job seekers' registrations was observed among migrants from major migrant sending countries of the region to Russia, except for Armenia. There was also a net outflow of permanent migrants from the countries of Central Asia except for Tajikistan. Money transfers by Russian "relocants" affected the data on labor migrants' remittances. Dr. Roman Mogilevskii concluded that, given the windfall re-export margins might be short-lived, the countries should 1) improve linkages with major production and trade hubs as well as labor markets both in the east and the west via the Middle Corridor and other transit routes; 2) monitor the ongoing changes in trade and migration.

In the second session of the webinar, members of the CAREC Think Tank Network—Ms. Yaroslava Babych, Lead Economist of the ISET Policy Institute in Georgia, Ms. Lidiya Parkhomchik, Chief Expert of the Eurasian Studies Program of the Institute of the World Economics and Politics in Kazakhstan, Mr. Kanat Tilekeyev, Associate Director of the Institute of Public Policy and Administration of the University of Central Asia in the Kyrgyz Republic, Mr. Abid Suleri, Executive Director of the Sustainable Development Policy Institute in Pakistan, and Mr. Farrukh Hakimov, Head of the Department of the Development Strategy Center in Uzbekistan, spoke about the problems caused by the Ukraine conflict in their countries, such as high inflation, especially for food and agricultural products, increased remittances, resettlement of Russian migrants, search for alternative trade routes and partners due to supply problems, re-export to Russia and others. Think Tank representatives also shared how their countries responded quickly to the external economic shock by putting in place the necessary fiscal, monetary, food security, and social policies, and how national think tanks contributed with knowledge products in the development of such policies.

In closing remarks, Mr. Kabir Jurazoda, Director of the CAREC Institute, emphasized the importance of cooperation among CAREC countries for sharing knowledge and best policy practices through the organization of international conferences, round tables, and discussions on emerging risks related with the conflict in Ukraine. "From our side, the CAREC Institute will continue to help our member countries overcome these challenges through cutting-edge research, development of capacity building services, knowledge sharing, and close collaboration with think tanks in CAREC countries," said Mr. Kabir Jurazoda.

---

*"From our side, the CAREC Institute will continue to help our member countries overcome these challenges through cutting-edge research, development of capacity building services, knowledge sharing, and close collaboration with think tanks in CAREC countries,"*

Kabir Jurazoda,  
Director of the CAREC Institute.

## Fourth CAREC Chai Event Discusses Climate Change Issues and Potential for Regional Action

The CAREC Institute, in partnership with the Asian Development Bank (ADB), hosted the fourth Chai event to discuss the results of the Scoping Study on Climate Change in the CAREC Region commissioned by the CAREC secretariat, main climate change challenges the region faces, and required policy actions.

Dr. Lyaziza Sabyrova, Director of the Regional Cooperation and Operations Coordination Division of the ADB, warmly welcomed the participants of the event and introduced the ADB consultant team who conducted the Scoping Study. She noted that this study is a crucial resource for understanding the current situation in the CAREC region from a climate perspective and the risks for the region, identifying opportunities, and developing the necessary strategies and actions to address climate change. The Scoping Study highlights the need to take immediate actions to reduce the risks and maximize opportunities associated with climate change.

Mr. Kabir Jurazoda, Director of the CAREC Institute, in his opening remarks noted that the Central Asian region is becoming a global hotspot for long-term climate trends, experiencing devastating floods, severe droughts and excessive heat. These long-term challenges and threats highlight the critical need for urgent and effective actions to address climate change issues in the CAREC region and ensure the wellbeing of its people. He underlined that the CAREC Institute, as a knowledge hub, regards climate change as one of its key areas of research and capacity building, helping the countries to develop and implement adaptation and mitigation strategies. In 2022, the CAREC Institute held two climate change dialogues with national experts and representatives of international and regional organizations that helped to increase interaction between the major stakeholders and understanding of climate challenges in the region, as well as to define potential ways to unlock comprehensive regional actions. The institute has already conducted research that highlights the exposure of the CAREC economies to the impacts of climate change and helps understand the opportunities for climate change adaptation and mitigation, as well as the potential for regional cooperation.

Continued on the next page ➡



Participants of the Fourth CAREC Chai Event.

The results of the Scoping Study were presented by a team of consultants led by Dr. Johannes Linn. The study had three objectives: i) to define how the CAREC Program can intensify its support for regional actions to respond to climate change, ii) to develop a systematic and strategic approach by the CAREC Program to the climate agenda in the region, and iii) to provide a reference document on climate issues in the CAREC region. The report analyses three important policy dimensions—the national climate commitments and strategies for each of the 11 CAREC countries; financing requirements and potentials; and the scope and existing institutional platforms for regional action. Dr. Linn noted that CAREC has a unique and urgent opportunity to set a course for proactive, systematic and strategic engagement on climate change by developing a range of regional actions in response to the regional nature of many climate change impacts and solutions and supporting its member countries in reinforcing, modifying and implementing existing strategies on climate change mitigation and adaptation. The consultants suggest incorporating climate change as an urgent crosscutting issue in the CAREC Strategy, adopting a CAREC Climate Change Strategy, and establishing a senior-level Steering Committee for climate change to develop a road map for own climate change projects and targeted climate mitigation and adaptation components, and the participation in projects of others.

Dr. Iskandar Abdullaev, Deputy Director Two of the CAREC Institute, spoke about the water and climate problems in Central Asia and the prospects for regional cooperation based on the findings of the latest reports published by the CAREC Institute—1) *Climate Vulnerability, Infrastructure, Finance and Governance in CAREC Region*, and 2) *Water-Agriculture-Energy Nexus in Central Asia Through the Lens of Climate Change*. The countries of Central Asia have experienced much higher rates of temperature rise compared to the global average over the past hundred years. The region has seen an increase in the frequency of adverse natural disasters of a wide range. The magnitude of future temperature increases and changes in precipitation patterns in the region is likely to exceed observed historical changes. Climate change in the region will cause significant changes in annual volume and seasonal patterns of rivers' run-off. In this regard, Dr. Abdullaev suggested focusing on addressing the economic issues of climate change by prioritizing investment strategies, providing financial tools and mechanisms, and developing necessary adaptation and mitigation mechanisms to reduce the environmental impacts and the vulnerability of the population, especially in rural areas. Countries need to improve water use efficiency, establish early warning systems for extreme climate events, implement no-till technologies and crop diversification, and improve crop management.

Professor Dechong Huang from Hohai University presented proposals for the development of water, energy and food cooperation between China and the countries of Central Asia under climate change. Central Asian countries can start by coordinating the development planning and strategies on the water-energy-food nexus and create a joint platform for data exchange. For industrial development, countries need to stabilize the water, energy and food supply chains, as well as the production chain. In order to nurture talent, countries need to conduct joint research on the water-energy-food nexus and develop professional skills and technologies and promote the application and transformation of scientific and technological achievements. Most importantly, countries can jointly ensure investment in the water-energy-food nexus in Central Asia and share knowledge and policy practices.

Dr. Kamalbek Karymshakov, Vice-Rector of the Kyrgyz Turkish Manas University, and Dr. Dina Azhgaliyeva, Research Fellow at the ADBI, presented the results of a recent study on climate change and household energy consumption in the CAREC region. The study found that households, whose incomes declined in the two years following COVID-19, consume more biomass in rural areas and electricity in cities instead of coal. The authors recommend promoting the development of natural gas and LPG infrastructure and reducing the consumption of solid fuels, while increasing the price of electricity should be carried out with caution due to the possibility of switching to coal consumption by households, especially from vulnerable groups.



# CAREC Institute Presented at the Research in Action Workshop 2023

On April 12, Deputy Director Two of the CAREC Institute, Dr. Iskandar Abdullaev, participated in the international workshop “Research in Action 2023”, which was organized by the British Management University in Tashkent, Uzbekistan. The workshop participants discussed the ongoing global transformation processes and their impact on Central Asian countries. The event is a part of “Research in Action” workshop series which were previously held in Cambridge, London, Bukhara, Astana, Almaty, and Baku.

Dr. Iskandar Abdullaev spoke about climate change and the development of the energy sector in Central Asia. He noted that the countries of Central Asia are experiencing much higher rates of temperature rise compared to the world average over the past hundred years and an increase in the frequency of adverse natural disasters. Climatic change in the region will cause significant changes in annual volume and seasonal patterns of rivers’ run-off. As a result, climate change leads to economic losses in agriculture of Central Asia. Therefore, countries in the region need to prioritize their national investment strategies and use suitable mitigation and adaptation mechanisms to reduce impact of environmental externalities and vulnerability of population, especially in rural areas. Suitable adaptation and mitigation mechanisms should include policies aimed at improving water use efficiency, establishing early warning systems for climate-related extreme events, introducing no-till technologies and crop diversification, afforestation, improved crop management. More importantly, countries in the region should deepen regional cooperation for effective adaptation and energy transition.

He noted that there is a potential for the development of green energy in the Central Asian region as green energy resources are available throughout the region, while countries have already committed to reducing greenhouse gas emissions. The countries of Central Asia can follow the strategies aimed at enhancing the marketization of energy and improving the energy efficiency. The marketization-oriented approach is more suitable for economies with a relatively developed energy sector and with the necessary market institutions in

place. The energy sector can continue to meet the urgent needs of economic development through the improvement of small hydropower plants, the expansion of the use of solar, wind and other renewable energy sources. However, national governments still need external support and expertise to overcome major institutional and structural weaknesses in their economies. Regional cooperation should target technical, financial, and other forms of coordinated activities directed toward rehabilitation of existing and construction of new intra- and interregional energy-generating facilities and infrastructure. “Regional cooperation can also help harmonize renewable energy policy standards and share best practices in policy development and implementation,” said Dr. Iskandar Abdullaev.

---

*“Regional cooperation can also help harmonize renewable energy policy standards and share best practices in policy development and implementation,”*

Iskandar Abdullaev,  
Deputy Director Two  
CAREC Institute.

---



Research in Action Workshop-2023.

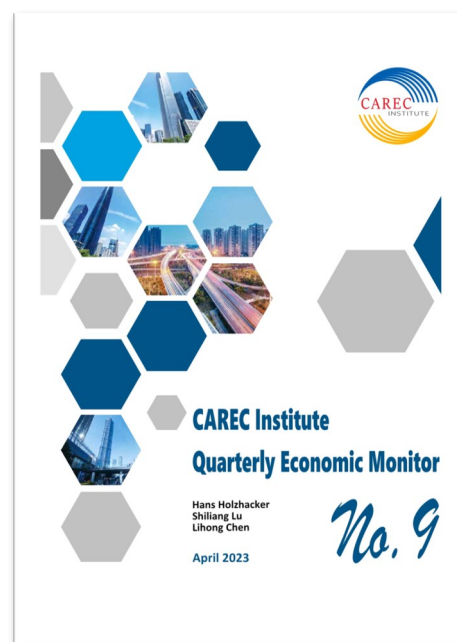
## CAREC Quarterly Economic Monitor No.9

The Chief Economist Team of the CAREC Institute has released the 9<sup>th</sup> Quarterly Economic Monitor.

The new issue of Quarterly Economic Monitor discusses GDP, industrial production, and consumption growth in the CAREC region, along with foreign trade, inflation, monetary policy developments, and credit growth—as usual. It once again shows that the performance of the CAREC economies in 2022 has been generally quite resilient against the multitude of shocks faced since 2020. However, growth is still mostly consumption- and government-driven, whereas investment has remained relatively hesitant.

The Quarterly Economic Monitor also gives an overview over country rating actions for the CAREC economies since 2020. Rating outlooks were generally upgraded in early 2023 after several negative outlooks in 2022. However, a number of CAREC countries remain in the high-risk area.

You can download the 9<sup>th</sup> Quarterly Economic Monitor of the CAREC Institute using [the following link](#).



## CAREC Institute Held Its Quarterly Review Meeting with ADB and Ministry of Finance of the PRC

On April 13, the CAREC Institute held its Quarterly Review Meeting with the Asian Development Bank and the Ministry of Finance of the People's Republic of China (MoF PRC). The senior management team and operational staff from all sides discussed the implementation of the 2023-2024 Rolling Operational Plan of the CAREC Institute, including key research, capacity building and knowledge management activities, institute's financial management and sustainability issues, CAREC Chair event topics for 2023, CAREC Institute's involvement in the CAREC energy sector research and capacity building activities, preparation for the 2023 CAREC Ministerial Conference and the 14th meeting of the Governing Council of the CAREC Institute.

Mr. Kabir Jurazoda, Director of the CAREC Institute, informed the participants about the plan of reorganization of the institute in 2023, aimed at increasing the work efficiency and productivity, efficient resource management, and improving personnel planning and budgeting. The reorganization of the institute will be accompanied

by using efficient decision-making processes, new internal rules and regulations, and an online knowledge and document management platform, etc.

Ms. Lyaziza Sabyrova, Director, Central and West Asia Department, ADB, and Mr. Zhan Shu, Director, Department of International Economic and Financial Cooperation, MoF PRC, have provided valuable feedback and guidance on the activities of the CAREC Institute, topics and documents, which were discussed during the meeting.

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 the operational and institutional activities. The Quarterly Review Meeting also discusses new geopolitical and geo-economic developments in the region and beyond, as well as how to shape the CAREC Institute's knowledge

# Staff Paper: Geographical Proximity and Trade Impacts in the CAREC Region

Senior Research Specialist of the CAREC Institute, Dr. Ghulam Samad co-authored with Amjad Masood, and Junaid Ahmed a working paper on *“Geographical Proximity and Trade Impacts in the Central Asia Regional Economic Cooperation Program Region.”* The paper is available in the ADB East Asia Working Paper Series (see No. 60, March 2023). The study explores how trade facilitation measures at border crossing points of CAREC countries improve trade generation using the structural and spatial gravity models with the Corridor Performance Measurement and Monitoring (CPMM) data. The findings indicate that similarities in languages, colonial history, and large trade volumes are conducive to trade growth. The subnational trade facilitation measures in neighboring areas also generate additional regional trade. Furthermore, the study finds that electronic sanitary and phytosanitary certification can facilitate increased trade. Implementing electronic sanitary and phytosanitary certification expedites clearance times and reduces costs incurred at border crossing points. The authors conclude that trade agreements—such as regional and free trade agreements and preferential trade agreements—facilitate trade at the border crossing points of participating countries.

The authors make the following recommendations for CAREC countries to implement policies on fostering

trade facilitation and better data collection for future policy analysis:

- CAREC members should encourage digitalization of the trade facilitation indicators—for example, electronic sanitary and phytosanitary certification—that plays a significant role in trade facilitation at the border crossing points.
- A pragmatic and implementable approach can be developed by the relevant stakeholders for regional trade, free trade, and preferential trade agreements between CAREC partner countries to facilitate trade through the border crossing points.
- CPMM provides data at the border crossing points that are useful for its trade facilitation indicators, but the border crossing point trade data needed for more robust country-specific trade analysis at the border crossing point level are missing. The study suggests that CAREC members collect trade data at the border crossing points so that holistic trade generation analyses can be carried out at a border crossing points level.
- Contiguity analyses are missing at the regional level, mainly due to data limitations. For a holistic, robust, country-level spatial analysis, CAREC members should collect data at the regional, national, and subnational levels.

## Staff papers on energy transition, green growth and digital finance

Senior Research Specialist of the CAREC Institute, Dr. Asif Razzaq, has published three papers on subjects of the energy transition, green energy and digital finance. His most recent paper *“Dynamic and threshold effects of energy transition and environmental governance on green growth in COP26 framework”* is published in one of the top journal in energy field—Renewable and Sustainable Energy Reviews (JCR-Q1), co-authored with Arshian Sharif, Ilhan Ozturk and Sahar Afshan. Authors applied a dynamic panel threshold model and found significant evidence of the dynamic relationship between energy transition, environmental regulations, and green growth in 37 International Energy Agency economies from 2010 to 2020. Using a newly constructed composite energy transition index (ETI) the authors found that the threshold of 0.485 of the ETI serves as

a breakeven point for determining low and high green growth. Environmental regulation plays a significant and positive role for green growth, and its marginal contribution towards green growth is more substantial if the environmental regulation score is higher than 0.604. The combined impact through the interactive term of energy transition and environmental regulations reflects a more substantial impact than their individual effects. Noticeably, the lagged effects of ETI and environmental regulations are more substantial and positive, which implies that a certain time lag is required to materialize the full benefits of green growth. These results suggest inclusive and long-term policy for energy transition and governance is imperative to achieve green growth agenda.

Another paper *“Inclusive infrastructure development, green innovation, and sustainable resource management: Evidence from China’s trade-adjusted material footprints,”* coauthored with Arshian Sharif, Ilhan Ozturk and Marinko Skare, is published in Resources Policy journal (JCR-Q1). The paper analyzes the asymmetric impact of resource depletion associated with Chinese infrastructure development and urbanization by controlling the effects of green innovation and economic growth from 1990 to 2018. The long-run results show that infrastructure development, urbanization, and economic growth significantly contribute to consumption-based material footprint. The positive impact of infrastructure development is highest for higher quantiles of the consumption-based material footprint, while the impact of urbanization is highest at lower quantiles. And, green innovation significantly decreases the consumption-based material footprint, mainly at higher quantiles.

The third paper *“Digital finance and green growth in China: Appraising inclusive digital finance using web crawler technology and big data”* is co-authored with Xiaodong Yang and published in one of the top journal –Technological Forecasting and Social Change (JCR-Q1). This paper examines the influence of digital finance on green growth using China's city-level data from 2008 to 2019. The authors found that the influence of digital finance is more pronounced in eastern and central regions of China than in the western region. The paper concludes that digital finance encourages green growth by supporting the digital transformation of enterprises and addressing energy poverty.

## Publications Catalogue of the CAREC Institute Out Now

The CAREC Institute has released its 2023 edition of the Major Publications Catalogue. It contains the latest publications produced by the CAREC Institute across all of its thematic areas and includes flagship reports, books, policy and economic briefs, periodicals, and more. CAREC Institute’s staff and research fellows regularly produce knowledge products to meet the policy needs of CAREC countries. The latest publications in the catalogue can be accessed through links to their digital versions, and for this you just need to click on the publication of interest.



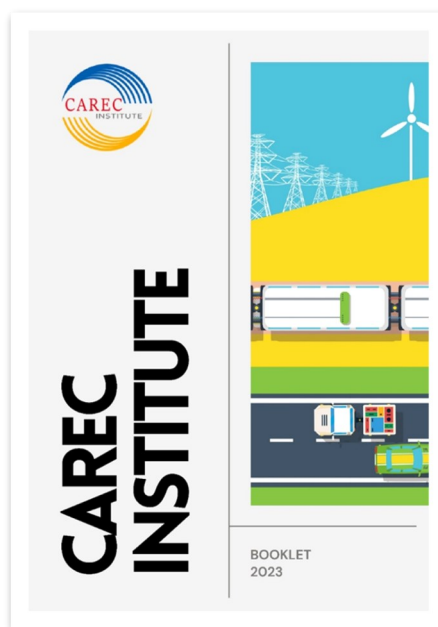


# Booklet of the CAREC Institute

The CAREC Institute has released its 2023 version of the booklet, which outlines the history of the institute, its main current activities, knowledge products and services, and governance structure.

The CAREC Institute is an intergovernmental organization dedicated to promoting economic cooperation through knowledge generation, capacity building and knowledge sharing in the CAREC region. As a leading regional knowledge hub, the CAREC Institute has a mission to support shared future and sustainable development in the CAREC region and beyond.

The CAREC Institute is the knowledge support arm of the CAREC Program that is a proactive facilitator of practical, results-based regional projects, and policy initiatives critical to sustainable economic growth and shared prosperity in the region, guided by the overarching vision of “Good Neighbors, Good Partners, and Good Prospects.”



## Facts About the CAREC Institute



The new Factsheet of the CAREC Institute provides concise information about our work and accomplishments. In this Factsheet, you will learn about our institute, its main knowledge products and activities, and nine key facts.

Join us on LinkedIn, Weibo and WeChat to stay up to date with our news, publications and upcoming events:

carec-institute

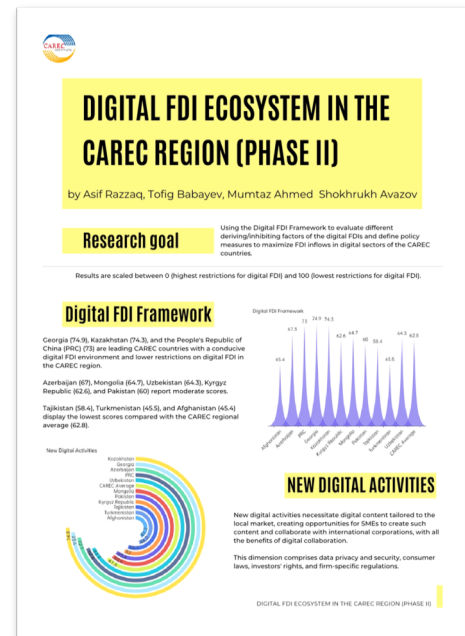


中亚区域经济合作学院



## Infographic on Digital FDIs in the CAREC Region

A new infographic prepared by the CAREC Institute is based on its current *Research Report on CAREC Digital FDI Ecosystem in the CAREC Region* and provides insight into deriving/inhibiting factors of digital FDI in each country in the CAREC region.



## Research Digest: Green Strategies of Kazakhstan and Uzbekistan

Chapter 5 of the CAREC Institute's Second Annual Book *"Determinants of Carbon Emission and the Potential Economic Impact of 'Green' Economy Strategies in Central Asia: Kazakhstan and Uzbekistan"* by Bakhrom Mirkasimov, Etenesh B. Asfaw, Zohid Askarov, Azizakhon Mukhammedova explores an economic impact of the green economy strategies of Kazakhstan (adopted in 2013) and Uzbekistan (adopted in 2019) using the Oxford Observatory methodology.

Applying regression analysis to a panel dataset from 1990 to 2020, the authors conclude that investments in renewable energy contribute to emission reductions in Kazakhstan and Uzbekistan. Uzbekistan's exports of goods increase CO<sub>2</sub> emissions, while imports have a negative relationship, implying the pollution haven theory, according to which foreign investment and trade facilitate the transfer of pollution-intensive enterprises from one country to another.

Population growth is associated with increased energy use and environmental degradation. High energy use has a detrimental impact on Kazakhstan's environment, while increased urbanization has a negative effect on the environment of Uzbekistan, possibly due to the high level of unplanned urbanization. As the rural population moves to the

cities, energy consumption increases. In addition, growing cities require excessive land use for urbanization, resulting in forest losses. However, planned urbanization correlates with lower CO<sub>2</sub> emissions in cities. With adequate planning and laws on carbon emission and urban development, the economic advantages of urbanization may be reached without harming the environment. Also, land use planning helps minimize carbon emissions and hence the effect of urbanization on the climate.

An analysis of the green strategies of Kazakhstan and Uzbekistan shows that the economic gain from the speed of implementation of green interventions in both countries is likely to be insignificant. On the other hand, green interventions by both countries will likely have a multiplier effect on the national economy (income) in the long term. The study proves that investments in green interventions will contribute to economic growth, innovation, and new jobs across green sectors in the long run.

In addition, the document provides detailed policy recommendations for both countries to address the challenges facing the transition to a green economy.

# Research Digest: Development of E-Commerce in the CAREC Region

*Chapter 8 of the CAREC Institute's Second Annual Book Chapter*, written by Ghulam Samad and Soo Hyun Kim, discusses the importance of four key factors—e-commerce infrastructure, fintech inclusion, ePhyto certification and e-commerce regulations—to the development of e-commerce in the CAREC region.

E-commerce infrastructure and regulations vary across the CAREC region, with some of the CAREC countries leading and some are lagging. The UNCTAD's B2C e-commerce index, which measures the readiness of countries for e-commerce, ranks Georgia and China first and second in the CAREC region, while the global ranking is 47 and 55 respectively. The index identifies the strengths and weaknesses of having poor internet, lack of bank accounts, low numbers of internet users, and poor postal services of a country. According to the index, 56 percent of CAREC population used the internet, showing that the CAREC region performs best, while other indicator scores show relatively poor performance. Improved internet infrastructure, widened financial inclusion, expansion of logistics and integrated with delivery systems, and the development of e-commerce market are critical to the success of e-commerce in the CAREC region.

The development and use of fintech in the CAREC region are hampered at micro and macro levels. At the micro level, insufficient collateral or guarantees, lack of relationships with financial institutions, and insufficient credit or performance history. At macro level, fintech development and usage hinges on the overall level of financial systems and how local firms are integrated. To improve financial inclusion, which will ultimately contribute to the development of financial technologies, CAREC member countries need to focus on the fintech foundations by developing regulatory (cybersecurity, data governance and privacy protection) and digital technology infrastructure to facilitate trade and supply chain finance, and cross border paperless trade.

Under the CAREC Trade Integrated Agenda 2030, several trade facilitation initiatives were launched, notably the mutual recognition of Sanitary and Phytosanitary (SPS) e-certification. In this context, the Common Agenda for the Modernization of Sanitary and Phytosanitary Measures for Trade was endorsed by the CAREC Ministers in 2015. SPS certificates are one of the essential documents for international trade, and ePhyto can help reduce trade costs more

significantly and increase intra-CAREC trade. Digitalization offers immense potential to make international trade easier and more sustainable. The ADB Policy brief *"Expanding Agri-Trade in Central Asia through the Use of Electronic Certificates"* notes that most of the CAREC countries have a legal basis for the recognition of Phyto-certificates and the exchange of electronic certificates, but countries have varied degrees of electronic exchange and international data storage capacities. Uzbekistan is the best-case scenario that fully switched to e-certification. The PRC is integrated with HUB via the national ePhyto system. Unfortunately, for the rest of the CAREC countries transition to e-Phyto certification requires digital capacities, legislative reforms to recognize ePhyto certificates and regional cooperation. Therefore, CAREC countries should continue implementing trade facilitation measures, including institutional arrangements, transparency and formalities, as mandated by the WTO Trade Facilitation Agreement.

A key challenge to enabling e-commerce, fintech proliferation and ePhyto certification is inconsistent regulatory environment that prevails in CAREC countries. The CAREC Institute Policy Brief *Regulatory Framework for e-Commerce Development in CAREC* invites CAREC countries to update their legal frameworks, ensure conformity with internationally recognized standards, and harmonize laws and approaches among themselves. There are two main regulatory problems that exist: 1) laws that do not recognize e-commerce, and 2) laws that recognize it inconsistently and possibly inadequately. Based on the regulatory framework of CAREC countries, the authors propose a hybrid approach to legislation that has elements of both technology neutrality and specificity, and the countries should place great importance to ensuring that privacy, cyber-crime and consumer protection legislations are in line with international best practices.

## Upcoming Event: Country-Specific Workshops on Road Asset Management – Kyrgyz Republic and Tajikistan

The CAREC Institute, in partnership with the Asian Development Bank (ADB), will host country-specific workshops on Road Asset Management (RAM) in Bishkek, Kyrgyz Republic, during May 23-26, and in Dushanbe, Tajikistan, during May 29-June 1. These multi-session workshops are designed based on the CAREC Institute RAM maturity assessment of the CAREC countries and the developed action plan, which were conducted in 2021. The workshops offer practical training to RAM professionals, including senior officials and experts with extensive experience in the road sector, road authorities, consultants, and RAM academics. They are delivered in collaboration with the Kyrgyz State Technical University and the Ministry of Transport of the Republic of Tajikistan.

The core objectives of the workshops are:

- to carry out country review on the implementation of RAM and to further develop the target participants' knowledge and skills on asset data collection, management and maintenance;
- to introduce the road related Greenhouse Gas (GHG) emissions and counter measures as well as to produce country specific improvement plan in GHG reduction;
- to create a core group of competent asset managers within each CAREC country and ultimately across the CAREC region who can support each other in RAM; and
- to enhance member countries capabilities for bridging capacity gaps among member countries on RAM and promote cooperation among experts and policymakers and influencers.



### Road Asset Management

### Kyrgyz Republic and Tajikistan

---

#### Country-Specific Workshops

Kyrgyz Republic during 23-26 May, 2023  
Tajikistan during 29-31 May and 1 June, 2023  
[www.carecinstitute.org](http://www.carecinstitute.org)  
[www.elearning.carecinstitute.org](http://www.elearning.carecinstitute.org)



## Upcoming Event: CAREC Institute's Third Water Virtual Policy Dialogue

The CAREC Institute will host the Third Water Virtual Policy Dialogue on “Water Infrastructure in Central Asia: Promoting Sustainable Financing and Private Capital Participation” on June 5, 2023, from 15:00 to 17:00 Beijing time. The CAREC Institute's Dialogue series is a new approach to knowledge exchange and capacity building dedicated focused on clusters of the CAREC 2030 Strategy.

Countries in the CAREC region still face some barriers in the water sector, such as large losses of irrigated agricultural water; risks in the public, state-owned and heavily regulated water sector make foreign direct investment, private financing and other forms of financing unattractive; and the water infrastructure built for the Soviet large collective farms became difficult to manage and largely unsuitable for modern agricultural production. Given the growing demand for water as a result of the high consumption and water intensity, governments in Central Asia now need innovative strategies to make more productive and efficient use of this vital resource. The best way to increase funding for the water sector is to pool private capital with the public. According to a recent report by the CAREC Institute, *"Water Infrastructure in Central Asia: Promoting Sustainable Financing and Private Capital Participation,"* infrastructure and relevant economic and financial regulations, which were developed during the Soviet period, for the water sector in Central Asia are outdated. The current water sector financial system still lacks efficiency and effectiveness indicators. While the investment environment in the water sector is not supportive of private funding, high competition for public funds led to a deficiency in financing the sector.

The event aims 1) to facilitate an open dialogue among leading water management experts and the private sector on long-term sustainable water sector financing solutions in Central Asian countries, 2) to discuss, analyze, and select the practical implications of water financing challenges and opportunities for Central Asia, and 3) to further explore policy recommendations to the governments by leveraging possible synergies to play the role of social regulator.

Simultaneous English and Russian translation will be available during the event.

To attend the Third Water Virtual Policy Dialogue, please register using *the following link*.



The Third Water Virtual Policy Dialogue

### Water Infrastructure in Central Asia: Promoting Sustainable Financing and Private Capital Participation

**The event is aimed**

- To facilitate an open dialogue among leading water management experts and the private sector on long-term sustainable water sector financing solutions in Central Asian countries
- To discuss, analyze, and select the practical implications of water financing challenges and opportunities for Central Asia
- To further explore policy recommendations to the government by leveraging possible synergies to play the role of social regulator

**Register via ZOOM**

**JUNE 5, 2023**  
**15:00-17:00 (UCT+8)**  
[www.carecinstitute.org](http://www.carecinstitute.org)  
[www.elearning.carecinstitute.org](http://www.elearning.carecinstitute.org)



## ADVERTISEMENTS



### Research Conference

## Prospects for an Inclusive Green Growth and Sustainability in the CAREC Region

Tentative dates : September 5-6, 2023

The Third CAREC Institute Research Conference “**Prospects for an Inclusive Green Growth and Sustainability in the CAREC Region**” aims to foster connection between research and policy making by systematically documenting policy-oriented research and creating CAREC-customized up-to-date narratives around inclusive and green economic growth.



May 10, 2023  
15:00–17:30 p.m (UCT+8)  
[www.elearning.carecinstitute.org](http://www.elearning.carecinstitute.org)

### Regional Policy Dialogue

## Unleashing the Potential of MSMEs in the CAREC Region: Recommendations for Overcoming Barriers

**zoom**  
Register via Zoom

### 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.

