



CAREC ECONOMIC CORRIDORS SECTOR PROGRESS REPORT AND WORK PLAN

JULY 2022 - JUNE 2023

Reference Document
Senior Officials' Meeting

Central Asia Regional Economic Cooperation
13-14 June 2023

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 good progress during the reporting period (July 2022–June 2023). The reporting period saw gradual reopening from the COVID-19-inflicted restrictions and reviving economic activities in the CAREC region. Physical activities were in strong swing from mid-2022, while virtual and hybrid activities continued. However, the Russian invasion of Ukraine started in February 2022 impacted the region resulting in rising prices and disruption of trade and supply chains, which also affected economic corridor development (ECD) in the region. In addition, climate-change-related shocks (floods, draughts, etc.) and domestic and international conflicts involving some of the CAREC economies also added to the challenges. Overall, the momentum for ECD in the region is high. CAREC countries continuously promote ECD as a national development strategy to strengthen economic links and drive trade through cross-border cooperation to achieve wider economic benefits. Key achievements and progress on the outcome and output indicators included in the CAREC results framework for ECD are described below.

A. Key Achievements

The Almaty-Bishkek Economic Corridor (ABEC)

2. During the seventh ABEC Subcommittee on 16-17 February 2023, both governments of Kazakhstan and Kyrgyz Republic proposed new ABEC projects and reviewed ongoing reforms in connectivity, climate change and environment, disaster risk management, and tourism. Specific achievements are outlined below.

- During the reporting period, ABEC supported the implementation of the ABEC Action Plan for developing medical reference laboratories 2022-2024. On the Kazakh side, a team of consultants is working on measures to improve the laboratory system, and on the Kyrgyz side, the [KGZ: Strengthening Regional Health Security Project](#), which ADB's Board of Directors approved in September 2022, will support agreed measures for stronger cooperation between reference laboratories within ABEC.
- For the proposed Alternate Almaty-Issyk-Kul toll road PPP project, financial and technical screening has been completed after the initial legal analysis. Both countries constituted working groups to prepare this transnational project further.
- In the tourism sector, the ABEC Subcommittee proposed a joint classification system for ABEC accommodation facilities, developed by a team of consultants, and common health and safety protocols and measures for ABEC tourism.
- The Issyk-Kul Environmental Management and Sustainable Tourism Project is scheduled for approval in 2023 and was supported with conceptual inputs of tourism infrastructure development plans following the ABEC Tourism Master Plan.
- The ABEC Regional Improvement of Border Services project, planned for approval in 2023, has been supported to improve the regulatory framework and advanced procurement readiness.
- Clean Air Action Plans for Almaty and Bishkek were prepared and finalized based on the data of the 50 air quality measuring devices deployed in Bishkek and Almaty, respectively.

The Shymkent-Tashkent-Khujand Economic Corridor (STKEC)

3. ADB 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:

- **Preparation of prefeasibility studies.** An inception report on the two prefeasibility studies—the establishment of (i) an International Center for Industrial Cooperation between Kazakhstan and Uzbekistan (ICIC), and (ii) a Trade and Logistics Center in SughdOblast of Tajikistan (TLC)—was completed and shared with Kazakhstan, Uzbekistan, and Tajikistan (STKEC countries) in August 2022. On 17 October-1 November 2022, the consulting team conducted a physical mission to the STKEC countries, to collect missing data and information for the studies, and discuss/validate preliminary concept and design of the ICIC and TLC, and undertake field research in the project area, including the possible location of ICIC and TLC. The draft final study of ICIC and TLC are being finalized incorporating ADB comments and latest development on ICIC between the governments of Kazakhstan and Uzbekistan.
- **ECD related capacity building.** A Joint Training Program on Promoting Cross-Border Regional Cooperation and Integration for Shymkent-Tashkent-Khujand Economic Corridor Development was conducted in Batumi, Georgia on 15-19 May 2023. The joint training program (composed of targeted in-door training and site visits) aims to facilitate government officials from the STKEC countries to learn from Georgia's best practices of RCI, particularly cross-border RCI, in support of their own reform efforts in facilitating cross-border trade and investment, contributing to STKEC development. 20 senior government officials from transport, customs, trade, tourism and other ECD-related sectors in Kazakhstan, Tajikistan, and Uzbekistan at central, oblast and city levels participated in and benefited from this intense and content-rich training program.

Small-Scale TA on a New Operational Economic Corridor Development Framework for Central Asia and Beyond

4. 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 the reporting period is summarized below:

- The ECD framework and operational guidelines (A Guidance Note on Economic Corridor Development) has been finalized and is being published after ADB interdepartmental review and consultation with development member countries (DMCs) from the Central Asia Regional Economic Cooperation (CAREC), Greater Mekong Subregion (GMS), and South Asia Subregional Economic Cooperation (SASEC) countries, and development partners in a webinar on 7 March 2023. An ECD communication strategy is also being prepared to effectively communicate and raise awareness on the ECD framework and operational guidelines in developing member countries (DMCs).
- A regional ECD model that reflects wider economic benefits with pertinence to the diversity of regions in Asia in a sub-corridor under the GMS Southern Economic Corridor region, is also finalized which complements the ECD study, with good results from testing the model in the GMS subregion. It also provided policy recommendations on investment opportunities in ECD in the GMS subregion.

B. CAREC 2030 Results Framework: Economic Corridors Sector

5. 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 2022:

Table 1. CAREC 2030 Results Framework: Economic Corridors

Outcome	Indicator	2017	2022
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)	8 CAREC countries (PRC, GEO, KAZ, KGZ, MON, PAK,TAJ, UZB)
Output	Indicator	2017	2022
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)	8 CAREC countries (PRC, GEO, 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 ABECTA; 1 TRTA (\$2 million) supporting the preparation of modern agriculture wholesale market development project for ABEC; 1 KSTA for \$1.9 million for ABEC Phase 2; 1 KSTA TA and 1 additional financing (\$2.1 million) on assessing potential of STKEC.

II. CHALLENGES AND KEY ISSUES

6. 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 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.

7. The CAREC region has been affected by multiple shocks in the reporting period including prolonged COVID-19 pandemic, climate-change-related shocks (floods, draughts etc.), the Russian invasion of Ukraine, and domestic and inter-country conflicts involving some of the CAREC economies. This sequence of shocks led to upwards reassessment of the probability of such shocks in the future, affecting implementation of ECD activities.

8. Related to the above, another key challenge for successful cross-border ECD is strong political commitment among 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 2023–JUNE 2024

9. 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 2023–June 2024 include the following:

The Almaty-Bishkek Economic Corridor

10. Support for the ABEC activities will include the following:

- Approval of the ABEC Regional Improvement of Border Services Project
- Approval of the Issyk-Kul Lake Environmental Management for Sustainable Tourism Development Project
- Approval of the Climate-Resilient Agricultural Value Chain Development Sector Project (formerly ABEC Modern Agriculture Wholesale Market Development Project)
- Further support to the Alternate Almaty-Issyk-Kul toll road PPP project
- Support to the implementation of the joint ABEC Accommodation Classification System
- Support to the implementation of the Clean Air Action Plans for Almaty and Bishkek
- Support to the design of regional disaster risk management activities

The Shymkent-Tashkent-Khujand Economic Corridor

11. 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 (ICIC), and (ii) a Trade and Logistics Center in Sughd Oblast of Tajikistan (TLC).
- 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.
- Organize a regional workshop to disseminate the final report of the two prefeasibility studies and reach out to private investors for investment of the ICIC and TLC.

Small-Scale TA on a New Operational Economic Corridor Development Framework for Central Asia and Beyond

12. The ADB TA team will work closely with the RCI Thematic Group 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.

- Publish the ECD study and ECD communication strategy by 2023.
- Complete and publish the study on the ECD modeling study by 2023.
- Support RCI-TG in organizing the ADB RCI Conference 2023 on Economic Corridor Development, by hosting 1-2 sessions disseminating the ECD concept and operational guidelines, as well as the ECD modeling study.

IV. DELIVERABLES FOR 2023 MINISTERIAL CONFERENCE

13. The following list provides an overview of deliverables to be achieved by end 2023.

Deliverables	Timing (2023)	Description	SOM/MC action
ABEC Trade Facilitation Report	Q4	A report analyzing border crossing point procedures and infrastructure and recommending reforms and investments to improve both.	For information
ABEC joint accommodation classification system	Q2	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	Q3	The technical working group will provide guidance to transport and trade sector cooperation for the STKEC development.	For information
Guidance Note on Economic Corridor Development	Q2	The Guidance Note including a refined ECD framework and operational guidelines aims to clarify the ECD concepts reflecting wider economic benefits and pertinence to the changing development context and diversity of regions in Asia, and to mainstream ADB's ECD operations.	For information