



**CAREC Institute**

**Quarterly Economic Monitor**

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## Disclaimer

This eleventh issue of the CAREC Institute Quarterly Economic Monitor is co-authored by Hans Holzhaecker, Chief Economist at the CAREC Institute, Shiliang Lu, Research Specialist at the CAREC Institute, and Merdan Yazyyev, Research Expert at the CAREC Institute.

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## Abbreviations

ADB	Asian Development Bank
ADO	Asian Development Outlook
CAREC	Central Asia Regional Economic Cooperation
CIF	Cost Insurance and Freight
COVID-19	Coronavirus disease 2019
CPI	Consumer Price Index
ECA	Europe and Central Asia
FOB	Free on Board
GDP	Gross Domestic Product
GEP	Global Economic Prospects
H1	First Half (financial or calendar year)
IMF	International Monetary Fund
IPO	Initial Public Offering
MSB	Micro and Small Business
NDRC	National Development and Reform Commission, PRC
PBOC	The People's Bank of China
PRC	People's Republic of China
QEM	Quarterly Economic Monitor
Q1	First quarter
Q2	Second quarter
Q3	Third quarter
Q4	Fourth quarter
REITs	Real Estate Investment Trusts
RMB	Renminbi
WB	World Bank
WEO	World Economic Outlook
yoy	year-on-year

Growth has been resilient and macroeconomic stability has been preserved in the CAREC region in 2023; the services-driven nature of growth poses some questions about the underlying growth pattern, however.

CAREC real GDP growth remained generally robust in the first half of 2023. Inflation pressures have begun to recede, and government debt remained generally at acceptable levels, indicating a fairly stable macroeconomic environment in most of the CAREC economies. However, in some countries external debt is rather high and foreign exchange reserves are rather low. GDP growth has been mainly services-driven in 2023. Especially mining continues to show high volatility and has at constant prices hardly exceeded 2019 levels. Strong retail sales while industrial output growth has been rather weak also point to the trade- and services-driven nature of growth. This might point to some diversification towards services in the CAREC region or it might simply be the result of recovered incomes and consumption desire after the hardship of the COVID-19 years; and as such transitory. More detailed research will be needed to answer this question.

The performance in the first half of 2023 and IFI forecasts indicate relatively solid growth for most CAREC economies.

**GDP growth remained generally robust in most CAREC economies in the first half of 2023.** Average CAREC real GDP growth slightly eased to 5.5% yoy in H1 2023 from 5.8% yoy in the full year of 2022, but accelerated in a number of economies (Table 1, Figure 1). Growth was higher in H1 2023 than in 2022 in the PRC, Kazakhstan, Mongolia, and Tajikistan. It was somewhat lower in the rest of the economies. Even so, Georgia and Uzbekistan still secured decent growth rates of 7.6% and 5.6% yoy, respectively; growth in Turkmenistan remained unchanged at 6.2% yoy.

**Table 1. Real GDP growth (% , yoy)**

	2015-2019	2021	2022	2023 H1	2023F	2024F	2023F			2024F		
					Average ADB, IMF and WB		ADB	IMF	WB	ADB	IMF	WB
Afghanistan	1.9	-20.7										
Azerbaijan	0.8	5.6	4.6	0.5	2.1 (2.9)	2.5 (3.0)	2.2	2.5	1.5	2.6	2.5	2.4
PRC	6.7	8.4	3.0	5.5	5.2 (5.3)	4.4 (4.5)	4.9	5.0	5.6	4.5	4.2	4.6
Georgia	4.0	10.5	10.1	7.6	6.0 (4.3)	4.9 (5.0)	6.0	6.2	5.9	5.0	4.8	4.8
Kazakhstan	2.5	4.3	3.2	5.1	4.4 (3.8)	4.3 (4.3)	4.1	4.6	4.5	4.3	4.2	4.3
Kyrgyz Republic	4.2	5.5	6.3	3.9	3.6 (3.8)	4.1 (3.9)	3.8	3.4	3.5	4.0	4.3	4.0
Mongolia	3.9	1.6	5.0	6.4	5.5 (5.0)	5.6 (6.0)	5.7	5.5	5.2	5.9	4.5	6.3
Pakistan*	3.8	5.8	6.1		0.1 (0.5)	2.1 (2.5)	0.3	-0.5	0.4	1.9	2.5	2.0
Tajikistan	6.9	9.2	8.0	8.3	6.5 (5.7)	5.7 (5.3)	6.5	6.5	6.5	7.0	5.0	5.0
Turkmenistan	6.3	5.0	6.2	6.2	4.4 (4.4)	4.1 (4.1)	6.2	2.5		6.0	2.1	
Uzbekistan	5.8	7.4	5.7	5.6	5.5 (5.1)	5.5 (5.3)	5.5	5.5	5.5	5.5	5.5	5.6
CAREC average**	4.5	6.3	5.8	5.5	4.3 (4.1)	4.3 (4.4)	4.5	4.1	4.3	4.7	4.0	4.3

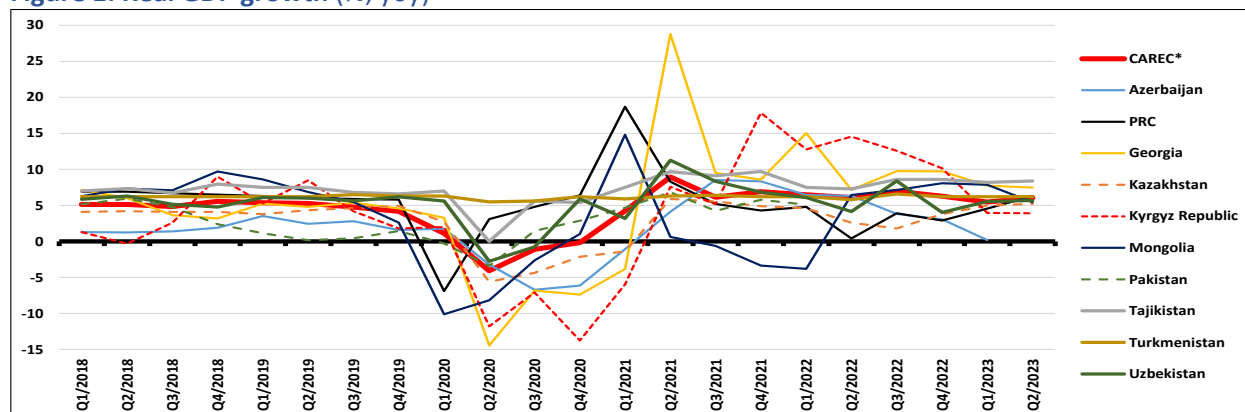
\*The column labeled 2021 refers to FY2020/21, and 2022 refers to FY2021/22.

\*\* To keep growth rates comparable, Afghanistan is not part of the CAREC average because data unavailability since 2022.

Note: Green figures indicate faster growth than in 2015-19, red figures lower growth; figures in brackets show previous average ADB-IMF-WB forecasts.

Sources: CEIC, national statistical offices, ADB (ADO, September 2023 forecast), IMF (WEO, October 2023 forecast), WB (GEP, June 2023 forecast; ECA Economic Update, Fall 2023 forecast), authors' calculations based on data from national statistical agencies and news.

**Figure 1. Real GDP growth (% , yoy)**



\*Refers to the simple average of CAREC economies where data are available.

Note: Some economies don't provide quarterly data, but publish only by longer periods, e.g. Jan-Sep; the figures in this chart are rough estimates by the authors how these data translate into growth rates of separate quarters.

Source: CEIC, national statistical agencies, authors' calculations.

**For the full years 2023 and 2024, ADB-IMF-WB forecast somewhat slower growth than in 2022 for the CAREC region on average but a still decent one.** Real GDP growth is foreseen to turn out at 4.3% yoy on average both in 2023 and 2024 (Table 1). For the PRC, Kazakhstan, and Mongolia growth is projected to accelerate compared to 2022 in 2023 and 2024, for the other CAREC economies to slow. The IMF reduced its growth forecast for Pakistan to minus 0.5% yoy in its October 2023 World Economic Outlook, indicating a potential risk of contraction.<sup>1</sup> For 2023 the IFIs' combined forecasts are slightly higher now than in the previous forecasts for the CAREC region on average. For 2024 forecasts are slightly lower than the previous ones. The IFIs revised their forecasts upwards for 2023 for Georgia, Kazakhstan, Mongolia, Tajikistan, and Uzbekistan, for 2024 for the Kyrgyz Republic, Tajikistan, and Uzbekistan. The forecasts for the other economies were lowered somewhat.

**The IFIs also forecast a marginal deceleration compared to the pre-pandemic years of 2015-19 on average in CAREC.** Average CAREC growth in 2023 and 2024 is projected to be 0.2 percentage point lower than in 2015-19 (Table 1). However, the average masks significant differences among the CAREC economies. Azerbaijan, Georgia, Kazakhstan, and Mongolia are expected to grow significantly faster than in 2015-19. Higher commodity prices and in case of Georgia immigration and relocation of businesses from Russia should support this. Most other CAREC economies are foreseen to have still decent growth rates, though lower ones than in 2015-19. The PRC is foreseen to grow 5.2% yoy in 2023, and 4.4% in 2024, roughly in line with the PRC's own target. The PRC has recently adopted a multitude of measures to support its economy (see box).

<sup>1</sup> Next Quarterly Economic Monitor will briefly report about Pakistan's Standby Agreement with the IMF and the IMF's review.



### **Box: The PRC's measures to support the private sector**

The National Development and Reform Commission (NDRC), together with seven ministries<sup>2</sup> and several departments, released a "Notice of the National Development and Reform Commission and other departments on the implementation of several recent measures to promote the Development of the Private Economy"<sup>3</sup> on 29 July 2023, sending a resounding signal that the government will further strengthen its support for the private sector. The circular covers a series of 28 measures designed to address prominent problems and thorniest challenges faced by the economy and particularly by the private sector. The 28 measures cover five areas: fair market access for private enterprises (10 measures), stronger financial and land support (7 measures), greater legal protection (2 measures), better government services (5 measures), and better business environment (4 measures).

Private enterprises are encouraged to participate in a series of major national projects to be launched, especially major science and technological projects, and in core sci-tech areas such as industrial software, cloud computing and artificial intelligence. A reserved quota of 40 percent for private enterprises in government procurement will be extended by the end of 2023. In addition, these measures include the continuation of "green light" investment cases for the platform economy, a process through which the authorities can approve certain investment transactions of private internet platforms.

In terms of financial support, the ministries will offer private businesses an easier process of tax reductions for research and development spending, shorten the time for export tax rebates, strengthen financial support,<sup>4</sup> and extend the term of the instrument supporting MSB (Micro and Small Business) loans to the end of 2024. Qualified private enterprises will be encouraged to issue REITs (Real Estate Investment Trusts) to promote private investment. More private enterprises will be eligible to issue bonds. The ministries also called for adjustments to land supply to meet private enterprises' demand for land use. The ministries vowed to strengthen the legal protection for private enterprises, to make greater efforts to repay debts owed to private enterprises and to abolish regulations and official documents that violate the principles of equality for enterprises of diverse types of ownership.

The Circular lists specific areas in which private enterprises are encouraged to take the lead in undertaking scientific and technological research, namely industrial software, cloud computing, artificial intelligence, industrial internet, gene and cell medicine, and new energy storage, etc. The circular also proposes to "set up a special fund to promote private investment within the scope of the central government budget, provide incentive support for cities and counties with rapid growth rates, high proportion, strong vitality, feasible and practical measures for private investment every year".

#### **Measures to prop up consumption**

Recent initiatives to promote consumption include "Several Measures to Promote Automobile Consumption" and "Several Measures to Promote the Consumption of Electronic Products". The latest was "Measures on Restoring and Expanding Consumption" issued by the NDRC on 31 July<sup>5</sup>, which includes 20 measures covering six categories: stabilizing consumption of big-ticket items, promoting services consumption, promoting rural consumption, expanding new forms of consumption, improving consumption facilities and optimizing the consumption environment.

The policies focus on consumption chains such as the automobile chain, housing chain, cultural tourism chain, etc. Based on these priority issues, the circular proposed to optimize the management of automobile purchase and use, expand the consumption of new energy vehicles, support housing demand, expand consumption of catering services, enrich cultural tourism consumption, carrying out green products going to the countryside, expand digital consumption, strengthen financial support for the consumption field, etc.

#### **Central bank measures**

In order to support the implementation of the guideline to promote the development of the private economy, the central bank PBOC pledged to "take forceful measures" to create favorable conditions for the development of private enterprises, maintaining market liquidity reasonably ample and use structural tools to guide more financial resources to private enterprises. Specific measures will be taken to facilitate equity, bond, and loan financing for private enterprises, include incentivizing banks to continuously beef up lending to private enterprises, to support private enterprises' IPOs and financing via the stock market, to enlarge the size of private enterprises' bond financing, and to encourage institutional investors to increase their allocation in private enterprise bonds.

Since the beginning of 2023, the PBOC has made financial support for the development of small, micro and private enterprises a top priority, and continued to enhance re-lending support. The central bank announced to increase the refinancing and rediscount line for agricultural and small businesses by 200 billion RMB on 30 June. It announced a second cut to the reserve requirement ratio on 14 September 2023, thus facilitating banks' lending to the economy and promoting a further reduction in financing costs.

*(Contributed to the Quarterly Economic Monitor by CAREC Institute's senior economic specialist Lihong Chen)*

<sup>2</sup> The National Development and Reform Commission (NDRC), the nation's top economic planning agency, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Science and Technology and the People's Bank of China (PBC), the central bank.

<sup>3</sup> Translation by the author

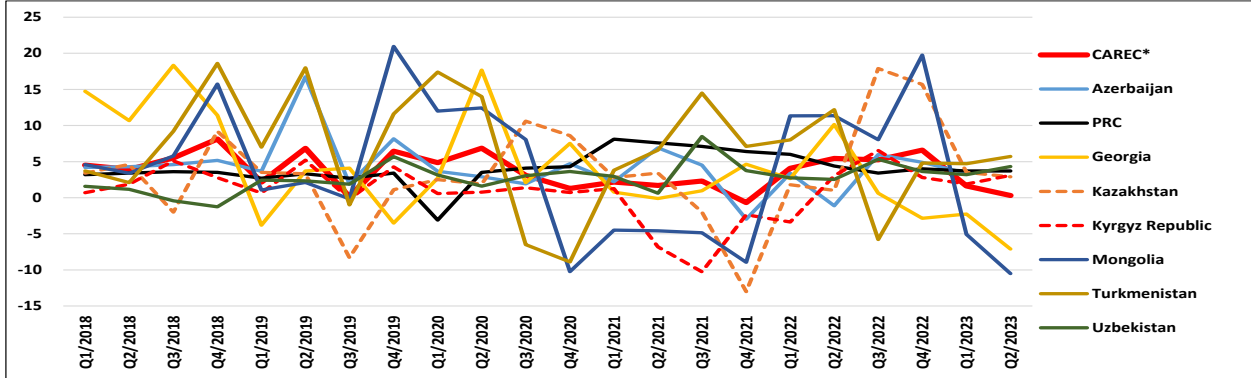
<sup>4</sup> An instrument supporting micro and small enterprises (MSEs). The State Council decided to replace the inclusive loan repayment extension support tool for MSEs with inclusive loans for them on 15 September 2021. From the beginning of 2022 till the end of June 2023, the government would provide funds to local banks who issue inclusive loans to MSEs and the self-employed equivalent to one percent of the increase in their loan balance to encourage them to issue more such loans.

<sup>5</sup> [https://www.gov.cn/zhengce/content/202307/content\\_6895599.htm](https://www.gov.cn/zhengce/content/202307/content_6895599.htm) (author's translation)

The main driver of CAREC growth has been services in 2023, whereas mining results continued to be rather mixed.

Growth in agriculture was generally lower in CAREC in the first half of 2023 than in 2022. The average increase in value added<sup>6</sup> in agriculture slowed to estimated 0.3% yoy in Q2 2023 from 1.6% yoy in Q1 2023 and 4.1-6.6% in the four quarters of 2022 (Figure 2). The value added contracted in Georgia and Mongolia by 7.1% yoy and 10.5% yoy, respectively, in Q2 2023 after negative readings already in Q1 2023. In Kazakhstan growth decelerated to 2.9% yoy in Q2 2023 from 3.5% in Q1 and double-digit growth of 17.9% and 15.7% yoy in Q3 and Q4 2022. In the PRC, growth also remained slightly below 2022 readings at 3.7% yoy both in Q1 and Q2 2023. However, the Kyrgyz Republic, Turkmenistan, and Uzbekistan saw a slight acceleration at 3.1%, 5.7% and 4.3% yoy in Q2 2023 compared to Q1 2023 and also compared to 2022.

Figure 2. GDP by origin: Agriculture (% yoy)

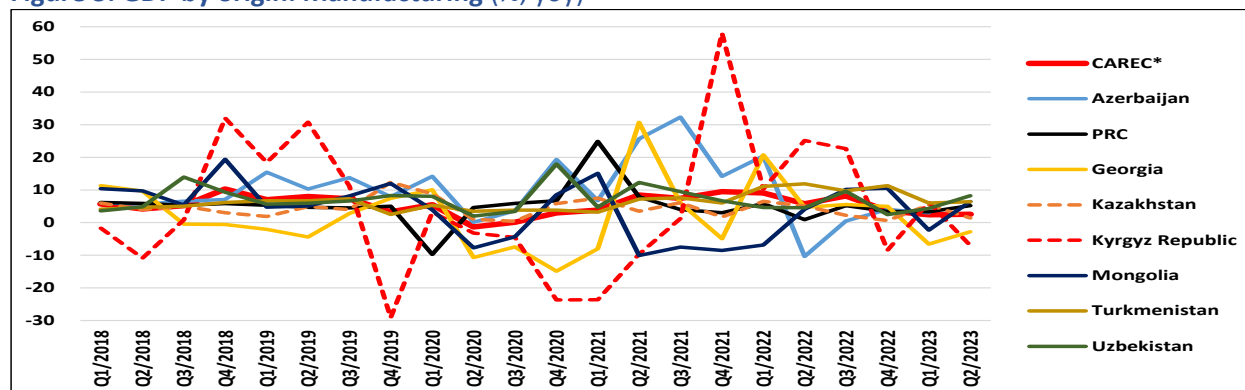


\*Refers to the simple average of CAREC economies where data are available.  
Source: CEIC, authors' calculations.

In manufacturing value added growth accelerated in Q2 2023 compared to Q1 2023 in most CAREC economies, but at different speed, while remaining somewhat below 2022 growth rates on average. Average CAREC growth in manufacturing slowed to 2.5% yoy in the first half of 2023 from 6.7% yoy in 2022 (Figure 3). In the PRC and Uzbekistan, manufacturing grew faster in the first half of 2023 than in 2022, in the other CAREC economies growth was slower. In Q2 2023, average CAREC growth in manufacturing slightly accelerated to 2.6% yoy, up by 0.2 percentage point from Q1. All CAREC economies with data availability except for Kazakhstan and the Kyrgyz Republic saw an acceleration in Q2 2023 compared to Q1, the PRC and Turkmenistan a moderate one, Georgia, Mongolia, and Uzbekistan a substantial one. In Mongolia, manufacturing growth swung to plus 6.5% yoy in Q2 2023 from a contraction of 2.3% yoy in Q1 2023. In Georgia, growth remained negative at -2.8% yoy in Q2 2023, but less so than at -6.6% yoy in Q1. Growth in the Kyrgyz Republic was highly volatile, with a negative reading of -7.0% yoy in Q2 2023 after strong plus 6.2% yoy in Q1 2023 and negative -8.5% yoy in Q4 2022. Kazakhstan recorded 1.4% yoy growth in Q2 2023, down from 5.4% yoy in Q1 however.

<sup>6</sup> The Monitor analyses here components of real GDP. All components are looked at in national currency at constant prices.

Figure 3. GDP by origin: Manufacturing (% , yoy)

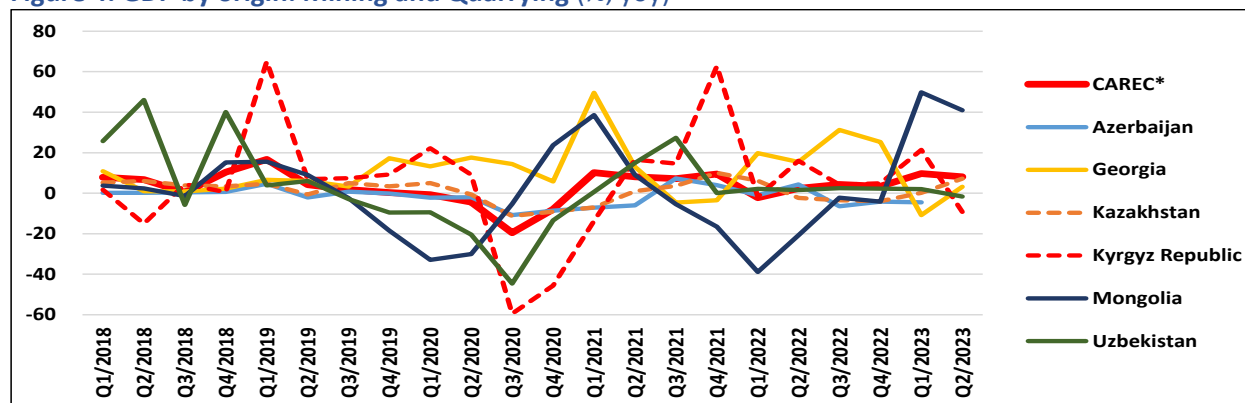


\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

**Mining<sup>7</sup> continued to show a highly mixed picture.** Mongolia's mining recovery delivered growth rates as high as 40.9% yoy in Q2 2023 after 49.8% yoy in Q1 thanks to the post-COVID opening-up of the PRC (Figure 4). In Georgia and Kazakhstan value added in mining was up by 3.1% yoy and 7.2% yoy, respectively, in Q2 2023, after minus 10.8% yoy and plus 0.2% yoy in Q1 2023. In the Kyrgyz Republic, mining sharply contracted by 9.2% yoy in Q2 after high growth of plus 21.4% in Q1. Uzbekistan saw a mining contraction of 1.7% yoy in Q2, the first contraction since 2020, after already weak growth of 2.0% yoy in Q1. On average in CAREC, growth in mining accelerated to 7.8% in the first half of 2023 from 1.9% in 2022. However, net of Mongolia there was a slowdown to 0.3% yoy in H1 2023 from 5.6% yoy 2022.

Figure 4. GDP by origin: Mining and Quarrying (% , yoy)



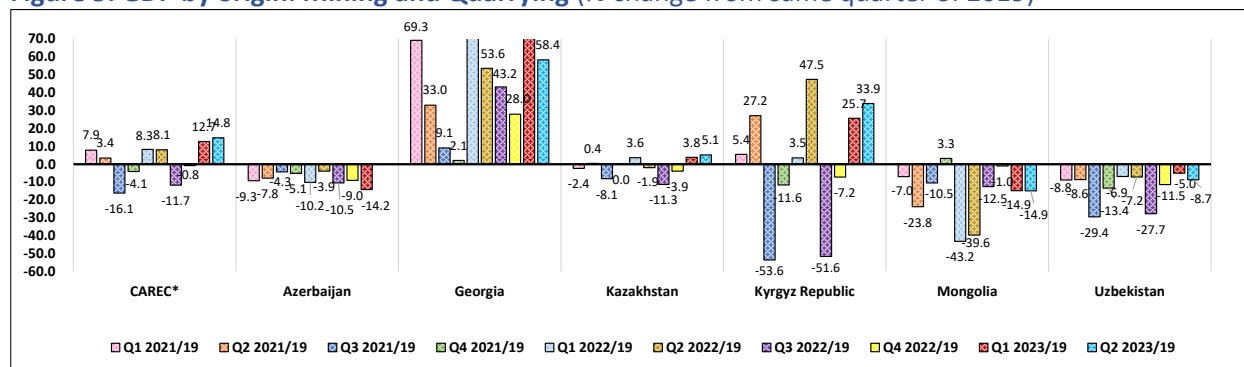
\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

**In contrast to other sectors, value added generation in mining has not yet clearly exceeded pre-COVID-19 levels in the main CAREC mining countries.** Mining value added at constant prices was still persistently below 2019 levels in 2022 and H1 2023 in Azerbaijan, Mongolia, and Uzbekistan (Figure 5). It exceeded 2019 levels in Kazakhstan and the Kyrgyz Republic in H1 2023, but in Kazakhstan only slightly. The strong gains in mining products' exports in dollar terms in the first half of 2022 were obviously mostly achieved thanks to higher prices. To some extent, growth in value added in mining has also been limited by the redistribution of mining rents to other sectors such as wholesale trade or via taxes to the budget or sovereign wealth funds.

<sup>7</sup> Mining includes also oil and gas.

**Figure 5. GDP by origin: Mining and Quarrying (% change from same quarter of 2019)**

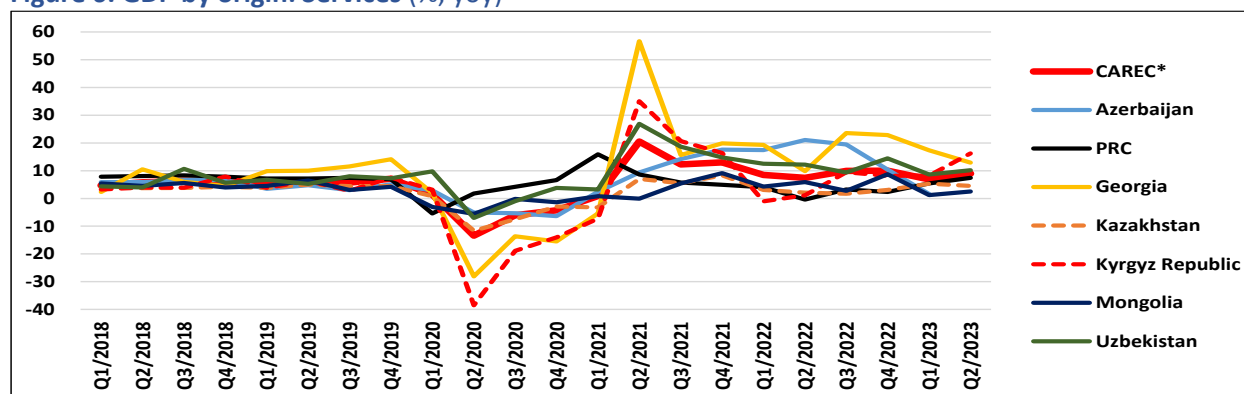


\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

**Meanwhile, growth in services has remained strong.** In the Kyrgyz Republic, value added growth in services shot up by 16.2% yoy in Q2 2023 from already high 8.1% yoy in Q1 2023 (Figure 6). In the PRC, Mongolia and Uzbekistan, growth accelerated to 7.4%, 2.5% and 10.1% yoy in Q2 2023 respectively, following 5.4%, 1.2%, and 8.6% yoy in Q1 2023. In Kazakhstan growth eased only mildly to 4.5% yoy in Q2 from 5.3% yoy in Q1 2023 while growth in Georgia remained double-digit at 12.9% yoy in Q2 after 17.3% yoy in Q1. Average regional growth in services was thus at 8.9% yoy even slightly higher in Q2 2023 than at 6.8% yoy in Q1 2023, even though marginally lower than the 9.0% yoy of 2022.

**Figure 6. GDP by origin: Services (% , yoy)**



Note: Services here include wholesale and retail trade, repair of motor vehicles and motorcycles, transportation and storage, accommodation and food service activities, and information and communication.

\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

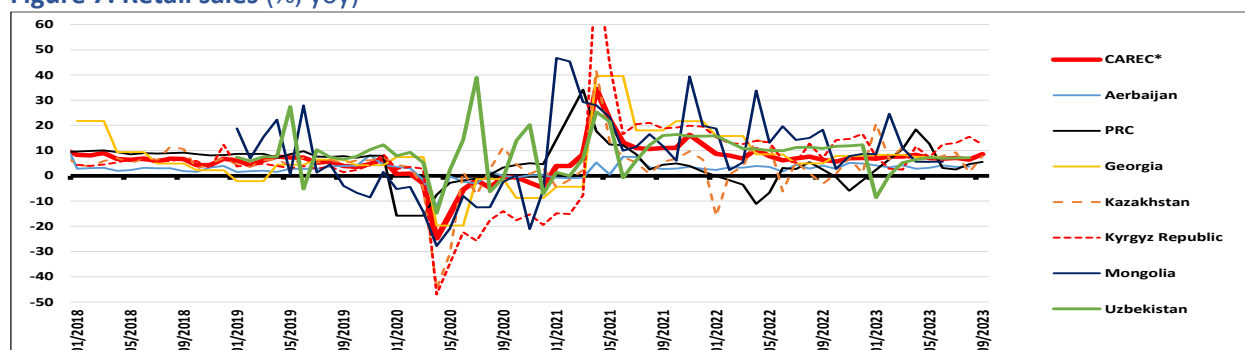
**Strong growth in retail sales whereas growth in industrial output has remained rather subdued underlines the services-driven nature of growth.**

**Growth in retail sales has accelerated further in 2023 on average in CAREC from already high figures in 2022.** Average CAREC growth in retail sales at constant prices turned out at 7.5% yoy over the average of the first nine months of 2023, 0.3 percentage point higher than in 2022 (Figure 7). The Kyrgyz Republic recorded growth of 9.5% yoy on average in 2023 after 12.1% yoy in 2022, with growth re-accelerating to 13.7% yoy in the third quarter. In the PRC growth averaged 8.7% in Jan-Sep 2023 after a COVID-19-related contraction of 1.6% yoy in 2022; it slowed to 4.2% in Q3 2023 though. Kazakhstan saw 8.5% yoy after 1.8% yoy in 2022. In Uzbekistan, growth in retail sales turned negative by -8.6% yoy in January 2023, related to power outages<sup>8</sup>, but recovered in February and accelerated to 7.1% yoy in Q3 2023. In Azerbaijan, retail

<sup>8</sup> [https://central.asia-news.com/en\\_GB/articles/cnmi\\_ca/features/2023/03/23/feature-01](https://central.asia-news.com/en_GB/articles/cnmi_ca/features/2023/03/23/feature-01)

sales increased relatively stable by between 2.8% and 4.2% yoy in the months of January to September 2023.

**Figure 7. Retail sales (% , yoy)**

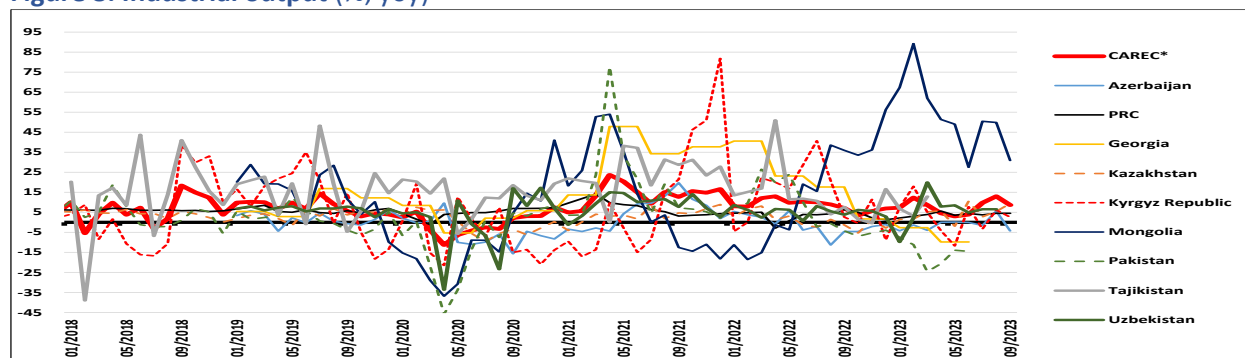


\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

**Industrial output, in contrast, significantly weakened in the CAREC region in 2023.** Growth in industrial production<sup>9</sup> at constant prices averaged 7.9% yoy in the first nine months of 2023, compared to 8.6% yoy in 2022 (Figure 8). However, this still decent growth figure was pushed up solely by Mongolia. Excluding Mongolia, average growth came down sharply to 0.8% yoy in 2023 from 7.8% yoy in 2022. In Azerbaijan industrial production contracted on average over the months of 2023 by 1.1% yoy, in Georgia by 6.3%, and in Pakistan by as much as 15.4% yoy. Growth in the Kyrgyz Republic and Tajikistan remained positive in 2023, yet significantly below the double-digit growth of 2022. Only in the PRC, Kazakhstan, and Uzbekistan growth was somewhat higher in 2023 than in 2022 at 4.3%, 4.5%, and 5.8% yoy on average over the months of 2023 with data availability compared with 3.0%, 0.9%, and 5.2% yoy in 2022.

**Figure 8. Industrial output (% , yoy)**



\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

**Foreign trade expansion in USD terms moderated but some CAREC countries bucked the trend.**

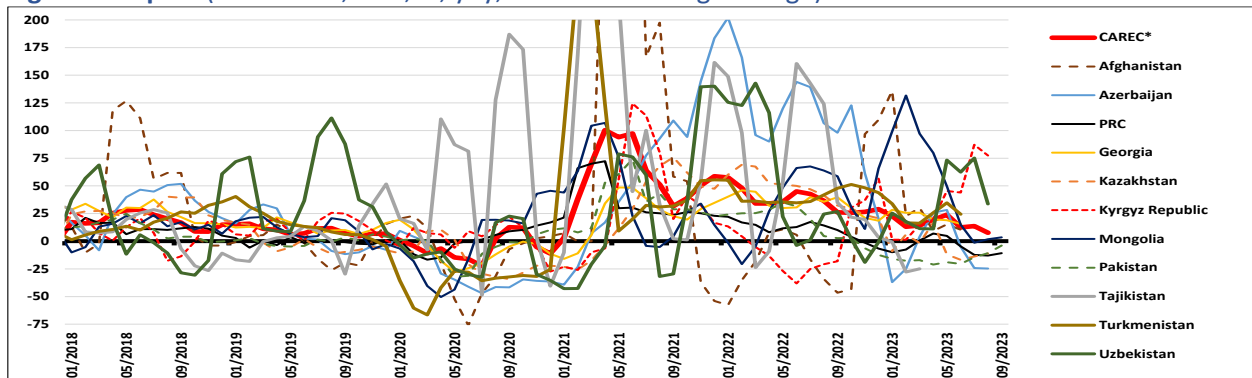
**Export growth in the CAREC region has decelerated in 2023 from the extraordinarily high readings of 2021 and 2022; exports contracted in several CAREC economies but increased strongly in the Kyrgyz Republic and Uzbekistan.** Average CAREC export growth eased to 12.5% yoy in the three months to June 2023 in US dollars terms<sup>10</sup>, the lowest since early 2021 (Figure 9). Export proceeds of the PRC and Pakistan

<sup>9</sup> Industrial output contains both manufacturing and mining output.

<sup>10</sup> We use the 3-month-moving-average here to smooth the highly volatile growth rates somewhat. After June 2023 there were no data available for several CAREC economies when writing this QEM. For later than June 2023 not for all CAREC economies were data available when writing the QEM.

contracted by 10.8% yoy and 3.9% yoy, respectively, in the three months to September; of Azerbaijan by 24.7% yoy and in Kazakhstan by 11.1% yoy in the three months to August 2023. Growth in Mongolia was at 3.5% yoy in the three months to September 2023, much lower than the high readings observed between mid-2022 and mid-2023. By contrast, the Kyrgyz Republic and Uzbekistan had growth rates of 77.4% yoy and 33.7% yoy, respectively, in the three months to August 2023. The Kyrgyz Republic's exports especially of cars and machinery increased substantially, not least to Russia. In Uzbekistan mainly increased gold exports were responsible for the growth.

**Figure 9. Export (USD based, FOB, %, yoy, 3-month-moving-average)**

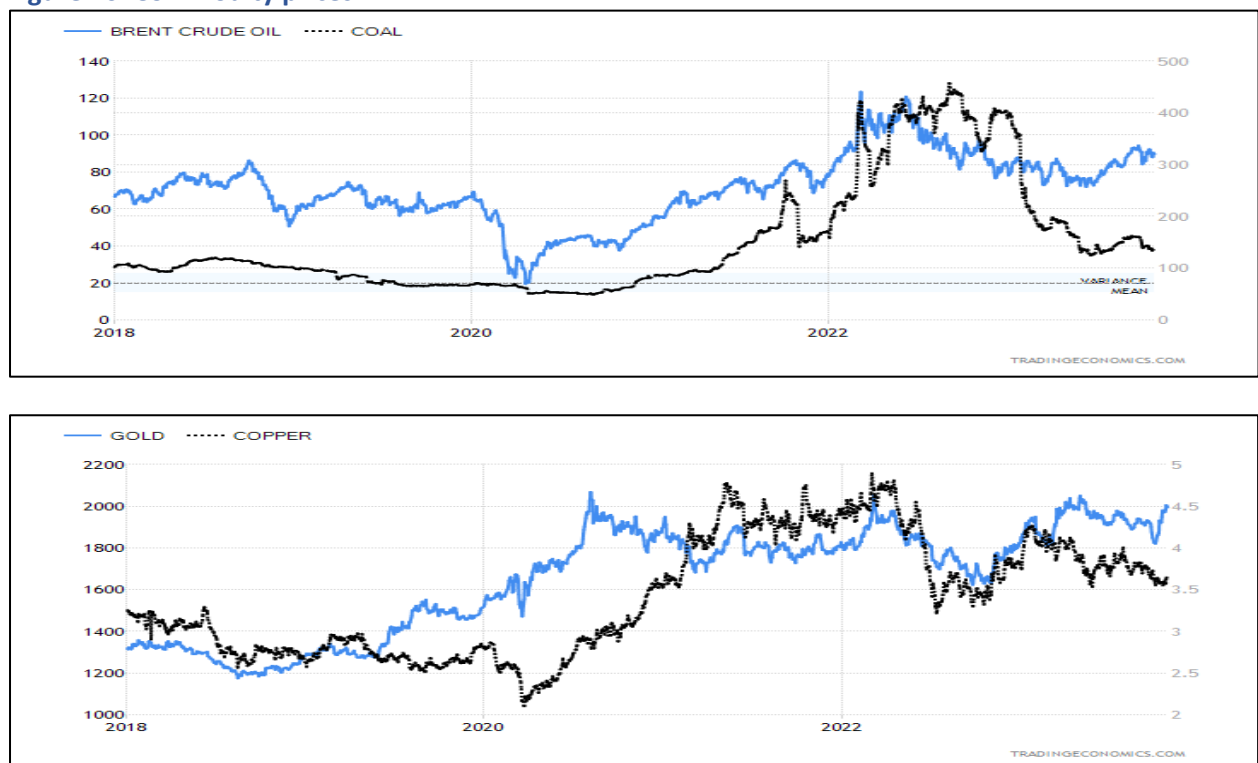


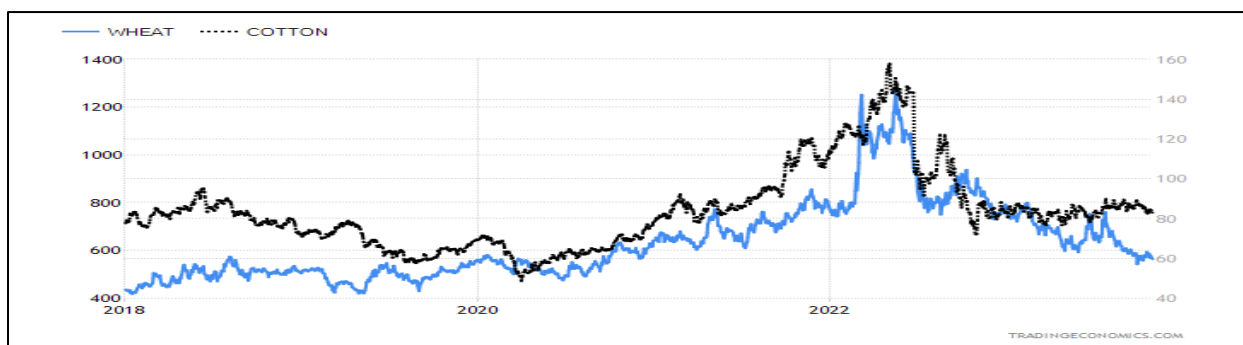
\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

**CAREC's export performance has been strongly influenced by commodity price developments.** After strong increases in 2022 prices of commodities such as oil, coal, copper, wheat, cotton have come down to some extent again (Figure 10). However, the gold price remained elevated, reflecting the perception of high economic and geopolitical uncertainty.

**Figure 10. Commodity prices**

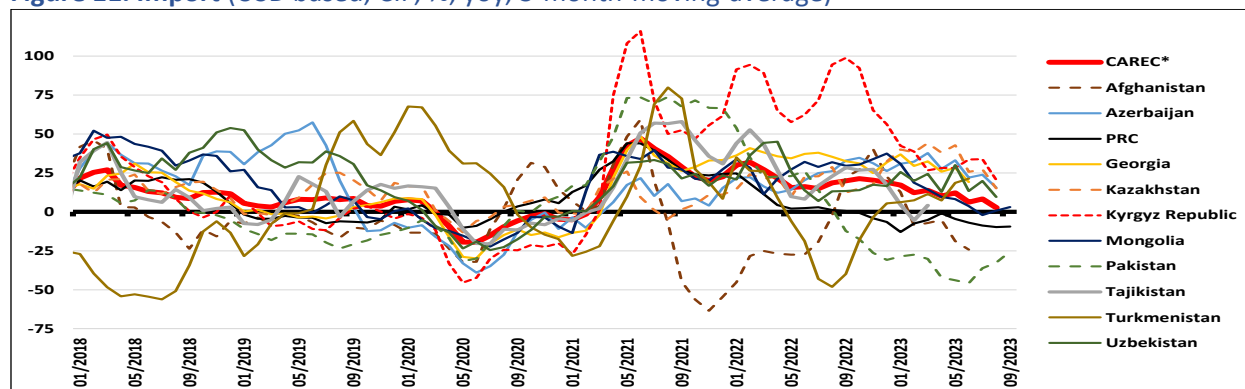




Source: TradingEconomics

**Import growth has decelerated too in most CAREC economies, mostly due to lower import prices.** On average, the USD value of CAREC imports was only 6.2% higher than a year earlier in the three months to June 2023<sup>11</sup>, compared to still 19.0% yoy for the three months to December 2022 (Figure 11). All CAREC economies except for Turkmenistan saw a slowdown in import growth or contractions in 2023. The 3-month-moving-average import growth in Azerbaijan eased from 26.3% yoy in December 2022 to 15.6% yoy in August 2023, in Georgia from 31.8% yoy in December 2022 to 19.1% yoy by June, in Kazakhstan from 32.3% yoy to 15.1% yoy, in the Kyrgyz Republic from 56.3% yoy to 20.6% yoy, in Mongolia from 37.5% yoy to 3.1% yoy by September. In Uzbekistan the easing was from 16.5% yoy in December to 9.6% yoy by August, with some higher readings than in 2022 in between though. In Afghanistan, the PRC, and Pakistan, where lower import prices combined with slower economic activity, import growth was negative by -24.2% yoy in the three months to June 2023, and by -9.4% yoy and -25.5% yoy to September, respectively. However, in Turkmenistan import growth accelerated from 5.5% yoy in the three months to December 2023 to 21.3% yoy by June.

**Figure 11. Import (USD based, CIF, %, yoy, 3-month-moving-average)**



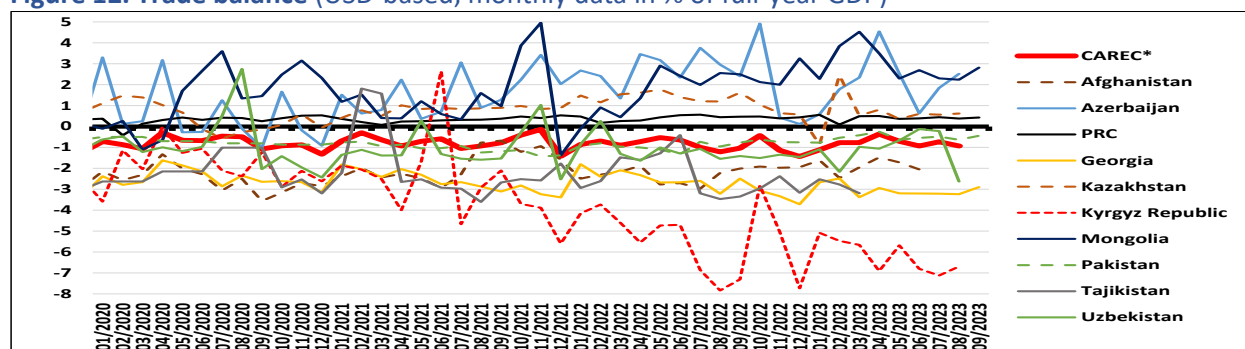
\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

**Trade balances trends diverged, both within trade surplus countries and within trade deficit countries.** Azerbaijan's surplus narrowed to 1.7% of GDP in the three months to August 2023 from 3.0% a year earlier, Kazakhstan's more pronounced to 0.6% from 1.3%, the PRC's to 0.4% by September 2023 from 0.5% the year before. However, Mongolia's surplus widened to 2.5% of GDP in the three months to September 2023 from 2.4% in the three months to September 2022. At the same time, Pakistan's deficit narrowed to 0.5% of GDP in the three months to September 2023 from 0.8% of GDP one year earlier, and Uzbekistan's to 1.0% of GDP by August from 1.3% of GDP. In contrast, Georgia's deficits widened to 3.1% of GDP from 2.8% of GDP by September, and the Kyrgyz Republic's to 6.9% of GDP in the three months to August 2023, even higher than the 6.5% of GDP the year before (Figure 12).

<sup>11</sup> For later than June 2023 not for all CAREC economies were data available when writing the QEM.

**Figure 12. Trade balance (USD-based, monthly data in % of full-year GDP)**



\*Refers to the simple average of CAREC economies where data are available.

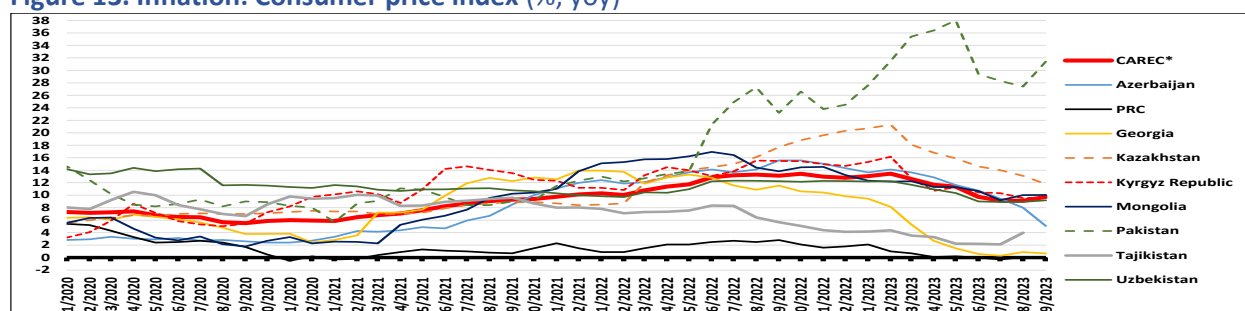
Source: CEIC, authors' calculations.

**Macroeconomic stability: despite the CAREC region's substantial resilience, some challenges remain.**

While inflation pressures have begun to ease, in some CAREC countries high external debt in combination with rather low foreign exchange reserves could expose economies to exchange rate volatility or debt refinancing difficulties in case of heightened global risk aversion.

**Inflation continued to recede in most CAREC economies in 2023.** Average CAREC inflation eased from elevated double-digit readings between December 2021 and May 2023 to 9.1%-9.7% yoy in June-September 2023 (Figure 13). Inflation in Azerbaijan and Kazakhstan came down consistently from a peak of 14.1% yoy and 21.3% yoy in February 2023 to 5.1% yoy and 11.8% yoy in September, respectively. Inflation in the Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan also eased for several consecutive months in 2023, albeit with some rebound in August or September to 9.6%, 10.0%, 4.0%, and 9.2% yoy, respectively. Georgia's inflation rate decreased to less than 1% yoy by June-September 2023. The PRC's inflation rate was flat at 0.0% in September, after rates below 1% already since March 2023. In Pakistan, inflation dropped to 27.4% yoy in August from a peak of 38.0% yoy in May; however, it rose again to 31.4% yoy in September.

**Figure 13. Inflation: Consumer price index (% yoy)**



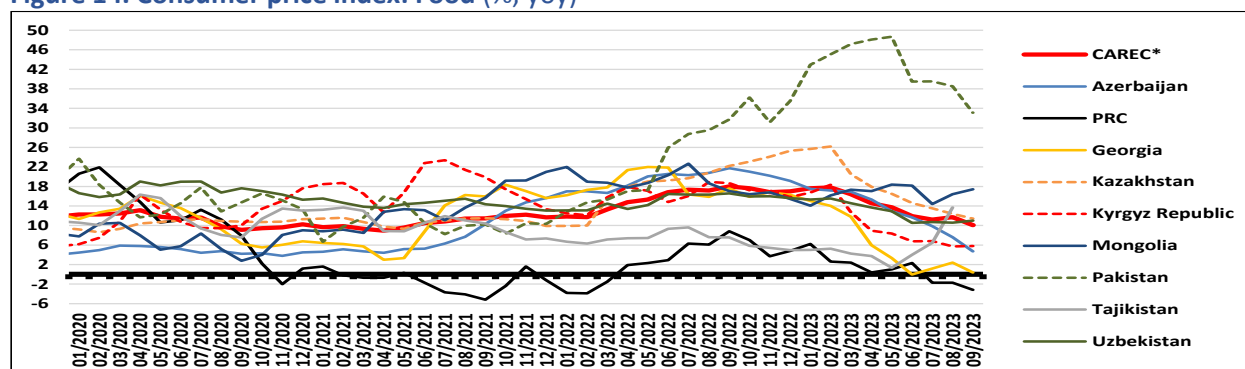
\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

**Pressure on food price inflation also moderated considerably.** On average in CAREC food price inflation eased to 10.1% yoy in September from rates above 17% yoy in Q1 2023 (Figure 14). In Azerbaijan, Georgia and the Kyrgyz Republic, food price inflation eventually decreased to single-digit rates of 4.7%, 0.4%, and 5.8%, respectively, by September. The PRC's food prices were in all three months of July to September 2023 lower than a year earlier. In Kazakhstan and Uzbekistan food price increases remained somewhat above 10% yoy but at a descending trend. However, in Mongolia food price inflation was persistent and still as high as 17.4% yoy in September, and in Pakistan it was 33.1% yoy, yet down from 38.5% in August. Tajikistan saw an increase in food price inflation to 13.7% yoy in August, from 6.5% yoy in July.



Figure 14. Consumer price index: Food (% , yoy)

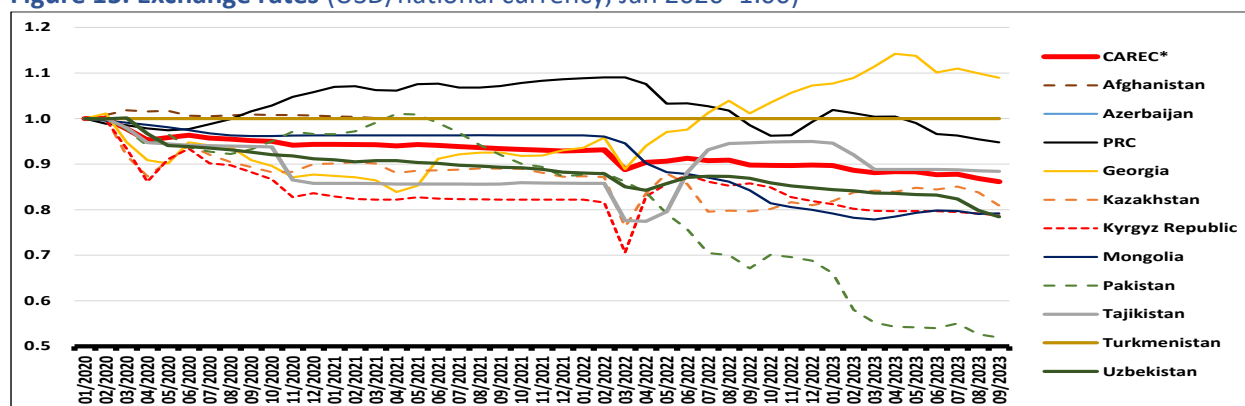


\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, authors' calculations.

All CAREC economies with floating exchange rate except for Mongolia saw renewed depreciation against the dollar in Q3 2023 compared to Q2 2023 - some as the previous weakening trend continued, some after appreciation in-between. Currencies of the PRC, the Kyrgyz Republic, Tajikistan, Pakistan, and Uzbekistan were thus weaker in nominal terms in September 2023 than a year earlier (Figure 15). Compared to 2022 also the currency of Mongolia weakened. However, the currencies of Georgia and Kazakhstan appreciated year-on-year. While this led to trade-weighted inflation-adjusted (real effective) appreciation in Kazakhstan and Georgia, the depreciation in other CAREC economies was sufficient to offset inflation. Real appreciation compared to 2022 was thus avoided and competitiveness preserved on the previous year's level (as far as determined by the exchange rate). Turkmenistan with its fixed exchange rate must have had substantial real appreciation.

Figure 15. Exchange rates (USD/national currency, Jan 2020=1.00)



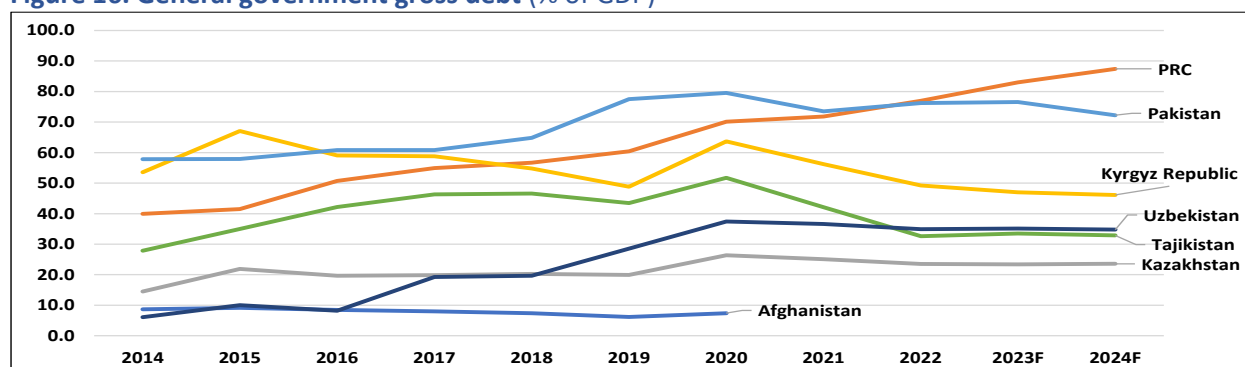
\*Refers to the simple average of CAREC economies where data are available.

Source: CEIC, Trading Economics, authors' calculations.

General government debt has come down from the COVID-related elevated readings of 2020. According to IMF estimates, general government debt fell to below 50% of GDP in most countries of the CAREC region (Figure 16). Only in the PRC and in Pakistan it was above 70% of GDP, and for the PRC it is forecast to grow further. However, the PRC debt is predominantly denominated in domestic currency, so - while still a burden to the economy - easier to service. Pakistan's program under its 9-month Stand-By Arrangement with the IMF has a strong focus on fiscal adjustment and ensuring debt sustainability while protecting critical social spending - along with adopting a market-based exchange rate system,

implementing tight monetary policy, and undertaking structural reforms, particularly with regard to energy sector viability and state-owned enterprise governance.<sup>12</sup>

**Figure 16. General government gross debt (% of GDP)**

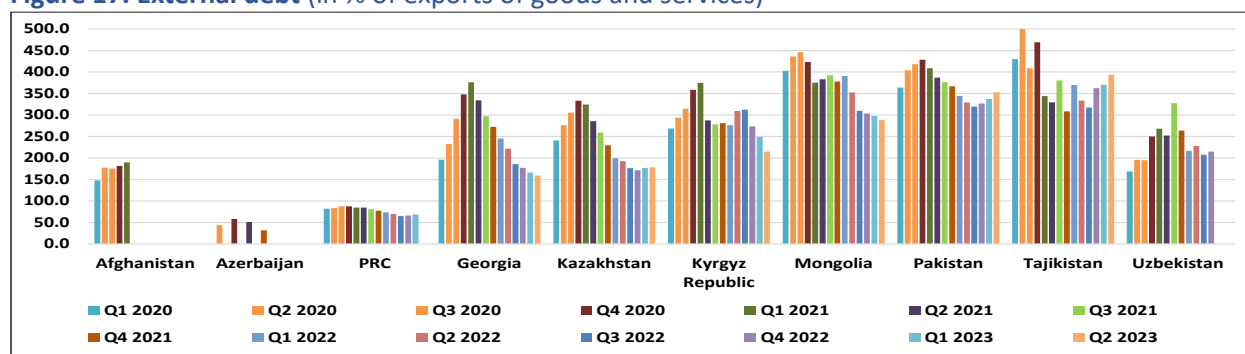


Note: China’s deficit and public debt numbers presented in this chart cover a narrower perimeter of the general government than IMF staff’s estimates in China Article IV reports (see IMF 2023 for a reconciliation of the two estimates).

Source: IMF, Fiscal Monitor (October 2023)

**The external debt of the CAREC economies has generally remained high, although in most CAREC members not dangerously high if their economies remain on track and the debt can be rolled over or refinanced.** In all CAREC economies except for Azerbaijan and the PRC more than 1.5 years of exports of goods and services are required to pay the debt off (Figure 17). For the Kyrgyz Republic and Uzbekistan more than 2 years are required, and for Pakistan and Tajikistan more than 3.5 years.

**Figure 17. External debt (in % of exports of goods and services)**



Source: CEIC, authors’ calculations.

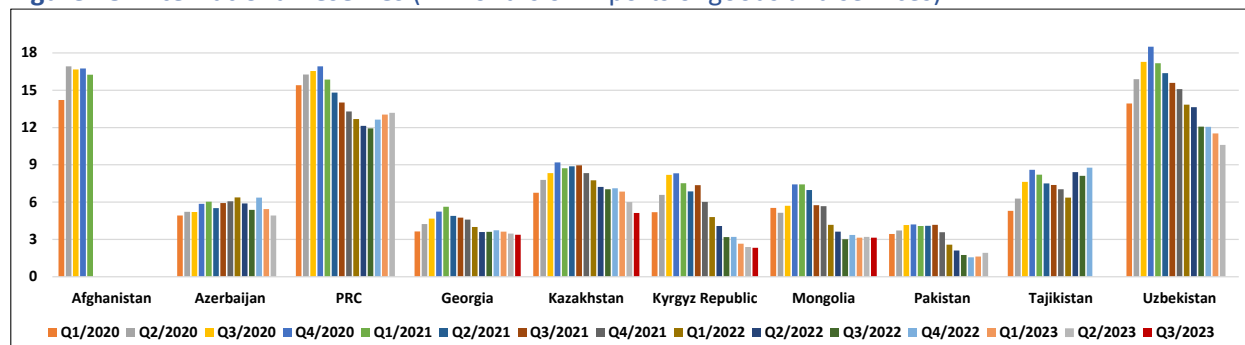
**International reserves have remained well above or at 3 months of imports of goods and services<sup>13</sup> in most CAREC economies but not in all.** In the PRC reserves were more than 12 months of imports of goods and services by end-June 2023, in Uzbekistan more than 9 months, in Tajikistan almost 9 months at the end of 2022 (Figure 18). Azerbaijan and Kazakhstan also remained comfortably above the 3-months threshold. However, Georgia and Mongolia are at this threshold, and the Kyrgyz Republic and Pakistan significantly below. Especially the latter two countries might need to take actions to improve their trade and current account balances by some economic policy tightening. The combination of high external debt and low foreign exchange can prove dangerous in case balance of payments net inflows contract due to continuing high trade deficits or because of capital outflows triggered by perceived economic or geopolitical risks in the region. On top, the inflow of remittances, accounting for as much as 27% of GDP

<sup>12</sup> <https://www.imf.org/en/News/Articles/2023/07/12/pr23261-pakistan-imf-exec-board-approves-us3bil-sba#:~:text=Washington%2C%20DC%3A%20Today%2C%20the,the%20authorities'%20economic%20stabilization%20program.>

<sup>13</sup> The rule of the thumb says reserves should be higher than 3 months of goods and services to be a safe buffer.

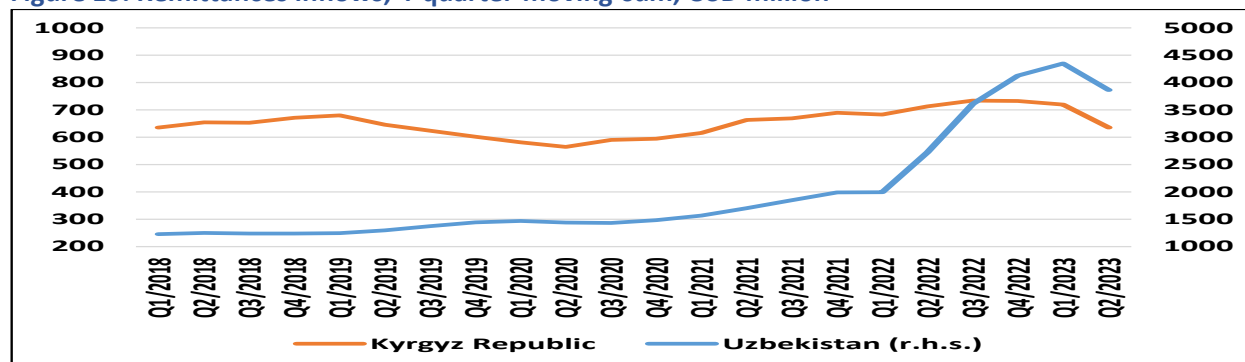
in the Kyrgyz Republic in 2022, have begun to recede to 2020 levels though swings are not as drastic as for Uzbekistan (Figure 19). Even if the debt servicing ability is not seriously impacted, the perception of increased country risk could negatively impact investment decisions or lead to exchange rate pressures. From renewed exchange rate weakness there would be some pass through to inflation again.

**Figure 18. International reserves (in months of imports of goods and services)**



Note: Annual imports of goods and services are calculated as a 4-quarters-moving-average.  
Source: CEIC, authors' calculations.

**Figure 19. Remittances inflows, 4-quarter-moving-sum, USD million**



Source: TradingEconomics

*To sum up, recent developments underline the current resilience of the CAREC economies while questions arise to what extent the services-driven nature of the recent growth heralds a shift towards a new growth model or was just achieved thanks to still relatively high commodity prices and recovered incomes and consumption. We intend to have early next year a closer look at investment in the CAREC region, and whether it indicates the transition to a more long-term sustainable growth pattern.*

## CAREC governments' cooperation initiatives

**Central Asian nations to allocate water resources to Kazakhstan****Date: 2023-11-3**

The Turkistan and Kyzylorda Regions will receive 11.1 cubic kilometers of water by April 1, according to an agreement reached between Kazakh Minister of Water Resources and Irrigation Nurzhan Nurzhigitov and Central Asian countries at the 85th meeting of the Interstate Commission for Water Coordination (ICWC) on Nov. 2 in Tashkent, reported the ministry's press service. ... This will ensure a necessary water supply for the next growing season in both regions. ... During the meeting, Kazakhstan, Tajikistan, Turkmenistan and Uzbekistan signed a protocol on the forecast mode of operation of the cascade of reservoirs in the basins of the Syr Darya and Amu Darya rivers.

MORE: <https://astanatimes.com/2023/11/central-asian-nations-to-allocate-water-resources-to-kazakhstan/>

**Source: The Astana Times****Dushanbe hosts the forum on entrepreneurship, trade and economic cooperation between Tajikistan and China****Date: 2023-11-3**

On November 2, the Forum on Entrepreneurship, Trade and Economic Cooperation between Tajikistan and China was held in Dushanbe with the participation of Deputy Prime Minister of Tajikistan Usmonali Usmonzoda and member of the Politburo of the Central Committee of the Communist Party of China, First Secretary of the Party Committee of the Xinjiang Uygur Autonomous Region Ma Xingrui. ... Following the forum, a ceremony was held to sign a number of documents between the universities of both countries. It was noted that the volume of foreign trade turnover of Tajikistan with China for 9 months of this year amounted to \$1,065 million, which is \$100 million more, or 10.4 percent, compared to the same period in 2022. China's share in Tajikistan's foreign trade turnover is 20.7% and ranks 2nd.

MORE: <https://eng.khovar.tj/2023/11/dushanbe-hosts-the-forum-on-entrepreneurship-trade-and-economic-cooperation-between-tajikistan-and-china/>

**Source: Khovar****A "Road Map" was signed between Turkmenistan and Uzbekistan****Date: 2023-11-2**

On November 1, 2023, ... a signing ceremony was held by the Ministers of Foreign Affairs of Turkmenistan R.Meredov and Uzbekistan B.Saidov of the Program of Joint Activities ("Road Map") on further development of cooperation between Turkmenistan and the Republic of Uzbekistan for 2023-2024. ... The "Road Map" was developed in order to specify the time frame for the practical implementation of agreements and arrangements reached during high-level visits between Turkmenistan and the Republic of Uzbekistan. The document provides for key areas for joint activities in the political-diplomatic, trade-economic, cultural-humanitarian spheres and interaction in the field of energy, transport and logistics, as well as in the water sector and environmental protection.

MORE: <https://turkmenistan.gov.tm/en/post/77119/road-map-was-signed-between-turkmenistan-and-uzbekistan>

**Source: Turkmenistan: Golden age****Kyrgyzstan intends to sign road agreement with Mongolia and China****Date: 2023-10-25**

Chairman of the Cabinet of Ministers of Kyrgyzstan Akylbek Japarov met with the Prime Minister of Mongolia Luvsannamsrain Oyun-Erdene. ... Akylbek Japarov noted the importance of increasing trade turnover between the two countries, as well as concluding a trilateral agreement on road communication between Mongolia, China and Kyrgyzstan and joining the existing agreement on international motor transportation along the Asian highway network. ... As a result of the meeting, an agreement was signed between the Cabinet of Ministers of Kyrgyzstan and the Government of Mongolia on cooperation in the

field of education and science, as well as a Memorandum of Understanding on cooperation between the National Investment Agency of the Kyrgyz Republic and the Investment and Trade Agency of Mongolia.  
MORE:[https://24.kg/english/278232\\_Kyrgyzstan\\_intends\\_to\\_sign\\_road\\_agreement\\_with\\_Mongolia\\_and\\_China/](https://24.kg/english/278232_Kyrgyzstan_intends_to_sign_road_agreement_with_Mongolia_and_China/)

**Source: 24.kg**

#### **MoUs worth \$150 mln signed b/n government agencies and entrepreneurs of Kyrgyzstan and China**

**Date: 2023-9-27**

Deputy Chairman of the Cabinet of Ministers of Kyrgyzstan Bakyt Torobaev, as part of a working trip to Beijing (China), took part in a meeting with representatives of the business community, organized by the National Investment Agency under the President of the Kyrgyz Republic with the support of the Association of Foreign Enterprises of the People's Republic of China, Kabar reports. ... More than 10 representatives of government agencies of Kyrgyzstan and 80 Chinese companies in various fields took part in the panel sessions. As a result of the meeting between government agencies and entrepreneurs of the Kyrgyz Republic and China, memorandums of understanding worth more than \$150 million were signed ...

MORE:<https://en.inform.kz/news/mous-worth-150-mln-signed-bn-government-agencies-and-entrepreneurs-of-kyrgyzstan-and-china-2c2055/>

**Source: Kazinform**

#### **Kazakhstan, Kyrgyz Republic sign commercial documents worth \$65 million at Interregional Forum**

**Date: 2023-9-25**

Kazakh and Kyrgyz business leaders signed commercial documents worth nearly \$65 million during the first Interregional Forum, ... reported the Prime Minister's press service. ... The agreements include the supply of poultry meat, medical and confectionery products, complex micro-fertilizers, ammophos, sodium cyanide, limestone, and shale, the provision of trade intermediary services, as well as the implementation of initiatives in light industry and banking. ... They signed the protocol of the 11th meeting of the Kazakh-Kyrgyz Intergovernmental Council. Akims (Mayors) of Shymkent and Osh, Aktobe, and Jalal-Abad Regions signed memorandums to establish twinning relations.

MORE:<https://astanatimes.com/2023/09/kazakhstan-kyrgyz-republic-sign-commercial-documents-worth-65-million-at-interregional-forum/>

**Source: The Astana Times**

#### **China and Kazakhstan discuss expanding local currency settlement**

**Date: 2023-9-22**

Officials from the central banks of China and Kazakhstan have reached consensus on a couple of issues, such as expanding bilateral local currency settlement, according to the People's Bank of China, the country's central bank on Friday. The Sub-Committee on Financial Cooperation of the China-Kazakhstan Cooperation Committee held the 12th meeting on Friday, the PBOC said in a statement. The meeting mainly discussed topics such as expanding bilateral local currency settlement and strengthening cooperation in the areas of payment services, bank cards, trade, project financing and financial regulation, and a general lot of consensus was reached.

MORE:<http://global.chinadaily.com.cn/a/202309/22/WS650d917da310d2dce4bb7578.html>

**Source: China Daily**

#### **China, Mongolia open joint center to curb desertification**

**Date: 2023-9-2**

The China-Mongolia Desertification Prevention and Control Cooperation Center was inaugurated here on Friday. The center will serve as an important platform for carrying out joint efforts to prevent and control desertification, as part of China's support for Mongolia's afforestation campaign "Billion Trees." The cooperation plan will also include China's assistance in constructing ecological protection and restoration demonstration areas in Mongolia, promoting China's advanced technologies in afforestation and desertification prevention and control, establishing monitor stations in the Gobi Desert areas, and strengthening cooperation in sandstorm monitoring and early warning.

MORE:<https://english.news.cn/asiapacific/20230902/687cfc70f68f457f8f8fd06821b559bf/c.html>

**Source: Xinhua**

### **China and Kyrgyzstan agree to increase permits for transportation of goods**

**Date: 2023-8-14**

Kyrgyzstan and China have agreed to increase the number of permit forms for transportation of goods. The Ministry of Transport and Communications reported. A regular meeting of delegations of the Ministry of Transport and Communications of the Kyrgyz Republic and the Department of Transport of XUAR of China on transport issues was held in Cholpon-Ata. According to its results, a memorandum of cooperation was signed between the Kyrgyz logistics company Kara-Bulak LLC and the Chinese international forwarding company Kashkar Zhongcheng LLC. «A protocol was signed as a result of the meeting of road transport delegations. An additional exchange of forms of permits for road transportation for 2023 in the amount of 20,000 pieces and setting of a quota for 2024 in the amount of 60,000 pieces was agreed,» ...

MORE:[https://24.kg/english/272511\\_China\\_and\\_Kyrgyzstan\\_agree\\_to\\_increase\\_permits\\_for\\_transportation\\_of\\_goods/](https://24.kg/english/272511_China_and_Kyrgyzstan_agree_to_increase_permits_for_transportation_of_goods/)

**Source: 24.kg**

### **Azerbaijan, Pakistan mull signing of preferential trade agreement**

**Date: 2023-8-4**

Azerbaijani Economy Minister Mikayil Jabbarov held an online meeting with Pakistan's Federal Minister for Commerce Syed Naveed Qamar. ... The pair emphasized that the expansion of economic and commercial cooperation is one of main priorities of partnership between the two countries, and the two sides are working sign a preferential trade agreement, which will make a special contribution to this sector. The two discussed the steps taken to sign the preferential trade agreement, implementation of joint projects and other issues on the cooperation agenda.

MORE:[https://azertag.az/en/xeber/azerbaijan\\_pakistan\\_mull\\_signing\\_of\\_preferential\\_trade\\_agreement-2719777](https://azertag.az/en/xeber/azerbaijan_pakistan_mull_signing_of_preferential_trade_agreement-2719777)

**Source: Azertac**

### **Azerbaijan, Uzbekistan to establish Investment Company**

**Date: 2023-7-18**

At the 12th meeting of the Azerbaijan-Uzbekistan Joint Intergovernmental Commission in Shusha, documents were signed between the Ministry of Economy of Azerbaijan and the Fund for Reconstruction and Development of Uzbekistan on the establishment of the Azerbaijan-Uzbekistan Investment Company, as well as the development of cooperation in the field of energy, Azerbaijan's Minister of Economy Mikayil Jabbarov said on Twitter. "The implementation of these documents will further strengthen our economic partnership and foster closer cooperation between the business communities of both countries," the minister tweeted.

MORE:[https://azertag.az/en/xeber/azerbaijan\\_uzbekistan\\_to\\_establish\\_investment\\_company-2699290](https://azertag.az/en/xeber/azerbaijan_uzbekistan_to_establish_investment_company-2699290)

**Source: Azertac**

## **CAREC cross-border business activities**

### **An agreement signed between Uzbekhydroenergo JSC and China Southern Power Grid International**

**Date: 2023-10-18**

Beijing hosts the Third Belt and Road Forum for International Cooperation. As part of this forum, an agreement was signed between Uzbekhydroenergo JSC and China Southern Power Grid International on the joint implementation of a promising project for the construction of the Yuqori Pskem hydroelectric power station with a capacity of 600 MW in Bostanlyk district of Tashkent region. The project cost is \$1 billion.

MORE:[https://uza.uz/en/posts/an-agreement-signed-between-uzbekhydroenergo-jsc-and-china-southern-power-grid-international\\_529916](https://uza.uz/en/posts/an-agreement-signed-between-uzbekhydroenergo-jsc-and-china-southern-power-grid-international_529916)

**Source: UZA**

### **Karachi – Kashgar – Bishkek corridor switches to year-round operation**

**Date: 2023-10-18**

Deputy Chairman of the Cabinet of Ministers of Kyrgyzstan Edil Baisalov met with the General Director of the National Logistics Corporation of Pakistan (NLC), General Farrukh Shahzad Rao. The press service of the Cabinet of Ministers reported. General Shahzad Rao told about the switch of Karachi — Kashgar — Bishkek transport corridor (Karakoram highway) to year-round operation and the planned arrival of the first convoy with transit cargo in Bishkek in the coming days. Representatives of the Pakistani delegation told about the activities of NLC, the largest state-owned transport and logistics company in Pakistan, and plans for the development of its cooperation with Kyrgyzstan.

MORE:[https://24.kg/english/277682\\_Karachi\\_Kashgar\\_Bishkek\\_corridor\\_switches\\_to\\_year-round\\_operation/](https://24.kg/english/277682_Karachi_Kashgar_Bishkek_corridor_switches_to_year-round_operation/)

**Source: 24.kg**

### **Azerbaijan registers growth in number of tourists from Kyrgyzstan**

**Date: 2023-10-16**

At least 95,871 tourists from Central Asian countries visited Azerbaijan in January — September 2023, which is 29.87 percent more than in the same period of 2022, Trend reports. According to the State Tourism Agency of Azerbaijan, the number of tourists from Kazakhstan reached 42,124 people (88.28 percent growth for the year), Uzbekistan — 27,976 (59.16 percent growth for the year), Turkmenistan — 18,494 (2.87 times growth for the year), Kyrgyzstan — 3,841 (77.74 percent growth for the year), Tajikistan — 3,436 (86.94 percent growth for the year). It is noted that 1,536,375 tourists visited Azerbaijan during the reporting period (32.11 percent growth).

MORE:[https://24.kg/english/277487\\_Azerbaijan\\_registers\\_growth\\_in\\_number\\_of\\_tourists\\_from\\_Kyrgyzstan/](https://24.kg/english/277487_Azerbaijan_registers_growth_in_number_of_tourists_from_Kyrgyzstan/)

**Source: 24.kg**

### **Cargo transportation along the Trans-Caspian route increased by 85.3%**

**Date: 2023-9-29**

The dynamics of cargo transportation along the Trans-Caspian route in January-August 2023 increased by 85.3% as compared to the same period of the last year. This is more than 1.7 million tons of cargo. ...The forum also included a meeting of the working group on the development of the route and the signing of an Agreement on interaction and liability measures when organizing the transportation of goods as part of container trains along the route using feeder vessels and an Agreement on the organization of container transportation in direct international railway and water communication with the participation of feeder vessels between the ports of the Caspian Sea.

MORE:<https://orient.tm/en/post/61207/cargo-transportation-along-trans-caspian-route-increased-853>

**Source: Orient**

### **Trading house of Kyrgyzstan to be opened in Chinese Xi'an city**

**Date: 2023-9-19**

A trading house of Kyrgyzstan will be opened in the Chinese city of Xi'an. Press service of the Ministry of Economy reported. ... The official told about the export potential of Kyrgyzstan, noting that Kyrgyzstan is famous for its organic products. The trading house will serve as a platform for Chinese consumers to establish direct connections with Kyrgyz manufacturers, and will also contribute to the development of e-commerce between the two countries. ... The Chinese side demonstrated the premises in which the trading house of Kyrgyzstan will be opened, the total area of which is 200 square meters. All the necessary infrastructure is available.

MORE:[https://24.kg/english/275407\\_Trading\\_house\\_of\\_Kyrgyzstan\\_to\\_be\\_opened\\_in\\_Chinese\\_Xian\\_city/](https://24.kg/english/275407_Trading_house_of_Kyrgyzstan_to_be_opened_in_Chinese_Xian_city/)

**Source: 24.kg**

### **Powerchina begins construction of a 400 MW photovoltaic power plant in Andijan**

**Date: 2023-9-14**

The construction of the solar photovoltaic power plant with a capacity of 400 megawatts was launched on September 13. The project is being implemented by the Chinese Powerchina International Group in

Andijan, the Ministry of Energy said. ... The launch of the first stage with a capacity of 100 MW is scheduled for April 1, 2024. The plant is expected to be fully commissioned by the end of next November. After reaching its designed capacity, the solar farm will be able to generate up to 700 million kWh of electricity per year. Compared to thermal power plants of similar capacity, 212 million cubic meters of gas will be saved, and atmospheric emissions will be reduced by 294 million tons.

MORE:<https://kun.uz/en/news/2023/09/14/powerchina-begins-construction-of-a-400-mw-photovoltaic-power-plant-in-andijan>

Source: UzA

### Chinese companies start mining coal in Kyrgyzstan

Date: 2023-9-12

Chinese companies have begun coal mining at Ak-Ulak and Besh-Burkan fields. Energy Minister of Kyrgyzstan Taalaibek Ibraev told about this. According to him, investors from China are ready to produce 1.8 million tons of coal annually. ... It is planned to increase the calorific value of coal through briquetting. «During the visit of the Chairman of the Cabinet of Ministers Akylbek Japarov to the XUAR, nine documents were signed on coal, six — on electricity. Two facilities have begun work. Starting next year, we will begin export of coal to Uzbekistan, China and other countries. We have a goal to reorient these 600,000 tons that we purchase from Kazakhstan to purchase from a local company,» Taalaibek Ibraev said.

MORE:[https://24.kg/english/274818\\_Chinese\\_companies\\_start\\_mining\\_coal\\_in\\_Kyrgyzstan/](https://24.kg/english/274818_Chinese_companies_start_mining_coal_in_Kyrgyzstan/)

Source: 24.kg

### Kazakhstan, Afghanistan sign contracts worth over \$190 mln

Date: 2023-8-3

Kazakhstani and Afghani entrepreneurs signed contracts worth over \$190 million in the Kazakh capital this week, Kazinform correspondent reports. Export contracts worth \$190.8 million were inked as part of the three-day Kazakh-Afghani Business Forum in Astana. The sides entered into 15 contracts on delivery of agricultural equipment, flour, and vegetable oil. According to the Kazakh Foreign Ministry, Afghanistan is among top 5 major importers of Kazakhstan's vegetable oil. 9 out of 15 contracts signed are related to vegetable oil imports.

MORE:[https://en.inform.kz/news/kazakhstan-afghanistan-sign-contracts-worth-over-190-mln\\_a4097288/](https://en.inform.kz/news/kazakhstan-afghanistan-sign-contracts-worth-over-190-mln_a4097288/)

Source: Kazinform

## CAREC intra-regional economic highlights

### China invests more than \$102 million in economy of Kyrgyzstan in 2023

Date: 2023-10-25

The volume of investments by Chinese partners in the economy of Kyrgyzstan in the first half of the year amounted to more than \$102 million. It was announced at the negotiations between the Chairman of the Cabinet of Ministers of the Kyrgyz Republic Akylbek Japarov and the Premier of the State Council of the People's Republic of China Li Qiang. ... The Kyrgyz side proposed switching to a daily round-the-clock operation of Irkeshtam and Torugart checkpoints. ... Premier of the State Council Li Qiang noted that ... He outlined the position of the Chinese side on the construction of China — Kyrgyzstan — Uzbekistan railway, noting that work is underway to agree on a financial model for implementation of this project.

MORE:[https://24.kg/english/278297\\_China\\_invests\\_more\\_than\\_102\\_million\\_in\\_economy\\_of\\_Kyrgyzstan\\_in\\_2023/](https://24.kg/english/278297_China_invests_more_than_102_million_in_economy_of_Kyrgyzstan_in_2023/)

Source: 24.kg

### Azerbaijan becomes Georgia's largest export partner in 2023

Date: 2023-10-20

Azerbaijan has become Georgia's largest trade partner this year, according to the Georgia's National Statistics Office. Official figures suggest that Georgia exported goods worth \$632.68 million to Azerbaijan in January-September of 2023. The export of goods from Georgia to Azerbaijan increased by 29.5 percent compared to 2022 and accounted for 13.7 percent of the total export. During January-September of last



year, Georgia exported goods worth \$488.67 million to Azerbaijan. During the first 9 months of the current year, the total export of Georgia increased by 12.7 percent to reach \$4.607 billion.

MORE:[https://azertag.az/en/xeber/azerbaijan\\_becomes\\_georgias\\_largest\\_export\\_partner\\_in\\_2023-2795095](https://azertag.az/en/xeber/azerbaijan_becomes_georgias_largest_export_partner_in_2023-2795095)

Source: Azertac

### **China remains Mongolia's largest trading partner in first 3Qs**

Date: 2023-10-17

China has remained Mongolia's largest trading partner so far this year. Bilateral trade between Mongolia and China amounted to 13 billion U.S. dollars from January to September, accounting for 72.3 percent of Mongolia's total foreign trade, Mongolia's National Statistics Office said in a statement. In addition, China remained Mongolia's top export destination and import supplier in the period, accounting for 91.3 percent and 40.5 percent, respectively. Mongolia traded with 158 economies worldwide in the period.

MORE:<https://english.news.cn/asiapacific/20231017/64d0740ea196440db78f2993a0adc067/c.html>

Source: Xinhua

### **Dushanbe-Khorog-Kulma highway to become a part of multimodal transport corridor**

Date: 2023-9-26

Rehabilitation of the 92-kilometer road Qalai Khumb – Vanj – Rushan administrative border in the Gorno Badakhshan Autonomous Region, or GBAO, will contribute to further development of multimodal transport corridor connecting China, Tajikistan, Uzbekistan, Turkmenistan, Iran and Turkiye, the Minister of Transport of Tajikistan Azim Ibrohim stated at the first meeting of the Working Group on the multimodal transport corridor Tajikistan-Uzbekistan-Turkmenistan-Iran-Turkiye that took place in Dushanbe on September 21, according to the Ministry of Transport (MoT) press center. The minister, in particular, noted that one of the important issues of development of that corridor was digitalization of transit documents / procedures.

MORE:<https://asiaplustj.info/en/news/tajikistan/economic/20230926/dushanbe-khorog-kulma-highway-to-become-a-part-of-multimodal-transport-corridor>

Source: Asia-Plus

### **Trade turnover between Uzbekistan and Kazakhstan increased 2.5 times**

Date: 2023-9-25

Minister of Investment, Industry and Trade Laziz Kudratov met with the Minister of Trade and Integration of the Republic of Kazakhstan Arman Shakkaliyev. ... Positive dynamics of trade turnover between the two countries were noted. Over the past 6 years, the figure has increased almost 2.5 times, amounting to \$4.6 billion. In this context, tasks have been identified to increase the volumes further and expand the range of mutual trade. Additional opportunities were highlighted for increasing mutual trade turnover to \$10 billion through mutual supplies of food, textiles, automobiles, electrical equipment, ferrous metals, and oil and gas products in the coming years.

MORE:[https://uza.uz/en/posts/trade-turnover-between-uzbekistan-and-kazakhstan-increased-25-times\\_523225](https://uza.uz/en/posts/trade-turnover-between-uzbekistan-and-kazakhstan-increased-25-times_523225)

Source: UzA

### **Trade turnover between Azerbaijan and Kazakhstan reached \$300 million in first half of 2023**

Date: 2023-9-11

“Relations with Central Asian countries are of great importance for Azerbaijan. There are close ties between Azerbaijan and Kazakhstan, which are deepening day by day. ...”, ... Noting that the cooperation between Azerbaijan and Kazakhstan is expanding every year, Ambassador of Kazakhstan to Azerbaijan Alim Bayel ... The ambassador highlighted the importance of the economic and commercial relations for both countries, saying that the trade turnover between Azerbaijan and Kazakhstan increased by 40 percent and reached \$450 million last year. “During the six months of the current year, the volume of trade turnover between the two countries has reached \$300 million. ...”

MORE:[https://azertag.az/en/xeber/ambassador\\_trade\\_turnover\\_between\\_azerbaijan\\_and\\_kazakhstan\\_reached\\_300\\_million\\_in\\_first\\_half\\_of\\_2023-2748012](https://azertag.az/en/xeber/ambassador_trade_turnover_between_azerbaijan_and_kazakhstan_reached_300_million_in_first_half_of_2023-2748012)

Source: Azertac

### **Over five years, the trade turnover between Uzbekistan and Azerbaijan increased by 6.2 times**

**Date: 2023-8-24**

Over the past 5 years, the trade turnover between Uzbekistan and Azerbaijan has increased 6.2 times – from \$29 million in 2017 to \$181.2 million in 2022. The Center for Economic Research and Reforms has prepared an infographic reflecting foreign trade relations between Uzbekistan and Azerbaijan, the volume of imports and exports for January-June 2023 by category of goods. It reflects that Uzbekistan and Azerbaijan have established a free trade regime. ... According to the results of six months of this year, the trade turnover between Uzbekistan and Azerbaijan amounted to \$84.6 million, export – \$64.1 million, import – \$20.6 million.

MORE:<https://uza.uz/en/posts/over-five-years-the-trade-turnover-between-uzbekistan-and-azerbaijan-increased-by-62-times> 514039

**Source: Uza**

### **The volume of Chinese investments in Uzbekistan's economy increased fivefold**

**Date: 2023-7-31**

In recent years, the volume of Chinese investments in Uzbekistan's economy has increased fivefold. ... Prospects for the development of mutual trade were considered. As noted, the trade volume in 2022 amounted to \$8.92 billion, and in the first half of 2023 – \$5.6 billion. ... The parties noted with satisfaction the dynamics of growth in the volume of Chinese investments in Uzbekistan's economy, which has increased 5 times in recent years and reached \$2.2 billion in 2022. The number of enterprises with Chinese capital in Uzbekistan has tripled. ... Following the meeting, a format for further cooperation was developed to accelerate the practical implementation of the agreements and the implementation of new initiatives.

MORE:<https://uza.uz/en/posts/the-volume-of-chinese-investments-in-uzbekistans-economy-increased-fivefold> 506877

**Source: Uza**

## **ANNEX II: CAREC GREENING AND CLIMATE ADAPTATION INITIATIVES IN THE MEDIA**

### **Green cooperation under the Belt and Road Initiative**

**Date: 2023-10-27**

Developing countries are going toward a low-carbon, resilient and inclusive development through BRI cooperation. ... At the third Belt and Road Forum for International Cooperation held in Beijing on Oct 17 and 18, conducting practical investment cooperation, promoting green development and strengthening international cooperation mechanisms were three of the eight actions that were considered vis-a-vis shared development in the next decade, driven by the Belt and Road Initiative.

MORE:<https://www.chinadaily.com.cn/a/202310/27/WS653b0a6da31090682a5eb00b.html>

**Source: China Daily**

### **China-Pakistan joint research center inaugurated to help mitigate climate change impacts in Pakistan**

**Date: 2023-10-26**

The China-Pakistan Joint Research Center on Earth Sciences (CPJRC), a high-level scientific and technological innovation platform between the two countries, has been inaugurated here at Quaid-i-Azam University, aimed at promoting sci-tech cooperation against climate-induced disasters and on talent cultivation. The CPJRC inaugurated on Wednesday will act as a national platform for China-Pakistan science and education cooperation, covering research areas including tectonics, environment, ecology, disaster risk reduction, and sustainable development.

MORE:<https://english.news.cn/asiapacific/20231026/b2f91b9bab7f412ca4876dcbf0d14ee3/c.html>

**Source: Xinhua**

### **Uzbekistan debuts Green Sovereign Bonds on the London Stock Exchange**

**Date: 2023-10-06**

In an unprecedented move, Uzbekistan has issued UZS 4.25 trillion (\$ 349,177,875.00) of green sovereign international bonds on the London Stock Exchange. In tandem, the nation also placed international bonds valued at \$660mn. This development was confirmed by the Uzbekistan Ministry of Economy and

Finance. ... The Ministry assures that the allocation and utilization of the green bond proceeds will be transparent and in line with international norms.

MORE:<https://daryo.uz/en/2023/10/06/uzbekistan-debuts-green-sovereign-bonds-on-the-london-stock-exchange>

Source: Daryo

### **AIIB launches climate action plan to tackle climate change**

Date: 2023-09-26

The Asian Infrastructure Investment Bank (AIIB) on Monday launched its Climate Action Plan (CAP), which it refers to as "a milestone" in its ongoing commitment to combating climate change. Designed to guide the AIIB's climate ambition from 2024 to 2030, the CAP brings together the principles governing the bank's climate financing while identifying crucial action areas that will steer its investments in support of its members, the AIIB said in a statement. ... AIIB is committed to allocate at least 50 percent of its annual financing approvals as climate finance by 2025, the statement reads, adding the bank has attained a 56-percent rate in 2022 and aligns all new investments with the principles of the Paris Agreement as of July 1, 2023.

MORE:[http://english.www.gov.cn/news/202309/26/content\\_WS651229a7c6d0868f4e8dfc10.html](http://english.www.gov.cn/news/202309/26/content_WS651229a7c6d0868f4e8dfc10.html)

Source: The State Council, PRC

### **China's Xinjiang breaks ground on its largest pumped-storage power station**

Date: 2023-09-26

Workers on Monday broke ground on what is set to be the largest pumped-storage power station in northwest China's Xinjiang Uygur Autonomous Region. ... Pumped-storage power stations use off-peak electricity to pump water to higher locations, where it is stored and then released to generate electricity when a power supply is strained. They can complement wind and solar power generation, which brings bigger fluctuations to the grid. ... Construction is scheduled to be completed in seven years. It is expected that after the station is put into operation, it will slash standard coal use by approximately 1.35 million tons and reduce carbon dioxide emissions by about 4.05 million tons per year.

MORE:[http://english.www.gov.cn/news/202309/26/content\\_WS6512299dc6d0868f4e8dfc0f.html](http://english.www.gov.cn/news/202309/26/content_WS6512299dc6d0868f4e8dfc0f.html)

Source: The State Council, PRC

### **Green priority will create win-win outcome**

Date: 2023-09-26

China has a key role to play in Central Asia's transition to renewable energy. Energy has been the anchor for the cooperation between China and Central Asian countries over the past 30 years. Their interaction in the energy sector is now rapidly diversifying from hydrocarbons to higher value-added renewable energy. ... The most significant Chinese investments, amounting to hundreds of millions of dollars, are being made in constructing solar and wind power plants in Kazakhstan, the Kyrgyz Republic and Uzbekistan. ... In summary, we can say that China has become one of the essential "players" in the energy system of Central Asia and, most likely, will remain so.

MORE:<https://epaper.chinadaily.com.cn/a/202307/31/WS64c6e4c9a310a478839f74b2.html>

Source: China Daily

### **Azerbaijan-Pakistan emerging economic ties: an expert opinion**

Date: 2023-09-26

Bilateral relations between Pakistan and Azerbaijan have been getting momentum for the last two years in which political leadership, economic diplomacy, media and embassies of both sides has played an important role due to which pace of people-to-people, business-to-business and government-to-government contacts have immensely enhanced in diverse sectors of economy. ... There is huge scope for Pakistan private sector and companies to make investments in Azerbaijan economy including, infrastructure development, smart living, smart cities, green energies, ... renewables etc.

MORE:[https://azertag.az/en/xeber/azerbaijan\\_pakistan\\_emerging\\_economic\\_ties\\_an\\_expert\\_opinion-2763337](https://azertag.az/en/xeber/azerbaijan_pakistan_emerging_economic_ties_an_expert_opinion-2763337)

Source: Azertac

### **Central Asia addresses early warning systems for climate resilience**

**Date: 2023-09-22**

A High-Level Dialogue on Climate Change and Resilience in Central Asia, kicked off in Bishkek on Sept. 21, overviewed a pivotal role of early warning systems in building resilience and mitigating climate change in the region, reported the United Nations Development Programme (UNDP) in Kazakhstan. ... Representatives of government agencies, international experts, and scientists from Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan agreed to collaborate closely and consolidate joint efforts to address climate change challenges.

MORE:<https://astanatimes.com/2023/09/central-asia-addresses-early-warning-systems-for-climate-resilience/>

**Source: The Astana Times**

### **Energy experts advocate for financing and regional integration for green transition**

**Date: 2023-09-20**

Industry experts emphasized the importance of optimizing green financing, engaging the private sector, and regional integration to facilitate a green transition in Kazakhstan and the region at the Energy Week Central Asia and Mongolia event on Sept. 19. The two-day event gathered government officials and energy companies from Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan, as well as international financial institutions and major multinational investors, to discuss the region's path to net zero.

MORE:<https://astanatimes.com/2023/09/energy-experts-advocate-for-financing-and-regional-integration-for-green-transition/>

**Source: The Astana Times**

### **Uzbekistan – China Green Energy House opens in Tashkent**

**Date: 2023-09-16**

The opening ceremony of the Uzbekistan – China Green Energy House took place in Tashkent. Local and foreign representatives of the sphere and specialists took part in the opening ceremony of this institution, created by the Sun-Hightech enterprise, the Chinese companies Jinko Solar, and Sungrow, with the assistance of the Uzeltechsanoat Association. According to the agreement, the activities of the trading house have been established, and training workshops will be held here for entrepreneurs involved in installing solar power plants, – Elmurod Abdullayev, Director of the Sun-Hightech enterprise, said.

MORE:[https://uza.uz/en/posts/uzbekistan-china-green-energy-house-opens-in-tashkent\\_520752](https://uza.uz/en/posts/uzbekistan-china-green-energy-house-opens-in-tashkent_520752)

**Source: UZA**

### **China-Central Asia Forum: Paving the way for green development**

**Date: 2023-09-12**

As the 10th China-Central Asia Cooperation Forum concluded in the vibrant city of Xiamen, southeast China's Fujian Province, government officials from Central Asian countries resonated with optimism, envisioning a broader spectrum of collaboration with China, particularly in the realm of green development. ... As Central Asian nations continue to enhance their commitment to green development, closer cooperation with China can pave the way for a more sustainable and prosperous future. This collaboration has the potential to not only transform the landscapes of Central Asia in the coming years but also to mitigate climate change and secure our planet's future.

MORE:<https://news.cgtn.com/news/2023-09-12/China-Central-Asia-Forum-Paving-the-way-for-green-development-1n24Wk1moSI/index.html>

**Source: CGTN**

### **Basisbank wins ADB's Trade Finance Green Deal of the Year Award**

**Date: 2023-09-06**

Basisbank has won the Best Green Deal award at the Asian Development Bank's (ADB) annual Awards ceremony in Singapore on 5 September 2023. Basisbank was acknowledged for its commitment to supporting its clients in their efforts to reduce climate change and move beyond net-zero to build a sustainable economy. This approach brings added value that has a tangible positive impact on climate

change. ... “We continuously build our expertise and partnerships to accelerate climate-aligned financing and help our customers develop practical and scalable solutions to mitigate climate risks,” Basisbank General Director David Tsaava says.

MORE:<https://www.interpressnews.ge/en/article/127066-basisbank-wins-adbs-trade-finance-green-deal-of-the-year-award>

**Source: Interpressnews**

**Uzbekistan, Azerbaijan experts discuss cooperation in alternative and renewable energy sources**

**Date: 2023-08-10**

On August 9, the Uzbekistan delegation, consisting of leading analytical centers met with the Director of Azerbaijan Renewable Energy Agency Javid Abdullayev, in Baku. ...The dialogue was devoted to discussing strategies implemented in the countries to transition to alternative and renewable energy sources, and prospects for cooperation between Uzbekistan and Azerbaijan.

MORE:[https://uza.uz/en/posts/uzbekistan-azerbaijan-experts-discuss-cooperation-in-alternative-and-renewable-energy-sources\\_509626](https://uza.uz/en/posts/uzbekistan-azerbaijan-experts-discuss-cooperation-in-alternative-and-renewable-energy-sources_509626)

**Source: UZA**

**The heads of Turkmenistan, Tajikistan and Uzbekistan discussed the strengthening of political, economic and energy cooperation**

**Date: 2023-08-04**

Ashgabat hosted a high-level meeting in the format "Turkmenistan, Tajikistan, Uzbekistan", within which Serdar Berdimuhamedov, Emomali Rahmon and Shavkat Mirziyoyev discussed the development of friendly and mutually beneficial relations between their countries, the press service of the Tajik leader reports. ... According to the head of Tajikistan, thanks to the favorable political atmosphere created in recent years, trade and economic ties between the countries of the region are actively expanding. He stated that Tajikistan aims to further develop the production of "green energy" using its hydropower resources and is ready to cooperate with the countries of the region in this direction.

MORE:<https://turkmenportal.com/en/blog/65382/the-heads-of-turkmenistan-tajikistan-and-uzbekistan-discussed-the-strengthening-of-political-economic-and-energy-cooperation>

**Source: Turkmenportal**

**ADB, Georgia Capital Partner to issue sustainability-linked bond, largest of its kind in region**

**Date: 2023-08-03**

The Asian Development Bank (ADB) and Joint Stock Company Georgia Capital (GCAP) partnered to issue GCAP's inaugural sustainability-linked bond. As a strategic investor, ADB provided foundational support to adopt this innovative instrument. This is ADB's first subscription to a private sector sustainability-linked bond, ADB reports. ... ADB will invest \$16 million, and the proceeds will be earmarked for refinancing renewable energy and education investments, and for financing corporate measures to achieve the group's sustainability-linked key performance indicator.

MORE:<https://www.interpressnews.ge/en/article/126646-adb-georgia-capital-partner-to-issue-sustainability-linked-bond-largest-of-its-kind-in-region>

**Source: Interpressnews**

*Note: Text as in the original, shortened by the authors*



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