



**CAREC ECONOMIC CORRIDORS
SECTOR
PROGRESS REPORT AND WORK PLAN
JULY 2023 – JUNE 2024**

Reference Document
Senior Officials' Meeting
Central Asia Regional Economic
Cooperation 30-31 May 2024

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

The CAREC Economic Corridors sector achieved good progress during the reporting period (July 2023–June 2024). The reporting period saw substantive achievement in economic corridor development (ECD) in the region, particularly in developing and financing regional projects that promote cross-border economic cooperation and climate change agenda in the CAREC region. 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. The 8th ABEC Subcommittee Meeting scheduled on 28–29 May 2024 in Astana, Kazakhstan will (i) assess the implementation status of the 7th ABEC Subcommittee minutes as signed on 17 February 2023 in Bishkek, the Kyrgyz Republic; (ii) review current ABEC projects and initiatives based on the meeting minutes of sector working groups; identify short- and medium- term priority projects; and (iii) agree on joint actions between the two parties to further develop the ABEC and formulate and sign the 8th ABEC Subcommittee minutes.

3. During the reporting period, specific achievements are outlined below.

- 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. On the Kyrgyz side the ADB investment project KGZ: Strengthening Regional Health Security is supporting the implementation of the action plan.
- After the initial legal analysis, financial and technical screening has been completed for the proposed alternate Almaty-Issyk-Kul toll road PPP project. 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. An agreement was drafted to agree on the implementation of the joint ABEC Accommodation Classification System.
- The Issyk-Kul Environmental Management and Sustainable Tourism Project is scheduled for approval in 2024 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 2024/2025, has been supported by the ABEC Subcommittee 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. Data subscriptions for these air quality measuring devices have been renewed for continuous reliable data.

The Shymkent-Tashkent-Khujand Economic Corridor (STKEC)

4. The ADB technical assistance (TA) supporting the STKEC development has completed all its activities by 31 October 2023, with key outputs achieved. Specific activities and achievements during the reporting period are summarized below:

- **Completion of two prefeasibility studies.** A country consultation meeting and a site visit of the International Center for Industrial Cooperation (ICIC) at the border between Kazakhstan and Uzbekistan were held in Tashkent, Uzbekistan on 12-13 September 2023. The two prefeasibility studies on the establishment of (i) ICIC; and (ii) a Trade and Logistics Center in Sughd Oblast of Tajikistan (TLC) were completed following the consultation meeting, which incorporated comments and feedback from the three countries (Kazakhstan, Uzbekistan, and Tajikistan). The two reports were also published as ADB consultants reports on the CAREC website ([Prefeasibility Study of an International Center for Industrial Cooperation on the Border of Kazakhstan and Uzbekistan](#); and [Prefeasibility Study of a Trade and Logistics Center in Sugd Province of Tajikistan](#)). Investment opportunities came up. In February 2024, Kazakhstan and Uzbekistan governments announced that the construction of ICIC will commence in August 2024, to be completed by 2027.²⁵ The latest development includes the signing of an agreement with an Uzbekistan cotton processing company, and ongoing negotiations with potential investors and entrepreneurs, including private sector in both countries. On TLC, investment opportunities include potential collaboration with other development partners in supporting the establishment of an agro-logistics center in the Sughd oblast given the limited land availability, with investment from potential private sector.
- **ECD related knowledge-sharing.** A Regional Workshop on Next Steps in STKEC Development was held on 14 September 2023, which shared ECD related experiences among STKEC countries, ADB and other development partners (e.g., USAID) on facilitating cross-border trade (including transit trade). These include lessons from the Almaty-Bishkek Economic Corridor, the planned construction of a modern BCP between Azerbaijan and Georgian to pilot joint border management, and the STKEC governments' efforts in improving BCPs. STKEC country participants realized and highlighted the importance of modernizing BCPs, they also noted some realistic challenges in the region, such as insufficient economic and trade integration, legislation constraints (e.g., on protection of privacy), capacity issues, and other constraints. They explored the possibility of piloting joint control at the BCP near the ICIC, to apply joint control for some goods (e.g., agriculture and food products) to facilitate trade.

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

4. The ADB TA that supported the development of a new ECD framework and operational guidelines, has completed all its activities by 15 December 2023, with all outputs achieved. Specific activities and achievements during the reporting period are summarized below:

- The new ECD framework capturing wider economic benefits and diverse regions together with the ECD operational guidelines were consolidated into one report and was published

²⁵ [Kazakhstan and Uzbekistan eye \\$10bn trade boost with ICIC "Central Asia" construction — Daryo News](#)

in September 2023 as [Economic Corridor Development: From Conceptual Framework to Practical Implementation—Guidance Note](#). The guidance note presents a new framework and operational guidelines on facilitating complex multisector ECD programs that are aligned with DMCs’ development agenda. It outlines the ECD concept and discusses planning, designing, developing, and implementing these programs. It is relevant to government officials, development partners, the private sector, and researchers involved in planning, implementing, and assessing economic corridors. The guidance note was disseminated at the [2023 RCI Conference: Strengthening Regional Cooperation and Integration through Economic Corridor Development](#) held in Tbilisi, Georgia on 5-7 September 2023, which was well received and supported by participants from CAREC, GMS, SASEC countries, other DMCs, and development partners.

- Following the publication of the ECD guidance note, a communications strategy (including infographics) to widely disseminate the ECD guidance note was completed and published as an internal ADB document. The [ECD Communications Strategy and Infographics](#) provide a positioning and engagement plan for the ECD guidance note over the period of 2024–2029. It outlines the objectives, key messages, content forms, audiences, proposed activities, and channels to position the new ECD approach as a program that addresses current challenges and adapts to the changing landscape on economic corridor development in ADB supported DMCs. It aims to generate greater awareness and adoption of the new economic corridor development approach in ADB’s RCI operations to support ADB DMCs’ development agendas.

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 2023:

Table 1. CAREC 2030 Results Framework: Economic Corridors

Outcome	Indicator	2017	2023
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	2023
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; approval of 1 ABEC-supported investment project; 1 KSTA TA and 1 additional financing (\$2.1 million) on assessing potential of STKEC.
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II. CHALLENGES AND KEY ISSUES

6. ECD approaches have grown more sophisticated in response to changing development contexts and DMCs' ambitions in Asia and the Pacific. Initially, ECD-related support centered on providing much-needed physical infrastructure to enhance regional connectivity. This approach has since broadened to encompass policy and institutional components and comprehensive spatial development initiatives. For ECD to remain responsive to the changing needs and aspirations of DMCs, this process of evolution must continue. We need to radically rethink ECD, taking onboard lessons and emerging best practices to benefit the people in the region.

7. CAREC's first pilot economic corridor, the ABEC, is yielding comprehensive tangible results of this more comprehensive corridor approach. Today, residents and tourists in Almaty and Bishkek can check the real-time air quality in their neighborhoods and adjust their day accordingly to avoid health risks and protect vulnerable persons. Also, both countries cooperate on improving regional health reference laboratories to mitigate and adapt to future pandemics. Border crossing point infrastructure and processes are improved to facilitate tourists and businesses to go from one city to the other, thanks to the regular dialogue between border services under the ABEC framework. These examples show how broader ECD approaches also yield more comprehensive results. ECD is complex and challenging to implement, but it becomes a powerful and inclusive tool to benefit the people on the ground.

8. Overall, ECD was commonly regarded as a holistic approach to: (i) develop and integrate sectors (even subsectors) at the national level with a view to integrating them more widely across borders; (ii) widen and deepen dialogue on economic cooperation and integration among countries, and thereby improve implementation of existing trade agreements in which countries participate; (iii) further develop industrial clusters and value chains; and (iv) open more opportunities for landlocked countries to become land-linked through participation in near and long-distance trade and development. For this new ECD framework and operational guidelines to be widely disseminated and understood, the targeted training program under CAREC on sub-topics of ECD needs to be designed and implemented. These include (i) private sector investment, (ii) support to small- and medium-size enterprises; and (iii) promoting digitization in ECD.

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 2024–June 2025 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
- 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 (STKEC)

11. Support for the STKEC development will include following:

- Support the institutionalization of the STKEC by facilitating the agreement and signing of a trilateral memorandum of understanding on STKEC development among Kazakhstan, Uzbekistan, and Tajikistan
- Facilitate the establishment of a Technical Working Group on Transport Connectivity and Trade Facilitation among the STKEC countries
- Develop a master plan to improve long-term connectivity between Kazakhstan and Uzbekistan to facilitate STKEC development

Guidance Note on Economic Corridor Development

12. The CAREC Secretariat will work closely with the Regional Cooperation and Integration and Trade Division in the Sustainable Development and Climate Change Department (CCRC) and the other relevant regional departments (East Asia Department, and South Asia Department, the Sector Groups) by demonstrating a “One ADB” approach in implementing the Communications Strategy on the ECD guidance note which include:

- Developing an e-learning program on the ECD guidance and roll out to all relevant staff in ADB.
- Organize workshops (e.g., brown bags) among ECD practitioners in ADB to discuss implementation issues of the ECD guidance note.

IV. DELIVERABLES FOR 2024 MINISTERIAL CONFERENCE

13. The following list provides an overview of deliverables to be achieved by end 2024.

Deliverables	Timing (2024)	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

<u>ABEC joint accommodation classification system</u>	Q2	A report to elaborate the details of a joint accommodation classification system, including regulations and agreements necessary for its implementation.	For information
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