



# **CAREC ECONOMIC CORRIDORS SECTOR PROGRESS REPORT AND WORK PLAN**

**JULY 2020 – JUNE 2021**

Reference Document  
Virtual Senior Officials' Meeting  
Central Asia Regional Economic Cooperation  
30 June 2021

## 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

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## I. KEY DEVELOPMENTS AND RESULTS

1. The CAREC Economic Corridors sector achieved a number of strategic milestones during the reporting period (July 2020 – June 2021). The reporting period was affected by the COVID-19 pandemic. Due to quarantine measures and travel restrictions, all planned physical meetings were conducted virtually, with a somewhat reduced scale. Overall, despite the pandemic, the momentum for economic corridor development (ECD) in the region is high. CAREC countries are increasingly 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. The fifth ABEC Subcommittee on 15 December 2020 agreed on measures to implement the ABEC Tourism Master Plan, create a regional network of medical reference laboratories, improve connectivity through modernized border crossing points and alternative road connections, and support Almaty and Bishkek cities in piloting 100 air quality measurement devices in both cities. 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 6 facilities (2 wholesale markets and 4 trade logistics centers) for the Kyrgyz Republic. The project is planned to be approved by ADB in early 2022.
- For the ABEC: Border Crossing Point Modernization 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 2022.
- 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 approved a small-scale technical assistance project to develop a pre-feasibility study for the Turgen ski resort in Kazakhstan; and ii) 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 is nearing completion in its negotiations with the Kazakh counterpart Hydrometeorological Agency and Almaty city government, to deploy 50 air quality monitoring devices.

#### • The Shymkent-Tashkent-Khujand Economic Corridor (STKEC)

3. A second regional workshop was held virtually on 28 August 2020. The ADB TA team (i) presented the draft roadmap of the STKEC to the multi-stakeholders of Kazakhstan, Uzbekistan and Tajikistan for feedback; (ii) proposed next steps for the STKEC development, with continued support from ADB; and (iii) discussed key steps and timeline for the institutional set-up of the STKEC. The three countries expressed positive feedback on the road map for the STKEC development, and agreed on the recommended action plans and projects in the six intertwined

thematic focus areas, and the institutional set-up. They highlighted the potential of the STKEC in strengthening economic cooperation and integration among the three countries, particularly in restoring economic growth through improved cross-border economic cooperation to mitigate the impacts from the coronavirus disease (COVID-19). They have also committed to strengthening cooperation among the three countries in developing the STKEC. Following the second regional workshop, the ADB TA team finalized the road map incorporating comments and suggestions of the countries, and published the road map in December 2020, after endorsement by the three governments. ADB is currently supporting the three governments in implementing the road map.

4. ADB has mobilized an additional \$1 million in TA resources and approved in November 2020, the financing of additional activities to help advance work in the identified thematic focus areas for the STKEC development. These include prefeasibility studies on priority projects identified in the road map, the establishment of the STKEC Steering Committee and Technical Working Group in thematic focus areas, and training activities on priority sectors and areas for the STKEC development.

5. A third regional workshop was held virtually on 20 April 2021, which disseminated the road map, and consulted the multi-stakeholders of the three countries on proposed activities to implement the road map for the STKEC development.

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

6. ADB has nearly completed a £2 million TA funded by the United Kingdom's Foreign, Commonwealth & Development Office. The TA supports economic corridor planning to help Pakistan Government better unleash the benefits of regional cooperation and integration, particularly offered by the CAREC Program in Pakistan.

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

7. ADB has also initiated a study supported by a small-scale TA (SSTA)—a New Operational Economic Corridor Development Framework for Central Asia and Beyond—to develop an ECD framework and operational guidelines that reflect wider economic benefits and pertinence to the diversity of regions in Asia, particularly the Central and West Asia region, to mainstream ADB's ECD operations. The TA will enhance the existing 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 (DMCs), with a focus on the Central and West Asia region.

8. An international consultant with rich experience on ECD concept and operations has been recruited to lead the study. The ADB TA team has been in constant discussion and brainstorming on approaches and methodologies for the ECD study.

## **B. CAREC 2030 Results Framework: Economic Corridors Sector**

9. 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 2020:

**Table 1. CAREC 2030 Results Framework: Economic Corridors**

<b>Outcome</b>	<b>Indicator</b>	<b>2017</b>	<b>2020</b>
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)
<b>Output</b>	<b>Indicator</b>	<b>2017</b>	<b>2020</b>
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 (\$0.75 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

10. 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.

11. The COVID-19 outbreak in 2020 has placed significant pressure on CAREC economies, with cross-border economic cooperation related sectors the most severely impacted, thus 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.

12. 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 2021–JUNE 2022

13. 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 2021–June 2022 include the following:

- **The Almaty-Bishkek Economic Corridor**

14. 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 early 2022.
- The ABEC: Border Crossing Point Modernization Project feasibility study and detailed design are expected to be finalized and the project is scheduled for approval in early 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 i) a pre-feasibility study for the Turgen ski resort in Kazakhstan is planned; ii) a joint ABEC Accommodation Classification System and harmonized COVID-19 health and safety regulations for domestic, regional, and international tourism; iii) implementation options for transformative tourism investment projects in the Kyrgyz Republic, and iv) a public private partnership development concept for the Almaty Tourism Skilling Center.
- Deployment of 50 air quality monitoring devices in Almaty city as well as air quality related training for Kazakh and Kyrgyz hydrometeorological agencies.

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

15. ADB, in collaboration with other development partners and relevant CAREC countries, will continue supporting the implementing of the road map for the STKEC development:

- Undertake two prefeasibility studies on the establishment of (i) an International Center for Trade and Economic Cooperation “Central Asia” (ICTEC) between Kazakhstan and Uzbekistan, and (ii) a Trade and Logistics Center in Sugd Oblast of Tajikistan. A consulting firm is being engaged to conduct the two studies together. ADB will continue work closely with multi-stakeholders in the three countries for guidance and support during the whole process including defining the terms of references, collecting data and information, and coordinating for policies and other aspects.
- Support the institutionalization of the STKEC, including the creation and operationalization of the STKEC Steering Committee, and Technical Working Groups in the thematic focus areas. It is suggested that the establishment of the STKEC Steering Committee be in tandem with the signing of the memorandum of understanding (MOU) among the three countries on the STKEC development, to show commitment and support of the three governments. Given cross-border transport connectivity is a priority focus area for the STKEC development, it is suggested that the first Technical Working Group on cross-border transport connectivity be established upon recruitment of the consulting firm and start of the prefeasibility studies.
- Conduct ECD-related knowledge sharing activities to raise awareness and strengthen institutional capacity, including (a) ECD-related training workshops with focus on specific

sectors and (ii) study tours in other regions and countries to learn good ECD practices. It is proposed that a virtual training on TIR digitalization be jointly organized with the IRU in 2021, and a study tour be organized physically in 2022 when physical travel becomes a reality. Details will be discussed with relevant parties and finalized later.

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

16. ADB is compiling major knowledge products produced under the TA as one flagship publication on ECD development for Pakistan. The final draft was under preparation, which is planned to be published in July 2021.

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

17. 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 implementing the TA.

- Conduct a CWRD brownbag to brainstorm for new ideas on the ECD concept and operational guidelines in June 2021.
- Organize a TA inception mission to further brainstorm on the key issues, approaches and methodologies for the study, and finalize the detailed outline.
- Conduct the study, with interim report completed in Q4 (October), and conduct another workshop to discuss major findings, solicit comments and feedback for improvement.
- Finalize the study by end of December 2021.

#### IV. DELIVERABLES FOR 2021 MINISTERIAL CONFERENCE

18. The following list provides an overview of deliverables to be achieved until end of 2021.

<b>Deliverables</b>	<b>Timing (2021)</b>	<b>Description</b>	<b>SOM/MC action</b>
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	Q3	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
ABEC reference laboratory action plan	Q3	The ministries of health in Kazakhstan and the Kyrgyz Republic are coordinating a regional system of health reference laboratories to create regional standards, prevent the spread of communicable diseases, and improve the laboratory services offer in the region.	For information



First Technical Working Group on Cross-Border Transport under STKEC established	Q4	The technical working group will provide guidance to the transport 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	Q3	The report will provide 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