

CAREC INSTITUTE

# ANNUAL REPORT

**SYNERGIES FOR SUSTAINABLE DEVELOPMENT: EXPLORING INCLUSIVE GREEN GROWTH AND DIGITAL ADOPTION IN THE CAREC REGION**



## FLAGSHIP EVENTS:

CAREC THINK TANK  
DEVELOPMENT FORUM



CAREC INSTITUTE  
RESEARCH CONFERENCE



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# Abbreviations

ADB	Asian Development Bank
ADBI	Asian Development Bank Institute
BRI	Belt and Road Initiative
CAREC	Central Asia Regional Economic Cooperation
CPMM	Corridor Performance Measurement and Monitoring
CTTN	CAREC Think Tank Network
CTTDF	CAREC Think Tank Development Forum
COVID-19	Coronavirus disease 2019
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IsDB	Islamic Development Bank
MSME	Micro, Small, and Medium enterprise
OFDI	Outward Foreign Direct Investment
PRC	People's Republic of China
RAM	Road Asset Management
ToT	Training of Trainers
UNICEF	United Nations International Children's Emergency Fund
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific



## Director's Message

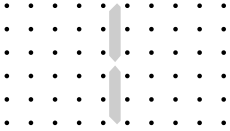
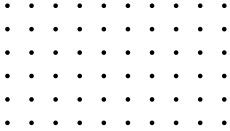
Dear Stakeholders,

I am pleased to introduce the CAREC Institute's Annual Report for the year 2023 that focuses on promoting green growth, sustainable development, and digital adoption in the CAREC region through research, capacity building, and knowledge sharing. By engaging leaders, experts, and stakeholders in discussions, the Institute aims to address regional policy challenges and find sustainable solutions for collective benefit.

In a world facing unprecedented challenges, the importance of regional cooperation and sustainable development cannot be overstated. As we navigate the complexities of economic growth, inclusivity, and environmental sustainability, the CAREC region stands at a critical juncture. Through a lens of inclusivity and green growth, the report showcases the initiatives of the CAREC Institute that advocate for the integration of economic progress, environmental conservation, and social equality. The knowledge products of the CAREC Institute emphasize the significance of mobilizing resources, promoting innovation, and embracing digital technologies to propel the region towards a sustainable future.

As we confront the realities of climate change, water scarcity, and economic uncertainties, the CAREC Institute has offered valuable knowledge services and products to facilitate effective collaboration among policymakers, researchers, and stakeholders. Together, we aim to navigate towards a greener and more resilient future by leveraging partnerships and embracing innovative solutions. Our collective efforts pave the way for a sustainable and prosperous CAREC region for future generations.

Through initiatives like the CAREC Institute's Annual Research Conference, CAREC Think Tank Development Forum and the publication of research papers, policy briefs and economic monitors, policy dialogues, capacity building trainings and workshops, policymakers are equipped with the knowledge and tools needed to implement recommended policy actions for sustainable and inclusive development in the region.





The report highlights the critical importance of regional cooperation, digital transformation, infrastructure development, and innovative financing models to achieve sustainable and inclusive economic growth in the post-COVID-19 era. It emphasizes the urgency of addressing climate change challenges through research-driven strategies and green initiatives to shape a sustainable future for the region.

Serving as a regional knowledge organization, the CAREC Institute actively contributes to the CAREC Program by conducting research, providing capacity building services, and facilitating knowledge sharing. Collaborating closely with CAREC governments, the Institute continues assisting in achieving their policy objectives of fostering prosperity and enhancing economic integration within the region.

Sincerely,  
Kabir K. Jurazoda



# Institutional Strategy

The CAREC Institute Strategy for 2021–2025 is designed to respond to the evolving post-pandemic environment by enabling a green, sustainable, and inclusive recovery of the CAREC region. Based on the new strategy, the CAREC Institute increases the volume and quality of its products and services to meet the demand for knowledge from its member countries and the CAREC Program. Our twelve strategic priorities for 2021–2025 are:

- **Deepening Stakeholder Engagement.** The CAREC Institute increases its engagement with member countries, the CAREC Secretariat and national and international think tanks to better understand regional and country-specific research and capacity building needs.
- **Attracting and Retaining Technical Talent.** To become an innovative knowledge-based organization, the CAREC Institute continues to identify significant skill gaps by transparently hiring staff and secondees, developing their skills, and reviewing and updating staff compensation mechanism to attract and retain high-quality talents.
- **Diversifying Financial Resources.** With its newly developed Resource Mobilization Strategy for 2022–2025, the CAREC Institute continues to deepen engagement with its member countries and build staff capacity to advance resource diversification.
- **Ensuring Conducive Working Environment.** The CAREC Institute promotes a conducive working environment to optimize its productivity and efficiency by providing sustained access to state-of-the-art tools and techniques, databases, and knowledge sources for producing quality outputs.
- **Strategizing Operational Priorities.** The CAREC Institute (i) builds in-house technical expertise around a few core themes selected from all five clusters of the CAREC 2030 strategy and integrates its resources around them for producing high impact, high quality knowledge output; (ii) selects relevant topics for knowledge interventions within the core themes; (iii) keeps the flexibility to offer demand based technical knowledge services on any country-specific issues, as long as they support regional cooperation and integration and are within the Institute's in-house technical expertise and specific CAREC priority clusters; and (iv) integrates COVID-19 pandemic as an overarching and cross cutting theme in its operations.

- **Expanding Research Portfolio.** The CAREC institute's new focus areas in which member countries need urgent post-pandemic research support are: (i) promoting trade and foreign direct investment for increasing regional trade flows and participation in regional and global value chains; (ii) building back better by supporting greener, resilient and inclusive policies, particularly in tourism and climate change areas; (iii) facilitating cross-border financial cooperation among member countries; (iv) promoting capacities and regulatory environment for creating and benefiting from regional public goods; and (v) leveraging digital technologies for resilience and poverty alleviation. The Institute continues to develop in-house sectoral research capacity, lessening its reliance on outsourced research consultants.
- **Revitalizing Capacity Building Approach.** The CAREC Institute continues responding to emerging capacity gaps in member countries. The newly conceptualized capacity building approach—spearheaded by an e-learning platform with hybrid modalities—helps the Institute (i) build on its programmatic achievements by identifying core capacity gaps in member countries—policy, regulatory, procedural, and so on; (ii) determine levels of capacity for various tiers of government—leadership, operational; (iii) determine stages of capacity building—short duration to extended period; and (iv) define measurable outcomes of capacity building interventions—anticipated changes in policy formulation.
- **Adopting an Innovative Knowledge Management Approach.** The CAREC Institute continues to innovate its knowledge management approach by emphasizing and designing user-friendly knowledge products and harnessing digital technology for bolstering dissemination to reach out to senior policymakers and stakeholders, organizing and indexing knowledge to ensure user-friendly navigation.
- **Improving Partnerships and Networks.** The CAREC Institute continues to refine its approach to building partnerships by identifying opportunities and developing synergies, including joint activities within the CAREC Think Tank Network, in particular the CAREC Think Tank Development Forum.
- **CAREC Corridor Performance Measurement and Monitoring (CPMM).** The CAREC Institute and the ADB are working together to transfer ADB's expertise in CPMM methodology, data collection and analysis, and preparation and publication of reports to the CAREC Institute by the end of the strategy period.



- **Adoption of Digital Approaches.** The CAREC Institute's transition from a relatively new institution to a mature, go-to place for knowledge solutions in the region largely depends on its adaptability to embrace agile, cutting-edge technologies in its operations to increase efficiency and effectiveness. The Institute continues to leverage digital/virtual technologies, finetune approaches in its operations, inspire and lead other regional think tanks to learn from Institute's experience, and facilitate member countries in bridging digital adoption gaps.
- **Quality Assurance Framework.** To achieve the status of a reputable and mature think tank in the region, the CAREC Institute will significantly enhance the quality of its products and interventions by implementing a quality assurance framework for all its activities.





# 2023 Activities at Glance

## JANUARY

- CAREC Institute's Second Annual Book
- Regional workshop "Strengthening Knowledge and Capacities for the Design and Implementation of Free Trade Agreements Involving CAREC Countries: Training of Trainers"
- Sixth CAREC Think Tank Development Forum Report
- Webinar on Regional Cooperation in Central Asia on Water, Energy and Climate Change

## FEBRUARY

- Report "CAREC Digital FDI Ecosystem in the CAREC Region (phase II)"
- Report "Water Infrastructure in Central Asia: Promoting Sustainable Financing and Private Capital Participation"
- Economic Brief "The PRC's OFDI to the CAREC region—prospects in green energy"
- Policy Brief "Development of the Civil Aviation Industry in Six CAREC Countries: Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Turkmenistan, Uzbekistan"

## MARCH

- Workshop on Early Warning and Regulations of International Financial Risks
- Digital CAREC Virtual Policy Dialogue on the Digital FDI Ecosystem
- CAREC Institute E-Learning Platform Featured in ADBI's New Book

## APRIL

- Joint CTTN Dialogue and CAREC Chai Event about the Economic Impact of the Russian-Ukraine Conflict on the CAREC Countries
- Fourth CAREC Chai Event on Climate Change Issues and Potential for Regional Action
- CAREC Quarterly Economic Monitor No. 9



## MAY

- Workshop "Charting a Pathway towards a Green, Climate-Resilient Economy Recovery in Asia in Post-COVID-19 Era"
- Webinar "Unleashing the Potential of MSMEs in the CAREC Region: Recommendations for Overcoming Barriers to Finance"
- Country-Specific Workshop on Road Asset Management for the Kyrgyz Republic
- Country-Specific Workshop on Road Asset Management for Tajikistan
- CAREC Institute's new report "Strengthening agricultural extension services in rural Uzbekistan: opportunities and alternatives"



## JUNE

- Third Meeting of CAREC Institute's Financial Sustainability Working Group

## JULY

- Symposium on "China – Central Asia Cooperation on Digital Economy Innovation and Governance"
- Quarterly Economic Monitor No. 10



## AUGUST

- Seventh CAREC Think Tank Development Forum "Embracing Digital Technology for Sustainable Economic Development"
- Policy Brief on the Trade Facilitation in the CAREC region
- Dialogue between Government and Private Sector: Promoting Trade and Investment in CAREC Region

## SEPTEMBER

- CAREC Institute's Third Annual Research Conference "Prospects for an Inclusive Green Growth and Sustainability in the CAREC Region"
- Policy Brief on China's Best Policy Practices for Using Centralized Inspections for Low-Carbon Cities.

## OCTOBER

- Fifth Meeting of CAREC Institute's Advisory Council
- CTTN Dialogue on Regional Strategic Vision for Climate Action
- Workshop on Results of New Civil Aviation Research Project

## NOVEMBER

- New Strategic Partnership between the CAREC Institute and the Beijing National Accounting Institute
- Quarterly Economic Monitor No. 11
- Workshop "Household access to energy in the Fergana Valley – a multidimensional survey-based assessment in three CAREC countries"
- Knowledge-Sharing Webinar on Enhancing Regional Trade Facilitation in the CAREC region through National Single Window
- CAREC Institute's Papers published in Asia Pacific Sustainable Development Journal
- Mid-Term Review of CAREC Institute's Strategy was finalized

## DECEMBER

- Fourteenth Meeting of the CAREC Institute's Governing Council
- New Strategic Partnership between the CAREC Institute and the Export-Import Bank of China
- New Strategic Partnership between the CAREC Institute and the Centre for Analysis of Economic Reforms and Communication-Azerbaijan
- Sixth Chai Dialogue on Middle Corridor Development
- Seventh Chai Dialogue to Discuss Regulatory Frictions in Digital Payments
- Third Water Virtual Policy Dialogue
- Ten CPMM Country Briefs

## 2023 in Figures



### PUBLICATIONS

- 1 Annual Book
- 3 Research Papers & Reports
- 4 Quarterly Economic Monitors
- 5 Policy Briefs
- 1 Economic Brief
- 10 CPMM Briefs



### CAPACITY BUILDING

- 21 Workshops, Webinars, Forums & Dialogues
- 64 Learning Modules on E-Learning Platform
- 64 Learning Videos on E-Learning Platform
- 35 128 E-Learning Platform Visitors
- 197 059 Visits to the E-learning Platform



### FLAGSHIP EVENTS

- 1 Research Conference
- 1 CAREC Think Tank Development Forum



### PARTNERSHIPS

- 5 New Memorandums of Understanding



### MEDIA OUREACH

- 2 727 Followers on LinkedIn
- 33 100 Followers on Weibo
- 1 873 Followers on WeChat
- 3 100 Subscribers of E-newsletter in Chinese, English, and Russian

## Priority Themes and Major Events

Fostering Sustainable Development and Climate Resilience  
via Regional Collaboration in the CAREC Region: Paving the  
Way to a Greener Future with Knowledge Exchange

Green growth and sustainable development are vital for the CAREC region as they are essential in promoting economic prosperity while simultaneously reducing environmental impact. Embracing green growth and sustainable development allows CAREC member countries to enhance productivity and efficiency while minimizing their environmental footprint, resulting in lasting economic and environmental advantages.

Regional cooperation on water resources, energy, and climate change is crucial for green growth and sustainable development. These sectors are interconnected, and addressing challenges in one area often requires collaboration in others. [In light of this, the CAREC Institute and the Davis Center for Russian and Eurasian Studies of Harvard University jointly hosted a webinar about regional cooperation in Central Asia on water, energy, and climate change on January 30, 2023.](#) The experts discussed how water is intricately linked to climate change. Climate change impacts the water cycle, leading to changes in precipitation patterns, evaporation rates, and the availability of water resources. Rising global temperatures can result in more frequent and intense droughts, floods, and extreme weather events, affecting water availability and quality. Changes in temperature and precipitation patterns can alter the timing and volume of river runoff, snowmelt, and groundwater recharge, impacting water supply for agriculture, industry, and domestic use. This can lead to water scarcity in some parts of the CAREC region and increase competition for limited water resources. Furthermore, climate change can exacerbate water-related challenges such as water pollution, salinization, and sea-level rise, affecting coastal areas and freshwater ecosystems. Shifts in rainfall patterns can also influence water availability for hydropower generation, affecting energy production and security. Water scarcity can impact energy production, and climate change affects both water resources and energy systems. Therefore, addressing climate change requires integrated water management strategies to adapt to changing conditions, enhance water efficiency, and mitigate water-related risks. Sustainable water management practices can help build

resilience to climate change impacts and ensure the availability of water resources for current and future generations.

The expert discussion provided valuable insights and recommendations for fostering collaboration, addressing challenges, and advancing sustainable practices in managing water resources, energy, and climate change in Central Asia. Regional cooperation allows for the sharing of knowledge, resources, and best practices among countries facing similar issues. By working together, countries can develop more effective solutions and strategies to manage these critical resources sustainably. Additionally, regional cooperation can help mitigate conflicts over shared resources, such as transboundary rivers, by fostering dialogue and cooperation rather than competition. Overall, cooperation in water resources, energy, and climate change is essential for promoting sustainable development, resilience to environmental challenges, and ensuring the well-being of communities in the region. You can watch the video recording of the webinar [here](#).

With the CAREC region consuming a large portion of the available water, innovative policies are needed to ensure efficient and productive use of this vital resource. [CAREC Institute's new publication "Water Infrastructure in Central Asia: Promoting Sustainable Financing and Private Capital Participation,"](#) co-authored by Dr. Iskandar Abdullaev, former Deputy Director Two of the CAREC Institute, and Mr. Shakhboz Akhmedov, former Senior Research Fellow at CAREC Institute's Research Division, emphasizes the importance of water resources for economic growth in Central Asia, a region highly dependent on water-intensive agricultural and energy products.

The reports notes that water is essential for agriculture, which is a significant sector in many CAREC countries. Adequate water supply is necessary for irrigation to support crop growth and ensure food security. Water is vital for energy production in the region—many CAREC countries rely on water as a source of hydropower, which is a renewable and clean energy source. Water availability directly impacts energy generation and contributes to the region's energy security. Additionally, water plays a key role in sustaining ecosystems, biodiversity, and overall environmental health in the CAREC region.



It supports aquatic life, maintains wetlands, and regulates climate patterns, all of which are essential for ecological balance and resilience. Moreover, access to clean water is fundamental for public health and sanitation. Adequate water supply and sanitation facilities are essential for preventing waterborne diseases and promoting overall well-being in communities across the CAREC region. Therefore, ensuring sustainable water management practices and infrastructure is crucial for the region's prosperity and resilience.

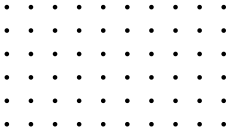
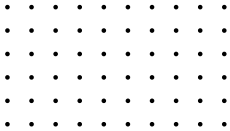
The report advocates that governments build legislative frameworks for non-institutional participants to manage investment risks and unlock values by collaborating with government agencies, regulators, and communities. The governments of Central Asia should modify their agricultural policies to encourage private enterprises to invest in water services, and the operation and maintenance of irrigation infrastructure should be of the highest quality. Yet, there is great value in engaging with communities and organizations of varying sizes to expose the required data and information. In fact, the long-term performance and sustainability of infrastructure are directly tied to the level of integration and cooperation amongst stakeholders, such as government agencies and other institutions. The improvement of water infrastructure, operation, and maintenance, as well as the provision of specialized water services, is reliant on enhancing capacity building and technological integration. Moreover, establishing commercial collaborations can increase technological innovation in the water industry. The extensive implementation of digital technologies and innovative approaches in the water industry will boost water resource development and utilization effectiveness. Please visit [the CAREC Institute's website](#) for more information.

The Third Water Virtual Policy Dialogue hosted by the CAREC Institute focused on "Water Infrastructure in Central Asia: Promoting Sustainable Financing and Private Capital Participation." The dialogue participants noted that adequate funding is necessary to develop, maintain, and upgrade water infrastructure systems, including water supply, sanitation, and irrigation facilities. Without proper financing, these systems may deteriorate, leading to water shortages, environmental degradation, and public health risks. Secondly, investing in water infrastructure can improve access to clean and safe water, particularly in regions where water scarcity is a pressing issue.

This, in turn, can enhance public health, reduce waterborne diseases, and improve overall quality of life for communities. Furthermore, financing water infrastructure projects can contribute to economic development by creating jobs, stimulating local economies, and attracting private sector investments. Improved water infrastructure can also support agricultural productivity, industrial growth, and sustainable urban development. In summary, financing water infrastructure is essential for ensuring access to clean water, promoting public health, driving economic growth, and building resilient communities in the face of water-related challenges.

The dialogue brought together leading water sector experts from the CAREC region to discuss issues and policies for long-term sustainable financing of the water sector in Central Asia. Experts emphasized the need for improved policy dialogue between scientists and policymakers, better coordination among Central Asian countries and international institutes engaged in water projects, and the importance of public-private partnerships in water infrastructure development. Recommendations included enhancing collaboration, legislative improvements, anti-corruption measures, transparency, and effective engagement of the private sector in water infrastructure projects. The dialogue highlighted the significance of a comprehensive strategy with clear tasks and responsibilities to efficiently implement water-related projects for sustainable development and management of water resources in the region. Materials and recordings of the dialogue are available on the CAREC Institute's e-learning platform for broader access across the CAREC region and beyond.

Agricultural extension services play a crucial role in addressing climate change in the agriculture sector. These services provide farmers with essential knowledge, information, and resources to adapt to and mitigate the effects of climate change. [The report on agricultural extension services in rural Uzbekistan](#), published by the CAREC Institute, discusses the current state of research and extension services in Uzbekistan. It highlights the need for fresh approaches and new types of extension services to support the increasing production of the agricultural sector and address future challenges. The report emphasizes the importance of innovative methods, such as ICT-based extension services, to improve long-term and high-performing agricultural extension services.


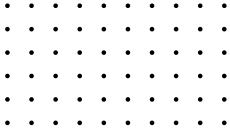


It suggests supporting new alternatives, including digital, commercially driven, supply-based extension services, to enhance the development of extension services in rural Uzbekistan. Incentives and support for private sector players are recommended to bring quicker and more sustainable solutions to the sector.

Agricultural extension services help enhance agricultural productivity, promoting sustainable practices, building resilience against climate change, facilitating market access, and supporting rural development. By providing farmers with access to modern farming techniques, information on environmentally friendly practices, and market-oriented training, extension services empower farmers to increase yields, adapt to changing environmental conditions, access markets, and improve their livelihoods. In essence, agricultural extension services are instrumental in driving agricultural development and economic growth in the CAREC region.

Regional collaboration and joint strategic planning are key to creating a more climate-resilient and sustainable region. **The Fourth CAREC Chai event highlighted the main climate change challenges faced by the region and emphasized the necessary policy actions to address them.** Key topics included the urgent need for regional cooperation to tackle climate change, the importance of developing adaptation and mitigation strategies, and the potential for coordinated action among CAREC member countries. The key takeaways from the Fourth CAREC Chai Event underscore the urgent need for regional cooperation to tackle climate change challenges in the CAREC region. Participants emphasized the importance of developing adaptation and mitigation strategies to enhance resilience against climate change impacts. The event highlighted the potential for coordinated action among CAREC member countries to promote sustainable development and address climate change effectively. Research findings and recommendations presented at the event emphasized the critical role of collaboration and strategic planning in building a more climate-resilient and sustainable region.

**To gather perspectives from leading national think tanks in the CAREC region on the draft strategic document "Regional Action on Climate Change: A Vision for CAREC in 2050", the webinar as part of the CAREC Think Tank Network Talk Series was conducted by**



the CAREC Institute. Workshop participants discussed the importance of coordinating strategic approaches among CAREC countries to address climate change challenges in the region. Dr. Johannes Linn, Senior Fellow, Global Economy and Development Program at the Brookings Institution, provided an overview of the draft strategic document CAREC Climate Change Vision–2050. He noted that, based on the new strategic document, the CAREC Program should explore the opportunities to support its member countries in designing and implementing their national climate strategies and revisit CAREC sectoral and thematic strategic documents to ensure compliance with the goals of the Paris Agreement.

Because climate change mitigation and adaptation will require large financial resources, CAREC countries should explore opportunities to develop joint financing plans and innovative tools for regional climate action programs in close partnership with development partners and private sector investors. To this end, CAREC Program will assist member countries in developing their climate finance plans and instruments, improving regional coordination and cooperation, strengthening the capacity of member countries to attract climate finance, and providing access to global climate funds, and more. To implement these initiatives and monitor their progress, CAREC countries need to establish the CAREC Climate Change Steering Group, which could be advised by a Cross-sectoral Working Group on Climate Change and/or a Climate Expert Group. The CAREC Secretariat and the CAREC Institute will implement necessary analytical and capacity-building activities to help member countries better understand climate and disaster risks and support risk-sensitive policies and investments. The webinar highlighted the vulnerability of the CAREC region to climate change impacts, such as rising temperatures, increased variability, and extreme weather events. The strategic document aims to establish common principles for climate action and identify priority areas for investment to create a more resilient and climate-resilient region. The document was adopted by CAREC ministers during the 22nd CAREC Ministerial Conference in Tbilisi, Georgia, in November 2023.

To share the best policy actions related with the climate change, the CAREC Institute has published [a policy brief](#) on China's policy



### practices for using centralized inspections for low-carbon cities.

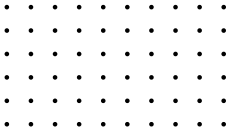
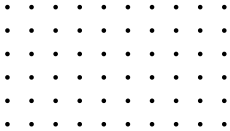
China's central inspections involve rigorous assessments and evaluations conducted by the central government to ensure that cities effectively implement low-carbon policies and meet emission reduction targets. These comprehensive inspections identify potential gaps and challenges in low-carbon initiatives, allowing for targeted interventions and policy adjustments to enhance environmental performance. By engaging with local authorities and communities, central inspections foster a culture of accountability and encourage cities to adopt innovative measures and best practices for reducing carbon emissions. As a result, these inspections serve as a vital catalyst for fostering eco-friendly urban development and aligning cities with China's commitments to combat climate change and achieve a greener and more sustainable future. Inspections constitute a distinctive administrative system within China, involving higher-level governments overseeing the actions of lower-level governments. In the context of environmental protection, inspections involve establishing environmental protection inspection groups by higher authorities, which are then deployed to local areas to supervise, inspect, control, and hold local governments and environmental protection departments accountable. Among these inspection mechanisms, Central Inspections of Environmental Protection is one of China's most stringent and obligatory environmental regulations.

To further discuss the challenges of climate change in the CAREC region and the importance of promoting green and inclusive economic growth with the CAREC academic community, the CAREC Institute's Third Annual Research Conference, titled "Prospects for an Inclusive Green Growth and Sustainability in the CAREC Region." The research conference aimed to foster connections between research and policymaking by documenting policy-oriented research and contemporary thinking on inclusive and green economic growth. The conference, supported by the ADB, brought together over 120 researchers and experts to discuss urgent issues such as climate change, sustainable economic growth, and inclusive development in the CAREC region. The conference served as a platform to catalyze discussions and initiatives towards a resilient, inclusive, and sustainable future for the CAREC region, emphasizing the collaboration between stakeholders to shape a prosperous and environmentally conscious future.

Key takeaways from the CAREC Institute's Third Annual Research Conference include the urgent need to address climate change, achieve sustainable economic growth, and promote inclusive development in the CAREC region. The conference emphasized the importance of regional cooperation to find solutions for green growth and sustainable development, particularly in the face of climate change impacts. Stakeholders highlighted the significance of uniting efforts and knowledge to shape a future where economic prosperity aligns with environmental stewardship and social justice. Additionally, the commitment of CAREC and the ADB to support member countries in developing and implementing national climate strategies was underscored, with a focus on mobilizing climate finance and establishing a multi-donor trust fund for regional climate and sustainable development projects. The conference also emphasized the need for new knowledge and rigorous research analysis in areas such as cross-border technology transfer, private sector participation in green development, and inclusivity to ensure all voices are heard in the pursuit of sustainable growth.

The CAREC Institute's Annual Research Conference plays a pivotal role in shaping regional policymaking and fostering research collaboration in the CAREC region. Through collaborative discussions and presentations, stakeholders gain valuable insights into pressing issues such as climate change, economic development, and regional cooperation. This exchange of knowledge and expertise not only informs policymaking decisions but also catalyzes transformative initiatives that address the region's most critical challenges. By promoting research collaboration and knowledge sharing, the conference contributes to the development of evidence-based policies, fosters cross-border cooperation, and ultimately paves the way for a more sustainable and resilient future for the CAREC region.

As the result of the previous year (2022) research conference, the CAREC Institute's Second Annual Book, titled "Resilience and Economic Growth in Times of High Uncertainty" was published that offers a comprehensive exploration of key economic growth issues in the CAREC region. Authored by prominent researchers, the book delves into the challenges and opportunities faced by countries in the aftermath of high uncertainty, particularly in the context of the COVID-19 pandemic. Through a collection of chapters, the book provides insights into strategies for building resilience, fostering economic growth, and navigating uncertain times. By addressing



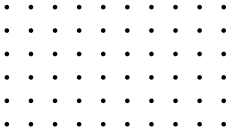
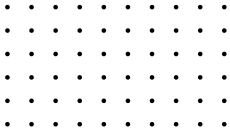
important economic growth issues, the Second Annual Book serves as a valuable resource for policymakers, researchers, and stakeholders seeking to understand and address the evolving economic landscape in the CAREC region.

The book emphasizes the importance of building resilience in the face of uncertainty, and underscores the need for concerted, resilient, and inclusive actions from governments to navigate challenges and promote economic growth. The chapters in the book offer valuable perspectives on addressing deep connections between diverse sectors of the economy, enhancing current and future economic growth, and implementing evidence-based response measures.

CAREC Institute's Second Annual Book serves as a platform for sharing cutting-edge research and insights on economic challenges and opportunities within the region. By disseminating this knowledge, the book facilitates informed decision-making among policymakers, researchers, and stakeholders, thereby fostering a deeper understanding of the economic landscape and potential pathways for cooperation. The book helps to stimulate research cooperation and capacity building among countries in the region. Overall, publishing CAREC Institute's Second Annual Book plays a vital role in promoting dialogue and knowledge sharing among CAREC countries, laying the foundation for enhanced regional economic cooperation and sustainable development.

In addition, the CAREC Institute, in collaboration with the Beijing Greenovation Institute for Public Welfare Development and the Asia Foundation, organized a research workshop titled "Charting a Pathway towards a Green, Climate-Resilient Economy Recovery in Asia in Post-COVID-19 Era." Researchers and policymakers discussed the need for regional cooperation initiatives, digital transformation, infrastructure development, and innovative financing models to achieve sustainable and inclusive economic growth in the post-COVID-19 era. The discussions at the workshop underscored the critical importance of regional cooperation and collaborative efforts to accelerate the energy transition and promote green economic recovery in the CAREC region. The workshop emphasized the urgency of addressing climate change challenges through research-driven strategies and emphasized the role of green initiatives and





climate-resilient economic recovery in shaping a sustainable future for the region.

To reach a wider academic community and to increase their awareness, engagement, and action on critical issues facing the CAREC region, CAREC Institute's research papers were published in the *Asia Pacific Sustainable Development Journal*. These papers, produced under the CAREC Institute Visiting Fellows Program, cover a range of topics such as low-carbon energy development, trade, transport, and digital connectivity. By presenting the main findings of these papers in the journal, the CAREC Institute aims to equip policymakers with the knowledge and tools needed to implement recommended policy actions for achieving sustainable and inclusive development in the region. The publication of these papers underscores the Institute's commitment to promoting regional integration, cooperation, and sustainable development in the CAREC region.

Collaborating with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) on publishing the research journal is important for the CAREC Institute. Partnering with UNESCAP lends credibility and visibility to the research findings and insights generated by the CAREC Institute. By publishing in a reputable journal under the auspices of UNESCAP, the research gains recognition and legitimacy, enhancing its impact and reach among policymakers, researchers, and stakeholders in the Asia-Pacific region. Cooperation with UNESCAP also provides access to a broader network of experts, institutions, and resources in the region. This collaboration facilitates knowledge exchange, promotes best practices, and fosters dialogue on key issues related to sustainable development, economic integration, and regional cooperation. By tapping into UNESCAP's expertise and network, the CAREC Institute can leverage additional support and expertise to further its research agenda and initiatives. The journal serves as a platform for sharing knowledge, experiences, and policy recommendations, contributing to informed decision-making and policy formulation at the regional and international levels. Partnering with UNESCAP on publishing the research journal not only enhances the credibility and impact of the CAREC Institute's research but also facilitates collaboration, knowledge sharing, and dialogue on sustainable development and





economic cooperation in the Asia-Pacific region. The papers are available through [the UNESCAP website](#).

To discuss the importance of renewable energy and energy security and to understand the energy demand of households, the CAREC Institute in cooperation with the Asian Development Bank Institute and the Public Opinion Research Institute of Kazakhstan conducted the survey on "Household access to energy in the Fergana Valley."

The survey results were discussed at the workshop with participation of researchers, national policy makers and other stakeholders. The discussions focused on sharing best practices, policy development, and technical cooperation to optimize energy access for households, micro-enterprises, and communities in the Fergana Valley, spanning parts of the Kyrgyz Republic, Tajikistan, and Uzbekistan. The workshop yielded significant takeaways, including a strong emphasis on renewable energy as a key solution to improving energy access and security in the region. Stakeholders highlighted the importance of regional cooperation in sharing best practices and technical expertise to optimize energy access for households and communities. The workshop aimed to develop policy recommendations based on survey findings to enhance energy access for various stakeholders. Additionally, the commitment of CAREC member countries to transition towards green energy and improve energy security through sustainable practices was underscored. Overall, the workshop provided a platform for stakeholders to collaborate, exchange ideas, and work towards enhancing energy access and sustainability in the Fergana Valley.

**Key Highlights of Research Conference Achievements and Book Chapters:**

**Second Annual Conference and Book: "Resilience and Economic Growth in Times of High Uncertainty"**

**January, 2023**

Addressed economic growth policies in the CAREC region during turbulent times.

Emphasized the importance of green economic growth.

Examined climate change risks in agriculture and food security.

Discussed e-commerce development in CAREC.

Included 7 chapters in four main areas:

- Understanding Current Uncertainties about Businesses and Households.
- New Imperatives for Green Economic Growth.
- Climate Change Risks For Agriculture and Food Security.
- E-Commerce Development in CAREC.

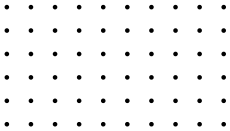
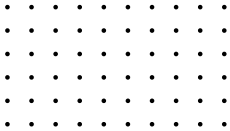
The Third CAREC Institute Research Conference

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## Harnessing Digital Innovation for Sustainable Development: CAREC's Collaborative Knowledge Sharing for a Greener Tomorrow

Digital adoption is crucial for sustainable development in the CAREC region as it drives efficiency, innovation, and competitiveness in various sectors. By embracing digital technologies, organizations can streamline processes, automate tasks, and optimize resource utilization, leading to increased productivity and cost savings. Digital adoption promotes access to information and services, especially in underserved areas, fostering social equity and empowering communities. Additionally, digital technologies enable environmental sustainability through monitoring and optimizing resource consumption, reducing waste, and supporting climate resilience efforts. Data-driven decision-making facilitated by digital adoption ensures informed policies, efficient resource allocation, and better outcomes for sustainable development initiatives. Overall, digital adoption is a key enabler of sustainable development, offering opportunities for economic growth, social progress, and environmental stewardship.

Digital Foreign Direct Investment (FDI) plays a pivotal role in digital adoption by providing the necessary capital and technology for the development of digital infrastructure and services, thereby accelerating the integration and utilization of digital technologies across various sectors. Digital FDI involves cross-border investments in digital infrastructure, e-commerce platforms, data centers, and other digital services, playing a crucial role in boosting economic development by enhancing connectivity, creating jobs, and fostering innovation in the digital economy. **To provide an in-depth analysis of the factors influencing digital FDI flows in the CAREC region, the CAREC Institute published the report on CAREC Digital Foreign Direct Investment Ecosystem.** Authored by Dr. Asif Razzaq, Dr. Tofig Babayev, Dr. Mumtaz Ahmed, and Dr. Shokhrukh Avazov, the report introduces a comprehensive conceptual framework to examine the enabling and inhibiting factors of digital FDI in the region. It evaluates five critical dimensions of digital FDI, including new digital activities, digital adoption, digital infrastructure, digital FDI restrictions, and digital promotion tools. Key findings indicate that the CAREC region scores lowest in digital infrastructure, followed by new digital

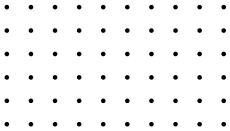
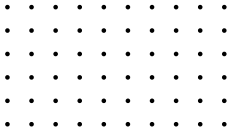


activities and digital adoption, while scoring highest in digital promotion tools. [This Report](#) serves as a valuable resource for policymakers, investors, and researchers interested in understanding and enhancing the digital FDI ecosystem in the CAREC region.

To promote policy discussions on promoting digital FDI in the CAREC region, the CAREC Institute in collaboration with the Islamic Development Bank (IsDB) and the Asian Development Bank Institute (ADBI) organized the Digital CAREC Virtual Policy Dialogue on Digital FDI Ecosystem. Experts emphasized the importance of creating an enabling environment for digital FDI by improving investment climate, enhancing ICT infrastructure, and fostering partnerships. Policy recommendations included regulatory measures, infrastructure development, talent enhancement, and intergovernmental coordination to strengthen digital FDI ecosystems. The dialogue underscored the significance of digital economy transformation for inclusive economic growth in the CAREC countries, emphasizing the need for connectivity and digital infrastructure to fully leverage the benefits of digital adoption. Furthermore, the participants acquired a deeper understanding of the importance of creating an enabling environment for digital FDI through regulatory reforms, infrastructure development, and talent enhancement. The dialogue provided a platform for networking, knowledge sharing, and collaboration among experts, policymakers, and stakeholders, enabling them to exchange ideas, experiences, and strategies for attracting and retaining digital investments in the CAREC region.

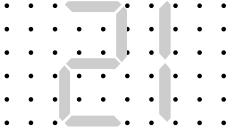
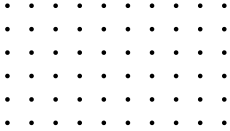
To highlight the importance of digital strategies, infrastructure, and investment in the region's readiness for digital adoption, the CAREC Institute held its Seventh CAREC Think Tank Development Forum (CTTDF) focused on the theme 'Embracing Digital Technology for Sustainable Economic Development' in Central Asia. Speakers discussed the challenges and opportunities of digitalization, emphasizing the impact of climate change on the region and the need for digital connectivity infrastructure. The forum also addressed the role of think tanks in navigating geoeconomic uncertainties and promoting green growth and sustainable development through policy recommendations for digitalization and decarbonization of infrastructure in Central Asia.



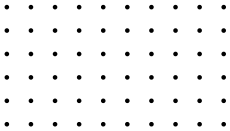
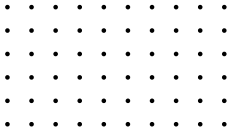


CTTDF participants emphasized the significance role of digital technology in fostering sustainable economic development of the CAREC region that enables businesses to increase productivity and efficiency while reducing environmental footprints. It facilitates the development of new products and services that address environmental challenges, such as renewable energy, intelligent transportation systems, and sustainable agriculture. The experts discussed how the digital technology helps the creation of investment-friendly business environments, promotes renewable energy deployment through regulatory frameworks and incentives, fosters digital infrastructure development, and strengthens digital skills and entrepreneurship. Digital technology plays a crucial role in climate change mitigation and adaptation strategies by enabling data-driven decision-making, developing early warning systems, utilizing Geographic Information Systems for risk assessment and planning, implementing connectivity solutions for disaster response, and designing resilient infrastructure. Understanding these aspects helps the CAREC countries to leverage digital technology to drive economic growth and sustainability, and enhance their climate resilience, reduce greenhouse gas emissions, and effectively adapt to the impacts of climate change.

CTTDF yielded significant outcomes, highlighting the pivotal role of digital technology in driving economic growth and innovation across various sectors. Key results emphasized the need to address inequality, bridge the digital divide, ensure effective digital governance, and utilize digital finance for poverty reduction. The forum also underscored the importance of collaborative partnerships among think tanks for joint research, publications, and advocacy efforts to enhance knowledge sharing and capacity building. Additionally, the CAREC Institute's continued support for network activities, including research grants and the launch of the CAREC Think Tank Network (CTTN) Blog, further solidified the commitment to fostering a culture of knowledge exchange and collaboration. Discussions at the forum emphasized the essential role of think tanks in providing policymakers with valuable insights and recommendations to navigate economic and political uncertainties, ultimately contributing to sustainable development and regional prosperity.







CTTDF is essential for policymaking as it provides a platform for experts, policymakers, and stakeholders to come together to discuss and exchange ideas on pressing issues. The forum facilitates dialogue, knowledge sharing, and collaboration among diverse perspectives, leading to well-informed policy decisions. By bringing together a wide range of stakeholders, including researchers, academics, government officials, and industry experts, the forum enables a holistic understanding of complex challenges and potential solutions. Additionally, CTTDF helps bridge the gap between research and policy implementation by translating academic insights into practical recommendations that can guide effective policy formulation and implementation. Overall, CTTDF plays a crucial role in fostering evidence-based decision-making, promoting innovation, and enhancing the quality of policies for sustainable development.

As a side event of the Seventh CTTDF, the discussion was held between CAREC governments and the private sector on promoting trade and investment and implementing key strategies and initiatives to enhance regional cooperation and economic growth. The session highlighted the importance of establishing a robust governance structure to ensure secure and transparent online transactions, protect consumers, and promote healthy competition in the digital marketplace. Drawing lessons from China's successful e-commerce model led by Alibaba, the discussion emphasized the role of government policies and private sector engagement in driving e-commerce growth. Success stories from Mongolia and Pakistan showcased the benefits of digital trade facilitation and optimized governance in promoting regional integration. The session facilitated participant engagement through presentations and discussions on leveraging digital technologies for trade facilitation, enhancing public services, and fostering cross-sector coordination to drive economic development in the CAREC region. The participants made the following suggestions based on their discussion: 1) to improve the business environment in the region, including reducing red tape, improving infrastructure and facilitating transit through border crossings; 2) to strengthen cooperation between governments and the private sector to promote trade and investment; 3) to solve issues faced by businesses in the region, such as high transport costs, inefficient border crossings and long waiting times at customs.



The CAREC Institute has published the report with proceedings of the Sixth CAREC Think Tanks Development Forum, titled [“Recalibrating Growth Dynamics for Inclusive and Sustainable Economies,”](#) held in a hybrid format (online and physical) in 2022. The report notes that the CAREC countries have encountered a myriad of challenges in 2022 and are most likely to continue facing them in 2023. Economic growth is expected to lose steam, and factors such as climate change, geopolitical instability, as well as the Russian–Ukrainian conflict will place further pressure on inflation, debt burdens, international trade, inclusive and sustainable growth, and progress on the Sustainable Development Goals. Therefore, the policymakers should continue targeting growth, inclusivity, and sustainability. For growth to be sustainable, it needs to be inclusive, and this requires massive investment, which is a challenge given the already limited fiscal space in many countries. Mobilizing taxes for development is the way forward. Countries should broaden their tax base, strengthen tax administrations, increase progressivity, widen social safety nets, and limit untargeted subsidies. Reducing gender gap requires deliberate efforts to support the hiring of women and facilitate career progression, as catching up with developed economies has slowed and a new productivity push is needed. Focus on green energy can mitigate the risks posed by climate change. To diversify the energy basket, the region needs to adopt a comprehensive framework to identify its energy requirements, measure availability of energy resources, acquire cutting-edge technology to minimize environmental footprints, and find ways to ensure affordable provision of clean energy. As with the increasing share of industrialized agricultural production, it is necessary to diversify energy consumption from too much reliance on fossil fuels to an optimal combination of renewable and nonrenewable energy resources. The partnership is a vehicle for strengthening international and national cooperation to collectively address multidimensional socioeconomic agendas. No partnership globally can be sustained without partnerships within countries because actors that are going to participate in the process must be brought in, whether it is the private sector, nongovernmental organizations, or local communities.

Based on the discussion results of the Sixth CAREC Think Tanks Development Forum, Chief of Strategic Planning Division of the CAREC Institute, Mr. Khalid Umar, published a new blog post

["Recalibrating Growth Dynamics for Inclusive and Sustainable Economies" in East Asia Blog Series of the ADB-PRC Regional Knowledge Sharing Initiative.](#) The blog article elaborated on climate change and green energy in the CAREC region, the impact of geopolitical uncertainties and COVID-19 pandemic on growth and inclusivity, and the importance of building alliances for shared prosperity.

To promote in-depth discussions on the opportunities and challenges in digital economy collaboration between China and Central Asia, the CAREC Institute, in partnership with Beijing Association for Science and Technology, Beijing Technology and Business University, and Economic Cooperation Organization Science Foundation, held the Symposium "China – Central Asia Cooperation on Digital Economy Innovation and Governance." The event brought together experts, policymakers, and stakeholders to explore strategies for fostering innovation, enhancing governance, and promoting sustainable development in the region. The symposium highlighted the potential for trade, connectivity, and innovation in the CAREC region, underscoring the need for digital infrastructure development, promotion of e-commerce, and establishment of digital innovation hubs to propel the region towards a digitally empowered future. The symposium emphasized the importance of leveraging digital technologies to drive economic growth, enhance connectivity, and strengthen cooperation between China and Central Asia. By developing strong partnerships, sharing best practices, and engaging in constructive dialogue, countries can create a global ecosystem that thrives on collaboration, trust, and mutual understanding. Additionally, the event showcased the significance of regional cooperation in accelerating the catching up process of the CAREC region with developed countries, embracing new technologies, and facilitating the green transition.

China has made significant advancements in various sectors, including technology, infrastructure, and trade, which can serve as valuable lessons for Central Asian countries seeking to enhance their own economic capabilities. By sharing Chinese knowledge and best practices, the CAREC Institute helps Central Asian countries leverage proven strategies, technologies, and policies to address common challenges, improve productivity, and foster economic diversification.

This knowledge exchange can also promote cross-border collaboration, strengthen regional integration, and create opportunities for joint initiatives that benefit all participating countries. Ultimately, sharing Chinese expertise with Central Asian nations can contribute to the overall development and prosperity of the CAREC region.

Digitalization plays a crucial role in trade facilitation by streamlining processes, reducing paperwork, and enhancing efficiency in cross-border transactions. Through digitalization, trade-related documents can be digitized, exchanged electronically, and processed faster, leading to reduced time and costs associated with trade. Digital platforms, such as national single window systems, enable stakeholders to submit and access trade-related information online, simplifying procedures and improving transparency. Additionally, digitalization allows for better tracking of goods, enhances risk management, and facilitates customs clearance procedures. To discuss the role of digitalization in trade facilitation, promoting more efficient cross-border trade, the CAREC Institute and the Pakistan Single Window hosted the Knowledge-Sharing Webinar on Enhancing Regional Trade Facilitation in the CAREC region through National Single Window. The webinar provided participants with insights into how national single window systems can enhance regional trade facilitation by reducing transportation costs and time, minimizing tariffs and administrative barriers, promoting value addition, export diversification, and implementing efficient trade processes. The webinar showcased Pakistan's successful implementation of the single window approach as a best practice example for other CAREC countries to learn from and adapt to their own contexts. The webinar served as a platform for knowledge exchange, capacity building, and networking among stakeholders involved in trade facilitation efforts in the CAREC region. All materials and recording of the webinar have been uploaded to [the CAREC Institute's e-learning platform](#) and are accessible to a broad audience across the CAREC region and beyond.

Digital payment systems play a crucial role in enhancing regional economic cooperation by facilitating cross-border transactions, enabling seamless and efficient financial interactions between countries within a region. This streamlined process reduces transaction costs, enhances financial inclusion, and promotes trade



and investment opportunities. Digital payments promote transparency and accountability in financial transactions, reducing the risks associated with cash-based transactions and enhancing trust among regional partners. Additionally, digital payment systems support economic growth by providing a secure and convenient platform for businesses to engage in financial activities, thereby stimulating economic development and fostering regional integration. Overall, digital payments are essential for promoting financial connectivity, driving economic growth, and strengthening regional economic cooperation by creating a more interconnected and efficient financial ecosystem.

To discuss key challenges faced by bank and non-bank payment service providers, the CAREC Institute organized the Seventh Chai Dialogue on discussing regulatory frictions in digital payments.

Experts emphasized the importance of addressing issues such as data privacy regulations, compliance with anti-money laundering and counter-terrorism financing requirements, regulatory frameworks discrepancies, and limited access to payment systems and infrastructure. Recommendations included enhancing cross-border payment interoperability as a policy objective, establishing national interoperability policies, conducting regulatory impact assessments, and fostering regulatory cooperation through international organizations and innovation hubs. The dialogue underscored the need for modernizing regulatory frameworks, promoting public-private partnerships, and adopting internationally recognized technical standards to achieve technical interoperability for a seamless cross-border payment system aligned with the demands of the modern digital economy and trade.

Understanding financial risks is crucial for regional cooperation as it allows countries to identify potential threats to economic stability and growth that may arise from interconnected financial systems. By comprehensively assessing and managing financial risks, countries can enhance their resilience to external shocks, promote sustainable economic development, and foster greater trust and collaboration within the region. Effective risk management strategies can help mitigate the impact of crises, strengthen financial institutions, and facilitate smoother cross-border transactions, ultimately contributing to the overall success of regional cooperation initiatives.



To discuss these aspects, the CAREC Institute and the Beijing National Accounting Institute held the Workshop on Early Warning and Regulations of International Financial Risks. Workshop participants discussed strategies to efficiently allocate resources, manage financial risks, and maintain employment levels amidst challenges posed by the COVID-19 pandemic. Key topics included the need for policies addressing economic vulnerabilities, financial sector stability, and legal frameworks for households and businesses. The workshop emphasized the significance of regional cooperation, regulatory harmonization, and the establishment of a robust financial system to mitigate risks and promote sustainable economic growth in the post-pandemic era.





## Boosting Economic Connectivity, Trade, and Value Chain Integration in the CAREC Region through Enhanced Regional Knowledge Collaboration

Boosting economic connectivity, trade, and value chain integration in the CAREC region is crucial for fostering sustainable economic growth and development. By enhancing connectivity through improved infrastructure and trade facilitation measures, countries in the region can expand market access, attract investment, and promote cross-border trade. Strengthening value chain integration allows for the efficient production and distribution of goods and services, leading to increased competitiveness and productivity. This integration not only benefits businesses by reducing costs and enhancing efficiency but also promotes economic diversification and resilience. Overall, by prioritizing economic connectivity, trade, and value chain integration, the CAREC region can unlock new opportunities, drive innovation, and achieve shared prosperity for all member countries.

Free Trade Agreements (FTAs) are important in promoting economic cooperation and integration by reducing barriers to trade and investment among participating countries. FTAs facilitate the flow of goods, services, and capital across borders, leading to increased market access and opportunities for businesses to expand their operations. By eliminating or lowering tariffs and non-tariff barriers, FTAs create a more competitive environment, encourage specialization based on comparative advantages, and enhance efficiency in production. Furthermore, FTAs help to harmonize regulations and standards, making it easier for businesses to navigate different markets and comply with varying requirements. This alignment of rules and procedures fosters a more seamless and predictable trading environment, reducing uncertainty and transaction costs for businesses. Moreover, FTAs can stimulate economic growth by promoting innovation, technology transfer, and the development of new industries. By encouraging competition and fostering a more dynamic business environment, FTAs can drive productivity gains and enhance overall economic performance. To strengthen knowledge and capacities in trade policy and FTAs among CAREC countries, the CAREC Institute and the ADB organized the Regional Training of Trainers (ToT) Workshop on the Design and



**Implementation of FTAs involving CAREC countries.** The workshop addressed the low degree of economic integration within the CAREC region, focusing on improving market access, economic diversification, and trade institutions. Participants, including government representatives and experts, received technical training to enhance their understanding of FTA design and implementation. The workshop emphasized the importance of FTAs in reducing tariff and non-tariff barriers, stimulating economic diversification, and fostering entrepreneurship to unlock export potential in the region. Through knowledge dissemination and capacity building, the workshop aimed to empower national experts to support their governments in future FTA negotiations and promote regional economic integration.

**The CAREC Institute published a new policy brief on the trade facilitation in the CAREC region, authored by Dr. Ghulam Samad, Dr. Amjad Masood, and Dr. Junaid Ahmed, discusses why trade facilitation through reducing the time and cost required for border clearance across the CAREC corridors is essential for regional economic integration.** The policy brief notes that trade policy plays a crucial role in the flow of goods and services across borders, impacts domestic industries, thus affects overall economic growth and development; and crafting a relevant trade policy for the CAREC region necessitates consideration of two key factors. First, the presence of landlocked countries poses challenges to their connectivity with the rest of the world. Second, CAREC member countries exhibit significant diversity in economic resources, including population, land, natural resources, market size, and living standards. Notably, there is considerable variation in the individual country's contributions to the overall regional exports. China dominates, accounting for 94 percent of CAREC's total exports, while Kazakhstan, Pakistan, and Azerbaijan are major contributors to the remaining 6 percent. Intra-CAREC trade is characterized by two main aspects: China dominates as the main trading partner for most CAREC members, except for Afghanistan, the Kyrgyz Republic, and Georgia. Second, trade flows primarily occur between neighboring countries within the bloc, such as Kazakhstan-Uzbekistan and Azerbaijan-Georgia. Based on the conditions of the CAREC economies, a policy aiming to improve trade in the region must consider the different aspects including trade facilitation measures to reduce transportation cost and time; regional trade

agreements to minimize tariff and non-tariff barriers; and value addition and export diversification.

In 2023, the CAREC Institute prepared ten Corridor Performance Measurement and Monitoring (CPMM) country briefs based the most current CPMM reports and the CAREC railway sector country assessments. Utilizing data spanning five years, from 2018 to 2022, the CAREC Institute presented an analysis that captures the shifts in CPMM trade facilitation indicators before the COVID-19 pandemic, during the pandemic, and now during the recovery from the pandemic. By pinpointing the root causes of delays and unnecessary expenses for cargo transport across the CAREC corridors' various links and nodes, including border crossings and intermediate stops, the country briefs offer pivotal recommendations aimed at enhancing corridor performance for each member country. The country briefs are based on the CAREC CPMM mechanism which is an empirical tool designed by the CAREC Program to assess the efficiency of its six priority transport corridors.

To share key lessons and insights from development trends within the CAREC region, the CAREC Institute held a CTTN Dialogue with economic analysis, policy recommendations and expert opinions. 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. 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.

The CTTN Dialogue highlighted the importance of regional cooperation and integration in the CAREC region. By sharing knowledge, insights, and best practices, stakeholders can work together to address economic challenges, promote trade facilitation, and enhance connectivity. The discussions underscored the significance of collaborative efforts in unlocking the region's economic potential and fostering sustainable development. Through continued dialogue and partnership, the CAREC region can strive towards greater economic resilience and prosperity.

Additionally, the CAREC Institute organized a CAREC Chai Event, centered on enhancing the Middle Transport Corridor to unlock opportunities in the heart of Eurasia. Key stakeholders discussed the potential of the Middle Corridor in improving regional connectivity and addressing challenges to its development. The Middle Corridor, also known as the Trans-Caspian International Transport Route, presents significant advantages for regional trade and connectivity. Offering a shorter route between China, Central Asia, the South Caucasus, and Europe, the Middle Corridor reduces transit times and transportation costs for businesses. Its stability amidst geopolitical disruptions provides a reliable transportation option, fostering trade and economic cooperation. By enhancing connectivity, promoting trade diversification, and driving infrastructure development, the Middle Corridor plays a pivotal role in stimulating economic growth and creating new opportunities for businesses along the route in the CAREC region.

Micro, small, and medium enterprises (MSMEs) play a crucial role in regional value chains and regional economic integration. MSMEs are often key contributors to the production processes within value chains, providing goods and services that are essential for the functioning of larger industries. By participating in regional value



chains, MSMEs can access new markets, technology, and skills, leading to increased productivity and competitiveness. Additionally, MSMEs contribute to regional economic integration by fostering collaboration and trade among neighboring countries. Their involvement in value chains promotes economic diversification, job creation, and overall economic growth in the region. Therefore, supporting the development of MSMEs is vital for strengthening regional value chains and promoting sustainable economic integration across borders. [To discuss the potential of MSMEs in promoting regional economic integration, the CAREC Institute, in collaboration with ADBI, organized a virtual policy dialogue.](#) The event addressed the barriers and opportunities faced by MSMEs in the region and discussed innovative solutions to support their development and financial inclusion. Discussions highlighted the significant role MSMEs play in the CAREC economies, with around 90 percent of registered businesses falling into this category. Despite their high employment contribution, MSMEs face challenges in accessing finance and integrating regionally and globally. Policymakers emphasized the importance of supporting MSMEs through tailored strategies to stimulate economic growth and enhance financial inclusion in the region.

Key takeaways from the CAREC Institute's virtual policy dialogue on MSMEs development potential in the CAREC region include the recognition of MSMEs as significant contributors to the region's economies, with a substantial share in GDP and employment. The dialogue emphasized the importance of addressing barriers to finance and enhancing financial inclusion for MSMEs to support their growth and integration into regional and global markets. Policymakers highlighted the need for innovative solutions to overcome challenges faced by MSMEs, such as limited access to finance and disruptions in supply chains, in order to stimulate economic growth, job creation, and poverty reduction in the CAREC region.

Regional cooperation on FDI enhances the attractiveness of the collective market to investors, offering a larger, more integrated economic space. It also facilitates the sharing of best practices and resources among member countries, leading to more efficient and impactful investment outcomes. [The CAREC Institute's new economic brief, authored by Shiliang Lu, paints a picture of the PRC's](#)

Outward Foreign Direct Investment (OFDI) flows to the CAREC region as part of the PRC's OFDI to the Belt and Road Initiative (BRI) region. It finds that the CAREC region received rather limited OFDI from the PRC as contractual cooperation was the most popular entry mode for Chinese enterprises to do businesses in the region. Energy, particularly hydrocarbons, still dominated the PRC's overseas engagement to the region. Pakistan was the largest recipient of the PRC's engagement in the CAREC member economies both in non-renewables and renewables. The economic brief concludes that to fulfill their nationally determined contributions targets for the reduction of greenhouse gases, the CAREC member economies must accelerate the replacement of non-renewable energy by renewables and that such a transition can be materialized only by tightened cooperation and coordination between the CAREC member economies. In this regard, the PRC's strong resolve to build a green BRI underpinned by its supportive policies, cooperation initiatives and advancement in green finance could serve as a catalyst to promote the green agenda of the CAREC region to benefit all.

Furthermore, the Development Asia, the ADB's knowledge collaboration platform, published the summary "[Analyzing Technology and Productivity Spillovers from Chinese FDI to CAREC Countries](#)" from CAREC Institute's recent study. The summary notes that PRC's overseas direct investments and trade with other countries have shown exponential growth in the last 2 decades, particularly after its accession to the World Trade Organization in 2001 and the execution of the Belt and Road Initiative in 2013. The PRC ranked second in FDI stocks, accounting for 81% of the world total. The CAREC countries have tapped Chinese investments to help improve productivity, technical capacity, trade, and infrastructure. [The CAREC Institute's study](#) analyzed data from 46 developing Belt and Road Initiative countries, which include CAREC members, from 2004 to 2019 to estimate FDI-induced technology spillovers across these countries. Findings suggest that countries or enterprises that are more capable of learning leading-edge technologies are more likely to benefit from FDIs when the observed technology gap is wider. Most of the CAREC countries covered by the study fall within optimal threshold levels and experience positive technology spillovers from Chinese FDI flows.

Regional cooperation in aviation is crucial for economic development in the CAREC region as it facilitates enhanced connectivity, trade, and

tourism opportunities. By working together on aviation initiatives, CAREC countries can improve air transport infrastructure, streamline regulations, and harmonize policies, leading to increased efficiency and cost-effectiveness in the aviation sector. This cooperation can attract more airlines, increase flight frequencies, and expand route networks, ultimately boosting economic growth, job creation, and investment in the region. Additionally, regional collaboration in aviation can promote sustainable development, innovation, and resilience in the face of challenges, contributing to the overall prosperity and competitiveness of the CAREC countries.

The CAREC Institute implements air transport research project, funded by the International Cooperation and Service Center of Civil Aviation Administration of China. The research contributes to promoting inclusive and sustainable air transportation development, enhancing regional connectivity, and fostering collaboration in the CAREC region. [CAREC Institute's policy brief "Development of the Civil Aviation Industry in Six CAREC Countries: Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Turkmenistan, Uzbekistan"](#) discusses the development of the civil aviation industry in selected six CAREC member countries which generally attach great importance to promoting the modernization of the civil aviation industry and have made remarkable progress in constructing civil airport infrastructure, enhancing the competitiveness of airlines, building domestic and international aviation networks. [Furthermore, the CAREC Institute presented the results of its new research project focused on the restoration and development of air transport between China and five selected CAREC member countries.](#) Led by Dr. Bob Zhao, Research Specialist of the CAREC Institute, the study analyzed the needs and trends of the air transportation industries in China and Central Asian countries post-COVID-19 pandemic. While the modernization of the civil aviation industry in Central Asian countries has long faced many challenges due to historical and practical factors, mainly a lagging market mechanism; low level of modernization of civil aviation infrastructure; weak competitiveness of civil aviation enterprises; low efficiency of civil aviation management; the growing imbalance in the development of CAREC regional civil aviation; lack of high-level control and technical personnel; and considerable pressure on the civil aviation industry caused by the COVID-19 pandemic. Over the past five years, civil aviation authorities in all six countries have

implemented a series of new strategies and policies in civil aviation to meet the new development demand on sustainability, digitalization, and inclusiveness. To build a more robust civil aviation system to support the need for economic diversification in each country, the promotion of a high level of openness and the establishment of a bank financing and market financing system for the civil aviation sector will be crucial. The research assists in enhancing bilateral and multilateral air transport cooperation through the following policy recommendations: (i) enhancing the green technology application; (ii) strengthening the process of regional cooperation; (iii) expanding the economic supporting pillar role of the civil aviation industry; and (iv) encouraging hub airports to develop multimodal logistics systems.

**Regional cooperation in Road Asset Management (RAM) in the CAREC region is essential for ensuring the efficient and sustainable management of road infrastructure across borders.** The CAREC Transport Strategy 2030 identifies the RAM as one of the strategic directions reflecting the commitment of CAREC member countries to implement investment and transport initiatives along CAREC corridors with a focus on multimodal connectivity, road asset management, and road safety. By collaborating on RAM initiatives, CAREC countries can harmonize standards, share best practices, and coordinate maintenance efforts, leading to improved road safety, reduced travel times, and enhanced connectivity within the region. This cooperation can help optimize the use of resources, minimize duplication of efforts, and address common challenges such as climate change impacts and natural disasters. By working together on RAM, CAREC countries can promote economic development, trade facilitation, and regional integration, ultimately benefiting from a well-maintained and resilient road network that supports sustainable growth and prosperity in the region.

Starting from 2022, the CAREC Institute, in collaboration with ADB, delivers country-specific workshops to address the diverse capacity needs of member countries. Workshops were held in a hybrid format—a combination of in-person and virtual presenters—in Azerbaijan and Georgia in 2022 and in the Kyrgyz Republic and Tajikistan in 2023. Workshops will be held consecutively in the remaining CAREC countries. The main objective of workshops is to provide the target participants with specific guidance on RAM

maturity assessment, methods of data collection and utilize their support for country-specific RAM assessments. The workshops are fully interactive and in the form of ToT. During the four days of the workshop, participants review the country's RAM implementation process and learn how to collect, manage and maintain asset data. Additional sessions on greenhouse gas emissions and mitigation measures help the national experts develop their own country-specific plans to reduce greenhouse gas emissions. The workshops also help build a core group of competent asset managers in each member country who will work collaboratively with similar teams from other CAREC countries to support each other in moving forward the CAREC sustainable transport agenda. Through continued support and capacity-building efforts, the CAREC Institute is empowering these countries to effectively manage their road assets and contribute to the broader goals of the CAREC region. For more information about RAM workshops, visit our [website](#) and [e-Learning platform](#).

The utilization of e-Learning platforms in policymaking processes is crucial in today's digital age, offering policymakers the flexibility to access relevant information, training, and resources remotely. By engaging in e-Learning, policymakers can stay updated on the latest trends, best practices, and research findings in their respective fields, enabling them to make informed decisions and implement effective policies. E-Learning provides a cost-effective and efficient way to build capacity, enhance skills, and foster continuous learning among policymakers, ultimately leading to more evidence-based and impactful policy outcomes. [Chapter 10 of ADBI's recent book "A World in Crisis, a World in Progress: Growing Better Together" examines the CAREC Institute's innovative knowledge-sharing services during the COVID-19 pandemic.](#) The chapter was written by Dr. Eisa Khan Ayoob Ayoobi, Chief of the Capacity Building Division, and Mr. Gary Huang, E-Learning Specialist of the CAREC Institute. The CAREC Institute's E-Learning Platform serves as a valuable resource for senior government officials in the CAREC region, offering thematic and programmatic knowledge support tailored to their specific needs and schedules. Developed with financial support from the ADB, this platform features a user-friendly interface, cloud storage for various learning materials, and interactive modules designed to enhance learning experiences.



Blogging plays a vital role in regional knowledge sharing by providing a platform for experts, researchers, and policymakers to disseminate insights, analyses, and recommendations on key regional issues. The new CTTN Blog platform, launched by the CAREC Institute, represents a significant advancement in regional knowledge sharing and collaboration. Through blogs, CAREC think tanks can share their expertise, experiences, and perspectives, fostering dialogue, collaboration, and innovation within the regional think tank community, ultimately contributing to a more informed and interconnected regional think tank network. By fostering a culture of knowledge exchange, the blog platform serves as a valuable resource for promoting regional cooperation, addressing common challenges, and advancing sustainable development goals across CAREC countries.

## CAREC Chai VI: Enhancing the Middle Transport Corridor: Unlocking Opportunities in the Heart of Eurasia



# Enhancing Institutional Capacity

**Status on Ratification of the Intergovernmental Agreement on Establishing the CAREC Institute.** The CAREC Institute's Intergovernmental Agreement on Establishing the CAREC Institute came into effect on 24 August 2017 with the signing and ratification of three member countries during the CAREC 10th Ministerial Conference in Islamabad, Islamic Republic of Pakistan. On 5 June 2023, the President of the Republic of Kazakhstan signed the law "On ratification of the Agreement on the Establishment of the Institute of Central Asian Regional Economic Cooperation." The law was reviewed and adopted by the Mazhilis and the Senate of the Parliament of the Republic of Kazakhstan on 26 April and 18 May 2023, respectively. With the ratification of the Republic of Kazakhstan, the Intergovernmental Agreement became a fully ratified by all CAREC member countries. By formalizing its membership, the Republic of Kazakhstan strengthens its role in shaping the Institute's activities and contributing to the collective efforts aimed at enhancing economic growth, sustainable development, and policy innovation across CAREC countries.

**CAREC Institute's New Deputy Director Two Dr. Kuat Akizhanov joined the CAREC Institute in December 2023.** Prior to joining the CAREC Institute, he worked as the Head of the Economic Research Department at the Kazakhstan Institute of Strategic Studies under the President of Kazakhstan in 2022–2023 and the Director of the State Borrowing Department at the Ministry of Finance of the Republic of Kazakhstan in 2010–2015. His public service also includes various positions in the ministries of justice, labor and social protection and at the President of Kazakhstan Administration. Mr. Kuat Akizhanov holds PhD in Social and Policy Sciences from the University of Bath (UK), an MA in Public Policy and Management from the Institute for Development Policy and Management of the Manchester University (UK) and an LL.M in international law and arbitration from the University of Virginia School of Law (USA). Dr. Akizhanov served as an associate professor at the Higher School of Economics of KazGUU in Astana (Kazakhstan), as well as a visiting lecturer at the OSCE Academy in Bishkek (Kyrgyz Republic) and the Institute for East European Studies of the Freie Universität Berlin (Germany). As a lecturer, he also taught at the University of Birmingham, International Development Department (UK). He has received the Study UK Alumni Award for Social Action in Kazakhstan and has been named a CERGE–EI Foundation Teaching Fellow.

On 2 June 2023, the CAREC Institute held the Third Meeting of its Financial Sustainability Working Group to discuss voluntary contributions from member countries, alternative funding sources, resource mobilization action plan, and the Institute's financial resource management. The Institute received steady support in annual donations from the PRC and technical assistance from ADB, a one-time donation from Pakistan in 2021, and project support from other international development financial institutions. The CAREC Institute recognizes the importance of member country contributions as a reflection of member country ownership of the Institute and its activities. This will also help improve institutional capacity to produce new and wider range of knowledge services. The Institute will be better able to meet the specific needs of an individual member country. This mutual relationship will further strengthen the ties between the member country and the CAREC Institute and expand cooperation networks with international and domestic research institutions, think tanks, and the private sector, which in turn will also benefit member countries. Members of the Financial Sustainability Working Group also discussed how to strengthen the Institute's resource mobilization work, outlined a process for providing financial and in-kind contributions from their countries, and provided recommendations for the CAREC Institute's engagement with third-party donors and development partners. The meeting participants also discussed the possibilities of co-sponsoring activities and events at the country level and creating country-level research funds aimed at joint research with the CAREC Institute.

The Financial Sustainability Working Group of the CAREC Institute was established in 2020 on the advice of the Governing Council of the CAREC Institute. The group draws its membership from all member countries and is mandated to deliberate upon various options for diversifying CAREC Institute's financial resource base.

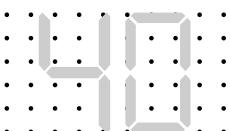
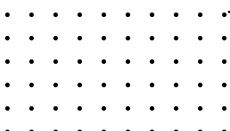
On 19 October 2023, the CAREC Institute held the Fifth Meeting of its Advisory Council to discuss current and future directions of research projects, the draft Rolling Operational Plan for 2024–2025 and the mid-term review of the implementation of the Institute's Strategy for 2021–2025. The members of the Advisory Council discussed the proposed issues, provided their feedback and shared their own ideas and proposals for further improving the work of the CAREC Institute.

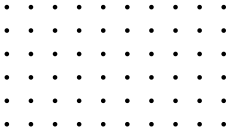
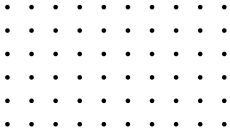


Suggestions included new areas of research and capacity-building activities related to climate change and digitalization issues, improving the Institute's monitoring and evaluation activities, reviewing partnerships policy, developing e-linkages with universities and other knowledge initiatives, expanding collaboration with ADB, regional stakeholders and national think tanks, universities, and others. The Advisory Council also proposed to increase the frequency of the meetings to deepen engagement with the CAREC Institute and provide more informed advice on core strategic and operational matters. The Advisory Council serves as a vital platform for the exchange of innovative ideas and approaches to the Institute's strategic plans on knowledge formation and sharing.

The Fourteenth Meeting of the CAREC Institute's Governing Council was held on December 1, 2023, in Tbilisi, Georgia, to review the Institute's 2023 Progress Report, 2024–2025 Rolling Operational Plan, and 2024 Budget, Recruitment Plan, and Staff Exchange Program. Mr. Abzal Abdikarimov, Vice–Minister of National Economy of the Republic of Kazakhstan and the CAREC National Focal Point, chaired the meeting. Members of the Governing Council shared their views on the 2024–2025 Rolling Operational Plan and budget. The PRC representative stated that it is important to conduct in-country consultations so that CAREC member countries can contribute to identifying research topics needed to inform policies at the national and regional levels. He assured China's continued support for the CAREC Institute. The ADB representative supported the Institute's proposal on a more focused, three-pronged approach to research, and suggested focusing on improving the Institute's knowledge products and institutional effectiveness. Members of the Governing Council commended the progress of the CAREC Institute in 2023 and endorsed its planned activities for 2024 to provide necessary analytical and capacity-building products and services for promoting regional connectivity, trade and economic cooperation. They specifically asked the CAREC Institute to help member countries, through knowledge products, better understand climate and disaster risks, and support risk-sensitive policies and investments, in line with the CAREC Climate Change Vision document approved by CAREC ministers the day before (i.e. on November 30).

The Governing Council is an apex decision-making body of the Institute that reviews the Institute's progress and approves work





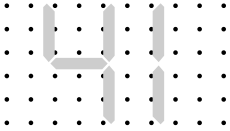
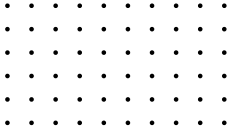
plan, budget and institutional rules and policies. It draws its membership from all eleven countries of the CAREC Program, and currently CAREC Program's National Focal Points serve as members of Governing Council. The chairmanship of the Governing Council is held by the country chairing the CAREC Program,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

The CAREC Institute has been actively expanding its collaboration with international and national institutions through the establishment of new partnerships. These strategic alliances aim to enhance research partnerships, capacity-building initiatives, and knowledge-sharing activities within the CAREC region. By forging new partnerships with academic institutions, think tanks, and other key stakeholders, the CAREC Institute is able to leverage diverse expertise, resources, and networks to address complex regional challenges and promote sustainable development. These collaborations facilitate the exchange of best practices, innovative ideas, and cutting-edge research, fostering a culture of cooperation and mutual learning among stakeholders in the CAREC community.

The CAREC Institute has established partnerships through signed memorandums of understanding with 23 institutions, most recently signing new cooperation agreements with the Beijing Technology and Business University, Beijing National Accounting Institute, the Center for Analysis of Economic Reforms, Communication of Azerbaijan, the China Export and Import Bank and Eurasian Development Bank.

In addition, the CAREC Institute closely cooperates with reputable global and regional institutions on joint projects. In 2023, the CAREC Institute has conducted several joint workshops and seminars with a dozen international and regional institutions and forums.

The CTTN remains a strong platform to engage and activate networking and partnership among academia, research institutions, and think tanks in the region through its CAREC Think Tanks Development Forum, Research Grants Program, and knowledge activities. The CTTN is expanding to nearly 50 regional knowledge





institutions, universities, and think tanks. In July 2023, CTTN members participated in global consultations on the Human Development Report 2023.

**Engagement with stakeholders.** In May 2023, the CAREC Institute hosted high-level delegations of the Government of the Xinjiang Uyghur Autonomous Region, Ministry of Finance of the PRC, the National Development and Reform Commission of the PRC, the Development and Reform Commission of the Xinjiang Uyghur Autonomous Region of the PRC, the Shanghai Cooperation Organization, the Center for International Knowledge on Development of the PRC, the China Development Bank and the ADB at CAREC Institute's office.

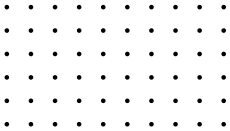
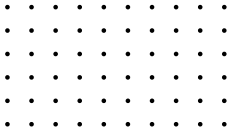
**Contributions to regional knowledge sharing events.** The staff of the CAREC Institute participated in 34 advocacy events – international conferences, forums and seminars organized by Institute's partner organizations, to present research results for new policy actions.

**Human Resource management.** Recruiting and retaining qualified staff is essential for an organization to progress and achieve the set goals, objectives, and operational plan. Staff are a core asset of the CAREC Institute.

The CAREC Institute completed the recruitment of Deputy Director Two, Senior Research Specialist and two new secondees from Turkmenistan and PRC. The PRC secondees are now funded by the PRC Ministry of Finance as an additional contribution to the CAREC Institute. The CAREC Institute has 31 staff members including management.

In 2023, CAREC Institute staff have returned to the headquarters as the travel restrictions have been lifted. The Institute continues to work on its staff capacity building program, ensuring that the current staff are given the opportunity to fulfil their potential and address the Institute's skill gaps.

**Financial management.** The CAREC Institute continued to carry out its financial management with the principles of economy, efficiency, and transparency to ensure its limited financial resources are utilized to achieve the desired objective and results.



Ernest & Young China was selected as the new external auditor of the Institute for the 2022 audit. Ernest & Young China concluded that the financial statements of the CAREC Institute have been drawn up in accordance with IFRS, giving a true and fair view of the CAREC Institute financial state in 2022.

**Policies and procedures.** The CAREC Institute is in the process of developing a comprehensive Administrative Manual to serve as a guide to assist staff in their day-to-day performance of administrative and management functions.

**New office of the CAREC Institute.** With support from the administration of the Xinjiang Uyghur Autonomous Region, Urumqi City, particularly the Xinjiang Finance Department, the CAREC Institute secured the rent-free relocation of its office to a new commercial location in the Shuimogou District of Urumqi. The new office is 3,300 sqm area on the 20th and 21st floors of the Vanke office building in the new business district. The new office premises is provided as per the Host City Memorandum signed with administrations of the Xinjiang Uyghur Autonomous Region and Urumqi City in November 2020.

The open and coworking spaces are specifically designed to encourage idea exchange, teamwork, and a sense of community among CAREC Institute's diverse team of researchers, professionals, and collaborators. This modern approach to workspace aligns with the Institute's mission of enhancing the quality and effectiveness of the CAREC Program by providing evidence-based research and capacity building services, dissemination of knowledge products, and networking with research institutions. of creating an environment that stimulates innovation and breaks down traditional barriers.

## Financial Highlights

In 2023, the CAREC Institute continued to ensure transparency and accountability in financial management, while striking a balance between financial sustainability and budget requests. The People's Republic of China (PRC) contributed around US\$ 3.96 million to the CAREC Institute, and the CAREC Institute actively leveraged resources from partners to support operational activities, resulting in total expenditures of approximately US\$ 3.437 million. The savings from member countries' contributions are mainly due to higher-than-expected partners' contributions, hybrid mode operations, and improved budget monitoring and execution, which has further strengthened CAREC Institute's financial resilience for the coming years.

**Table 1: CAREC Institute 2023 Expenditure (US\$,000)**

Expense categories	Amount (unaudited)
Operational Activities and Program	272
Staff Salary and Benefits	2 349
Management	471
Operational Divisions	1 394
Non-operational Divisions	484
Office Rental*	695
Administrative Expenditures	78
Capital Expenditure	43
<b>TOTAL</b>	<b>3 437</b>

\* Office rental was donated by the Xinjiang Government as a part of the PRC's contribution.

**Table 2: Partners' contributions in 2023 (US\$,000)**

Partners	Amount (unaudited)
Asian Development Bank	174.75
Regional Knowledge Sharing Initiative of the ADB	55
Asian Development Bank Institute	14
Islamic Development Bank	53
Civil Aviation Administration of China	41.9
United Nations Children's Fund	57.15
Beijing National Accounting Institute	12
Xinjiang Government and Other Local Partners	44.5
<b>TOTAL</b>	<b>452.3</b>

## 2024 Outlook

The CAREC priority clusters will continue to drive the selection of topics for CAREC Institute's knowledge products and services. Within this framework, the focus will shift to the most urgent challenges of the current period, such as climate change and digitalization and the resulting socioeconomic changes in the CAREC region. At the same time, CAREC Institute's research, webinar, forums, and capacity-building activities will continue to address the emerging issues in regional cooperation and integration.

The CAREC Institute plans four Quarterly Economic Monitors, three policy briefs, five research studies, and twelve capacity-building activities in 2024. The CAREC Institute will organize the flagship CAREC Think Tank Development Forum and continue organizing the Annual Research Conference and producing the Annual Research Book. The CAREC Institute Visiting Fellow Program will also be continued. The CAREC Institute will further improve its external communications and outreach by issuing annual reports, monthly newsletters, webinars and workshops, and CAREC Chai events. The CAREC Institute will continue supporting knowledge generation, acquisition, dissemination, evidence-based policymaking, deepening partnerships, and developing regional linkages.

The intended topics of the research projects are as follows:

- Green finance with a focus on energy: taxonomy, facilities, risk assessment
- Agricultural Biomass for Green Hydrogen Production
- Carbon tariffs: CAREC countries' preparedness
- Corridor development under new geoeconomic and technological conditions
- Trade facilitation and FTAs in the CAREC region
- Informal labor in CAREC countries
- Job diagnostic for the CAREC region
- Blended Learning through Flipped Classrooms in the CAREC Region

The CAREC Institute will continue to strengthen its engagement and interaction with its member countries in order to promote the Institute's work, gather member countries' needs, and initiate direct discussions on member contributions.



In 2024, the CAREC Institute will start the selection process of its new Director who will come from Turkmenistan, as the position of the Director is rotated in alphabetic order among CAREC member countries.

In 2024, the CAREC Institute will continue to address potential financial sustainability and capacity challenges. The ongoing Mid-Term Review of CAREC Institute's Strategy, restructuring proposal and work on financial sustainability aim to find sustainable solutions to these challenges by moving into an agile, lean, and efficient structure, eliminating redundancies and duplications, focusing on recruitment of competent research staff, and ensuring a sustainable mechanism for its funding resources.





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