



PREPARATION OF THE FIRST CAREC DEVELOPMENT PARTNERS' FORUM

A Background Paper

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Table of Contents

	Page
Table of Contents	1
List of Abbreviations	2
Executive Summary	3
1. Introduction and Background	4
2. Summary of CAREC DP Dialogue in September 2019	6
3. Purpose of the first Development Partners Forum (DPF) and possible agenda items	7
4. Information sharing	8
5. Financial Modalities of DP engagement in CAREC	10
5.1. Parallel funding of individual projects	10
5.2. Cofinancing specific projects	11
5.3. Co-financing specific programs or facilities	12
5.4. Co-financing administrative costs of CAREC	13
6. Non-financial Modalities of DP engagement in CAREC	13
7. DP's engagement with the CAREC Institute	14
8. Engagement with other regional cooperation organizations and platforms	15
9. Institutional issues relating to DP engagement in CAREC	16
9.1. A common CAREC program results framework for DPs	16
9.2. Approach to facilitate DP engagement with CAREC	16
9.3. Addressing institutional obstacles internal to the DP organizations	17
10. Increasing the visibility and impact of CAREC	18
11. The way forward for CAREC and the DPs	21
12. Questions to be addressed by DPs	21
References	22
Annex 1. Summary of CAREC Development Partners Dialogue, September 2019, Tashkent	23
Annex 2. CAREC Development Partner engagement (since 2001, with number of initiatives funded)	27
Annex 3. Inventory of DPs' Regional Initiatives, Programs and Projects	29
Annex 4: ADB regional initiatives open for cofinancing by other DPs	30
Annex 5: CAREC Institute areas of research and training/capacity building	32
Annex 6. CAREC 2030 Results Framework	33

List of abbreviations

ADB	– Asian Development Bank
AIIB	– Asian Infrastructure Investment Bank
CAREC	– Central Asia Regional Cooperation Forum
CI	– CAREC Institute
CPMM	– CAREC Corridor Performance Measurement and Monitoring
DFID	– Department for International Development (UK)
DP	– Development Partner
DPF	– Development Partners Forum
EBRD	– European Bank for Reconstruction and Development
ECO	– Economic Cooperation Organization
EEU	– Eurasian Economic Union
EIB	– European Investment Bank
EU	– European Union
GIZ	– Gesellschaft für Internationale Zusammenarbeit (Germany)
GMS	– Greater Mekong Subregion
IFAS	– International Fund for Saving the Aral Sea
IMF	– International Monetary Fund
IsDB	– Islamic Development Bank
JICA	– Japan International Cooperation Agency
MI	– Mekong Institute
PRC	– People's Republic of China
SCO	– Shanghai Cooperation Organization
SDC	– Swiss Agency for Development and Cooperation
SOM	– Senior Officials Meeting
SPECA	– United Nations Special Program for the Economies of Central Asia
TICA	– Thai International Cooperation Agency
UNDP	– United National Development Program
USAID	– US Agency for International Development
WBG	– World Bank Group

Executive Summary

This report was commissioned by ADB to explore issues and options for enhanced engagement by Development Partners (DP) in support of the development and implementation of programs of the Central Asia Regional Economic Cooperation Program. It is to serve as an input for the discussions of DPs at the Development Partners' Forum (DPF) expected to be held in November 2020.

Based on the results of a preliminary CAREC DP Dialogue meeting held in Tashkent in September 2019, on a survey of CAREC member country senior representatives, and on a set of initial interviews with experts and selected DPs, the paper summarizes potential key issues arising for DPs as they consider expanding and intensifying their engagement with CAREC. These issues include:

- Information sharing – developing a systematic approach to sharing information on DPs' support for regional initiatives in the CAREC region, including possibly a CAREC DP coordination platform, with a view to more effective cooperation and division of labor among DPs;
- Financial modalities of DP engagement in CAREC – exploring alternative ways for DPs to provide financial support to CAREC member countries and to CAREC in their pursuit of regional integration and cooperation;
- Non-financial modalities of DP engagement in CAREC – considering alternative ways of supporting CAREC through non-financial means;
- Expanding DP's engagement with the CAREC Institute (CI);
- Engagement with other regional cooperation platforms;
- Process issues – including a review of the CAREC Results Framework
- Internal organizational challenges for DPs in supporting CAREC;
- Development of a high-visibility and high-energy CAREC agenda for governments and DPs, including implications of the COVID-19 crisis;
- Engagement by member countries at the level of heads-of-state (or heads of government) as a means to strengthen country ownership and engagement.

The paper concludes with a preliminary set of questions for possible discussion at the first DPF in November 2020.

The paper will be distributed to DPs for review and comment. A revised version, reflecting this feedback, will be distributed in advance of the November 2020 DPF.

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1. Introduction and Background

Regional cooperation potentially brings many benefits of greater connectivity in transport, trade, investment and people exchanges among the participating countries. For land-locked countries, as in Central Asia (with Uzbekistan double land-locked), regional cooperation also fosters greater connectivity of individual countries in the region with the rest of the world by allowing transit through their neighbors.

However, effective regional cooperation is not easy. Common obstacles are well summarized by Schiff and Winters (2002, p. 1-2) (see box 1 below).¹ The engagement and assistance of external development partners can help overcome some of these obstacles by promoting regional cooperation with financial, advisory and political support.

Box 1. Common obstacles to regional cooperation

“First, countries are sometimes unwilling to cooperate because of national pride, political tensions, lack of trust, high coordination costs among a large number of countries, or the asymmetric distribution of costs and benefits. Second, there are strong incentives to behave strategically in one-off negotiations. Countries that are dissatisfied with the potential distribution of benefits may withhold their agreement on a particular issue. They can increase the credibility of their threatened veto by making investments that would be useful if the agreement were not implemented. This is inefficient if the investments are made, exploitative if the other partners concede their demands, or destructive of cooperation if they do not. Third, international and regional cooperation agreements are typically harder to achieve than national ones because, given the absence of courts or higher authorities to which to appeal, the enforcement of property rights is ambiguous and weak at the international level. As a result, international agreements must be self-enforcing, which, in turn, reduces the set of feasible cooperative solutions, possibly to nothing.” (Schiff and Winters 2002, p. 1-2)

The concept of a Central Asia Regional Cooperation forum (CAREC) was first formed in 1997/8 and CAREC’s secretariat was created at ADB in 2000. The first CAREC senior officials’ meeting (SOM) took place in 2001. This was deemed as the formal establishment of the CAREC Program. From its initial five country members (Kazakhstan, Kyrgyz Republic, People’s Republic of China, Tajikistan and Uzbekistan) CAREC has expanded to eleven members (with Afghanistan, Azerbaijan, Georgia, Mongolia, Pakistan and Turkmenistan added over time). As a unique feature among regional development organizations, CAREC from its beginning included six multilateral development finance organizations (ADB, EBRD, IMF, IsDB, UNDP and WBG)². ADB has served as the CAREC Secretariat since 2000, with the Secretariat office based in Manila and designated staff outposted in ADB’s Almaty office. For each member country, National Focal Point Advisors and consultant Regional Cooperation Coordinators provided guidance and input for CAREC’s work from a country perspective.

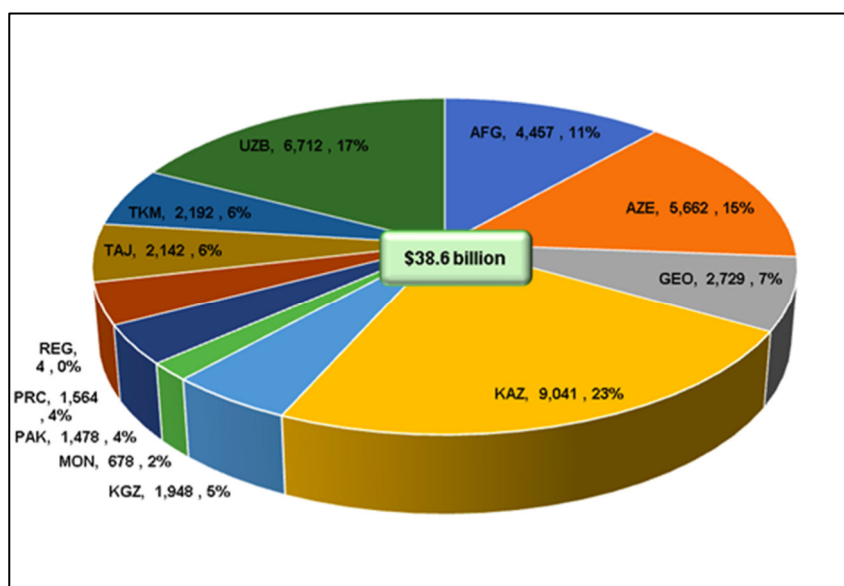
Between 2001 and 2019, CAREC investments amounted to \$38.6 billion. Of this, \$14.2 billion has been financed by ADB, \$15.8 billion by other development partners, and \$8.6 billion by CAREC governments. Of the total investments, transport has the biggest share, with about 76%; energy accounts for 22% and trade for 2%. The distribution of investment by country is shown in Figure 1.³

¹ See also Linn and Pidufala (2008) for a more extensive summary of potential obstacles to regional cooperation, including in Central Asia.

² Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Program and the World Bank Group.

³ The information in this paragraph is taken from the CAREC project portfolio Web page: https://www.carecprogram.org/?page_id=13630.

Figure 1. Distribution of CAREC investments by country



Source: https://www.carecprogram.org/?page_id=13630

The engagement of the six above-mentioned development partners has been a corner stone of CAREC since its early years. Building on this experience, CAREC's new long-term strategic framework endorsed in 2017, also known as "CAREC 2030" (CAREC 2017), promises to expand the range of development partners that can support regional cooperation among CAREC member countries, by inviting any multilateral and bilateral agency to join, if it has the interest, resources and capacity to engage in a constructive way.

This is a good time to review the potential role of development partners (DPs) and intensify their cooperation in supporting CAREC members with their regional development efforts. With the beginning of the implementation of *CAREC 2030*, the 20-year anniversary of CAREC in 2020, the opening up of Uzbekistan to regional cooperation, and the engagement of China through the Belt-and-Road Initiative, the opportunities for more intensive engagement by DPs appear especially promising. At the same time, the COVID-19 crisis presents new obstacles to economic integration, but also drives home the need for increased cooperation to address the health challenges brought on by the pandemic and to ensure that the economic damage from the health crisis is not magnified by a prolonged breakdown in connectivity across borders within the region and with the rest of the world. DPs potentially can play a significant role in assisting CAREC and CAREC member countries in addressing the challenges and opportunities of regional integration and cooperation, which have been compounded by the COVID-19 crisis.

As noted, the strategy document *CAREC 2030* provides guidance on DP engagement, including the following steps:

- Broaden the scope of DP support by engaging CAREC in a wider range of thematic areas, as the *CAREC 2030* strategy identified five broad operational clusters of priority activity: (i) economic and financial stability; (ii) trade, tourism, and economic corridors; (iii) infrastructure and economic connectivity; (iv) agriculture and water; and (v) human development; in addition, ICT serves as a crosscutting priority.
- Build an open, inclusive CAREC platform to maximize DPs' resources and expertise, by welcoming existing and new DPs on an equal footing and encouraging them to lead dialogue and operations in CAREC 2030's priority areas; and streamline institutional procedures to facilitate DPs' membership and role in CAREC.
- Invite DPs to co-chair CAREC Senior Officials Meetings on rotation.
- Convene a DPs' Forum on a recurring basis.

- Invite DPs to second staff to the CAREC Secretariat for short-term and long-term assignments.
- Ensure greater transparency and enhanced information sharing among DPs.

This Background Paper pulls together various elements of preparation for the first CAREC Development Partners' Forum (DPF) expected to be held in November 2020. This work has been commissioned by ADB in support of CAREC Secretariat. The paper reviews the discussion during a preparatory meeting of selected DPs held in September 2019 in Tashkent in Section 2; considers the purposes of the first Development Partners Forum (DPF) in Section 3; presents key issues to be addressed at the first DPF in Sections 4 - 10; and indicates next steps for exploring DP engagement in CAREC in Section 11. Section 12 concludes with a set of questions to be considered in the further preparation of the DPF and at the DPF.

2. Summary of CAREC DP Dialogue in September 2019

ADB invited a number of CAREC Development Partners (DPs) for an informal, half-day discussion on 23 September 2019 in Tashkent, Uzbekistan, back-to-back with a Consultation Meeting of the CAREC National Focal Points. Representatives from 17 DPs attended the meeting, including international and regional financial institutions, UN agencies, and bilateral development assistance agencies. (See Annex 1 for a summary of the proceedings and a list of participants.)

The purpose of the meeting was to discuss the experience with DPs' engagement in CAREC during the first 20 years of its existence and to explore how the role and cooperation of DPs can be strengthened in support of an effective implementation of the CAREC 2030 strategy. It also considered whether and how best to organize a full-fledged Development Partners' Forum in 2020, as part of the events planned to celebrate the 20th anniversary of CAREC.

The Secretariat distributed an informal background note in advance of the meeting to facilitate discussion. The World Bank also contributed a presentation of the findings of a CAREC country client survey. (Box 2)

Box 2. Results of a CAREC country client survey regarding the DPs' engagement

The interviews for this survey were conducted in 2019 by a former prime minister from the CAREC region, on behalf of the World Bank. Interviewees were primarily CAREC National Focal Points. As regards DPs' engagement in CAREC, the main recommendations emerging from the interviews, as summarized by the World Bank representative at the DP Dialogue meeting in September 2019, were as follows:

- Increase the involvement of current development partners (both human and financial resources) and attract new partners, who are active in the area of regional cooperation (including Asian Infrastructure Investment Bank, USAID, EU, GIZ, JICA, IsDB, DFID, EBRD and others).
- Improve DPs' coordination in regional cooperation and development, with better knowledge sharing among them; harmonize and coordinate donors' practices under the CAREC Program.
- Pay more attention in DP programs to the development of regional cooperation; avoid unnecessary competition and duplication with each other and focus on common strategies.
- Raise the status of the CAREC Ministerial Conference to a higher-level political forum; a summit-level meeting of CAREC heads of states and/or governments may be considered on a periodic basis to keep the political leadership informed and to reinforce high-level country ownership.

Participants welcomed the meeting and engaged in a lively exchange on key issues. They noted that the CAREC brand is strong and that this is a good time to engage more intensively in a regional approach and in collaborative initiatives across DPs. They broadly endorsed the directions of DP engagement envisaged in *CAREC 2030* with five key roles that DPs can and should play in supporting regional approaches: (i) leadership, (ii) financing; (iii) operational; (iv) advocacy, and (v) convening. Participants welcomed active outreach by the CAREC Secretariat to new DP participants and provided specific examples of where and how they could contribute in *CAREC 2030* priority areas. They supported further exploration of how best to expand the division of labor and coordination across DPs, expressed great interest in new regional financing

initiatives undertaken by ADB for which ADB welcomed DP participation, and called for intensifying support for national capacity and skills development to underpin regional cooperation among countries.

ADB management summed up the constructive meeting with the following conclusions:

- The broadened CAREC mandate necessitates stronger engagement of DPs anchored in clear division of labor building upon respective comparative advantages.
- Effective and strengthened DP coordination is indispensable.
- Continued high-level participation of DPs in key CAREC events is critical.
- A CAREC donor coordination platform at the regional level is needed.
- Greater public awareness of CAREC requires collective efforts by DPs.
- More financial and staffing support are needed from DPs to support the broadened *CAREC 2030* agenda.

Participants welcomed the ADB's proposal to convene a first Development Partners' Forum back to back with the next Ministerial Conference and endorsed ADB's readiness to take a lead in preparing and consulting for such an event.

3. Purpose of the first Development Partners Forum (DPF) and possible agenda items

The purpose of the first Development Partners Forum is to bring together a wide range of DPs to explore how best they can jointly support regional cooperation among CAREC countries and the implementation of the *CAREC 2030* agenda, how the CAREC processes can support DPs' regional development objectives, and how DPs can make the best use of the CAREC platform. The analysis in this paper builds on the exchange at the September 2019 DP Dialogue, on the World Bank's client survey and on preliminary consultations with selected regional experts and three DPs. The key points emerging from these consultations are summarized in Box 3. Consultations with DPs will continue in the preparation of the first DPF and their results will be included in the final version of this report.

Box 3. Main observations from preliminary consultations with regional experts and DPs

As an input to this draft report, ten semi-structured interviews were conducted with experts from CAREC member countries, with international experts familiar with Central Asia's economic and social development, and with representatives from the IMF, the World Bank and the Eurasian Fund for Stabilization and Development (EFSD).

CAREC's role was generally appreciated, but respondents had various suggestions for further improvements:

1. Country ownership and DP engagement need to be strengthened by:
 - engagement by heads-of-state (or heads-of-government);
 - greater presence of the CAREC Secretariat in the region;
 - engagement by one or more "elder statesmen" in high-level regional dialogue;
 - more in-country outreach by CAREC and clearer identification of CAREC projects; and
 - increased readiness by ADB to share its lead role with other DPs.
2. But greater ownership and engagement will only be achieved if the CAREC agenda is newly energized:
 - The traditional focal areas (transport, energy, trade) remain essential, and new areas under *CAREC 2030* (esp. water-energy nexus, tourism, migration, etc.) can usefully be added;
 - But, in addition, high visibility agenda items of regional significance must be identified and pursued, including a regional response to COVID-19 (and future epidemics), climate change, digitalization, and potential links with the Belt and Road Initiative.
3. And key constraints have to be realistically assessed:
 - CAREC member countries are very heterogeneous with different challenges and interests;
 - Heads-of-state engagement may be difficult to achieve and may politicize the process;
 - CAREC is competing for attention with other regional initiatives;
 - China and ADB are seen to dominate the agenda.

Based on these inputs, the agenda for discussion at the DPF has tentatively been identified to include the following items, which are further explored in detail in the subsequent sections of this paper:

- Information sharing – developing a systematic approach to sharing information on DPs' support for regional initiatives in the CAREC region, including possibly a CAREC DP coordination platform, with a view to more effective cooperation and division of labor among DPs;
- Financial modalities of DP engagement in CAREC – exploring alternative ways for DPs to provide financial support to CAREC member countries and to CAREC in their pursuit of regional integration and cooperation;
- Non-financial modalities of DP engagement in CAREC – considering alternative ways of supporting CAREC through non-financial means;
- Implications of the COVID-19 crisis – explore DPs' views on how CAREC can best support member countries in dealing with regional dimensions of the crisis and how DPs can best cooperate in this regard;
- Expanding DP's engagement with the CAREC Institute (CI);
- Engagement with other regional cooperation platforms;
- Process issues – including DPs' input into an ongoing review of the CAREC Results Framework
- Internal organizational challenges for DPs in supporting CAREC;
- Development of a high-visibility and high-energy CAREC agenda for governments and DPs; and
- Engagement by member countries at the level of heads-of-state (or heads of government) as a means to strengthen country ownership and engagement.

Based on substantive exchanges during the first DPF on some or all of these issues, DPs may wish to chart the way forward for their engagement in CAREC, including the organization of subsequent regular DPFs, as well as follow-up on specific items on the above agenda, where a modicum of consensus for next steps has been developed.

The next sections explore each of the ten proposed agenda items by presenting for each item a brief summary of the current approach and status, followed by analysis, options and questions for DPs on whether and how they might wish to address these issues.

4. Information sharing

Information sharing among DPs is a critical prerequisite for effective cooperation, division of labor and coordination among them in regard to their engagement in regionally relevant operational activities, including investments, policy and institutional advisory assistance, and capacity building.

Currently the CAREC Secretariat maintains a publicly accessible electronic data base on the portfolio of projects tagged by DPs as falling under the CAREC umbrella.⁴ This project file contains 514 entries of completed and currently ongoing projects funded between 2001 and 2019 (September). The information includes a brief summary description of the project and of its expected outcome and outputs; the date of approval and expected completion; total funding broken down by source (government and DP cofinancing); as well as related links to DP project Web pages and relevant electronic news items. This project file allows sorting projects by CAREC member country, sector, project type (grant, loan, technical assistance), funding agency, approval year and CAREC transport corridor. The data base indicates that a total of 42 different DP agencies have participated in funding CAREC projects over the last 20 years (see Annex 2).

This information is very helpful for learning about the past and current portfolio of projects undertaken under the CAREC umbrella. However, it does not give any information on projects in the planning and preparation stages, which is critical to allow the identification of possible overlaps or complementarities among projects and program, and a systematic approach to division of labor and partnerships, as appropriate.

⁴ <https://www.carecprogram.org/projects>

So far, the approach to information sharing regarding the prospective project pipeline and other regional development initiatives by DPs has been mostly ad hoc, through intermittent contacts among senior and mid-level officials of the various institutions at Ministerial Conferences (MCs), SOMs and sectoral and thematic working group meetings as well as in bilateral meetings and the CAREC Secretariat's efforts to collect information on ongoing CAREC-related regional projects. While this has helped develop cooperation and information sharing in specific cases, as demonstrated by the fact that many of the projects listed in the current CAREC portfolio data base have been cofinanced by two or more DPs, this approach has not provided for a systematic and widely shared access to plans by all DPs.⁵

Looking ahead, CAREC and the DPs have three, progressively more ambitious and mutually not exclusive options for dealing with the information opportunity, each with its pros and cons:

Option 1: Use intermittent DPFs as a forum for informal exchange of information:

- Pro: provides an opportunity for informal, ad-hoc exchanges of information with broad range of partners at low effort/low cost
- Con: the ad hoc nature of this process limits the scope of sharing information

Option 2: Develop a searchable data base for regional project and program plans, regularly updated as an input to DPFs:

- Pro: provides a comprehensive data base that allows DPs to search systematically for potential partners, identify gaps, overlaps and/or potential partners; can draw on project data bases already maintained by (at least some) DPs
- Con: requires establishment of a systematic process and capacity for collecting the information (by the CAREC Secretariat or by CAREC Institute) and willingness/capacity by DPs to supply the information on a regular basis

Option 3: Establish a DP Coordination Unit as a platform to assess and promote DP engagement potential, plans and pledges, based on a data base as under option 2, similar to country-level development assistance coordination platforms:

- Pro: provides focused engagement by DPs in mobilizing resources for regional development, in coordinating plans and developing partnerships; will raise ownership and visibility of CAREC in member countries
- Con: requires establishment of an institutional platform with the attendant costs that have to be borne by the DPs or the member countries

In considering these options, a core question for CAREC and DPs to address is whether to develop a data base as suggested in Option 2 above. If this is to be pursued, consideration will have to be given to how best to collect the information and how much detail of information is to be collected. Experience indicates that such information gathering is more successful if, in the early rounds at least, the amount of information requested is kept as limited as possible, while still covering key aspects. DPs may ignore or respond perfunctorily to an information request that asks for complex information involving significant amounts of effort of collection.

Ideally, the information would be summarized in a matrix, allowing for a ready sifting by originating organization, nature of the initiative/program/project, by CAREC thematic area, and by opportunities for cofinancing or other forms of partnership, and with electronic links to relevant agency sources or data bases. Annex 3 summarizes a possible format for such a matrix. Based on these high-level data, the CAREC Secretariat or individual DPs may request more detailed information for priority initiatives from the agency concerned.

⁵ Of a total of 40 CAREC projects for 2018-2019, 12 projects were cofinanced by 2 or more DPs. (Source: CAREC project data base: <https://www.carecprogram.org/projects>)

A related question is what organization would collect and maintain this data base. This could be the CAREC Secretariat, possibly from the ADB's Almaty office, or a new DP Coordination Unit as under Option 4 above.

Questions to be addressed by DPs

- Develop a systematic data base of planned DP activities?
- Develop a DP coordination unit for the collection and maintenance of a CAREC project data base and for coordinating DP engagement?

5. Financial Modalities of DP engagement in CAREC

DPs have various different options for engaging financially with CAREC, ranging from the coordinated funding of separate individual projects (parallel funding) to cofinancing specific projects, to cofunding specific facilities or programs. Let us briefly consider each of these modalities in turn.

5.1. Parallel funding of individual projects

CAREC provides an excellent framework for parallel funding through its sector strategies, which help ensure that investments by different donors in different CAREC countries complement each other in achieving broader regional strategic goals. For example, the CAREC transport sector corridors were designed exactly with this as one of their objectives: to help countries and different funders align their individual transport investment projects with the larger regional transport and transit objectives. The regular reviews of progress with transport and transit services in the CAREC region, underpinned by the CAREC Corridor Performance Measurement and Monitoring (CPMM) system,⁶ provides an appropriate measurement and monitoring of whether or not transport and transit times and costs are responding as intended and opens opportunities for cooperative planning and support for the development of CAREC regional economic corridors (such as the Almaty-Bishkek economic corridor, with the support of ADB).⁷ A typical example of the parallel, but coordinated funding approach is the development of CAREC Transport Corridor 2, with the involvement of multiple CAREC national and local government agencies, as well as various DPs. (see Box 4)

Box 4. CAREC Transport Corridor 2: an example of cooperative, coordinated parallel funding

“Corridor 2 is the longest CAREC corridor, linking East Asia with the Caucasus, the Mediterranean and Southern Europe. It crosses Georgia, the Republic of Azerbaijan, the Islamic Republic of Afghanistan, the Republic of Kazakhstan, Turkmenistan, the Republic of Uzbekistan, the Republic of Tajikistan, the Kyrgyz Republic and the People’s Republic of China (PRC). Corridor 2 includes 9,900 km of roads, 9,700 km of railways and 6 logistics centers, making it the most extensive corridor. The total project value reaches USD\$ 6.6bn; with the main sources of funding provided by: the Asian Development Bank, World Bank, Government of the involved countries, and the Saudi Fund for Development, Islamic Development Bank, Cities of Altay, Changji, Hami, Kuytun, and Turpan, China Development Bank (People’s Republic of China), Government of Xinjiang Uygur Autonomous Region (PRC), European Bank for Reconstruction and Development, Clean Energy Fund, OPEC, and European Union-Technical Assistance for the Commonwealth of Independent States.”

Source: <https://cciom-tkm.ro/2018/03/21/the-carec-programme-corridor-2/>

⁶ See <https://www.carecprogram.org/?publication=carec-corridor-performance-measurement-monitoring-2018>

⁷ See <https://www.almaty-bishkek.org/what-is-abec>; another CAREC regional economic corridor is under development connecting Kazakhstan (Shymkent), Uzbekistan (Tashkent), and Tajikistan (Khujand): <https://www.carecprogram.org/?event=carec-session-astana-economic-forum-may-2019>

5.2. Cofinancing specific projects

In contrast to parallel funding, which allows each project and funder to proceed independently of each other, albeit ideally coordinated in the context of CAREC's sector strategies and plans, cofinancing of individual projects by two or more DPs requires more formal cooperation among the funding partners, since the project usually involves a single design, implementation and funding plan, preferably with project monitoring taken on by one of the DPs on behalf of all partners. Of the total of 40 CAREC projects (investment and technical assistance) approved in 2018 and 2019, 28 projects had no cofinancing, nine involved two DP cofinanciers, one project had three DP cofinanciers, and two projects had four cofinanciers.⁸ The two projects with four funders were major road improvement projects, one in Georgia in 2018 with a total project cost of USD 1.5 billion, involving ADB, EIB, JICA, and the World Bank; the other in Tajikistan in 2019 with a total project cost of USD 368 involving ADB, AIIB, EBRD and the OPEC fund.

When structured along simple lines, this approach has the advantage of assuring full consistency of plans and actions among project partners, reduces the burdens on the governments in managing relations with different partners, and results in maximum coordination among the project participants.⁹ However, the cost and time requirements of project preparation and implementation of cofinanced projects can also be significant, especially if the project involves multiple countries and multiple DPs, each with their own objectives, reporting requirements and time lines.

The example of the CASA-1000 transmission line from Kyrgyz Republic and Tajikistan through Afghanistan to Pakistan, a major project under the CAREC energy work plan,¹⁰ is an example of both the great potential of jointly planning, implementing and cofinancing major regional energy infrastructure projects with multiple partners (see Box 5), but it also demonstrates the cost and time required to bring such a complex operation to fruition, since the project has taken years to prepare and implement.

Box 5. CASA-1000

"The CASA-1000 project is the first step towards creating the Central Asia-South Asia Regional Electricity Market (CASAREM), leveraging Central Asia's significant energy resources to help alleviate South Asia's energy shortages on a mutually beneficial basis. CASA-1000 will put in place the contractual and institutional arrangements, and the transmission infrastructure, to facilitate the export of 1,300 megawatts (MW) of already available surplus electricity in the summer months from Kyrgyz Republic and Tajikistan to Afghanistan and Pakistan. The estimated project cost, including contingencies, taxes and interest during construction, is US\$1.17 billion. The project has seven financiers: the World Bank (through the International Development Association, IDA); the European Investment Bank (EIB); the Afghanistan Reconstruction Trust Fund (ARTF); the Islamic Development Bank (IsDB); the United States Government; the UK Department for International Development (DFID); and the European Bank for Reconstruction and Development (EBRD). The United States Government and DFID contributions are channeled through a World Bank-administered Multi-Donor Trust Fund to consolidate funding support from bilateral donors who have expressed interest in supporting the project. A Ministerial level Inter-Governmental Council (IGC) supervises the design, preparation, negotiation, and implementation of the project. An IGC Secretariat manages the daily coordination of work related to project preparation and carries out the functions common to the four countries."

Source: <https://www.worldbank.org/en/news/speech/2016/05/10/central-asia-south-asia-electricity-transmission-and-trade-project-casa-1000>

⁸ In other words, 30 percent of projects involved some cofinancing. If only investment projects are counted, then out of 16 investment projects only four (or 25 percent) had some cofinancing. The data in this paragraph are based on an analysis of the CAREC project portfolio information: <https://www.carecprogram.org/?project=east-west-highway-khevi-ubisa-section-improvement-project>.

⁹ For the Asian Infrastructure Investment Bank (AIIB), between 2016 and 2019 three CAREC projects were cofinanced – identified and prepared by other multilateral development banks –; this allowed the Bank to deploy its lending capacity more quickly than if it had gone its own way during its initial years of operation

¹⁰ See https://www.carecprogram.org/?page_id=16

5.3. Co-financing specific programs or facilities

Aside from cofinancing projects, DPs have also supported broader regional development programs or facilities in the CAREC Region. One example (albeit not under the auspices of CAREC as such) is the multi-donor support for the International Fund to Save the Aral Sea (IFAS) and the Aral Sea Basin Program. This Fund and Program were first established in the 1990s to address the regional ecological crisis caused by the disappearance of the Aral Sea. Figure 1 shows the many DPs involved over the years in supporting IFAS, with mixed success to date.¹¹ Another example is the IMF's "CCAMTAC", a new IMF Regional Capacity Development Center for the Caucasus, Central Asia and Mongolia, which is to be opened later in 2020 and will be cofinanced by various DPs. (See Box 6)

Figure 2: DP support for IFAS



Source: http://kazaral.org/wp-content/uploads/2018/11/Aral_Brochure.pdf

Box 6. CCAMTAC – The IMF's new regional capacity development center

"CCAMTAC will open in 2020 with a coordinator, seven advisors, and local staff. The advisors will cover macroeconomic frameworks and analysis, PFM, revenue administration, central bank operations, financial supervision, government finance statistics, and real sector statistics. The advisors will also engage short-term experts for specific assignments. Technical assistance on strategic or emerging issues—such as fintech, climate change or gender budgeting—will continue to be provided from IMF HQ, with follow-up implementation support from the center. CCAMTAC will hold workshops and other peer-to-peer events to mutually reinforce and expand training by JVI and other IMF training centers in Washington, Singapore, and China. The center's budget is expected to amount to \$45 million for the first five years of operations. In addition to Kazakhstan's generous support and contributions from the IMF, other CCAM countries are also expected to contribute. The remaining financing will come from development partners of the IMF and the region. The center will be governed by a Steering Committee

¹¹ For a recent summary of this regional initiative see http://kazaral.org/wp-content/uploads/2018/11/Aral_Brochure.pdf A meeting of the five Central Asian Presidents in 2018 in connection with IFAS was expected to revive regional and international attention to IFAS.

comprising CCAM countries, development partners, and the IMF.” ADB has pledged a contribution of \$300,000 to CCAMTAC.
Source: <https://www.jvi.org/news/detail/article/ccamtac-a-new-imf-regional-capacity-development-center-for-the-caucasus-central-asia-and-mongolia.html>

An example of a regional initiative supported under the CAREC umbrella is the CAREC Institute (CI), which is further discussed in Section 7 below.

Looking ahead, ADB is putting forth a number of regional initiatives for the CAREC region, for which it is looking for cofinanciers among DPs. These include most prominently the Regional Infrastructure Projects Enabling Facility, the Disaster Risk Transfer Facility for the CAREC Region, the Trade and Export Reinsurance Facility for SMEs. (See Annex 4 for details on these three initiatives and for other regional initiatives currently being implemented or planned by ADB.) Other DPs may wish to put forward for cofinancing other regional initiatives they are supporting.

5.4. Co-financing administrative costs of CAREC

CAREC’s administrative costs principally consist of funding the CAREC Secretariat (which comprises staff and consultants) and the cost of managing and participating in CAREC meetings and events (Ministerial Conferences, SOMs, sector and thematic working group meetings, etc.). The bulk of these costs – the CAREC Secretariat and some of the direct costs of meetings – have been borne by ADB, partly from its regular budget (staff participation) and partly from technical assistance funds (including a TA fund supported by the PRC and other Trust Funds). DPs have funded their own costs of participating in meetings. Member countries funded their own staff costs of participating in meetings, with travel costs borne by ADB.

In the past this financing arrangement has worked, mostly because ADB was able to provide the necessary funding. For the future, the question arises whether this is a sustainable approach over the long haul. Options include (i) continuation of the current funding system, (ii) greater sharing of the financing burden with other DPs, including through secondments, and (iii) greater sharing of administrative costs with member countries. As CAREC is passing the 20-year mark of its existence, this may well be a good time to explore its longer-term financial sustainability.

Questions to be addressed by DPs

- What has been DPs’ experience with parallel financing under the CAREC umbrella?
- How do DPs view the pros and cons of cofinancing specific projects and what can be done to increase cofinancing?
- Are DPs interested in cofinancing the programmatic initiatives presented by ADB? Do they have such initiatives they would like to propose for cofinancing?
- What alternative arrangements could be considered for covering CAREC’s administrative costs sustainably?

6. Non-financial Modalities of DP engagement in CAREC

There are various non-financial modalities for DB to engage with and support CAREC, including:

- Secondment/outposting of DP staff to CAREC Secretariat in Manila and/or in possible newly to be established branch-office in Almaty;
- Leadership of specific CAREC working groups and/or expert advisory groups (DPs have participated in meetings of these groups);
- Co-chairing Senior Officials Meetings (SOMs) on a rotating basis; and
- Co-organizing/co-chairing DPFs.

So far, such engagement is limited even though the participation in meetings and events has been increasing. ADB would welcome expressions of interest by DPs in any of these possible ways of DP engagement.

Question to be addressed by DPs:

- Would DPs be interested in contributing in non-financial modalities and if so, which?

7. DP's engagement with the CAREC Institute

The CAREC Institute (CI) was established in 2016 as a multilateral organization by the CAREC member countries with its headquarter office in Urumqi, PRC. The mandate of CI is to support regional cooperation and economic integration in the CAREC region through research and capacity building/training. It has developed its capacity in five substantive areas (see Annex 5): trade, transport, energy, tourism and economic corridors. It also has responded proactively to the COVID-19 crisis in the CAREC region, by organizing analytical work and virtual knowledge sharing events under the direction of the recently appointed CI Chief Economist. CI has developed the CAREC Regional Integration Index and is currently in a gradual transition process of taking over the management of the CAREC Corridor Performance Measurement and Monitoring Program.

CI's goal is to become a leading think tank in the region for matters relating to regional integration and cooperation, while also retaining its clear focus on supporting CAREC in its core mission. CI is now in the process of further strengthening its knowledge creation and delivery capacity with enhanced staffing, outreach, the establishment of a possible satellite office in another CAREC member country, and efforts to diversify its financing base.

So far CI has been financed mostly by annual grants from PRC (currently at about USD 4 million p.a.) and by TA grants from ADB (USD 0.5-1.0 million p.a.). But it has also carried out a limited amount of research and training activities in cooperation with and funded by DPs, including with the Asian Development Bank Institute (ADBI), UNIDO, and UNICEF. The goal is now to broaden this funding base fundamentally in two ways: first, by getting more CI member countries to contribute to the core funding of CI – two countries, Mongolia and Pakistan, have already indicated their readiness to do so; and second, by expanding partnerships, attracting knowledge project funding from DPs, and by offering knowledge services to potential clients interested in strengthening their understanding and engagement of regional cooperation and integration in the CAREC region. DPs are invited to explore possible partnerships and the funding knowledge product opportunities with CI. The scope for developing such engagement is demonstrated by the experience of the Mekong Institute, a regional think tank supporting regional cooperation and integration in the Greater Mekong Sub-region (GMS) of South East Asia and associated with the GMS Economic Cooperation Program, which is very similar in nature to CAREC and also supported by ADB. (See Box 8)¹²

Box 7. The Mekong Institute offers lessons for the CAREC Institute in terms of the potential for DP funding

The Mekong Institute (MI) was set up in 1996 as a unit under Khon Kaen University in Northern Thailand. It was transformed into an intergovernmental organization in 2009 for the countries that are members in the Greater Mekong Sub-region (GMS): Cambodia, Lao PDR, Myanmar, PRC (two provinces), Thailand and Vietnam. Its goals and strategies support the GMS Cooperation Program and the ASEAN Economic Community (AEC), emphasizing enhanced physical connectivity in the GMS economic corridors and the realization of the GMS/AEC target of a single market and production base, equitable growth, and sustainable resource management. Currently, its programs and activities focus on three main thematic areas: Agricultural Development and Commercialization, Trade and Investment Facilitation, and Innovation and Technological Connectivity.

¹² For more information on the GMS Program see <https://www.greatermekong.org/about>

Currently MI receives about USD 510 thousand p.a. in membership contributions, but has an annual budget of about USD 3.5 million, with the difference being made up by project funding from some member countries (principally, China and Thailand) and from development partners. New Zealand currently funds a 5-year project on food safety. Switzerland (SDC) is funding a 6-year project focusing on agricultural value chains along GMS economic corridors. PRC provides USD 200 thousand per year for various projects under an agreement with Yunnan Province; MI also accesses funding under the PRC's USD 300 million BRI support program facility for GMS countries by submitting proposals through its member countries. Korea (ROC) provides funding under its Mekong Cooperation Framework under which currently one project is under implementation. Japan finances a capacity building project for SMEs along the GMS Southern Corridor. The Thai government is involved in various long- and especially short-term projects through TICA (Thai International Cooperation Agency).

MI's experience offers lessons for CI:

- Universal membership contributions can be achieved, with small annual contributions from the lower-income member countries. However, this takes time to develop, but it serves to strengthen country ownership.
- Development of project-based financing is a serious option and should be actively pursued by CI. Development of a clear and effective overhead charging policy is difficult, but necessary.
- One of MI's successes is that it has developed a relatively strong training capacity for lower-mid-level officials and a good convening capacity for senior level officials' events and thus increased the sense of ownership by its member countries.

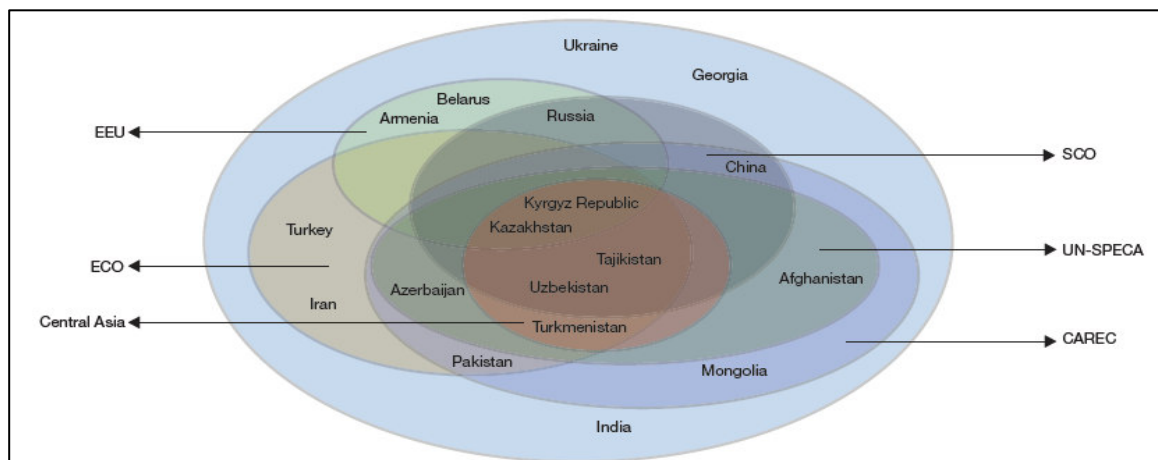
Questions to addressed by DPs:

- Would DPs be willing to contribute to CI resources, either with core or with project financing?

8. Engagement with other regional cooperation organizations and platforms

The CAREC region benefits from the engagement of a number of regional cooperation organizations and institutional platforms that overlap with CAREC in terms of their memberships. The main organizations include the Shanghai Cooperation Organization (SCO), the Eurasian Economic Union (EEU) and United Nations Special Program for the Economies of Central Asia (SPECAs), and the Economic Cooperation Organization (ECO). (See Figure 2 for the membership of each of these organizations). There are other regional groupings that can be of relevance for CAREC, such as the International Fund for Saving the Aral Sea (IFAS), and recently Central Asian presidents have started to meet among themselves to discuss regional issues affecting their countries.

Figure 3: Regional organizations and their memberships overlapping with CAREC



All these organizations and initiatives have memberships and substantive agendas that overlap with CAREC. Therefore, coordination with these regional organizations is needed. This is where DPs can be helpful, since they are involved to varying degrees with these organizations. For example, the UN Economic Commission of Europe (UNECE) and the UN Economic and Social Commission for Asia and the Pacific (ESCAP) provide support for UN-SPECA.¹³ The Eurasian Development Bank (EDB) and the Eurasian Fund for Stabilization and Development (EFSD) are engaged with EEU.¹⁴ And the ECO Trade and Development Bank (ECOTDB) supports ECO.¹⁵ For SCO, the PRC is the appropriate partner, since it plays a lead role in SCO. The CAREC Secretariat will appreciate receiving support from the relevant DPs in connecting with these other regional organizations or platforms, to ensure exchange of information and coordination of overlapping activities, as may be appropriate.

Question to addressed by DPs:

- Would DPs be able and willing to assist in ensuring exchange of information and coordination of overlapping activities between CAREC and other regional organization and initiatives in the CAREC region?

9. Institutional issues relating to DP engagement in CAREC

There are a number of process and institutional issues which DPs may wish to address as they seek to cooperate and coordinate more closely in supporting CAREC and CAREC countries regional cooperation and integration efforts. The three issues which we will discuss here are: (i) agreeing on a common results framework; (ii) developing a well-articulated, accessible and streamlined institutional approach to facilitate DPs' engagement with CAREC; and (iii) tackling internal institutional issues in DPs that may interfere with an effective focus on engagement with CAREC.

9.1. A common CAREC program results framework for DPs

CAREC's strategy document *CAREC 2030* presents a results framework to assist in justifying, guiding and monitoring the strategic interventions to be supported. It notes that "[t]he *CAREC 2030* program results framework demonstrates the results chain, leading from CAREC interventions to the expected outputs, and the targeted outcomes in each operational cluster that will contribute to the impact of 'Sustainable economic development and shared prosperity in the CAREC region.' The results framework will help member countries and the CAREC Secretariat monitor progress on *CAREC 2030*."¹⁶ Annex 6 presents the results framework in tabular form. The CAREC Secretariat is tracking progress on an ongoing basis and every three years prepares a progress report on the extent to which the intended results are being achieved. The CAREC Secretariat is currently reviewing and updating the CAREC results framework and welcomes DPs' feedback on how it applies to their engagement in regional initiatives that they support and whether and how it might help guide their engagement with and cooperation in CAREC.

9.2. Approach to facilitate DP engagement with CAREC

Cooperation and coordination among DPs need institutional support and mechanisms to succeed on a sustained basis. One aspect, as already mention in section 4 above is systematic information collection and sharing. Another is a regular opportunity for DP to meet and take stock of progress to date with CAREC, and of progress with the coordination and cooperation process. A regular DPF, would be a suitable platform for such stock taking. DPs may wish to consider whether an annual DPF meeting is appropriate. A third initiative, as previously mentioned, is to set up a CAREC DP Coordination Unit in the region, reporting to the CAREC Secretariat and charged with supporting DP coordination and cooperation. This

¹³ See <https://www.unece.org/speca/welcome.html>.

¹⁴ See <https://eabr.org/en/about/>.

¹⁵ See <http://www.etdb.org/content/bankinbrief.htm>.

¹⁶ See *CAREC 2030*, p. 21; <https://www.adb.org/sites/default/files/institutional-document/383241/carec-2030.pdf>

would include (i) the management of the DP information base, (ii) analysis of the DP information to identify overlaps and gaps, opportunities for partnerships, (iii) sharing lessons from different donors' engagement, (iv) outreach to DPs to ascertain their views about the implementation of the CAREC 2030 strategy and (iv) to advocate for more engagement by DPs in the CAREC process. While at a much smaller scale, these functions would be similar to the OECD's Development Co-operation Directorate, which supports the OECD's Development Assistance Committee (DAC) in assisting its member countries and partners with data, analysis and guidance.¹⁷

9.3. Addressing institutional obstacles internal to the DP organizations

DPs face various internal institutional obstacles to support regional initiatives such as CAREC. Among the common challenges are the following:

- Limited focus on regional cooperation and coordination in the mission, strategy and operational policy of DPs, whose programs and projects primarily addressing country's national development needs;
- Organizational fragmentation within DPs along geographic lines, where different country and sub-regional departments deal with larger regional initiatives such as CAREC;¹⁸
- Project concepts, project documentation and project agreements generally have to be developed, implemented and monitored by country, rather than for a region or sub-region as a whole; this makes the preparation and implementation of regional projects potentially cumbersome and costly for DPs;¹⁹
- Changing leadership and priorities in the various organizational units of DPs dealing with CAREC may result in lack of familiarity with the counterparts in other DPs and in lack of sustained engagement with CAREC and/or with partners; this can reinforce the lack of sustained attention to regional initiatives by national governments as national government actors and priorities also change; and
- Many DPs have no or only very limited budgetary resources to support regional initiatives that do not involve support for specific projects; ADB's technical assistance program and resources is an exception in this regard; other DPs (e.g., the World Bank) have to raise special resources from other partners, usually in the form of trust funds, to support regional initiatives.

Experience shows that these difficulties can be overcome with determined attention by all concerned to the regional development aspects. Previously mentioned co-financed projects and programs are examples. However, DPs will have to give serious attention to their internal barriers to sustained engagement in CAREC, if they want to move beyond what has been more of an episodic approach so far.

Questions to be addressed by DPs:

- Do DPs regard the CAREC program results framework as relevant to their regional initiatives and their engagement with CAREC?
- Would DPs welcome the establishment of a CAREC DP Coordination Unit and annual DPF meetings?
- Do DPs agree that internal institutional barriers in DP organizations may impede their ability to support regional initiatives on a sustained basis in general, and CAREC in particular, and if so, what might be ways to minimize their impact?

¹⁷ See <http://www.oecd.org/dac/>. Indeed, CAREC and the CAREC Secretariat may wish to seek the assistance of the Directorate in developing the CAREC DPs Coordination Unit.

¹⁸ For example, CAREC's member countries are spread across three separate departments in ADB, three regional vice-presidencies in the World Bank, and two regional units in UNDP.

¹⁹ In the case of the MDBs, separate loan or credit guarantees have to be negotiated with the concerned government for each national sub-project.

10. Increasing the visibility and impact of CAREC

Over the 20 years of its existence, CAREC has been remarkably successful in bringing together the countries in the CAREC region as well as various DPs. CAREC facilitated regional investments at a significant scale, developed effective policies and institutional capacity to foster connectivity, and set up impact monitoring instruments that track progress. In terms of its effectiveness, CAREC is in many ways a unique regional organization not only in the region it serves, but world-wide.

Against this track record, it is perhaps surprising that CAREC is not well known in member countries nor recognized for the contributions it has made, beyond the officials directly involved. Nor is it well known or recognized among DPs, again, beyond the officials directly involved.

This lack of recognition is due, in part, to the fact that CAREC has focused on technical and financial aspects of the regional cooperation agenda, rather than on matters of high national politics or geopolitical significance. This has often been helpful to ensure participation by all countries in CAREC meetings and initiatives even at times of tension between some members. But it also has contributed to limited attention to the CAREC agenda in members' capitals, to low priority being given to CAREC initiatives, and to the impression among observers, including DPs, that the sense of ownership of CAREC among CAREC member countries is limited. This in turn has meant that there is limited interest among senior officials in DP capitals or headquarters, reinforcing what is often already a limited institutional focus on the CAREC region.

One of the ways of raising the visibility and recognition of CAREC is to engage in more proactive outreach and communication in the member countries, including through possible physical presence in at least some of them. The CAREC Secretariat is currently developing a communication strategy to facilitate the positioning of CAREC and ADB is exploring the possibility of out-posting some Secretariat functions and staff to the ADB office in Almaty, which – when reinforced by the establishment of a CAREC DP Coordination unit – could serve as basis for more effective engagement with stakeholders in the region.

Another option is to raise member country engagement to the level of heads of state or government, as proposed by the CAREC 2030 strategy:

“A summit-level meeting of CAREC heads of states and/or governments may be considered on a periodic basis, every 3 to 5 years, to keep the political leadership informed and to reinforce high-level country ownership of the CAREC program. Such summit-level meetings could provide the opportunity for decision making on complex policy and coordination issues related to regional cooperation that require political consideration at the top levels of government.” (para. 78)

Such high-level engagement would indeed raise the visibility and recognition of CAREC, and lead to more effective and impactful engagement by the countries and by DPs, who would find it easier to send senior level participants to summit-level meetings than to the traditional ministerial conferences. But summitry could also bring with it the risk of politicization of the CAREC process, which so far has been largely avoided. The fact that Uzbekistan is now fully engaged in regional cooperation initiatives provides some assurances that this risk can be managed.²⁰ The example of the Greater Mekong Subregion Program, which is supported by intermittent summits, indicates that such a high-level engagement is indeed a positive factor and that the risk of politicization can be contained.²¹

²⁰ An intermediate step would be to offer CAREC's help to the five Presidents of Central Asia, who have started to meet with each other in occasional regional summits. The first such meeting in recent years took place in Tashkent in March 2018. A follow-up summit was to take place in April 2020, but was postponed.

²¹ “The Summit of Leaders, which is generally held every 3 years, is the highest forum in the Greater Mekong Subregion program and culminates in a joint statement signed by the heads of government of member countries. The summit is an opportunity to examine how global trends are affecting the subregion; the progress that has been made in cooperation and integration; and the best strategy for moving forward in the years ahead.”
<https://www.greatermekong.org/greater-mekong-subregion-summits>

One of the challenges of making a summit-level meeting happen will be to develop an agenda that provides heads of state or government with an opportunity to focus on issues that are clearly of overriding national and regional significance. Many of the traditional areas of engagement by CAREC (trade, transport and energy) without doubt are of importance for the region and for member countries. However, because they have been the topic of deliberation and policy action at the technical level now for many years, they may not convey the sense of priority and urgency that will attract the attention of country leaders. The CAREC 2030 strategy has significantly broadened the range of areas of engagement by CAREC and this provides an opportunity to have CAREC focus on issues that are of high national and regional concern beyond the traditional areas. These issues could include the following:

- The intersection of national and regional challenges created by the COVID-19 crisis: The COVID-19 crisis is a major disrupter of national economies and societies, as well as of regional integration. Very likely this is not just a short term challenge, but will risk disruption for years to come (at least 2 years, if not more). And there likely will be other such crises in the future, just as there have been in the past (SARS, etc.). At the same time the current crisis represents an opportunity for CAREC as it can demonstrate its unique value as an effective regional platform for exchange of information, lessons and cooperative solutions among countries and with DPs during this crisis and for planning relevant interventions and partnerships. (see Box 9)

Box 8: Regional dimensions of the COVID crisis to be considered by CAREC

CAREC can support more effective cooperation among DPs (and countries) in addressing some of the critical regional implications of COVID and its aftermath, including the following:

- How to re-establish effective transport and transit links given COVID-related barriers to road, rail and air transport; how and when to open up borders in a synchronized manner (would a "bubble" approach work?); how to recalibrate regional transport infrastructure investment plans to reflect COVID crisis impacts; and how to revive the potential of regional tourism?
- How to support countries in dealing with common COVID-crisis related policy issues -- including:
 - appropriate approaches to lock-downs and re-opening (which may not be the same as in advanced countries) and prepare for a possible second wave;
 - how to protect key supply chains for medical equipment, food and other essential goods and services, both national and cross-border;
 - how to ensure timely and effective access by CAREC countries to vaccinations, once they become available worldwide;
 - how to provide for effective social assistance, employment, etc.;
 - how to manage the fiscal consequences of crisis response and excessive national indebtedness?
- How to react to some of the longer-term challenges and opportunities brought on by the COVID crisis, including and especially the need to upgrade electronic connectivity and move increasingly to virtual communication in much of the work done nationally and internationally? Also of importance for the longer term will be how to build greater resilience to natural disasters, including pandemics.
- How to improve information sharing on financial and non-financial support by DPs to CAREC countries, specifically in reaction to the COVID crisis.

- Enhancing CAREC's coordination with the Belt and Road Initiative (BRI): Although perhaps somewhat slowed by the impact of the COVID-19 crisis, BRI remains a dynamic and impactful initiative that has great regional development potential for the countries in the CAREC region. Although the CAREC 2030 strategy envisaged increased coordination with BRI, so far this has been limited, not surprisingly so, considering the decentralized and country-focused nature of the BRI operational approach. With China as a member country of CAREC, there is a unique opportunity to ensure that BRI investments, many of them funded by DPs, are consistent with CAREC corridor alignment, that other regional dimensions are adequately considered, and that the operations and maintenance requirements are effectively addressed. At the same time, the scale of CAREC activities and their impacts would be vastly increased if they involve effective parallel- or co-financing with BRI. The establishment of the Multilateral Cooperation Center for

Development Finance by PRC in collaboration with six multilateral development banks (including ADB, AIIB, EBRD and the WBG) could provide an institutional platform for assuring greater coordination between BRI and CAREC investments.²²

- Managing the impacts of climate change: Climate change will affect the countries of the CAREC region with increasing intensity in the coming years and decades. The realization of this fact is catching the attention of high-level policy makers in the region and is a focus of growing concern for many DPs.²³ Climate change is identified as a cross cutting priority in the CAREC 2030 strategy. This is a useful perspective, but it may not give climate change the necessary focus and visibility which it deserves in planning and programming CAREC's work, its engagement with member countries and its cooperation with DPs. Exploring options for strengthening CAREC's engagement with climate change could be a potential game changer in the way this issue is addressed in the region and attract the attention of senior-most decision makers as well as give them an incentive to pursue climate action at home.
- Enhancing the virtual connectivity of the CAREC region: The COVID-19 crisis has demonstrated clearly the need for the rapid development of electronic communications infrastructure. During the crisis electronic communication had a chance to demonstrate its efficacy on a temporary basis in replacing physical human contact. For the longer term, once this crisis has abated, we now know that electronic communication offers opportunities for much more efficient and even effective communication practices, when properly balanced with resumed in-person meetings and exchanges. CAREC, with the support of the CAREC Institute and with an intensive engagement by the DPs, could take a lead role in showing the way for countries in the region by supporting their efforts to benefit from the opportunities afforded by much more intensive reliance on electronic communication. As noted above, the CAREC Secretariat is already envisaging work on this topic. Moreover, the World Bank *Digital CASA* initiative for Central and South Asia promises to address important infrastructure investment needs, enabling conditions and e-government potential.²⁴ This could be integrated with CAREC's ICT focus and further developed to also explore how stronger and more effective virtual communication can translate into more efficient and effective connectivity and business practices.

Questions to be addressed by DPs:

- Would intermittent head of state/government engagement with CAREC be an effective way to raise country ownership and elevate the level of engagement by DPs?
- Would DPs welcome an enhanced focus of CAREC on elected new high-priority issues confronting the region, including (i) responding to the impact and response to COVID-19, (ii) connecting CAREC more closely with BRI, (iii) focusing more intensively on climate change and/or (iv) pursuing more effective virtual connectivity?

²² For the relevant MoU between PRC and the six MDBs, see https://www.aiib.org/en/about-aiib/who-we-are/partnership/_download/collaboration-on-matters.pdf. For information on BRI in Central Asia and the South Caucasus and for further arguments for linking CAREC with BRI see H. Kohli, J. Linn, L. Zucker, *China's Belt and Road Initiative*. Sage, 2019. <https://www.emergingmarketsforum.org/chinas-belt-and-road-initiative-potential-transformation-of-central-asia-and-the-south-caucasus-3/>

²³ For an assessment of the climate change challenge in Central Asia, see R. Nag, J. Linn and H. Kohli, *Central Asia: Unleashing the Region's Potential*. Nazarbaev University, 2015. <https://www.emergingmarketsforum.org/central-asia-2050-unleashing-the-regions-potential/>

²⁴ For an overview of this initiative see [https://www.unescap.org/sites/default/files/Digital%20Central%20Asia%20South%20Asia%20\(CASA\)%20Program,%20World%20Bank.pdf](https://www.unescap.org/sites/default/files/Digital%20Central%20Asia%20South%20Asia%20(CASA)%20Program,%20World%20Bank.pdf)

11. The way forward for CAREC and the DPs

After 20 years of CAREC's existence and at a time of major upheavals in the world and in the CAREC region due to COVID-19, this is a good moment to revisit key aspects of CAREC's strategy. The next CAREC Ministerial Conference and the first DPF, expected to take place in November 2020, provide opportunities to explore the questions raised in this paper and consider how subsequently to pursue those issues that have been endorsed by member countries and DPs as deserving action or at least further exploration.

In the run-up to the first DPF, the Secretariat expects to circulate a draft of this paper to DPs for comment. Based on this feedback, a revised paper will be circulated for the first DPF. The list of questions below, suitably amended based on the comments received, will inform the agenda of the first DPF.

12. Questions to be addressed by DPs

By way of summary, this concluding section pulls together the fourteen questions raised at the end of various section of this paper.

- (i) Information on DP engagement
 - Should CAREC develop a systematic data base of planned DP activities?
 - Should CAREC set up a DP coordination unit for the collection, maintenance and analysis of a CAREC data base and for coordinating DP engagement?
- (ii) Financial modalities of DP engagement
 - What has been DPs' experience with parallel financing under the CAREC umbrella?
 - How do DPs view the pros and cons of cofinancing specific projects and what can be done to increase cofinancing?
 - Are DPs interested in cofinancing the programmatic initiatives presented by ADB? Do they have such initiatives they would like to propose for cofinancing?
 - What alternative arrangements could be considered for covering CAREC's administrative costs sustainably?
- (iii) Non-financial modalities of DP engagement
 - Would DPs be interested in contributing in non-financial modalities and if so, which?
- (iv) Engaging with the CAREC Institute (CI)
 - Would DPs be willing to contribute to CI resources, either with core or with project financing?
- (v) Coordination with other regional organizations or initiatives
 - Would DPs be able and willing to assist in ensuring exchange of information and coordination of overlapping activities between CAREC and other regional organization and initiatives in the CAREC region?
- (vi) Institutional aspects
 - Do DPs regard the CAREC program results framework as relevant to their regional initiatives and their engagement with CAREC?
 - Would DPs welcome the establishment of a CAREC DP Coordination Unit and annual DPF meetings?
 - Do DPs agree that internal institutional barriers in DP organizations may impede their ability to support regional initiatives on a sustained basis in general, and CAREC in particular, and if so, what might be ways to minimize their impact?
- (vii) Increasing visibility and impact
 - Would intermittent head of state/government engagement with CAREC be an effective way to raise country ownership and elevate the level of engagement by DPs?

- Would DPs welcome an enhanced focus of CAREC on elected new high-priority issues confronting the region, including (i) responding to the impact and response to COVID-19, (ii) connecting CAREC more closely with BRI, (iii) focusing more intensively on climate change and/or (iv) pursuing more effective virtual connectivity?

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Annex 1. Summary of CAREC Development Partners Dialogue, September 2019, Tashkent

ADB invited a number of CAREC Development Partners (DPs) for an informal, half-day discussion on 23 September 2019 in Tashkent, Uzbekistan, back-to-back with a Consultation Meeting of the CAREC National Focal Points. Representatives from 17 DPs attended the meeting, including international and regional financial institutions, UN agencies, and bilateral development assistance agencies. (See Table A1.1 below a list of participants.)

The purpose of the meeting was to discuss the experience with DPs' engagement in CAREC during the first 20 years of its existence and to explore how the role and cooperation of DPs can be strengthened in support of an effective implementation of the CAREC 2030 strategy. It also considered whether and how best to organize a full-fledged Development Partners' Forum in 2020, as part of the events planned to celebrate the 20th anniversary of CAREC.

The Secretariat distributed an informal background note in advance of the meeting to facilitate discussion. The note briefly reviewed the history, achievements, challenges and opportunities of CAREC and of DPs' engagement in CAREC, summarized the new initiatives for DPs' engagement envisaged under *CAREC 2030*, and identified some potential questions regarding future DPs' engagement, to be explored during the DP Dialogue meeting and beyond, in support of the implementation of *CAREC 2030*. The World Bank also contributed a presentation of the findings of a CAREC country client survey.

Participants welcomed the meeting and engaged in a lively exchange on key issues, including:

- Increasing country ownership and leadership in CAREC is a key challenge – organizing a heads-of-state level CAREC summit might be helpful;
- Enhancing DPs' role in helping to link CAREC's regional plans and programs more effectively with national plans and priorities – this was identified as an important priority by earlier reviews of CAREC as well by the client survey;
- Ensuring effective engagement and support in the broader range of sectoral and thematic areas under the CAREC 2030 Strategy – while avoiding merely diluting CAREC's focus;
- Linking CAREC with other regional cooperation initiatives (including, SPECA, SCO, EEC, the Belt and Road Initiative, etc.) – this will require not only effective cooperation among DPs, but will also necessitate work across ministries at the country level, since different ministries (Foreign Affairs, Economy, etc.) are in charge of managing relations with different regional organizations and fora;
- helping countries maintain debt sustainability and an effective focus on sustainable asset management (O&M) as part of CAREC's engagement – DPs need to pay due attention to these areas, explore how to blend concessional and non-concessional resources, and help strengthen national policies, capacity and skills; and
- overcoming DPs' internal institutional constraints to effective engagement on the regional (in contrast to country) programs and initiatives – participants noted that internal barriers and financial constraints can seriously limit their organizations' ability to support regional initiatives.

Participants noted that the CAREC brand is strong and that this is a good time to engage more intensively in a regional approach and in collaborative initiatives across DPs. They broadly endorsed the directions of DP engagement envisaged in CAREC 2030 with five key roles that DPs can and should play in supporting regional approaches: (i) leadership, (ii) financing; (iii) operational; (iv) advocacy, and (v) convening. Participants provided specific examples of where and how they could contribute in CAREC 2030 priority areas. They further highlighted the following specific aspects:

- They expressed great interest in three new financing initiatives undertaken by ADB, for which ADB welcomed DP participation (a regional infrastructure project preparation facility; a disaster risk transfer facility; and a multilateral trade credit and investment guarantee facility) –

participants also noted that parallel activities are already being supported and can usefully be coordinated;

- They called for intensifying support for national capacity and skills development to underpin regional cooperation among countries;
 - They indicated their readiness to help build bridges to other regional initiatives – including with BRI (AIIB), SPECA (UNESCAP/UNECE);
 - They supported further exploration of how best to expand the division of labor across DPs and whether and how to establish a regional DP coordination platform (complementing existing DP coordination platforms at country level), perhaps supported by the establishment of a CAREC DP coordination unit in the region (with the CAREC Secretariat remaining in Manila); and
 - They welcomed active outreach by the CAREC Secretariat to new DP participants.
- ADB management concluded by stressing the following implications of the very constructive discussion:
- Given the expansion of the CAREC Program, what has been working in the past may no longer be sustainable for the future. Hence, effective and strengthened donor coordination is indispensable;
 - The broadened CAREC mandate necessitates stronger roles of DPs anchored in clear division of labor building upon respective comparative advantages;
 - Continued an high-level participation of DPs in key CAREC events is critical to demonstrates high-level commitments and solid understanding of CAREC related issues;
 - To further enhance the communications and coordination among DPs, special CAREC sessions can be arranged during annual meetings of ADB, WB, IMF, etc.;
 - A CAREC donor coordination platform at the regional level is needed. To this end, pending further discussion, a dedicated CAREC DPs Coordination Unit could be created in the region with clear terms of reference;
 - Publicity of CAREC requires al DPs' collective efforts. ADB reached out to the United States and PRC in 2018 and is planning similar outreach activities in the EU and Japan, and welcomes other DPs' engagement in this regard.
 - All DPs are facing budget constraints, including ADB. To advance the broadened CAREC agenda, more financial and staffing support are needed from other DPs;

Participants welcomed the ADB's proposal to convene a first Development Partners' Forum back to back with the next Ministerial Conference (expected for November 2020) and endorsed ADB's readiness to take a lead in preparing and consulting for such an event.

Table A1.1 Participants in CAREC Development Partners Dialogue



CAREC DEVELOPMENT PARTNERS' DIALOGUE
23 September 2019
Tashkent, Uzbekistan

LIST OF PARTICIPANTS

A. Asian Development Bank

1. Mr. Werner Liepach, Director General, Central and West Asia Department (CWRD)
2. Ms. Amy Leung, Director General, East Asia Department (EARD)
3. Mr. Muhammad Ehsan Khan, Senior Advisor, CWRD
4. Mr. Safdar Parvez, Director, Regional Cooperation and Operations Coordination Division (CWRC), CWRD
5. Ms. Emma Fan, Director, Public Management, Financial Sector, & Regional Cooperation Division, East Asia Regional Department (EAPF)

6. Ms. Cindy Malvicini, Country Director, Uzbekistan Resident Mission
7. Mr. Guoliang Wu, Unit Head, CAREC/ Senior Regional Cooperation Specialist, CWRC
8. Ms. Zulfia Karimova, Principal Regional Cooperation Specialist, EAPF
9. Ms. Xinglan Hu, Senior Regional Cooperation Specialist, CWRC
10. Mr. Johannes Linn, Development Economist (Consultant)

B. Agence Française de Développement

11. Mr. Dickel Schweitzer, Project Officer (Energy) – Tashkent Office
12. Mr. Dilshod Turakhojaev, Consultant

C. Asian Infrastructure Investment Bank (AIIB)

13. Dr. Jangping Thia, Manager, Economics Unit

D. Eurasian Development Bank

14. Mr. Andrey Shirokov, Acting Managing Director, Eurasian Fund for Stabilization and Development
15. Mr. Gennady Vasiliev, Head of Partner Relations, Eurasian Fund for Stabilization and Development
16. Mr. Andrey Petrosiyan, Head, Integration Studies Centre

E. European Bank for Reconstruction and Development

17. Mr. Alkis Drakinos, Head of Tashkent Office
18. Mr. Neil McKain, Director for Kyrgyz Republic, Tajikistan and Turkmenistan

F. European Commission

19. Mr. Maciej Adam Madalinski, Deputy Team Leader (Central Asia), EU DEVCO

G. European Union

20. Ms. Danuta El Ghuff, Attaché, EU Delegation to Uzbekistan

H. International Monetary Fund

21. Mr. Tigran Poghosyan, Resident Representative, Kyrgyz Republic

I. Islamic Development Bank

22. Mr. Hisham Maarouf, Manager, IsDB Regional Hub (Almaty)
23. Mr. Edzwan Anwar, Operations Team Leader (Energy), IsDB Regional Hub (Almaty)
24. Mr. Khusan Khasanov, Field Representative, IsDB–Uzbekistan

J. Japan International Cooperation Agency (Uzbekistan Office)

25. Mr. Muneo Takasaka, Chief Representative
26. Mr. Hiroki Katayama, Representative
27. Mr. Shun Omori, Representative
28. Mr. Bakhodir Mardonov, Senior Program Officer
29. Mr. Sharifzoda Sharipov, Senior Program Officer
30. Mr. Malik Mukhlitdinov, Program Officer

K. United Nations Development Programme

31. Ms. Matilda Dimovska, UNDP Resident Representative in Uzbekistan

L. United Nations Economic Commission for Europe (UNECE)

32. Mr. Mario Apostolov, Regional Adviser, Economic Cooperation and Trade Division

M. United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)

- 33. Mr. Nikolay Pomoshchnikov, Officer-in-Charge, ESCAP Subregional Office for North and Central Asia

N. United Nations Educational, Scientific and Cultural Organization (UNESCO)

- 34. Ms. Krista Pikkat, Director, UNESCO Almaty Office
- 35. Mr. Bazarov Abdugani, Education Specialist
- 36. Ms. Makhmudova Muhayyo, Culture Specialist

O. United States Agency for International Development (USAID)

- 37. Mr. Alan Meltzer, Deputy Chief of Mission, U.S. Embassy (Tashkent)
- 38. Mr. Christopher Edwards, Regional Mission Director, USAID
- 39. Mr. Michael R. Curtis, Deputy Director, Economic Development Office
- 40. Mr. Gary Robbins, Director, Uzbekistan Country Office

P. World Bank

- 41. Ms. Lilia Burunciuc, Regional Director for Central Asia, Europe and Central Asia (ECA)
- 42. Mr. Paul Vallely, Program Leader (ECA)
- 43. Mr. Mandakini Kaul, Regional Coordinator (South Asia)
- 44. Mr. Sascha Djumena, Country Program Coordinator for Central Asia (ECA)

Annex 2. CAREC Development Partner engagement (since 2001, with number of initiatives funded)

Funding Agencies —		
<input type="checkbox"/> Asian Development Bank (333) <input type="checkbox"/> European Bank for Reconstruction and Development (41) <input type="checkbox"/> Islamic Development Bank (20) <input type="checkbox"/> United Nations Development Programme (52) <input type="checkbox"/> World Bank (53)	<input type="checkbox"/> CAREC Governments (13) <input type="checkbox"/> Central Asia Regional Economic Cooperation (5) <input type="checkbox"/> China Development Bank (PRC) (1) <input type="checkbox"/> China Export Import Bank (1) <input type="checkbox"/> Clean Energy Fund (7) <input type="checkbox"/> Department for International Development (6) <input type="checkbox"/> Development Bank of Kazakhstan (2) <input type="checkbox"/> e-Asia and Knowledge Partnership Fund (Republic of Korea) (2) <input type="checkbox"/> Environment and Security Initiative (ENVSEC) (1) <input type="checkbox"/> EU-Neighbourhood Investment Facility (1) <input type="checkbox"/> Eurasian Development Bank (5) <input type="checkbox"/> European Investment Bank (1) <input type="checkbox"/> European Union (6) <input type="checkbox"/> European Union-Technical Assistance for the Commonwealth of Independent States (1)	<input type="checkbox"/> Fund for Reconstruction and Development of the Republic of Uzbekistan (1) <input type="checkbox"/> Global Environment Facility (11) <input type="checkbox"/> Governance Cooperation Fund (1) <input type="checkbox"/> Government of Afghanistan (39) <input type="checkbox"/> Government of Azerbaijan (26) <input type="checkbox"/> Government of Denmark (1) <input type="checkbox"/> Government of Finland (2) <input type="checkbox"/> Government of Georgia (6) <input type="checkbox"/> Government of Germany (1) <input type="checkbox"/> Government of Kazakhstan (27) <input type="checkbox"/> Government of Mongolia (19) <input type="checkbox"/> Government of Pakistan (8) <input type="checkbox"/> Government of Russia (1) <input type="checkbox"/> Government of Sweden (1) <input type="checkbox"/> Government of Tajikistan (32) <input type="checkbox"/> Government of the Kyrgyz Republic (30) <input type="checkbox"/> Government of the People's Republic of China (11)
<input type="checkbox"/> Afghanistan Infrastructure Trust Fund (7) <input type="checkbox"/> Afghanistan Reconstruction Trust Fund (2) <input type="checkbox"/> Agence Francaise de Developpement (1) <input type="checkbox"/> Arab Coordination Group (1) <input type="checkbox"/> Asian Infrastructure Investment Bank (3) <input type="checkbox"/> Azerenergy Open Joint-Stock Company (1) <input type="checkbox"/> Barki Tajik (1) <input type="checkbox"/> Bureau for Crisis Prevention and Recovery (1)		

<input type="checkbox"/> Government of the Republic of Korea (1)	<input type="checkbox"/> Other Fund Sources (3)
<input type="checkbox"/> Government of the United Kingdom (1)	<input type="checkbox"/> People's Republic of China (PRC) Poverty Reduction and Regional Cooperation Fund (15)
<input type="checkbox"/> Government of the United States (1)	<input type="checkbox"/> Public-Private Infrastructure Advisory Facility (PPIAF) (1)
<input type="checkbox"/> Government of Turkmenistan (6)	<input type="checkbox"/> Regional Cooperation and Integration Fund (4)
<input type="checkbox"/> Government of Uzbekistan (27)	<input type="checkbox"/> Saudi Fund for Development (2)
<input type="checkbox"/> Government of Xinjiang Uygur Autonomous Region (PRC) (1)	<input type="checkbox"/> SHARED (15)
<input type="checkbox"/> International Finance Corporation (1)	<input type="checkbox"/> Swedish Civil Contingencies Agency (1)
<input type="checkbox"/> Japan Fund for Poverty Reduction (6)	<input type="checkbox"/> Swiss Agency for Development and Cooperation (1)
<input type="checkbox"/> Japan International Cooperation Agency (3)	<input type="checkbox"/> Turkish International Cooperation and Coordination Agency (1)
<input type="checkbox"/> Kreditanstalt für Wiederaufbau (KfW Bankengruppe) (1)	<input type="checkbox"/> United Kingdom Fund for Asia Regional Trade and Connectivity (3)
<input type="checkbox"/> Ministry of Communications - People's Republic of China (1)	<input type="checkbox"/> United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) (1)
<input type="checkbox"/> Nordic Development Fund (1)	<input type="checkbox"/> United Nations Office for Project Services (1)
<input type="checkbox"/> OPEC (Organization of the Petroleum Exporting Countries) Fund for International Development (7)	<input type="checkbox"/> Uzbekenergo (1)

Annex 3. Template for Inventory of DPs' Regional Initiatives, Programs and Projects

Agency	Name of Initiative	CAREC thematic area	Brief description	Partnership/ cofinancing opportunity	Comment and/or electronic links to background docs
ADB	Regional Project Preparation Facility	Infrastructure		Cofinancing	
	CAREC Institute	Knowledge		Cofinancing/ partnership	
	Other regional initiatives...				
	ADB investment projects with regional significance ...				
IMF	Regional Public Finance Center	Macropolicy/ Public finance		Partnership	
Other multilaterals...					
France					
Germany					
Other bilaterals...					
Other DPs...					

Annex 4. ADB regional initiatives open for cofinancing by other DPs

ADB is implementing and putting forth a plethora of regional initiatives for the CAREC region, for which it is looking for cofinanciers among DPs. These include:

- **Regional Infrastructure Projects Enabling Facility.** A small-scale TA has been prepared that will establish a Regional Infrastructure Projects Enabling Facility under the umbrella of Central Asia Regional Economic Cooperation (CAREC) program. The Facility will help the CAREC member countries prepare regional infrastructure projects that promote regional economic cooperation. This will involve refining project scope; project preparation and readiness (e.g. feasibility studies); and best practice sharing for project development; capacity development; institutional strengthening and networking. Multilateral and bilateral development partners will be invited to participate in the Facility by providing technical and financing support. CAREC countries can also be requested to contribute to the Facility.
- **Economic Revival Post-COVID-19 through ICT and Digital Development (Start-up Ecosystem).** CAREC has prepared a technical assistance that will support CAREC countries in developing a startup ecosystem through knowledge sharing and capacity development activities. The TA will establish a regional platform which will harness innovative ideas and digital solutions and promote collaborative projects that address problems posed by the COVID-19 pandemic. Through effective partnerships, the TA will provide capacity building opportunities to key stakeholders including government officials, financial institutions, incubators, accelerators, startups, and universities for them to reach the next level of innovation and development, focused on country specific and regional issues and challenges. The TA will facilitate collaboration and linkages between developed initiatives and additional funds and investors, such as the ADB Ventures.²⁵
- **Regional Cooperation in the health sector as follow-up to the scoping study.** The scoping study on CAREC health cooperation is nearing completion. The study offers key recommendations for regional health cooperation going forward including (i) strengthening regional health security; (ii) improving health information systems and human resources; (iii) improving access to medicine and health services; (iv) strengthening health care for migrant workers; and (v) strengthening interregional cooperation with non-CAREC countries. A newly-approved ADB TA will help CAREC countries address public health threats particularly the COVID-19 pandemic and support the formulation of a CAREC health cooperation strategy that leads to 2030 and a CAREC health investment framework for 2022–2026.
- **Tourism (strategy and beyond).** The strategy, currently under formulation, aims at setting out the long-term vision, objectives, targets, and programs to promote sustainable, safe, and more inclusive tourism development in the region. It will focus on promoting tourism as a powerful vehicle to drive the COVID-19 recovery through the creation of safe tourism corridors, development of safety and sanitation standards in tourist destinations, and digitalization of the sector for policymakers, SMEs and tourism professionals. The strategy will be accompanied by a regional tourism investment framework with concrete projects to be implemented over 2021–2025. A first draft of the tourism strategy 2030 will be presented and discussed with CAREC tourism focals through webinars in August 2020. The strategy will be presented for Ministers' endorsement at the 19th CAREC MC in Q4 2020.
- **Disaster Risk Transfer Facility for the CAREC Region.** A regional technical assistance (\$2.75 million) is currently being implemented to support CAREC countries in reducing their physical and financial vulnerability to natural hazards and infectious disease outbreaks. This project aims at (i) developing high-level disaster risk profiles for earthquakes and floods as well

²⁵ The Facility provides technical assistance and makes catalytic investments in early-stage private companies to accelerate the deployment of impactful technologies and business models. (<https://ventures.adb.org/>)





as infectious disease risk models to enhance countries' understanding on the potential socio-economic impact of disaster events and infectious diseases outbreaks –on a standalone basis or in conjunction with natural hazards; and (ii) assessing the feasibility of a regional pilot disaster risk transfer mechanism, leveraging the international reinsurance and/or capital markets, for at least three CAREC countries. The project is expected to be completed by Q3 2022.

- **Economic Corridor Development. Economic Corridor Development.** Under the pilot Almaty-Bishkek Economic Corridor (ABEC) project, the ABEC Tourism Master Plan was adopted which will guide tourism development along the corridor. The governments of Kazakhstan and Kyrgyz Republic agreed to improve border crossing points, and work towards developing modern agricultural wholesale markets network and joint actions plans on reference health laboratories in 2020-2022. The roadmap for developing the Shymkent-Tashkent-Khujand Economic Corridor (STKEC) was completed after incorporating comments at the second regional (virtual) workshop held on 28 August 2020. The STKEC roadmap contains proposed actions in the thematic focus areas, including a list of possible projects in developing the STKEC. ADB is also implementing a £2 million TA to help the Pakistan Government on economic corridor planning to better unleash the benefits of economic cooperation and integration, particularly offered by the CAREC Program.
- **Feasibility study for establishing a multilateral Trade Credit and Investment (re-) Guarantee Agency (TCIGA).** The proposed TCIGA will assist in promoting foreign direct investment and sustainable economic growth in the Central and West Asia, East Asia, and South Asia sub-regions through intra-regional and interregional trade. A comprehensive feasibility study is ongoing. A report on legal, governance, management and capital structures has been completed together with the financial model and financial and economic analyses and a 10-year business plan.
- **CAREC Water Sector Pillar Development.** The ADB has started preparing a scoping study for the CAREC Water Pillar, as part of the CAREC Strategy 2030. The study will comprise the following 3 key outputs: (i) estimation of future demand for water resources in the Central Asia region up to 2050; (ii) identification of water resources development opportunities; and (iii) the preparation of a policy and institutional strengthening framework prepared. The study will include recommendation for economic aspects and sustainable financing of water resources management. The scoping study, which will initially focus on five Central Asian republics sharing the water resources in the Amu Darya and Syr Darya river basins, will serve as an example for all CAREC countries.
- **CAREC Border Communities Collaboration.** This study is assessing the situation in border areas in the CAREC region to promote cross-border communities' development and people-to-people contacts. Field missions were conducted in identified border areas between Azerbaijan and Georgia, and the People's Republic of China and Mongolia. The study is expected to be completed in September 2020 and the report will come out in a publication by October 2020.
- **CAREC Gender Strategy and implementation.** The strategy is being finalized and is expected to be presented for Ministers' endorsement at the 19th CAREC Ministerial Conference in 2020. The strategy aims to promote gender equality and women's empowerment across the full range of CAREC operations – from policy work to the design and implementation of gender-inclusive projects and programs under the CAREC 2030 Strategy.

Annex 5. CAREC Institute areas of research and training/capacity building

	Research	Training/Capacity Building
Trade	<ul style="list-style-type: none"> Regulatory Framework for E-commerce development in CAREC countries Covid-19 and SMEs in CAREC region: Impact and Policy Lessons Exploring Exports Driven Growth Through Preferential Trade Arrangements among CAREC Members Trade and Economic Integration of the Pamir and Wakhan Corridors Regional SPS Regulatory Regime Framework Inclusive Finance: FinTech for SMEs and trade financing Study on existing FTAs/RTAs for CAREC Countries Updated CAREC Regional Integration Index 	<ul style="list-style-type: none"> Virtual Workshop: E-Commerce (CAREC Institute-ADB research-based virtual workshop) Virtual Workshop on Sanitary and Phytosanitary (SPS) E-certification in CAREC region: Current State, Regulation and Way forward
Transport		<ul style="list-style-type: none"> Virtual Workshop: Road Safety Engineering (country-specific workshop – Mongolia) Road Safety Pre-Recorded Video Modules Virtual Road Asset Management Workshop
Energy	<ul style="list-style-type: none"> Regional Energy Integration Prospects in CAREC: Lessons Learnt from other regions Climate effects of WEF approach in CAREC countries. Linking energy- water and agriculture policies 	<ul style="list-style-type: none"> Virtual Workshop: Climate Change Nexus Policy Dialogue in CAREC (CAREC Institute research-based) Climate Change Nexus Video Modules (for blended climate change/energy workshops)
Tourism	<ul style="list-style-type: none"> Covid-19 and CAREC Tourism Sector: Harnessing the role of Technology in Promoting Safe Tourism Destinations Prospects of Tourism Sector Development in the Framework of Implementation of Almaty–Bishkek Economic Corridor (ABEC) activities 	
Economic Corridors	<ul style="list-style-type: none"> Identification and Spatial Mapping of Economic Clusters Across CAREC Region Spatial economic analysis of CAREC 4A corridor Participation in CPMM 2020 , with ADB The fifth TTF: Economic Corridors: Pathways to Regional Growth 	Unlocking Private Investment for Sustainable Infrastructure in CAREC Region

Annex 6. CAREC 2030 Results Framework (currently under review)

Sustainable economic development and shared prosperity for the CAREC region					
Impact  Outcomes  Outputs  CAREC Interventions  Driving Principles	Economic and Financial Stability Increased regional macroeconomic stability, improved investment, and financial integration	Trade, Tourism, and Economic Corridors Expanded trade, competitive economic corridors, and tourism opportunities	Infrastructure and Economic Connectivity Enhanced economic connectivity, and increased sustainability and resilience of regional infrastructure	Agriculture and Water Expanded agricultural trade, and effective transboundary water resource management	Human Development Increased regional cooperation in education and health
	Regular policy dialogue on economic stability issues institutionalized A forum of regulators activated to exchange information and experience on financial stability and associated issues Improved investment climate enabled	National single windows with improved border crossing points in place Economic corridors successfully developed Tourism services and infrastructure improved	Reliable, resilient and sustainable transportation systems operational Efficient use of energy increased	Regional and global agricultural value chains promoted Improved management of river flows and basin water management	Pandemic and noncommunicable diseases controlled Students and labor mobility increased to match employment opportunities
	Design and implement counter-cyclical policy responses as appropriate Promote cross-country coordination and adopt relevant financing models Reduce investor transaction costs, improve investment policies and regulations, and promote business for SMEs Support policies that increase cross-border financial integration and promote capital flow Exchange data and intelligence, and develop common practices to international standards	Scale up CAREC advance transit system and extend common information exchange across customs covering all trade and transit transactions Support post WTO-accession commitments Improve logistics and cost of production, and promote regional and global value chains in economic corridors Jointly develop tourism products and advocate harmonization of visa regimes	Establish multimodal transport network, cross-border railway infrastructure and services, and strengthen air connectivity while also investing in dry and land ports Bridge the gap between energy supply and demand by facilitating cross-border energy trade Promote energy efficiency and use of clean energy technologies	Align sanitary and phytosanitary standards; and build capacity on product quality, diversity, and finance agriculture infrastructure Invest in hydromet services. Adopt cross-country ecosystem approaches for environmental conservation of bioresources Employ international best practices in water management and transboundary water resource management	Develop an integrated regional labor market information system Promote mutual recognition of qualifications and quality assurance Set up health-related surveillance systems for pandemic communicable diseases Promote trade in health services and e-medication in the region
	Aligning with national strategies and supporting SDGs and COP21	Expanding operational priorities selectively	Deepening policy dialogue based on CAREC's standing and ability to deliver quality knowledge services	Integrating the role of the private sector and civil society	Building an open, inclusive CAREC platform

Source: CAREC 2030 <https://www.adb.org/sites/default/files/institutional-document/383241/carec-2030.pdf>