



CAREC ECONOMIC CORRIDORS SECTOR PROGRESS REPORT AND WORK PLAN

JULY 2021 - JUNE 2022

Reference Document
Virtual Senior Officials' Meeting
Central Asia Regional Economic Cooperation
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ABBREVIATIONS

ADB	Asian Development Bank
ABEC	Almaty - Bishkek Economic Corridor
CAREC	Central Asia Regional Economic Cooperation
COVID-19	coronavirus disease
DMC	developing member country
ECD	economic corridor development
MC	Ministerial Conference
PRC	People's Republic of China
STKEC	Shymkent-Tashkent-Khujand Economic Corridor
TA	technical assistance



I. KEY DEVELOPMENTS AND RESULTS

1. The CAREC Economic Corridors sector achieved several strategic milestones during the reporting period (July 2021 – June 2022). The reporting period was affected by the COVID-19 pandemic. Due to quarantine measures and travel restrictions, most planned physical meetings and field activities were conducted virtually, with a reduced scale. Overall, despite the pandemic, the momentum for economic corridor development (ECD) in the region is high. CAREC countries are promoting ECD as a national development strategy to strengthen economic links and drive trade through cross-border cooperation to achieve wider economic benefits. Key achievements as well as the progress on the outcome and outputs indicators included in the CAREC results framework for the economic corridors sector are described below.

A. Key Achievements

- **The Almaty-Bishkek Economic Corridor (ABEC)**

2. During the sixth ABEC Subcommittee on 15 March 2022, both governments agreed to intensify the cooperation on strengthening connectivity, facilitating agribusiness development, reigniting regional tourism, creating a regional network of medical reference laboratories, and fighting air pollution. Specific achievements are outlined below.
 - Under the TRTA: ABEC: Preparing the Modern Agriculture Wholesale Market Development Project, a consultant firm is finalizing the feasibility study and advanced design of 2 wholesale markets and 4 trade logistics centers for the Kyrgyz Republic. The project is planned to be approved by ADB in 2023.
 - For the ABEC Regional Improvement of Border Services Project, a process and design concept was developed for three Kazakh-Kyrgyz road border crossing points and one planned training center. The project is planned to be approved in 2023.
 - Kazakhstan and the Kyrgyz Republic signed the ABEC Action Plan for the development of medical reference laboratories 2022-2024 in September 2021. ADB is supporting this effort under Strengthening Regional Health Security Project for the Kyrgyz Republic and through technical assistance support for Kazakhstan.
 - In December 2020, the Almaty–Issyk-Kul Alternative Road Economic Impact Assessment was finalized and published. ADB continues to work with both governments to develop the project as a public-private partnership, starting with a legal screening.
 - To implement the ABEC Tourism Master Plan, i) ADB included tourism infrastructure in the Kyrgyz Republic under the Issyk-Kul Environmental Management and Sustainable Tourism Project; ii) ADB approved a small-scale technical assistance project to develop a pre-feasibility study for the Turgen ski resort in Kazakhstan; and
- iii) ADB engaged the United Nations World Tourism Organization to develop a joint ABEC Accommodation Classification System, and harmonized COVID-19 health and safety regulations for domestic, regional, and international tourism.
 - ADB provided support to improve the air quality in the heavily polluted cities of Almaty and Bishkek. As a first step, 50 air quality measuring devices have been deployed in Bishkek in January 2021. Following the successful implementation in Bishkek, ADB has procured another 50 air quality monitoring devices for full deployment in Almaty by July 2022.



- **The Shymkent-Tashkent-Khujand Economic Corridor (STKEC)**

3. ADB has mobilized an additional \$1 million in TA resources in November 2020, to help advance work in the identified thematic focus areas for the STKEC development. Specific activities and achievements during the reporting period are summarized below:

- Two ECD related capacity building regional workshops were held in 2021 and 2022 to facilitate digital documents for improved trade in the STKEC region: (i) on TIR digitalization co-organized virtually by ADB and International Road Transport Union in September 2021, and (ii) on digitalizing trade documents co-organized virtually with UNECE virtually in May 2022. Relevant government officials from the STKEC countries and private sector partitioners, as well as development partners participated and shared progress, challenges and opportunities in digitalization and streamlining documents including digital TIR in the STKEC region.
- In November 2021, a consulting firm—PricewaterhouseCoopers Pvt Ltd (PwC) India and associated firms in Central Asia was engaged through competitive bidding process to conduct two prefeasibility studies—the establishment of (i) an International Center for Industrial Cooperation between Kazakhstan and Uzbekistan, and (ii) a Trade and Logistics Center in Sughd Oblast of Tajikistan, and related capacity building activities.
- In December 2021, the consultant team held a series of virtual consultation workshops with multi-stakeholders in Kazakhstan, Uzbekistan, and Tajikistan on the scope, methodologies, and timelines of the two studies. From February to April 2022, additional bilateral consultation meetings with government agencies in the three countries were undertaken virtually to seek feedback, guidance, and support from multiple stakeholders of the three countries on the proposed studies.
- Inception report of the two prefeasibility studies has been completed and shared with countries for consideration.

- **ADB Support for Economic Corridor Development Planning in Pakistan**

4. ADB has completed a £2 million TA funded by the United Kingdom's Foreign, Commonwealth & Development Office. The TA supported economic corridor planning to help Pakistan Government better unleash the benefits of regional cooperation and integration, particularly offered by the CAREC Program in Pakistan. A key output of the TA—Economic Corridor Development in Pakistan: Concept, Framework, and Case Studies was published in February 2022. The publication was widely disseminated with positive feedback from the Pakistan government.

- **SSTA on a New Operational Economic Corridor Development Framework for Central Asia and Beyond**

5. The ADB TA aims to enhance the existing economic corridor development (ECD) concept and definition in light of recent research advances in areas of regional public goods, cross-border regional development, and spatial approaches to ECD, to further increase the relevance and effectiveness of ECD in ADB developing member countries. Progress during reporting period is summarized below:

- Draft ECD framework and ECD operational guidelines prepared by consultants are being reviewed and enhanced through intensive brainstorming and discussions among



ADB RCI and ECD experts and external experts.

- A regional ECD model that reflects wider economic benefits with pertinence to the diversity of regions in Asia is being piloted in a sub-corridor under the GMS Southern Economic Corridor region, which will provide good reference and inputs for the ECD study.

B. CAREC 2030 Results Framework: Economic Corridors Sector

6. The CAREC 2030 Results Framework was endorsed at the 19th CAREC Ministerial Conference (MC) on 7 December 2020. It includes outcome and output indicators across the five operational clusters of the CAREC 2030 Strategy. Under operational cluster 2 (trade, tourism and economic corridors), the following progress has been achieved in the Economic Corridors outcome and output indicators from 2017 to 2021:

Table 1. CAREC 2030 Results Framework: Economic Corridors

Outcome	Indicator	2017	2021
Economic corridors applied by CAREC countries to strengthen economic links and drive trade and development of cross-border regions	Cross-border economic corridor concepts included in national development strategies of CAREC countries	4 countries (PRC, KAZ, KGZ, PAK)	7 CAREC countries (PRC, KAZ, KGZ, MON, PAK, TAJ, UZB)
Output	Indicator	2017	2021
ECD related projects developed and implemented	ECD related sector development concepts included in national development strategies of CAREC countries	4 countries (PRC, KAZ, KGZ, PAK)	7 CAREC countries (PRC, KAZ, KGZ, MON, PAK, TAJ, UZB), sectors such tourism, cross-border transport, agriculture value chain, health
ECD related projects developed and implemented	Projects supporting priority sectors for ECD developed and implemented	1 TA (\$1.75 million) (ABEC Support)	1 additional financing (\$0.725 million) for ABEC TA; 1 TRTA (\$2 million) supporting the preparation of modern agriculture wholesale market development project for ABEC; 1 TA and 1 additional financing (\$1.8 million) on assessing potential of STKEC.

II. CHALLENGES AND KEY ISSUES

7. ECD involves multi-sector development and multidisciplinary approaches and is, by nature, a complex process. A cross-border economic corridor aims to connect different sectors and industries in several countries by applying a coherent spatial economic development approach as if they were in one country. This process involves even more complex and difficult challenges including complex and long development process; addressing hard infrastructure gaps and soft infrastructure bottlenecks; cross-border policy coordination; private sector participation; and measuring the impacts of economic corridors.

8. The prolonged COVID-19 pandemic has placed significant pressure on CAREC



economies, with cross-border economic cooperation related sectors the most severely impacted, which directly affecting the economic corridors sector in CAREC. The tourism sector is among the hardest hit, reflected in significantly reduced international tourist arrivals due to border closure, flight suspension, and quarantine requirements. With the pandemic situation easing in most CAREC countries, ECD related activities including project development and implementation will gradually pick up and increase.

9. Another key challenge for successful cross-border ECD is strong political commitment among the participating countries, for aligning/coordinating complex policies (e.g., rules and regulations) at both borders, to achieve intended results, including at the national, provincial and city level.

III. WORK PROGRAM FOR JULY 2022–JUNE 2023

10. The implementation of the CAREC Economic Corridors related activities will continue over the next 12 months. Regional projects and initiatives as well as analytical and knowledge products to be completed and/or initiated from July 2022–June 2023 include the following:

- **The Almaty-Bishkek Economic Corridor**

11. Support for the ABEC activities will include the following:
 - The feasibility study for ABEC: Preparing the Modern Agriculture Wholesale Market Development Project and detailed design are planned to be finalized and the project is scheduled for approval in late 2022.
 - The ABEC Regional Improvement of Border Services Project feasibility study and detailed design are expected to be finalized and the project is scheduled for approval in late 2022.
 - The Issyk-Kul Lake Environmental Management for Sustainable Tourism Development Project will be supported through conceptualizing regionally relevant tourism infrastructure at the Kyrgyz lake Issyk-Kul. The project is scheduled for approval in late 2022.
 - The Strengthening Diagnostic and Reference Laboratory Capacity Project will be supported through the finalization of a joint reference laboratory action plan between Kazakhstan and the Kyrgyz Republic. The project is planned to be approved in late 2022.
 - Support to the implementation of the regional public-private partnership project to build an alternative more direct road between Almaty and lake Issyk-Kul is planned in cooperation with the governments of Kazakhstan and the Kyrgyz Republic.
 - To implement the ABEC Tourism Master Plan, the development of a pre-feasibility study for the Turgen ski resort in Kazakhstan is being prepared; and a joint ABEC Accommodation Classification System and harmonized COVID-19 health and safety regulations for domestic, regional, and international tourism were developed.
 - Deployment of 50 air quality monitoring devices in Almaty city as well as air quality related training for the Kazakh Hydrometeorological Agency.

- **The Shymkent-Tashkent-Khujand Economic Corridor**

12. Support for the STKEC development will include following:



- Complete two prefeasibility studies on the establishment of (i) an International Center for Industrial Cooperation between Kazakhstan and Uzbekistan, and (ii) a Trade and Logistics Center in Sughd Oblast of Tajikistan.
 - Support the institutionalization of the STKEC by facilitating the establishment of a Technical Working Group on Transport Connectivity and Trade Facilitation among the STKEC countries during the first regional workshop discussing the draft report of the two prefeasibility studies.
 - Conduct ECD-related knowledge sharing activities to raise awareness and strengthen institutional capacity, including a study tour outside the STKEC region to learn through hands-on experience of good ECD practices.
 - A regional workshop to disseminate the final report of the two prefeasibility studies.
- **SSTA on a New Operational Economic Corridor Development Framework for Central Asia and Beyond**

13. The ADB TA team will work closely with the RCI Thematic Group Secretariat in the Sustainable Development and Climate Change Department, and the other relevant regional departments (East Asia Department, and South Asia Department) by demonstrating a “One ADB” approach in completing the implementation of the TA.

- Complete the ECD study and conduct a regional workshop to discuss major findings, solicit comments and feedback for improvement.
- Conduct a knowledge sharing activity to discuss findings on the ECD modeling in a sub-corridor under the Southern Economic Corridor in GMS.
- Finalize the ECD study and the ECD modeling by December 2022.

IV. DELIVERABLES FOR 2022 MINISTERIAL CONFERENCE

14. The following list provides an overview of deliverables to be achieved until end of 2023.

Deliverables	Timing (2022)	Description	SOM/MC action
ABEC: Preparing the Modern Agriculture Wholesale Market Development Project Feasibility Study	Q3	A feasibility study for modern agriculture wholesale markets and trade logistic centers in the Kyrgyz Republic.	For information
ABEC joint accommodation classification system	Q1	The United Nation World Tourism Organization will develop joint standards for the tourism accommodation system in Kazakhstan and the Kyrgyz Republic to support regional tourism development.	For information
First STKEC Technical Working Group on Transport Connectivity and Trade Facilitation established	Q4	The technical working group will provide guidance to transport and trade sector cooperation for the STKEC development, including the conduct of the two prefeasibility studies.	For information



A flagship publication on ECD development for Pakistan delivered	Q1	The report provides analysis of ECD and special economic zones as policy instruments for improving Pakistan's competitiveness and enhancing regional economic connectivity and integration, helping Pakistan strengthen economic linkage with CAREC countries.	For information
A New Operational Economic Corridor Development Framework for Central Asia and Beyond and ECD operational guidelines for ADB operations provided	Q4	The ECD framework will consider the characteristics of different regions, particularly the Central and West Asia region, the global best practice and recent research advances in areas of regional public goods, cross-border regional development, and spatial approaches to economic corridors. The ECD operational guidelines will demonstrate new features of ECD and the integrated efforts needed to operationalize ECD concepts into investment projects, by highlighting the different regional and country situations to be considered, as well as opportunities and challenges in scaling up ECD projects in Central and West Asia region, and other ADB DMCs.	For information