



# Completion Report

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Central Asia Regional Economic Cooperation  
Institute, 2009–2012

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TA Number, Country, and Name:			Amount Approved: \$5,000,000	
TA 6488-REG: Central Asia Regional Economic Cooperation Institute, 2009–2012			Revised Amount: N/A	
Executing Agency: Asian Development Bank (ADB)		Source of Funding: TASF, RCIF, PRCF	Amount Undisbursed: \$170,877.17	Amount Utilized: \$4,829,122.83
TA Approval Date: 24 Sep 2008	TA Signing Date: 24 Sep 2008	Fielding of First Consultant: 25 Jun 2009	TA Completion Date Original: 31 Mar 2012	Actual: 30 Jun 2015
			Account Closing Date Original: 31 Mar 2012	Actual: 25 Sep 2015

### Description

The 5th Central Asia Regional Economic Cooperation (CAREC)<sup>1</sup> Ministerial Conference (MC) held on 18–20 October 2006 in Urumqi, People's Republic of China (PRC), endorsed the comprehensive action plan as the CAREC Program's guiding medium to long term strategy. The comprehensive action plan proposed formation of the CAREC Institute (CI) to coordinate research, training and outreach activities for the CAREC Program. The 6th MC held on 2–3 November 2007 in Dushanbe, Tajikistan endorsed CI's prospectus and the 7th MC held on 21 November 2008 in Baku, Azerbaijan endorsed its work plan.

The CI was initially established as a virtual institute supported by the CAREC Secretariat through this technical assistance (TA) to enhance the quality of regional cooperation by generating and sharing knowledge solutions in the priority areas of transport, energy, trade facilitation and trade policy under the CAREC Program. During the course of TA implementation, Pakistan and Turkmenistan joined CAREC in 2010, after which the CAREC family expanded to 10 member countries in the region.

At the 10th MC held on 24 November 2011 in Baku, Azerbaijan, the Strategic Framework for the CAREC Program 2011–2020 (CAREC 2020) was endorsed. CAREC 2020 identified the CI as one of the operating priorities to achieve the strategic objectives of CAREC 2020. A 5-year Strategic Knowledge Framework (SKF) was also adopted to guide CI's operations. At the 11th MC held on 30 October 2012 in Wuhan, the PRC, the CAREC Ministers recognizing the importance of the CI in further enhancing and deepening CAREC Program agreed to establish the CI's physical base in the region by end of 2014. At the 12th MC held on 24 October 2013 in Astana, Kazakhstan, the CAREC member countries agreed to locate the CI's physical base in Urumqi, PRC.

The physical base of CI was officially launched on 2 March 2015 in Urumqi, PRC, and Director and Deputy Director Designate 1 of the CI were appointed by the Governing Council just before the launching ceremony.

### Expected Impact, Outcome, and Outputs

The expected impact of the TA was to foster closer economic cooperation among CAREC member countries, and its intended outcome was enhanced capacity of CAREC government officials to support regional economic cooperation through better policy formulation and implementation. The stated outputs included: (i) effective functioning and consolidation of the CAREC Institute as a premier virtual institution in regional cooperation for training and capacity development, research, and dialogue to support the CAREC Program; and (ii) midterm performance review of the CAREC Institute. The TA was relevant as it supports CAREC comprehensive action plan and well designed to accommodate the evolving nature and expansion of the CAREC Program.

### Delivery of Inputs and Conduct of Activities

TA activities were successfully conducted in terms of effectiveness, client satisfaction and timeliness. TA resources have been efficiently utilized. Consultants were recruited in a timely manner. The TA provided for the engagement of 85 person-months of international consulting services and 174 person-months of national consulting services. One consulting firm was also engaged for 1,121 hours from May 2009 to June 2012 to conduct the Executive Leadership Development Program. In comparison with the original implementation arrangement, additional consultancy services

<sup>1</sup> CAREC's 10 member countries are: People's Republic of China (Xinjiang Uygur Autonomous Region joined in 1997 while Inner Mongolia Autonomous Region joined in 2008), Kazakhstan (1997), Kyrgyz Republic (1997), Tajikistan (1998), Azerbaijan (2003), Mongolia (2003), Afghanistan (2005), Uzbekistan (2005), Pakistan (2010), and Turkmenistan (2010). CAREC's multilateral institution partners are: Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and the World Bank.

were required for development and maintenance of the CI website, and conduct of the comprehensive assessment of the CI. The TA utilized approximately 97.22% (169.17 person-months) and 94.21% (80.08 person-months) of national and international consulting services, respectively. All consultants' performances were rated either satisfactory or highly satisfactory.

Goods procured under the TA has been turned over and subsequently disposed when it already exceeded the maximum service life of 4 years.

The TA was originally scheduled for completion by 31 March 2012 but had to be extended four times to 30 June 2015 mainly due to delay in preparation of the CI formal work plan post 2012, resulting from anticipated establishment of CI's physical base.

As a virtual institute, CI's main outputs during the period 2009–2014 were achieved through implementation of various TA activities under the following CI programs:

- (I) Training Program which included Executive Leadership Development Program launched with the Lee Kuan Yew School of Public Policy, National University of Singapore; Public–Private Partnership Workshops; Climate Change Awareness Workshops; Public Sector Management Courses; World Trade Organization Accession Seminars as well as sector specific training activities. In total, 56 training activities with participation of more than 2,000 CAREC government officials were conducted under the TA. Feedback from participants of all these training activities was very positive.
- (II) Research Program which included stocktaking studies in the CAREC core operational sectors of transport, energy, trade facilitation and trade policy, the flagship research program and small research grants program, and issue-specific studies. In total, 24 studies were completed. In general, 8 sector-related and issue-specific studies were highly relevant and produced useful outputs. The remaining 10 flagship research studies and 6 small research grants did not produce outputs of reasonable quality due to lack of high-level analytical skills of the local researchers/institutes and inadequate review mechanism in place.
- (III) Outreach Program which included development of CI's portal ([www.carecinstitute.org](http://www.carecinstitute.org)) with mirror sites in English and Russian; preparation of CAREC promotional materials such as CAREC brochure, exhibits, and infographics; and a series of one-off awareness raising events on different issues related to the CAREC agenda. In general, the website, publications and public events helped present CAREC activities to audiences in and outside the region with reasonable completeness and depth.

It should be noted that (i) over the course of implementation, the TA also expanded its coverage with inclusion of Pakistan and Turkmenistan as the new CAREC members in 2010, and (ii) some of the TA activities were jointly organized and sponsored by the World Bank Institute, World Trade Organization, Agence Francaise de Developpement, and ADB Institute. A list of TA activities is given in Appendix 1.

ADB as the executing agency of the TA performed satisfactorily during its implementation.

### **Evaluation of Outputs and Achievement of Outcome**

The TA outcome was effectively realized through satisfactory delivery of above mentioned activities in support of the two outputs as follows:

**Output 1.** Originally, the key TA output was the effective functioning of a virtual institute. While CAREC member countries were satisfied with the performance of CI in its virtual mode, the long term sustainability of CI without a physical location and permanent staff has always been a major concern. In 2011, CAREC countries endorsed CAREC 2020, a long-term strategic vision to guide economic cooperation in the region through 2020. CI is identified as one of the seven operational priorities of CAREC 2020 and this highlights once again the significance accorded to the role of knowledge in CAREC program. In this context, CAREC countries requested CAREC Secretariat to consider the optimal structure of the CI in the long run. During the 11th MC in 2012, the CAREC countries arrived at a consensus to establish a physical base in the region by end of 2014. Since then, apart from envisaged training and capacity building activities, the TA also supported the preparatory work for the establishment of CI's physical base in Urumqi, PRC. The CI physical base was officially launched and the Governing Council formed in March 2015. With a physical base and permanent staffing, the CI is in a much better position to enhance the quality of regional cooperation through knowledge generation and dissemination on sustainable basis. This output although not in the original TA design enhanced the TA impact and outcome.

**Output 2.** In 2010, a CI Performance Assessment Review (CIPAR) was undertaken as planned. Since the CI became operational only in 2009, the outcomes of most programs were not yet evident, and the impacts of the programs may need more years to take root. Therefore, CIPAR should be seen as an initial step towards continuing efforts to evaluate and improve the CI's operational programs. Nonetheless, CIPAR raised some important management issues such as the optimal structure of the CI and offered points for discussions by CAREC member countries with regard to a virtual as against physical entity. Based on the CIPAR, the CAREC member countries requested CAREC Secretariat to study the pros and cons of a virtual versus physical CI in formulation of CI's five-year work plan. As result, the SKF for CI 2013–2017 was prepared under the TA and endorsed by CAREC Senior Officials' Meeting in June 2012. The SKF laid out a knowledge framework in support of the achievement of CAREC 2020 objectives of trade expansion and improved competitiveness. For moving forward, during the Senior Officials' Meeting, ADB as CAREC Secretariat, was requested to conduct an assessment of CI for implementing the SKF including recommendations on the physical versus virtual modality. On the basis of this assessment, the CAREC countries decided to establish a physical base of the CI in the region by end of 2014. Therefore, CIPAR made its contribution in the achievement of the expected TA outcome.

The research outputs, research program grants, and the conduct of the 56 policy dialogues, trainings and workshops helped fill the knowledge gap, and improve institutional capacities of CAREC government officials and development institutions.<sup>2</sup>

### **Overall Assessment and Rating**

Overall, the TA was *successful*. The TA was highly relevant as it supported the CAREC Comprehensive Action Plan. Although there were some delays that led to extending the TA closing dates, the TA was effective in delivering the outputs, thereby achieving the outcome of enhanced regional cooperation through capacity building of CAREC government officials. Over the TA implementation period, the total investment volume of approved CAREC-related projects increase from \$10.28 billion in 2009 to \$24.61 billion in 2014. The sector-related and issue-specific studies led to the finalization of important policy papers for CAREC such as Transport and Trade Facilitation Strategy (2020) and the updated Trade Policy Strategic Action Plan 2013–2017. These achievements have definitely brought about closer economic cooperation among CAREC member countries. The sustainability of the TA is assured by establishment of CI's physical base and voluntary contributions from CAREC member countries especially the PRC. All CAREC member countries appreciated ADB's strong support through this TA to CAREC Program in general and the CI in particular.

### **Major Lessons**

The lessons learned include: (i) an implementation period of three years was overly ambitious for the TA to address the capacity building needs of CAREC Program especially in absence of a detailed work program for the CI; (ii) strong interfaces with CAREC sector committees both during design and implementation are essential to ensure relevance and usefulness of the CI activities in terms of knowledge generation and dissemination; and (iii) sufficient flexibility in the TA design should be provided to accommodate the evolving needs of CAREC Program over the course of implementation.

### **Recommendations and Follow-Up Actions**

With CI's physical base in place and management team on board, the CI is better positioned to support the capacity needs of CAREC Program in order to achieve the strategic goals of CAREC and accelerate economic growth in the CAREC region. In the short term, it is recommended that (i) CAREC countries should work together to reach an agreement establishing the CI as an intergovernmental organization, (ii) the CI should speed up the processes of staff recruitment and establishment of internal management systems, and (iii) ADB may consider a follow-up technical assistance in support of CI's future undertakings on the basis of a detailed CI's work program and budget framework as endorsed by the CAREC countries.

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<sup>2</sup> Appendix 1 lists the training programs, research and publications, and research program grants.

## TA Outputs

Table 1. Training Programs

Seminar/Workshop Title	Date/Venue	Number participants
• Promoting Regional Cooperation and Development in Central Asia	• March 2009, Brussels, Belgium	• 90
• Inaugural Meeting of CAREC Research Institutes	• March 2009, Astana, Kazakhstan	• 16
• Inception Workshop on CAREC Institute Small Research Grants Program for 2009	• June 2009, Bishkek, Kyrgyz Republic	• 19
• CAREC Awareness Workshop on Public–Private Partnership	• June 2009, Bishkek, Kyrgyz Republic	• 78
• CAREC Awareness Workshop on Public-Private Partnership	• June 2009, Astana, Kazakhstan	• 51
• CAREC Awareness Workshop on Public-Private Partnership	• June 2009, Ulaanbaatar, Mongolia	• 69
• First CAREC Institute Executive Leadership Development Program	• August 2009, Singapore	• 29
• CAREC Institute Research Workshop	• October 2009, Dushanbe, Tajikistan	• 17
• CAREC Institute Research Workshop	• October 2009, Almaty	• 34
• Public Sector Management Course	• November 2009, Astana, Kazakhstan	• 40
• Public–Private Partnership Workshop: Lessons from Asian Experience	• November 2009, Chengdu, PRC	• 40
• Public Sector Management Course	• November 2009, Bishkek, Kyrgyz Republic	• 40
• Conference on Renewable Energy in Central Asia: Creating Economic Sustainability to solve Socio-Economic Challenges	• November 2009, Dushanbe, Tajikistan	• 60
• Fourth Negotiating Meeting on the draft cross-border transport agreement	• March 2010, Bishkek, Kyrgyz Republic	• 27
• Second CAREC Institute Executive Leadership Development Program	• March/April 2010, Singapore	• 28
• Public–Private Partnership Awareness Workshop	• June 2010, Dushanbe Tajikistan	• 42
• Public–Private Partnership Awareness Workshop	• June 2010, Tashkent, Uzbekistan	• 53
• 10 years of Cooperation and Moving Forward: Subregional Workshop on CAREC	• August 2010, Tashkent, Uzbekistan	• 21
• 10 years of Cooperation and Moving Forward: Subregional Workshop on CAREC	• August 2010, Almaty, Kazakhstan	• 14
• 10 years of Cooperation and Moving Forward: Subregional Workshop on CAREC	• September 2010, Beijing, PRC	• 19
• CAREC Awareness Workshops on Climate Change Mitigation and Adaptation	• September 2010, Ulaanbaatar, Mongolia	• 40
• CAREC Awareness Workshops on Climate Change Mitigation and Adaptation	• September 2010, Astana, Kazakhstan	• 35
• CAREC Awareness Workshops on Climate Change Mitigation and Adaptation	• September 2010, Baku, Azerbaijan	• 30
• Seminar on CAREC 2020: Key Challenges and	• September 2010, ADB	• 44

Strategic Direction of the CAREC Program in the Next Decade	Headquarters, Philippines	
• Fifth Cross-border Transport Agreement Negotiation Meeting	• October 2010, Bishkek, Kyrgyz Republic	• 20
• Skills Training on Integrated Border Management	• October 2010, Dushanbe, Tajikistan	
• CAREC Training Workshop for Strengthening Laboratory Services	• November 2010, Harbin, PRC	• 12
• CAREC Institute's Public Sector Management Course	• November 2010, Tashkent, Uzbekistan	• 29
• CAREC Institute's Public Sector Management Course	• November 2010, Baku, Azerbaijan	• 42
• CAREC Institute's Public Sector Management Course	• November 2010, Dushanbe, Tajikistan	• 35
• Third CAREC Institute Executive Leadership Development Program	• March/April 2011, Singapore	• 39
• Public Sector Management Course	• June 2011, Urumqi, PRC	• 57
• Public Sector Management Course	• June 2011, Ulaanbaatar, Mongolia	• 34
• International Energy Agency (IEA) Caspian Energy Policy Dialogue and Training	• July 2012; Astana, Kazakhstan	• 63
• Third Seminar on WTO Accession: Managing WTO Accession Process—Strategies, Challenges and Practices	• July 2012; Shanghai, PRC	• 35
• Subregional Country Consultation Meeting on the CAREC Institute Assessment and Work Plan	• August 2012, Almaty, Kazakhstan	• 15
• Subregional Country Consultation Meeting on the CAREC Institute Assessment and Work Plan	• August 2012, Beijing, PRC	• 21
• First Training in Implementing Performance-Based Contracting for Road Maintenance	• November 2012; Beijing, PRC	• 41
• National Workshop on Efficient Cross-Border Transport	• February 2013; Astana, Kazakhstan	• 30
• Corridor Performance Measurement and Monitoring International Workshop: CAREC Experience and International Prospects	• March 2013, Almaty, Kazakhstan	• 66
• “At the border” and “behind the border”: Integrated Trade Facilitation—reforms and implementation	• April 2013; Georgia	• 56
• Training on Supply Chain Management, Logistics, and FIATA Standards	• August 2013; Tashkent, Uzbekistan	• 60
• Capacity Building Activity for CAREC Energy Officials	• September 2013; Almaty, Kazakhstan	• 38
• CAREC Train the Trainers Workshop for Kazakhstan Customs	• November/December 2013; Shanghai, PRC	• 11
• Bali Trade and Development Symposium (CAREC Session at the 9th WTO Ministerial Conference)	• December 2013; Bali, Indonesia	
• Regional Workshop on Preparing Public–Private Partnership (PPP) in Infrastructure Development	• February 2014; Tokyo, Japan	• 41
• Economic Corridor Development/Meeting of the CAREC National Focal Points on the Physical Establishment of CAREC Institute	• April 2014; KL, Malaysia	• 53
• Energy Efficiency Training Seminar	• May 2014; KL, Malaysia	• 49

• National Workshop on Tajikistan's Accession Requirements to WTO	• June 2014; Dushanbe, Tajikistan	
• Regional Energy Trade Workshop	• September 2014; Manila	• 93
• CAREC National Consultation Workshop	• September 2014; Turkmenistan	
• CAREC Learning Opportunities: Modernizing Sanitary and Phytosanitary Measures to Expand Trade and Ensure Food Safety	• October 2014; Mongolia	• 75
• The High Level Planning Workshop	• January 2015; Mongolia	• 41
• Central Asia's Economic Opportunities: Economic Corridors and Global Value Chains, Inaugural Knowledge Sharing Workshop of the CAREC	• March 2015, Urumqi	• 61
• CAREC Trade Logistics Training	• June 2015; Turkmenistan	
• CAREC Institute Workshop on Program and Partnerships	• July 2015, Shanghai, PRC	• 12

**Table 2a. Research and Publications**

Title	Date Published or Prepared
<ul style="list-style-type: none"> <li>CAREC Institute Research Program Grants</li> </ul>	<ul style="list-style-type: none"> <li>In May 2009, 15 grants were awarded to local institutes. 10 have submitted final reports to the secretariat. Five grants were discontinued either (i) at the request of the institution, or (ii) due to lack of submission. Below are the details of the research papers.</li> </ul>
<ul style="list-style-type: none"> <li>CAREC Small Research Grants Program</li> </ul>	<ul style="list-style-type: none"> <li>Grants were issued in April 2009. Six researches in trade policies, and trade and economic cooperation areas are now ongoing. The final research papers have been submitted to the secretariat. Below are the details of the research papers.</li> </ul>
<ul style="list-style-type: none"> <li>Diagnostic Study on Energy Demand and Supply Balance and Infrastructure Constraints.</li> </ul>	<ul style="list-style-type: none"> <li>September 2010</li> </ul>
<ul style="list-style-type: none"> <li>Trade and Institutional Environment in Central Asia</li> </ul>	<ul style="list-style-type: none"> <li>September 2010</li> </ul>
<ul style="list-style-type: none"> <li>CAREC 10-year Commemorative Study</li> </ul>	<ul style="list-style-type: none"> <li>The 9th MC in November 2010 considered part 1 of the study and discuss elements of part 2.</li> </ul>
<ul style="list-style-type: none"> <li>CAREC Institute Performance Assessment Review (CIPAR)</li> </ul>	<ul style="list-style-type: none"> <li>The 9th MC in November 2010 endorsed recommendations of the CIPAR</li> </ul>
<ul style="list-style-type: none"> <li>CAREC 2009 Development Effectiveness Review (DefR)</li> </ul>	<ul style="list-style-type: none"> <li>The 9th MC in November 2010 endorsed actions proposed in the DefR.</li> </ul>
<ul style="list-style-type: none"> <li>English-Russian translation of the report to the Government of Kazakhstan “Policies for Industrial and Service Diversification in Asia in the 21<sup>st</sup> Century”</li> </ul>	<ul style="list-style-type: none"> <li>December 2013</li> </ul>
<ul style="list-style-type: none"> <li>“At the border” and “behind the border”: Integrated trade facilitation— reforms and implementation <a href="http://www.carecprogram.org/uploads/docs/CAREC-Publications/At-the-Border.pdf">http://www.carecprogram.org/uploads/docs/CAREC-Publications/At-the-Border.pdf</a></li> </ul>	<ul style="list-style-type: none"> <li>Published in 2014; focuses on the workshop held in Tbilisi, specifically, the presentations and concluding commentaries</li> </ul>

**Table 2b. Other CAREC Institute Research Program Grants**

Country	Research Title/Team Leader	Summary
<i>Research Area 1: Influence of Space and the Impact of Regional Cooperation on the Growth of the CAREC Countries</i>		
Afghanistan	<b>Foreign Direct Investment in Afghanistan: Current Status and Policies</b>  Kevin King	Developing economies have witnessed a heavy inflow of foreign direct investment (FDI) in recent years. FDI is considered an important component in any development strategy. This study will examine the current status of FDI in Afghanistan with respect to the sectors and countries that are most involved. The paper will look at the current policies with respect to attracting FDI, gauge their effectiveness, and compare them with the policies and the best practices in the region and the world. The study will examine measures taken by the Afghan government to promote regional integration and if this has had any effects on FDI.
PRC	<b>The Prospects and the Impact of CAREC on the Growth of PRC</b>  Wu Hongwei	One of the key messages of the theoretical models under the strand of new economic geography is that proximity, to markets as well as to suppliers, matters for growth prospects. PRC with its proximity to CAREC countries has not only benefited from access to vast reserves of energy, minerals, and raw materials but also has gained access to new markets. This study analyzes the significance of the proximity of CAREC and its impacts on PRC's economic growth. The paper also examines the gains enjoyed by CAREC countries as a result of being geographically close to PRC.
Kyrgyz Republic	<b>Regional Integration in Central Asia: Benefits for Kyrgyz Republic from Removing Trade, Transport, and Transit Barriers</b>  Rafkat Hasanov	This study will review the current situation of the implementation of regional integration agreements in Central Asia. It will study the prospects for regional integration in Central Asia and provide policy recommendations for achieving deeper integration, improving local business environments, facilitating trade and transport. This paper will also assess the possible benefits to Kyrgyz Republic from the gradual removal of tariff and non-tariff barriers.
<i>Research Area 2: Management of Resource Revenues in the CAREC Countries</i>		
Azerbaijan	<b>Managing Resource Revenues in Oil-Rich CAREC Countries</b>  Vugar Bayramov	A key macroeconomic policy issue in the CAREC countries is the management of riches from their natural resources. This study will examine the many facets of revenue management from the perspective of oil-rich Azerbaijan. This includes (a) the issue of saving vis-à-vis spending of oil revenues and its implications for the overall economic development; (b) cost and benefit of different strategies of investing the oil revenue; and (c) best practices related to oil revenue management. The study will also provide comparisons with the experiences of Kazakhstan, another oil-rich country in the region.
Kazakhstan	<b>Impact of Energy Sector on Macroeconomic Performance: Case of Kazakhstan</b>  Meruert Makhmutova	Kazakhstan's economy, with its vast oil reserves, is heavily dependent on the energy sector and its export revenues. The main aim of the study is to analyze the impact of the energy sector on overall macroeconomic performance including impact on GDP, employment, foreign trade, investment, fiscal revenues, and expenditures. The study will also identify and discuss the challenges to macroeconomic (fiscal, monetary, trade, and exchange rate) policies arising from reliance on the energy sector.
Mongolia	<b>Energy Security of Mongolia in the Context of Central Asia</b>  Rentsen Batmend	The western region of Mongolia though rich in mineral deposits is unable to exploit them due to lack of sufficient energy resources. The region is dependent for its energy needs on the Russia Federation. This study will provide a detailed analysis of the exploitation of natural resources in the western region of Mongolia, develop a

Country	Research Title/Team Leader	Summary
		framework for optimal management of resource revenues, and discuss the use of these revenues for enhancing energy security of the region. The project will also explore the challenges related to co-exploiting natural resources of the Western region and using resource revenues to broaden regional development.
Tajikistan	<b>Management of Resource Revenues in the CAREC Region</b>  Nuriddin Kayumov	Tajikistan is home to 57% of Central Asia's water resources with annual energy potential of 527 billion kWh. Currently, only a small proportion, 3.5-4% of this potential is being used. This study proposes to evaluate potential of regional cooperation, for example by creating a consortium on the effective use of trans-boundary rivers in the region, in the management of water and energy resources. The paper also will discuss opportunities for regional cooperation on management of labor resources and development of migratory process.
<i>Research Area 3: Macroeconomic Policy Issues in the CAREC Countries</i>		
Kazakhstan	<b>Macroeconomic Policy Issues in the CAREC Countries</b>  Sara Alpysbaeva	This study will analyze the conduct of macroeconomic policy in CAREC countries and specifically Kazakhstan. Among the issues examined are (a) the practicality of adoption inflation targeting in Kazakhstan; (b) the impact of financial liberalization on economic growth, poverty reduction and income inequality in Kazakhstan; (c) the risks posed to Kazakhstan's economy in light of the financial crisis; (d) the role of macroeconomic policy in the functioning of labor markets; and € the development of proposals for skills upgrading of the labor force
Kyrgyz Republic	<b>Is there a Case for Inflation Targeting in the Kyrgyz Republic?</b>  Nurbek Jenish	Inflation targeting (IT) emerged as a key objective and focal point of monetary policy in recent years. IT was recommended as the cornerstone of monetary policy for all countries irrespective of their level of development. This paper examines the prospects and the key challenges of transition towards IT in the Kyrgyz Republic. It also identifies the macroeconomic and financial preconditions that should be in place for successful adoption of an IT regime and discusses how Kyrgyz Republic fares with respect to the pre-requisites. The study will also evaluate the costs and benefits of giving up the current monetary regime in favor of adopting IT.
Tajikistan	<b>Influence of Regional Cooperation on the Efficiency of Macroeconomic Policy</b>  Nuriddin Kayumov	This study examines the influence of regional cooperation on the efficacy of macroeconomic policy of individual countries in Central Asia. The paper will also identify the effect of economic cooperation on economic and social outcomes.
Uzbekistan	<b>Finance Development, Inequality and Poverty Reduction</b>  Janna Fattakhova	Access to credit is the lifeline of an economy. A commonly held view is that financial development and easier access to credit accelerates economic growth which in turn leads to poverty reduction. This premise has assumed greater significance in light of the global financial crisis triggered by defaults in the US sub-prime mortgage segment. This study will evaluate the links between economic growth rates, poverty reduction, income distribution and development of the financial sector.
<i>Research Area 4: Structural Change in the CAREC Region</i>		
Kazakhstan	<b>Structural Change in the CAREC Region</b>	Diversification of the economy is central to economic development and should be at the heart of modern economic policy. This is all the more important in the

Country	Research Title/Team Leader	Summary
	Aigul Toxanova	case of resource rich countries such as Kazakhstan which are dependent on export revenues and as such exposed to shocks in the world markets. This study provides an overview of structural changes in the CAREC countries and identifies obstacles to further changes. The paper will use the “product space” methodology to identify products, focusing on which will help a smooth transition to sustainable growth. It will also provide recommendations on creating conducive conditions for structural transformation in the region.
Kyrgyz Republic	<b>Evaluation of the Effectiveness of Economic Policy Aimed at Structural Reforms in the Kyrgyz Republic</b>  Rafkat Hasanov	This study will examine the structural changes that have taken place in the Kyrgyz economy since its independence. A key feature of the project is to use the concept of “product space” to analyze how exports link to structural transformation.
Mongolia	<b>Possible Structural Transformation of Mongolian Exports and Imports in the Context of Cooperation with PRC and Kazakhstan</b>  Dulbaa Byambaa	Economic growth is intrinsically linked to changes in the structure of production. Industrialization is the driver of technical change, and overall productivity increases are the result of reallocation of labor from low to high productivity activities. Natural resource rich countries, like Mongolia, need to diversify their production and export base to generate sustainable economic growth. This study will compare the sophistication and revealed comparative advantage of Mongolia’s export basket with that of PRC and Kazakhstan. With the help of the “product space”, the study will identify products for export diversification and those that are in line with the country’s existing capabilities. It will also discuss possible ways to develop trade cooperation between Mongolia and Kazakhstan.
Uzbekistan	<b>Structural Changes in the Uzbek Economy: Achievements, Problems and Prospects</b>  Nishanbay Sirajiddinov	This project will analyze the industrial policy of Uzbekistan from the perspective of structural transformation. It will also analyze the structure of exports, identify goods where Uzbekistan has a revealed comparative advantage, estimate the sophistication of its export basket vis-à-vis other countries in the region and the world. Using the “product space”, the study will identify higher productivity “nearby” products which can be produced in the context of the existing capabilities and develop policy recommendations to stimulate such transition.
<i>Research Area 5: Impact Evaluation of ADB Projects in the CAREC Region</i>		
Kazakhstan	<b>Impact Evaluation of ADB Projects in the CAREC Region</b> Zhamila Bopiyeva	This study will isolate the impact on the welfare of individuals that can be attributed solely to the ADB road projects in Kazakhstan.
Kyrgyz Republic	<b>Impact Evaluation of ADB’s Road Rehabilitation Project</b>  Zarylbek Kudabaev	Despite large sums of money being spent on infrastructure projects, little is known about the actual impact on the lives of people in the rural areas of the Kyrgyz Republic. The purpose of this impact evaluation study is to establish a causal relationship and attribute the changes in the well-being of the individuals to ADB’s road rehabilitation project. The central question being what would have happened to those receiving the intervention if they had not in fact received the project.

**Table 2c. CAREC Institute Small Research Grants Program**

Country	Research Title/Team Leader	Summary
Kazakhstan	<p><b>Development of Proposals on Improvement of Trade Policies of Kazakhstan and Kyrgyz Republic in post-crisis period</b></p> <p>Bulat D. Khusainov</p>	<p>The study will develop recommendations to improve the trade policy of Kazakhstan and Kyrgyz Republic, including measures for eliminating unreasonable trade barriers and proposals for increasing competitiveness of the export sector of the countries. It will assess the export sector's influence on the trajectory of sustainable growth under conditions of the global economic crisis.</p>
Kyrgyz Republic	<p><b>Tariff and Non-Tariff Barriers as Impediments to Trade Between PRC and Kyrgyz Republic</b></p> <p>Rafkat Hasanov</p>	<p>The study will identify existing barriers and obstacles to the expansion of trade between PRC and Kyrgyz Republic, with a focus on technical regulations, administrative procedures and practices, and financing. It will consider issues related to business environment in the countries and measures to achieve deregulation and liberalization of their economies.</p>
Mongolia	<p><b>Study of Trade Barriers between Mongolia and Kazakhstan</b></p> <p>Lamjav Zolbaatar</p>	<p>The study will determine the present condition of trade between Mongolia and Kazakhstan to identify major obstacles in developing trade relations between the two countries. It will develop policy recommendations to address these obstacles and to promote commerce and trade relations on a wider scale.</p>
PRC	<p><b>Economic and Trade Cooperation Pattern Between Silk Road Fort Kashgar in Xinjiang, PRC, and Border Countries</b></p> <p>Gao Zhigang</p>	<p>The study will analyze the economic structures of Kashgar in Xinjiang and border countries, with an emphasis on illustrating their comparative advantages, differences in natural resource endowments, regional competitiveness, and potential market opportunity. It will identify feasible and operational cooperation models for promoting regional economic and trade cooperation.</p>
Tajikistan	<p><b>Research of Perspective Strategy of Development of Trade in Tajikistan and Kyrgyz Republic and Trade-Economic Cooperation of Tajikistan with Kyrgyz Republic</b></p> <p>Nazarov Abdushkur Abdurakhimovich</p>	<p>The study will propose a strategy of development of the trade-economic cooperation between Tajikistan and Kyrgyz Republic, including an analysis of the condition of trade-economic cooperation between the countries, economic barriers to cooperation with neighbor countries, and measures to stimulate foreign trade and investment.</p>
Uzbekistan	<p><b>Exploring the Possibility of Adopting a Single Freight Transit Convention by the CAREC Countries as a Tool Influencing the Development of International Transportation and Regional Trade</b></p> <p>A.A. Mukhidov</p>	<p>The study will analyze the feasibility of adopting a Single Convention on Freight Transit for CAREC Countries and to show its advantages. It will propose general principles and uniform rules of freight transit, and identify ways of increasing the freight flow and transit capacity of CAREC countries.</p>

**Table 3. Outreach**

<b>Outputs</b>	<b>Date completed</b>
• Design and layout of CAREC publications flyer	• July 2014
• CAREC exhibit	• October 2014
• Design and production of CAREC infographics	• November 2014
• CAREC video and photo project (Uzbekistan)	• December 2014
• CAREC video and photo project (Pakistan)	• June 2015
• Design and layout of brochure	• April 2015