



SENIOR OFFICIALS' MEETING
30 June 2021

Implementation Progress Report

November 2020 – June 2021

1. The Central Asia Regional Economic Cooperation (CAREC) Program, now 21 years in operation, has recorded impressive achievements in economic cooperation in the region. Since 2001, US\$39.34 billion worth of CAREC-related investment has been made covering 208 projects, as of December 2020, including US\$14.75 billion worth investment financed by the Asian Development Bank (ADB), more than US\$15.82 billion with support from other development partners, and more than US\$8.77 billion from CAREC governments. In addition, as of December 2020, CAREC-related technical assistance (TA) projects amounting to US\$545.4 million have been approved.
2. During the reporting period from November 2020 – June 2021 since last SOM was held, the CAREC program planned and organized more than 40 activities, including meetings, consultations, and dialogues to sustain efforts towards achieving its vision of "Good Neighbors, Good Partners, and Good Prospects" and the goals of the CAREC 2030. CAREC also made efforts to create opportunities for people and business to business contact as a regional platform by supporting cross-border cooperation. With the restrictions in travel and movement put in place due to the Coronavirus disease-19 (COVID-19) pandemic, the CAREC program adopted digital solutions and shifted to virtual platforms to implement most activities with the active participation of member countries and development partners, generating knowledge and developing capacities.
3. The 19th CAREC Ministerial Conference (MC) was held virtually on 7 December 2020 and was graced by the honorable President Ashraf Ghani on behalf of Afghanistan which hosted the conference last year. The Ministerial Conference endorsed important strategies of tourism and gender and paved the way for the first Development Effectiveness Review under Strategy 2030 by approving the Program Results Framework. In May 2021, a CAREC High-Level Session was held on the sidelines of 54th ADB Annual General Meeting in May 2021 and provided an opportunity for CAREC ministers, senior officials, and development partners to discuss regional cooperation through digital transformation. In line with the idea of inclusiveness and participation, the first CAREC Development Partners' Forum also took place in December 2020, where representatives from multilateral and bilateral development partners explored ways to further expand their engagement with the CAREC Program.
4. COVID-19 pandemic has had a devastating impact in the CAREC region and caused health and economic consequences. According to an assessment of the COVID-19 impact on ADB member countries¹, in Asia, many of the CAREC member countries have been the most affected when measured by the number of deaths per million population. Four CAREC countries ranked in the top five economies with the highest number of deaths per million population, namely Azerbaijan (3rd), Georgia (2nd), Kazakhstan (5th), and the Kyrgyz Republic (4th), in alphabetical order. The health crisis has been accompanied by an unprecedented economic crisis. In 2020, GDP shrank and negative GDP growth rate was recorded in Afghanistan, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, and Pakistan. People's Republic of China, Tajikistan, Turkmenistan, and Uzbekistan recorded reduced GDP growth rates compared with the year 2019.

¹ ADB. 2021. One year of living with COVID-19: An assessment of how ADB Members fought the pandemic in 2020. Manila.

5. Regional cooperation processes have been disrupted by the pandemic, as many countries have prioritized national measures to contain the COVID-19. As governments closed borders and lockdowns brought to a standstill economic activities and connectivity, the COVID-19 pandemic revealed the interdependence of the countries in the region. Strengthened regional cooperation will be instrumental in managing the transition out of the crisis, fully restoring travel, trade, cross border investment, value chains, and migration flows.
6. Despite disruptions brought about by the COVID-19 pandemic, each CAREC cluster has made good progress. In the **Economic and Financial Stability** cluster, CAREC activities envision supporting macroeconomic and financial stability for stronger economic resilience and improved investment climate in the region. The cluster continued with its mandate of promoting policy dialogues on important economic and financial stability issues in the region, as well as regional learning on macroeconomic policy coordination. The high-level policy dialogue - CAREC Economic and Financial Stability Cluster Forum in December 2020, is a good example that brought various stakeholders together to discuss financial stability implications and regional cooperation amid the COVID-19 pandemic with stakeholders including CAREC countries, the ADB, the International Monetary Fund (IMF) and World Bank (WB). However, complex issues remain to be addressed. The prolonged duration of the pandemic continues to pose threats to the financial system, and central banks and finance ministries would need to continuously strategize on monetary, fiscal, and financial policies to cushion the impact of the pandemic and ensure sustainable post-pandemic recovery. In the context of the CAREC, regional and international cooperation on economic and financial stability issues would play a pivotal role in securing support to vulnerable economies and strengthening post-pandemic recovery efforts in the region.
7. The **Trade, Tourism, and Economic Corridor** cluster witnessed meaningful progress in various areas. In the **trade** sector, member countries demonstrated a commitment to harmonizing with and transposing international obligations and standards into domestic practices. Notably, member countries continued their commitments to implementing the World Trade Organization (WTO) Trade Facilitation Agreement at an average implementation rate of 45.5% for Category A – mandatory provisions. At the CAREC Sanitary and Phytosanitary (SPS) Measures Week organized in April 2021, CAREC members committed to continuing the momentum in modernizing SPS measures to facilitate trade while managing transboundary risks to human, animal and plant health. The trade sector work also explored opportunities for regional and bilateral free trade agreements and the potential to develop a CAREC-wide FTA in the future. As part of this attempt, an inception workshop was organized in May 2021 and member countries were consulted on their FTA expectations, priorities, and capacity-building needs as well as the potential to develop a CAREC-wide FTA in the future.
8. Moreover, digital transformation and e-commerce development was prioritized under the CAREC program and good progress was observed towards paperless trade in the region. Tajikistan launched its national single window information system in 2020. Uzbekistan has become the first CAREC country to participate in the International Plant Protection Convention (IPPC)'s electronic phytosanitary certificate (ePhyto) Solution. Also, the UN Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific, of which Azerbaijan and the People's Republic of China are members, entered into force in February 2021. Mongolia joins Azerbaijan

among the contracting parties to the UN Convention on the Use of Electronic Communications in International Contracts, which will be effective in July 2021. To support these efforts of member countries, the ADB and CAREC Institute completed two research studies looking at regulatory framework and infrastructure aspects of developing e-commerce ecosystems. A related scoping study that assessed the customs agencies' readiness and challenges in handling cross-border e-commerce was completed in March 2021.

9. The **CAREC Tourism Strategy 2030** and its accompanying regional tourism investment framework 2021–2025 were endorsed last year at the 19th CAREC Ministerial Conference. The CAREC Tourism Strategy 2030 sets out the long-term vision, guiding principles, strategic pillars, and targets to promote sustainable, safe, and inclusive tourism development in the region and enhance the region's attraction as a competitive tourism destination globally. It takes into consideration the impact of the COVID-19 pandemic in CAREC countries' tourism sectors and emphasizes that a regional approach is needed more than ever to create economies of scale, maximize the use of the limited resources, and promote tourism as a vital driver of the socio-economic recovery in the region. Following the endorsement of the strategy, several regional initiatives have been initiated, including the development of a CAREC tourism portal as a tool for consolidating information on tourism regions and attractions in CAREC countries and promoting the services of local tourism businesses. The portal is expected to be launched by the end of 2021. The CAREC program also supported the establishment of the Almaty–Issyk Kul tourism cluster. Efforts were made to improve existing health and safety protocols and measures, develop capacities of stakeholders, and harmonize a regional accommodation classification system.
10. **Economic Corridor Development (ECD)** has gained strong momentum in the CAREC region. CAREC countries have made meaningful progress in adopting cross-border economic corridor concept in their national development strategies. Two CAREC initiatives started achieving substantive results. The Almaty-Bishkek Economic Corridor (ABEC) saw transformative regional investment projects being developed. These include Preparing the Modern Agriculture Wholesale Market Development Project, the Issyk-Kul Lake Environmental Management for Sustainable Tourism Project, the ABEC Border Crossing Point Modernization Project, and the Strengthening Diagnostic and Reference Laboratory Capacity Project. The implementation of the road map for the Shymkent-Tashkent-Khujand Economic Corridor (STKEC) development is also making substantial progress, with pre-feasibility studies on an International Center for Trade and Economic Cooperation between Kazakhstan and Uzbekistan, and a Trade and Logistics center in Sugd oblast in Tajikistan being initiated. 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 captures the diversity of regions in Asia, particularly in the Central and West Asia region, to mainstream ECD operations.
11. The **Infrastructure and Economic Connectivity** cluster also made considerable progress over the reporting period. The **transport** sector completed most planned events and 24 knowledge products in a timely manner. The sector organized virtual events, including a webinar on Managing Covid-19 Risks at Construction Sites in April 2021, while the webinar series on Aviation and Tourism comprising three sessions took place between January and March 2021. Other significant knowledge work completed includes a scoping study on CAREC Ports and Logistics

and an e-learning platform on road safety developed in partnership with the CAREC Institute. In addition, railway sector assessments (RSAs) were conducted covering all CAREC countries, the latest addition to the series of CAREC Road Safety Engineering Manuals (CAREC Road Safety Engineering Manual 4: Pedestrian Safety) was developed, and a study on the impact of COVID-19 on the CAREC Aviation and Tourism was accomplished. There were continued efforts to support CAREC countries to effectively implement cross-border transport agreements, improve corridor performance measuring and monitoring, and organize training and workshops in aviation, railways, road safety and road asset management, and cross-border trade facilitation. For instance, ADB-financed TA supported the implementation of the CAREC Railway Strategy 2030 by publishing updates on the activities of the CAREC Railway Working Group. CAREC Regional Improvement of Border Services (RIBS) projects, financed by ADB, are supporting cross-border trade expansion in the CAREC region.

12. The CAREC secretariat began the process of conceptualization of a **CAREC Regional Infrastructure Projects Enabling Facility (RIPEF)** to reduce regional infrastructure financing gaps and strengthen the development capacities of member countries. The facility, as a dedicated regional projects preparation facility, aims to provide financial and technical support for member countries for project preparation and readiness, initial design, and in application of appropriate financial solutions for project preparation while promoting knowledge exchange and capacity development. An ADB-supported technical assistance, which was approved in September 2020, is providing support for undertaking studies to help prepare the facility and meet requirements for establishment. Structured finance and cofinance experts at the international and national levels have been engaged to support the CAREC secretariat in delivering the required outputs. An ADB-supported transaction TA Facility is also in the process of obtaining approval in 2021 to provide project preparation funding for regional infrastructure projects in CAREC and improving institutional capacity. The development of the concept of the facility is in progress, and a series of consultations with CAREC stakeholders are planned in 2021.
13. The **energy** program achieved several strategic milestones. The energy sector made significant progress in achieving the deliverables under the CAREC 2030. For example, the Energy Sector Coordinating Committee (ESCC), virtually held in June 2021, endorsed the holding of the first region-wide Energy Efficiency Awareness Campaign through jointly developed TV and radio commercials; approved a preliminary concept for a new regional green financing vehicle; agreed on the main features of a new Central Asia Transmission Cooperation Association (CATCA); and approved the layout and content for a new virtual CAREC Energy Reform Atlas. Moreover, the Committee committed to publishing the first 10-year CAREC Energy Outlook in 2022, which is expected to be a game-changer for attracting new investments to the region. All CAREC members and development partners also endorsed a preliminary concept for the region's first Women-in-Energy Program, which includes an action plan targeted at improving employability, visibility, and education of women in the energy sector. In addition, six new Energy Working Groups were established and became operational. For the first time, the working group chairs successfully presented their respective deliverables from the CAREC Energy Strategy 2030 at the ESCC meeting. Also, a groundbreaking virtual collaboration tool was launched as a one-stop-shop gateway to all issues of the energy program (www.carecenergy.org).

14. The **Agriculture and Water** cluster has made steady progress. In the **agriculture** sector, efforts were made to strengthen institutional systems to operationalize international food safety standards. For instance, advisory services were provided for member countries to harmonize domestic legislation and regulations with international norms, including the development of a new Food Safety Law, national action plans, hygiene, microbiological and chemical hazard regulations, inspection checklists and risk categorization for member countries through an ongoing TA. Also, sectoral capacities of member countries were developed through training on Good Hygiene and Manufacturing Practices (GHP and GMP) and training on how to engage with Codex, a collection of internationally adopted food standards and related texts, via national networks. Finally, a Hazard Analysis Critical Control Point (HACCP) system inspection was undertaken in Tajikistan and Turkmenistan to improve the food safety management system.
15. In the **water** sector, a broad range of virtual consultations have been organized for the preparation of a scoping study for water sector cooperation among the five Central Asian states, which describes the development trajectory in the region as it experiences water demand and the short- to long-term impacts of climate change on water supply. Consultations included meetings with representatives of the five Central Asia countries, inter-governmental and international organizations, development partners and knowledge institutions. Three thematic papers were prepared on climate change impacts, the economic value of water, and a legal and policy analysis. The findings of this work and preliminary proposals for the framework and content for water sector cooperation were presented at a regional consultation held virtually on 16 April 2021. Summaries of the thematic papers were translated into Russian and circulated prior to the regional consultation. The consultation provided feedback for preparing the draft scoping study report will be distributed to sector focal points in each of the Central Asian states in mid-June 2021 for review and comments.
16. With CAREC Strategy 2030, member countries agreed to include health as a priority under the **Human Development** cluster. In the **health** sector, the preparation of the CAREC health strategy is ongoing. A CAREC Working Group on Health (WGH) has been established to guide the formulation of the strategy and related investment framework. An ADB-assisted TA, approved in July 2020, has been supporting the development of the CAREC health strategy and associated assessments. Several consultations have been held with member countries and development partners to discuss the findings of the scoping study and deliberate on the CAREC health strategy. In October 2020, a virtual regional consultation workshop was organized to present the results and recommendations of the scoping study to CAREC member countries, development partners, including the World Health Organization, and seek their feedback. A regional inception workshop was held in March 2021 on a proposed framework for the new CAREC health strategy, which discussed challenges and priorities in the proposed three strategic areas, namely: (i) regional health security; (ii) strengthening health systems through regional cooperation; and (iii) improving access to health services for migrants, mobile populations and border communities. The strategy is planned to be submitted to the CAREC Ministerial Conference for endorsement in November 2021.
17. The CAREC program has laid the groundwork to advance **cross-cutting** thematic areas. The theme of **information and communication technologies (ICT)** has become crucial since the COVID-19 pandemic significantly accelerated the shift to digital platforms. The secretariat has

launched a survey to assess the virtual connectivity capacity of CAREC member countries. This will help with the assessment and recommendations for enhanced virtual connectivity between members through the provision of necessary software and hardware support and training. The formulation of the CAREC Digital Strategy 2030 is ongoing, based on a combination of primary and secondary research, as well as series of ongoing review and consultations. Initial consultations have been held in June to be followed up with additional discussions on draft strategy before a final draft is prepared for the consideration of the Ministerial Conference. The strategy is intended as a vision, roadmap, and catalyst for digital transformation through regional cooperation in the CAREC region. The ADB-supported TA, Supporting Startup Ecosystem in the Central Asia Regional Economic Cooperation Region to Mitigate Impact of COVID-19 and Support Economic Revival, approved in November 2020, represents an example of ongoing efforts to promote digital economy and innovation within the region. Under the TA, preparatory work is underway to establish a startup hub through identifying key government and private agencies, startups enterprises, venture funds, and other domain experts.

18. The CAREC member countries face common challenges to improving **gender** equality and women's empowerment. The CAREC secretariat has taken steps to operationalize the CAREC Gender Strategy 2030, which was endorsed at the 19th MC in 2020. A new TA is in ADB's assistance pipeline for 2021, aiming to enhance regional mechanisms to promote gender equality in program operations in the region. Once fully operationalized, it is expected to make tangible progress to mainstream gender into CAREC's operational clusters, thereby increasing the potential and capacity of member countries to equally benefit both men and women from CAREC investments and interventions.
19. **CAREC Institute (CI)**, the knowledge arm of the CAREC program, has been actively involved in providing knowledge services to member countries. Since October 2020, the CI has conducted research in more than a dozen areas related to CAREC's five operational clusters and released research reports, policy briefs, and other relevant research products, with special emphasis on producing policy briefs related to the COVID-19. Also, the CI organized the first CAREC Institute Research Conference titled "COVID-19 and Potential for Economic Recovery" in March 2021 and participated in the Boao Forum reporting on "Sustainable Development in Asia and the World: The Road towards Sustainable Recovery in a Fast-Changing World." Responding to the limitations imposed on travelling, the CI launched an E-Learning platform for capacity development and has provided training to partners from member countries. The CI also has successfully disseminated its knowledge products to a wide range of stakeholders, and its monthly newsletter reaches over 3,000 stakeholders.
20. For the effective management and monitoring of the CAREC program, preparation of the **first CAREC 2030 Development Effectiveness Review (DEfR)** was initiated, covering the period of 2017 – 2020, based on the CAREC 2030 Program Results Framework endorsed by member countries last year. The concept and methodology for the DEfR are being presented at this SOM for discussion. The DEfR will assess the progress made towards the achievement of the CAREC 2030 goals, while generating knowledge and lessons learned to guide the quality and implementation of the program.