



Senior Officials' Meeting

28 June 2022

CAREC Deliverables and New Initiatives 2022



Central Asia Regional Economic
Cooperation (CAREC) Program



CAREC DELIVERABLES AND NEW INITIATIVES IN 2022

Briefing Note

Reference Document
Virtual Senior Officials' Meeting
Central Asia Regional Economic Cooperation
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A. CAREC Post-Pandemic Framework for Green, Sustainable and Inclusive Recovery

I. Objective

1. The aim of the “*CAREC Post-Pandemic Framework for Green, Sustainable and Inclusive Recovery*” is for CAREC member countries to galvanize their joint efforts, demonstrate commitment and utilize regional cooperation to achieve a green, sustainable, and inclusive recovery for the region through analysis-based policy inputs and recommendations.

II. Background

2. GDP growth in the CAREC region substantially re-accelerated after the sharp slow-down in 2020 caused by the COVID-19 pandemic, allowing GDP to exceed 2019 levels in 2021 in most CAREC economies. However, the recovery is not solid yet and geopolitical tensions cause new challenges. Restructuring economic paradigms to balance the visions of growth and development with climate imperatives has assumed centrality in the global agenda, and CAREC economies will have to align their strategies with these trends.
3. Technological progress and digitalization sharply accelerated by the pandemic opens new opportunities for the region but also require new policies for industrial development, employment, and income distribution. Development agendas for the economies of the CAREC region must be re-adjusted and re-drawn to the imperatives of climate change, commitments to decarbonization, and more broadly green transition. Rebalancing of sectors away from fossil fuels, digitalization, the need for new investment, qualifications, connectivity, and public health care requires modified business approaches and government programs. Moreover, the related social change necessitates policies to mitigate potential adverse impacts on some parts of the population, so that desirably no one is left behind and the transition can progress relatively smoothly without heightened social tensions.
4. The alignment of visions of growth and development with sustainability challenges requires a careful stock-taking of existing approaches and make course corrections wherever required.
5. The CAREC Institute, being a research and capacity building arm of the CAREC Program, will provide the lead on this deliverable in close coordination with the CAREC member countries and CAREC Secretariat. CAREC member countries will have the opportunity to participate in an informed dialogue to assess and re-design policy approaches with specific focus on recovery through regional economic cooperation. The output will include a background analysis and a framework for consideration and endorsement of the member countries.

III. Outline of the Proposed Background Analysis and Framework

Cover, contents, abbr., disclaimer, acknowledgements
Executive summary
Short macroeconomic overview
In-deep topics
Threats, challenges, and accelerators
RCI as a facilitator of green, sustainable, and inclusive development
Conclusions and recommendations
<i>CAREC Post-Pandemic Framework for Green, Sustainable and Inclusive Recovery</i>

6. For the **introductory analysis**, the topics to be covered are (based on body of work already done by the CAREC Institute):
 - Shape of recovery and threats to recovery
 - Fiscal, monetary space
 - Exposure to climate change, altering environmental conditions
 - GHG emissions, energy intensity
 - Income distribution and poverty
7. For **the recommendations**:
 - a. **General direction of needed economic change:**
Decarbonization and smart diversification, adaptation to climate change and safeguarding food security, environmental and financial sustainability of economic development, inclusiveness
 - b. **Areas for recommendations to achieve this**
 - Essential infrastructure: energy, water, digital and transport infrastructure - hard and soft
 - Qualification, science, and technology
 - Ecosystems for MSMEs and start-ups
 - Efficient/targeted fiscal and monetary policies
 - Social protection, health care
 - Institutional settings, regulation conducive for business, investment, social cohesion, greening, and for regional cooperation
8. The background report and draft framework will be shared with member countries, experts and stakeholders for comments and revised before submission to the Ministerial Conference for endorsement and subsequent publishing.

IV. Deliverables

- Report "CAREC Post-Pandemic Framework for Green, Sustainable and Inclusive Recovery" containing analysis and policy recommendations in English and Russian
- Consultations as required.
- A brief framework of principles to be presented at the CAREC Ministerial Conference

B. Cooperation Framework for Agricultural Development and Food Security in the CAREC Region

I. Objective

1. The COVID-19 pandemic and recent geopolitical conflicts has exacerbated pre-existing challenges to food security in the region. Against this backdrop, the CAREC Secretariat has begun preparing a 'Cooperation Framework for Agricultural Development and Food Security in the CAREC Region' (henceforth referred to as the Framework). The Framework is intended to guide and prioritize CAREC activities aimed at fostering agriculture modernization and/or enhancing food security in the CAREC Program member countries (henceforth referred to as the CAREC countries). The Framework can potentially serve as a basis for a CAREC strategy on agriculture modernization and food security.

2. This note provides an overview of the rationale behind this initiative as well as the proposed scope of the Framework, the proposed approach to its preparation, and the preliminary timetable. The proposed scope, approach and timetable will be modified, if needed, following the CAREC Senior Officials Meeting scheduled for 28 June 2022.

II. Rationale and Background

A. The Need for Modernization of Agriculture in the CAREC Countries

3. Agriculture is an important sector of the economy in the CAREC countries. It accounts for more than one-fifths of total employment and contributes over one-tenths of gross domestic product (GDP) in most CAREC countries. It is a major source of livelihood for a significant percentage of households and plays a critical role in ensuring food security in all CAREC countries.

4. At the same time, there are numerous issues in the CAREC countries' agricultural sector. Notably, productivity in agriculture is low. Value added per worker in the CAREC countries' agricultural sector is considerably lower than value added per worker in their industrial and services sectors and in the agricultural sector of members countries of the Organization for Economic Cooperation and Development.¹ The yield of food crops is generally low in the CAREC countries.

5. Furthermore, agricultural production in the CAREC countries has considerable adverse impacts on the environment. It is a major contributor to water shortages and soil degradation. It is also a net emitter of greenhouse gasses in all CAREC countries except the PRC.²

6. Multiple factors adversely affect agricultural production in the CAREC countries. These include the small size of most farms, outdated farming practices, limited use of modern agricultural technologies, underdevelopment of agricultural extension services, the high incidence of plant and animal diseases (including transboundary animal diseases), information- and infrastructure-

¹ Based on data from the World Development Indicators database. <https://datatopics.worldbank.org/world-development-indicators/> (accessed 15 June 2022).

² According to FAOSTAT data. <https://www.fao.org/faostat/en/#data> (accessed 15 June 2022).

related and regulatory barriers to exports of agricultural goods, and climate change.³ The CAREC countries need to modernize their agricultural sector to raise productivity, adapt to and mitigate climate change, and enhance food security.

B. Challenges in Ensuring Food Security in the CAREC Countries

7. The CAREC countries are facing considerable challenges in ensuring food security.⁴ The incidence of moderate and severe food insecurity in the total population increased in most CAREC countries during 2015-2020.⁵ In 2020, the prevalence of stunting among children under five years of age was greater than 10% in many CAREC countries.⁶ The incidence of foodborne diseases are high in some CAREC countries. All CAREC countries included in the Global Food Security Index (GFSI) 2021 have the overall GFSI score of less than 72. The overall GFSI score of most of them fell between 2019 and 2021.

8. The world prices of many food commodities, such as wheat and sugar, have risen sharply over the past two years. The FAO Food Price Index, which is an index of the world prices of a basket of food commodities, surged from 91.1 in May 2020 to the all-time high of 159.3 in March 2022, before falling to 157.4 in May 2022.⁷ Accordingly, food price inflation accelerated in many CAREC countries in the second half of 2021 and/or in early 2022. This further worsened food security in some CAREC countries.

9. Like in the case of agricultural production, a host of factors negatively impact on food security in the CAREC countries. Among them are the aforementioned factors that adversely affect agricultural production. The additional factors include weaknesses in the food quality systems, the underdevelopment of food value chains, the Coronavirus Diseases 2019 (COVID-19) pandemic, the conflict in Ukraine, and the restrictions imposed by trading partners (including some CAREC countries) on exports of food products. While the adverse impacts of some of these factors (e.g. the COVID-19 pandemic) on food security in the CAREC countries is likely to diminish over the medium term, the negative effects of some other factors (e.g. climate change) is likely to increase.

C. The Need for the Cooperation Framework

10. One of the operational clusters of *CAREC 2030* include agriculture along with water management. Several other operational clusters of *CAREC 2030* cover various aspects of food security. Many ongoing and planned CAREC activities have, will have, or can have positive impacts on agricultural development and/or food security in the CAREC countries. The Framework is needed to align these activities more closely with the priorities of the governments of the CAREC countries regarding agricultural development and food security, increase synergies

³ ADB. 2019. Agricultural Development in CAREC Member Countries: Review of Trends, Challenges and Opportunities. Manila.

⁴ There are many definitions and interpretations of the concept of food security. The Food and Agriculture Organization (FAO) of the United Nations defines food security as a situation when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. Based on this definition, four dimensions of food security can be identified: (i) food availability, (ii) access to food, (iii) food utilization and (iv) stability over time.

⁵ According to FAO estimates. <https://www.fao.org/faostat/en/#data> (accessed 16 June 2022).

⁶ Based on the estimates of the UNICEF/WHO/WB Joint Child Malnutrition Estimates Group. https://cdn.who.int/media/docs/default-source/child-growth/jme-2021-edition/jme_country_level_model_estimates_april2021.xlsx?sfvrsn=2e6e50b0_5 (accessed 16 June 2022).

⁷ FAO. <https://www.fao.org/worldfoodsituation/foodpricesindex/en/> (accessed 16 June 2022).

among the activities, and magnify their overall positive effects on agricultural development and food security in the CAREC countries.

III. Proposed Scope of the Cooperation Framework

11. The Framework will focus on those areas of agricultural development and food security in which there are ongoing or planned CAREC activities and/or in which RCI (in the form of knowledge sharing, harmonization, cross-border investments, etc.) can generate significant benefits for the CAREC countries. These include, but are not limited to, the following:

- introduction of modern agricultural technologies (including green technologies) and farming practices to adapt to and mitigate climate change, raise productivity in agriculture, and improve the availability and affordability of food products;
- modernization of sanitary and phyto-sanitary (SPS) measures and food quality systems to raise agricultural productivity, improve the quality of food products, and facilitate trade in these products;
- modernization of customs administration and border management to facilitate trade in food products;
- development of agricultural extension services and food value chains—in particular, through public-private partnerships (PPPs) and use of digital technologies—to foster modernization of agriculture and improve the availability, affordability and quality of food products and the stability of their supply.

IV. Proposed Approach to the Preparation of the Framework

12. The Framework will be prepared in two steps. As a first step, a background report on agricultural development and food security in the CAREC countries will be prepared. The report will (i) review the agriculture and food security landscape, including relevant government policies and priorities, in the CAREC countries in the context of climate change and other factors posing risks to food security in these countries; (ii) review ongoing and planned CAREC activities pertaining to agricultural development and/or food security, including those under the CAREC Integrated Trade Agenda 2030; (iii) identify prospective PPP models on regional interoperable smart and/or digital technologies that can enhance food production, market links, green financing and green trade, among others; and (iv) provide recommendations on the prioritization of the planned CAREC activities and, possibly, on additional CAREC activities that will foster agriculture modernization and enhance food security in the CAREC countries.

13. The report will be prepared through a combination of a desk review of literature, documents of the governments of the CAREC countries, and CAREC and ADB documents; compilation and analysis of secondary data from online sources; and consultations with key stakeholders (including the governments of the CAREC countries, the private sector, and development partners). The following is a preliminary list of questions for stakeholder consultations:

- (i) What are, in your view, the main issues pertaining to agricultural development and food security in the CAREC countries?

- (ii) What are the policies and priorities of the governments of the CAREC countries with respect to agricultural development and food security?
- (iii) In your opinion, what CAREC activities are, can be or could be effective in helping the CAREC countries meet their needs in agriculture modernization and food security?
- (iv) What opportunities exist for PPPs that would contribute to agriculture modernization and enhance food security in the CAREC countries?

14. As a second step in the preparation of the Framework, a draft Framework will be prepared based on the background report. It will then be presented to the participants of the next CAREC Ministerial Conference for endorsement.

V. Preliminary Timetable

15. The following table summarizes the preliminary timetable for the preparation of the draft Framework for consideration at the next CAREC Ministerial Conference. Under this timetable, the background report will be finalized by end-September 2022 and the draft Framework will be prepared by mid-October 2022.

Preliminary Timetable for the Preparation of the Framework

Activities	Jun-22	Jul-22		Aug-22		Sep-22		Oct-22
	H2	H1	H2	H1	H2	H1	H2	H1
Review of literature and government/CAREC/ADB documents								
Compilation and analysis of secondary data from online sources								
Consultations with key stakeholders								
Preparation of the first draft of the background report								
Preparation of the final draft of the background report								
Preparation of the draft Framework								

Source: CAREC Secretariat.

C. CAREC Green Energy Alliance

I. Goal

1. To enable the transition towards a green and clean energy sector, CAREC members agreed on the key features for a CAREC Green Energy Alliance. The Alliance shall be the 1st targeted financing vehicle in the region supporting the development of renewable energy and energy efficiency projects.

II. Underlying issue

2. The CAREC region is home to some of the most energy-intensive economies and, despite abundant renewable energy potential, installed solar and wind energy capacity currently amounts to less than 5% of the total capacity on average⁸.
3. The CAREC Green Energy Alliance is expected to fill parts of the investment gap to achieve a greener regional energy mix. The region's cumulative investment need for greening its energy sector is roughly \$400 billion excluding the People's Republic of China (PRC) and between \$2,934 and \$3,836 billion including PRC⁹.
4. Renewable energy and energy efficiency measures are clearly capital-intensive, but also have shorter pay-back periods and are therefore attractive investment options. The new financing vehicle shall thus be designed with a view to providing CAREC members with end-to-end solutions to co-finance clean energy projects.

III. Features

5. The CAREC Green Energy Alliance will be a digital project marketplace providing access to investment-ready green energy projects, affordable finance, and project preparation support. Through virtual matchmaking, financiers and project developers will be put in touch to start realizing their projects. Several development partners have expressed interest to join the initiative.

IV. Beneficiaries

6. The following groups will be benefiting from the Alliance:
 - Government looking for project ideas to meet climate targets
 - Entities with investment-ready projects looking for financing
 - Financiers ready to support green energy projects
 - Project developers with ideas but in need for support to evaluate feasibility

⁸ IRENA data 2021, excluding PRC (the share excluding PRC is 6%).

⁹ CAREC Energy Outlook 2020.

V. Status

7. The concept for the CAREC Green Energy Alliance was adopted by the Program's Energy Sector Committee in April 2022. The set-up of the platform is envisaged in 2023/2024.
8. The CAREC Green Energy Alliance is developed as part of achieving CAREC Energy Strategy Pillar 3 (Enhancing Sustainability by Greening the Regional Energy System).

D. Climate Change and Regional Cooperation & Integration (RCI) **– A Scoping Study**

I. Objective

1. The purpose of this scoping study is to develop a systematic and strategic approach by CAREC to the climate agenda in the region by informing the CAREC member countries, Secretariat and development partners about the climate change issues and national and regional policies and instruments relevant to climate change, exploring the role and mechanisms of regional cooperation on climate issues in the region, identifying potential entry points for CAREC to engage on climate issues, proposing ways to incorporating climate aspects into the five operational pillars of CAREC, and finding an appropriate niche for the CAREC program in promoting the regional and global climate agenda.

II. Background

2. Climate change is the defining challenge for global development of the 21st Century. If climate change is not effectively addressed through mitigation and adaptation measures, global prospects for prosperity, health and survival will be severely threatened beyond current climate risks already evident. This challenge is now well recognized worldwide, and actions are being developed and taken to address climate change at the global, regional and national levels.
3. The CAREC region contributes to carbon emissions causing climate change and is particularly vulnerable to the consequences of climate change. Climate change was identified in the CAREC 2030 strategy as a cross-cutting theme,¹ but to date the focus by CAREC on this topic has been limited. While important CAREC strategy and knowledge products deal with climate change in depth and projects include climate-smart components, there is no overall strategic framework guiding CAREC's engagement on climate change. The Asian Development Bank has commissioned a scoping study on how CAREC can best intensify its support for regional actions to respond to climate change.
4. A consultant has been appointed in April 2022 to lead the preparation of this Scoping Study. He submitted the Inception Report at the end of May 2022. It provides background information on climate change challenges and issues in the CAREC region; reviews the treatment of climate change by CAREC to date; describes the proposed approach and methodology for the scoping study for analyzing how CAREC can best support regional climate action in future; and identifies a preliminary set of messages and recommendations that the Scoping Study will explore. The remainder of the Inception Report covers the proposed table of contents for the scoping study, the work plan and timeline. Work on the preparation of the Study has started and will be completed in time for the presentation of its findings at the CAREC Ministerial Meeting in November 2022.

III. Outline of the Scoping Study

5. The Scoping Study will have three substantive sections following an introduction laying out the background, approach and structure of the report.

6. **Climate change in the CAREC region: challenges and issues:** This section will provide an overview of CAREC countries and subregions to identify their principal commonalities and differences in terms of climatic conditions. The remainder of the section will analyze in detail the principal climate challenges and issues facing the CAREC region, projections of climate conditions for the coming decades, and countries' commitments in regard to climate action. It will pay special attention to regional and sub-regional dimensions of the climate agenda in the CAREC region, to the climate work of other regional organizations, and to the climate financing needs and options. This section will draw on a detailed review of available documents and expert interviews.
7. **Approach of CAREC to climate change to date:** This section will review the approach to climate found in the CAREC 2030 Strategy, in CAREC sector strategies and other CAREC and CAREC Institute knowledge products. It will also report on a selective desk review of the CAREC project portfolio. The section will focus specifically on the regional dimensions of CAREC's climate engagement to date.
8. **Future directions of CAREC:** Based on an analysis of the strengths, weaknesses, opportunities and threats (SWOT), this section will summarize the main implications of the preceding analysis, including findings and messages for CAREC countries and for CAREC on necessary climate action and specific recommendations for CAREC going forward. Among the potential recommendations to be explored are the following:
 - Formally establish "Climate" as a crosscutting priority under the CAREC 2030 strategic framework, along with "Digital" and "Gender";
 - Establish an expert group and/or committee under the CAREC umbrella to guide the CAREC Climate crosscutting agenda;
 - CAREC Secretariat to prepare a CAREC Climate Strategy for approval by CAREC ministers, guided by the Climate expert group/committee;
 - CAREC Institute to prepare a Climate Research Strategy, aligned with and supporting the CAREC Climate Strategy; the Scoping Study will provide guidance on priority research issues;
 - CAREC/ADB to develop a CAREC climate project preparation facility or ensure general CAREC/ADB project preparation facilities include an explicit focus on climate projects.
 - CAREC to develop positions regarding global climate negotiations, including on climate goals, mitigation targets and actions by large emitters, and adaptation finance support; CAREC to actively promote these positions in global climate forums (e.g. UNFCCC COP events).

IV. Approach and Methodology of This Scoping Study

9. The approach and methodology of this Scoping Study will focus on (a) reviewing documentary evidence, including the above mentioned CAREC knowledge products and the general English- and Russian-language expert literature on climate matters; (b)

interviews with experts from development partner organizations and from CAREC countries, and (c) inputs from CAREC country officials. In addition, the Study will use standard analytical tools to help identify vulnerabilities, gaps and priorities. The study will coordinate with two other ongoing CAREC studies (“CAREC Post-Pandemic Plan for Green, Sustainable and Inclusive Recovery” and with “Cooperation Framework for Agricultural Development and Food Security in the CAREC Region”) to ensure consistency of messages and recommendations. The Study will not present a detailed analysis of the climate challenges facing the PRC, of the climate actions undertaken by PRC, or of interventions by the development partners in supporting climate action in the PRC, except where these have regional dimensions of direct relevance to the rest of the CAREC countries.

V. Work Plan and Timeline

10. The work plan follows a tight timeline to allow presentation and discussion of the report at the November CAREC Ministerial Meeting:

- Inception report: 31 May 2022
- Data and information collection: 20 May - 31 July 2022
- Consultations: 1 June – 31 July 2022
- Presentation to CAREC SOM: 28 June 2022
- Presentation at CAREC Focal Points meeting: September 2022
- Final draft of the report: 31 October, 2022
- Presentation at the Ministerial Meeting: November 2022
- Publication/posting of final report on CAREC Website: December 2022