



IMPLEMENTATION PROGRESS REPORT

JULY 2023 – JUNE 2024

FOR DISCUSSION

Senior Officials' Meeting

Central Asia Regional Economic Cooperation Program

30-31 May 2024, Astana

CAREC PROGRAM: PROGRESS OF IMPLEMENTATION AND KEY 2024 DELIVERABLES

I. BACKGROUND

1. The Central Asia Regional Economic Cooperation (CAREC) Program has been under implementation for about 22 years since its formal establishment in 2001.¹ Under the CAREC 2030 strategic framework (CAREC 2030) that was adopted in October 2017, the Program focuses on five operational clusters: (i) economic and financial stability; (ii) trade, tourism, and economic corridors; (iii) infrastructure and economic connectivity; (iv) agriculture and water; and (v) human development. Three cross-cutting themes: digital connectivity, gender equality, and climate change mitigation and adaptation, are also supported under CAREC 2030.

2. Since the endorsement of CAREC 2030, the Program has reaffirmed and broadened the scope of its traditional sectors—i.e., CAREC Integrated Trade Agenda 2030 endorsed in 2018, CAREC Transport Strategy 2030 endorsed in 2019, and Energy Strategy 2030 endorsed in 2019—and formulated strategies in the new sectors and thematic areas: i.e., CAREC Tourism Strategy 2030 and Gender Strategy 2030 endorsed in 2020; and CAREC Health Strategy 2030 and Digital Strategy 2030 endorsed in 2021. Full implementation of these CAREC strategies remains a priority to facilitate the region’s resilient recovery and growth amid a challenging environment.

3. The [Evaluation of ADB Support for the CAREC Program \(2011–2022\)](#), an independent report published in May 2023, found significant progress made in helping improve connectivity in the subregion but modest contribution to improving regional economic competitiveness due to continuing challenges in removing barriers to trade. The report’s recommendations include to: (i) strengthen support for investment climate and trade policy reforms, (ii) modernize border crossing points and customs processes, (iii) develop multimodal corridor network, (iv) enhance climate change mitigation and adaptation, and (v) improve results monitoring. Leveraging the evaluation report, a **Midterm Review of CAREC 2030 Strategy** is being undertaken with the objective of making the strategy and the program remain relevant, effective, and responsive to CAREC members needs and priorities and regional and global developments.

II. CAREC INVESTMENT PORTFOLIO

4. As of 31 December 2023, CAREC cumulative investments reached over **\$51 billion**, covering 276 projects. Of these investments, \$17.6 billion was financed by the Asian Development Bank (ADB), \$23.4 billion by other Development Partners, and \$10.1 billion by CAREC governments.² By sector, transport has the biggest share at 67.5% (or about \$34.5 billion); energy accounts for 24.9% (\$12.7 billion); and trade and trade facilitation, 2.7% (\$1.4 billion), and the rest at 4.8% (or \$2.4 billion). Although a big proportion of CAREC investments flow into traditional sectors of transport, energy, and trade, there is increasing diversification into other sectors, particularly, agriculture, health, and tourism.

¹ The CAREC Program is a partnership of 11 CAREC Member Countries and Development Partners working together to promote development through cooperation, leading to accelerated economic growth and shared prosperity. Member Countries include Afghanistan, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, the People’s Republic of China (PRC), Tajikistan, Turkmenistan, and Uzbekistan. ADB placed on hold its assistance in Afghanistan effective 15 August 2021 (<https://www.adb.org/news/adb-statement-afghanistan>).

² The amount of CAREC investments are cumulative estimates and subject to the ongoing review of the CAREC project portfolio database in consultation with Development Partners.

III. PROGRESS OF IMPLEMENTATION PER CLUSTER AND SECTOR

5. Activities under the **Economic and Financial Stability Cluster** include policy dialogues on key economic and financial stability issues and macroeconomic policy coordination. In 2023, two high-level forums were jointly organized by the ADB, the International Monetary Fund (IMF) and the World Bank in Tbilisi, Georgia.³ The second Capital Market Regulators' Forum (CMRF)—on 31 October to 1 November 2023 co-organized with the Agency of the Republic of Kazakhstan on the Development of Financial Markets—discussed the role of capital markets in climate finance and the lessons from the Asian Bond Markets Initiative (ABMI). The CMRF was also renamed as CAREC Regional Capital Markets Development Forum (CMDF), highlighting its commitment to sustainable financial sector development in the region. In May 2024, a CAREC Session, “Integrating climate actions into fiscal policies: capacity building needs of finance ministries in CAREC countries” has been organized at an international conference organized by the Ministry of Finance of the Kyrgyz Republic in Bishkek. The activities are currently supported by [TA 6947-REG: Supporting CAREC Regional Capital Market Regulators Forum](#).

Action Item: *For SOM information and guidance on priority activities and more active role of other Development Partners in Economic and Financial Stability Cluster.*

6. The **Trade, Tourism, and Economic Corridor Cluster** continues to show its dynamism in keeping trade open and advancing regional cooperation through collaborative projects and knowledge exchange. Under the [CAREC Integrated Trade Agenda 2030](#) (CITA 2030), CAREC trade TAs continue to support CAREC members in implementing their global commitments including under the *WTO Trade Facilitation Agreement* (TFA).⁴ The three remaining CAREC members—Azerbaijan, Turkmenistan, and Uzbekistan—are intensifying their efforts towards accession to the World Trade Organization (WTO).⁵ The ADB and WTO Secretariat supported a series of technical sessions for Turkmenistan's WTO accession in 2023 and most recently in April 2024. The WTO Secretariat, ADB and the International Trade Center, are co-organizing the Second Central Asia Trade Policy Forum for acceding WTO members in Almaty in June 2024.

7. Ongoing and completed investment projects (i.e., the Regional Improvement of Border Services (RIBS) Projects in the Kyrgyz Republic, Mongolia, Pakistan and Tajikistan; and Regional Upgrade of Sanitary and Phytosanitary (SPS) Measures for Trade Project in Mongolia) modernize border infrastructure, trade facilities and systems. A new investment for Mongolia—Border Efficiency for Sustainable Trade Project—was approved in December 2024, which includes smart border development and One-Health at-the-borders approach.

8. CAREC customs authorities are strongly committed to improving customs procedures and adopting new technologies and best practices, including implementation of Authorized Economic Operators (AEO) programs. Azerbaijan, Georgia, and Uzbekistan signed a memorandum of understanding (MOU), joined by Turkmenistan as observer, to test the CAREC Advanced Transit System (CATS) and Information Common Exchange (ICE). Countries also continue to make

³ In February 2023, a forum examined policies and measures on domestic revenue mobilization to support national development goals and rebuild fiscal buffers of CAREC countries, including the design and implementation of carbon taxation. In June 2023, another forum discussed the role of sustainable finance in mobilizing resources for climate change adaptation and mitigation and its impact on financial stability.

⁴ Implementation of commitments under the WTO Trade Facilitation Agreement (TFA) is complete for 5 WTO members (the People's Republic of China (PRC), Georgia, Kazakhstan, Kyrgyz Republic, and Tajikistan), and at high implementation rate at 97.5% for Pakistan and 85.3% for Mongolia. See WTO Trade Facilitation Agreement Facility (www.tfafacility.org).

⁵ Turkmenistan is finalizing its Memorandum on the Foreign Trade Regime—a key document for accession—for circulation to WTO members in June 2024 with the objective of convening its Working Party on Accession in Q4 2024.

significant strides in modernizing their SPS systems to improve market access and promote safe trade. As of November 2023, Pakistan has joined Uzbekistan in exchanging phytosanitary certificates electronically via the ePhyto Hub managed by the International Plant Protection Convention (IPPC), while the PRC is on testing mode, and others have expressed interest to join.

9. ADB's knowledge products and activities jointly with United Nations (UN) entities and other partners such as the CAREC Institute, International Chambers of Commerce, and the International Trade Center are supporting the CAREC members in aligning their legal framework with international standards.⁶ The PRC and Georgia are pilot countries for capacity-building to align with the UN Model Law on Electronic Transferable Records (MLETR). As part of CAREC efforts on digital trade, countries are piloting emerging technologies, such as robotic process automation or artificial intelligence for Georgia's trade procedures, and blockchain technology for Mongolia's electronic certificates of origin. ADB is also supporting initiatives to promote SMEs' participation in cross-border e-commerce in Azerbaijan, Kyrgyz Republic, Mongolia, and Pakistan. In November 2023, the CAREC Innovation Week and Digital Economy Tour was held at the sidelines of the Global Digital Trade Expo 2023 in Hangzhou, PRC, underscoring the importance of knowledge cooperation and business partnerships for a robust digital ecosystem. The [2nd CAREC Digital Trade Forum](#) (DTF) held on 17 April 2024 in Astana,⁷ provided the opportunity for trade officials to interact with the members of the CAREC Digital Steering Committee, the private sector, and Kazakhstan entities such as Qaztrade and the Astana Hub, especially during the study visits and fair at the sideline of the DTF on 18-19 April.

10. The [6th Regional Trade Group Meeting](#) (18 April 2024 in Astana), endorsed the CAREC Trade Sector Report (2023-2024) and supported the updated [CITA Rolling Strategic Action Plan 2024-2026](#), highlighting priority interventions, such as:

- (i) Modernization of customs and trade systems to support paperless trade, clear mechanism on digital initiatives, and harmonization of data elements to support interoperability of national single window systems and other data exchange platforms;
- (ii) Pilot initiatives such as joint border control and transit facilitation (e.g., CATS and ICE);
- (iii) Cooperation in digital trade and e-commerce, including enabling framework to harness digital economy ecosystem, CAREC SME's linkages with global e-commerce platforms and marketplaces;
- (iv) Trade and logistics facilitation to support economic corridor development (e.g., Almaty-Bishkek Economic Corridor and CAREC Corridor 2 (the Middle Corridor));
- (v) Reduction of barriers to services trade and investment facilitation;
- (vi) Continued capacity building in WTO accession, implementation, and trade negotiation;
- (vii) Mainstreaming climate actions through green economy development strategy, digitalization, capacity-building, dialogue, and coordinated policy responses to climate-related measures (e.g., European Union's Carbon Border Adjustment Mechanism).

11. CAREC knowledge products on trade continue to support evidence-based policy making. The [CAREC Trade Information Portal](#) provides the trade statistics at country level, and the [CAREC Corridor Performance Measurement and Monitoring](#) (CPMM) offers trade facilitation indicators at country and corridor level.⁸ Overall, the CAREC trade sector delivered at least 9

⁶ Azerbaijan, PRC, Kyrgyz Republic, Mongolia, Tajikistan, and Turkmenistan signed or acceded to the *UN Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific*; while Azerbaijan, Mongolia, and the PRC are parties to the *UN Convention on the Use of Electronic Communications in International Contracts*.

⁷ The DTF discussed the: (i) progress and lessons from pilot projects on digital trade solutions; (ii) policy instruments and regional mechanisms for cross-border data flows; (iii) infrastructure on digital connectivity, including digital payment systems; and (iv) digital public infrastructure to support regional initiatives.

⁸ Results from the CPMM data were presented at the East Asia Economics Association Conference in Seoul in October

regional and subregional policy dialogues and training events, and 8 national capacity building activities from July 2023 to March 2024. The [CAREC Trade Insights and News](#) provides quarterly updates on CAREC trade activities.

Action Item: For SOM information of CAREC Trade Sector Report, endorsement of CITA's Rolling Strategic Action Plan, and guidance on mainstreaming of climate actions in CAREC Trade work.

12. Since the endorsement of the [CAREC Tourism Strategy 2030](#) in , several initiatives have been undertaken: (i) the CAREC tourism portal ([VisitSilkRoad.org](#))—launched at the sideline of the 22nd CAREC Ministerial Conference in Tbilisi in November 2023—is a tool for consolidating information on tourism attractions in CAREC countries and promoting the services of local tourism businesses; (ii) development and implementation of Common Health and Safety Protocols and Standards and a joint Accommodation Classification System (ACS) under the Almaty-Bishkek Economic Corridor (ABEC); (iii) Livable Cities Investment Project for Balanced Development in Georgia with specific investments for tourism; (iv) Sustainable Tourism Development Project in Mongolia with a digital museum component; (v) Integrated Urban Development Project in Uzbekistan with tourism investments in Khiva including a Visitor's Center and Digital Museum; and (v) Tourism Satellite Account⁹ in Kyrgyz Republic and Tajikistan.

13. On 2-4 May 2024, a Capacity Building Workshop on Sustainable Tourism Development of Central Asia was organized in Turkestan, Kazakhstan, attended by professionals from the government, tourism associations and private sector of five Central Asian countries. A visa facilitation study for the CAREC region is underway to assess the existing visa policy, procedures and regulations, and recommend areas for improvement based on global best practices and case studies with potential pilot programs (i.e., Silk Road Visa and Digital Nomads Visa).

14. The activities under [TA 9776-REG: Sustainable Tourism Development in the CAREC Region](#) are expected to be completed by July 2024. The final phase of the TA consists of conceptualizing four pilot projects included in the regional tourism investment framework 2021–2025, namely: (i) improvement of the infrastructure and services, including water supply and sanitation, sewage, and solid waste management, environmentally sustainable concepts; (ii) upgrade and rehabilitation of historical and culturally relevant tourist attractions; (iii) development of a common registry of tourism assets and data collection, their content, and their management; and (iv) implementation of the common brand “Visit Silk Road”.

15. There is a need to address the issue of governance and sustainability of the CAREC tourism. The 2nd Meeting of the CAREC Tourism Working Group in June 2024 in Istanbul will deliberate on the priority projects, future investments for cluster development, visa facilitation study for Silk Road Visa, marketing, and branding of the *VisitSilkRoad* brand, refinement of creative content in the *VisitSilkRoad* portal, its country ownership and further functionality, as well as the development of proposals and feasibility analyses of revenue generating activities for CAREC.

2023 and at the ADB Economists' Forum in January 2024. A knowledge-sharing workshop on the improvements in the CPMM methodology is held as part of the 11th Asia-Pacific Trade Facilitation Forum in April 2024 in Samarkand, Uzbekistan.

⁹ The Tourism Satellite Account (TSA) is the main tool for the economic measurement of tourism. It allows for the harmonization and reconciliation of tourism statistics from an economic (national accounts) perspective and enables the generation of tourism economic data (such as Tourism Direct GDP). See [CAREC Tourism Strategy 2030](#).

Action Item: For SOM guidance on the governance, institutional structure, and sustainability model for CAREC Tourism including preparation and project appraisal of projects identified under the Regional Tourism Investment Framework, and ownership and maintenance of VisitSilkRoad Portal.

16. Under the **economic corridors development (ECD)**, CAREC countries progressed well in adopting the cross-border economic corridor concept into their national development strategies. Under the Almaty-Bishkek Economic Corridor (ABEC), transformative regional investment projects include: the Strengthening Regional Health Insurance Project approved by ADB in September 2022 and two pipeline projects: Issyk-Kul Lake Environmental Management for Sustainable Tourism Project, and the ABEC RIBS Project for approval in 2024/2025. The ABEC initiative is on its 10th year of implementation in 2024.

17. Knowledge products are uploaded in the ABEC website (www.almaty-bishkek.org) including: the ABEC Joint Accommodation Classification System (2023) and the ABEC Trade Facilitation Report (2024, forthcoming). Clean Air Action Plans for Almaty and Bishkek were prepared based on the data of the 50 air quality measuring devices deployed in both locations. The 8th ABEC Subcommittee Meeting on 29 May 2024 in Astana will: (i) assess the implementation status of the 7th ABEC Subcommittee Minutes in February 2023 in Bishkek; (ii) review current ABEC projects and initiatives of sector working groups; identify short- and medium-term priority projects; and (iii) agree on joint actions between Kazakhstan and the Kyrgyz Republic to further develop the ABEC.

18. The TA which supported the roadmap for developing the Shymkent-Tashkent-Khujand Economic Corridor (STKEC) was completed in October 2023. Activities included a country consultation meeting and a site visit of the International Center for Industrial Cooperation at the border between Kazakhstan and Uzbekistan held in Tashkent, Uzbekistan on 12-13 September 2023. The following reports were published 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](#). In February 2024, Kazakhstan and Uzbekistan governments [announced](#) that the construction of ICIC will commence in August 2024, to be completed by 2027. The potential next steps for STKEC include: signing of a trilateral memorandum of understanding on STKEC development among Kazakhstan, Uzbekistan, and Tajikistan; establishment of a technical working group on transport connectivity and trade facilitation among the STKEC countries; and development of a master plan to improve long-term connectivity between Kazakhstan and Uzbekistan to facilitate STKEC development.

19. In September 2023, ADB published a [Guidance Note on Economic Corridor Development](#) (ECD Guidance Note) which contains a new framework and operational guidelines for facilitating complex multisector ECD programs. The CAREC Secretariat is working closely with other ADB departments on developing an e-learning program based on the ECD Guidance Note and organizing workshops among ECD practitioners to discuss implementation issues.

Action Item: For SOM information and relevant CAREC countries' support to ECD activities.

20. The **Infrastructure and Economic Connectivity cluster** made notable headway during the reporting period. The 21st Transport Sector Coordinating Committee Meeting (TSCC) on 22-23 April 2024 in Almaty, discussed the key developments and achievements under each pillar of the [CAREC Transport Strategy 2030](#), as well as identified priorities and potential areas for collaboration among members and Development Partners.

21. ADB's support to CAREC Corridor 2 (Middle Corridor) includes development of several road projects such as the ongoing East–West Highway Improvement Project in Georgia, and planned CAREC Corridors 1, 2, and 6 Connector Road (Kyzylorda–Zhezkazgan) Reconstruction Project in Kazakhstan, and CAREC Corridor 2 Resilience and Modernization Project (Guzar-Bukhara-Nukus-Beyneu Road) in Uzbekistan. Railway sector reforms are supported through policy-based loans in Azerbaijan and Georgia. A [transport sector assessment](#) on the Middle Corridor in May 2023 underscored that the Corridor's operational constraints could undermine its competitiveness and proposed that soft measures be taken to improve operational efficiency within the Corridor, including procedural alignment among different transport operators and modes of transport (e.g., improved customs control, harmonized and simplified customs and regulatory procedures). An ongoing ADB study highlighted the Middle Corridor's importance in trade of the economies of Caucasus and Central Asia and transit between the PRC and Europe, while identifying the need to develop soft and hard infrastructure and logistics along the corridor. Through a small-scale TA, ADB is helping develop a strategy to develop the Middle Corridor and identify opportunities for regional and multisectoral cooperation. Meanwhile, a [study](#) on the impact of the conflict in the Red Sea on transport and logistics network in CAREC was presented to TSCC in April 2024.

22. On road safety, the Road Safety Engineering Manual 6: Blackspot Investigation was completed in April 2024. A web-based dashboard is in the pipeline, which will allow road safety professionals to access, analyze, and visualize crash data, as well as create or generate reports, while a road safety engineering training courses are planned in Pakistan, Kazakhstan and Georgia in 2024.

23. On cross-border transport and logistics, the Regional Improvement of Border Services (RIBS) Projects supported upgrade of border crossing points (BCPs) and development of National Single Windows (NSWs) in several CAREC countries.¹⁰ In Pakistan, the ongoing RIBS project is upgrading the Torkham and Chaman BCPs and financing ICT hardware and software provisions for the Pakistan Single Window. In Mongolia, several BCPs are being rehabilitated (Altanbulag, Sukhbaatar, Borshoo and Bichigt BCPs) and the consultancy work for the NSW is underway.

24. On roads and road asset management, the Performance-based Road Maintenance (PBRM) Contracts in the CAREC Region Report was published in December 2023 to enhance stakeholders' understanding of how PBRM contracts incentivize cost-effective and high-quality road maintenance drawing from the experience of six CAREC countries (i.e., Azerbaijan, PRC, Georgia, the Kyrgyz Republic, Mongolia, and Tajikistan). A Road Asset Management System (RAMS) Action Plan will also be prepared for selected countries.

25. To help CAREC countries fulfill their commitments under the Paris Agreement, a Climate-resilient Road Asset Management (RAM) Action Plan is being developed to integrate climate resilience measures and climate-proofed standards in CAREC countries' RAM strategies. Along similar lines, a CAREC-initiated study for completion in Q4 2024, explores the interaction of road safety and climate change and examines potential policy implications on road safety and decarbonization of CAREC countries' transport sector.

26. In railways, prefeasibility studies of the Uzbekistan Northwestern International Freight Corridor and the establishment of Uzbekistan-Turkmenbashi block train services are expected to be completed in May 2024. A comprehensive study has also been undertaken to define the

¹⁰ In Kyrgyz Republic, the construction of Karamyk BCP was completed in 2023, while in Tajikistan, the civil works for Guliston BCP was completed in 2016 while additional equipment was procured for Customs Service in 2021. Establishment and/or provision of facilities for national single window facilities was supported in both countries.

options for (private) financing of rolling stock in the CAREC region. These will be discussed at the 8th Railway Working Group Meeting on 22-24 May 2024 in Baku.

27. In Aviation, the Study on Low-Cost Carrier Opportunities, Air Transport Liberalization, and Post-Pandemic Recovery in CAREC (published in 2023) examines in detail the opportunities and challenges facing CAREC's low-cost airline industry, such as high airport costs and slow uptake of an Open Skies policy within the region. Meanwhile, the Air Cargo Report (completed in February 2024) found that CAREC's air freight industry has yet to reach its highest potential. A scoping study in Kazakhstan will review the opportunities and challenges in Kazakhstan's small airport strategy and domestic tariff policy, which will be useful reference to other CAREC members.

28. The TSCC agreed on the proposed initiatives and priorities for the CAREC Transport Sector in 2024-2025, including to: (i) prioritize harmonization of digitalization systems across CAREC Member Countries; (ii) explore emerging opportunities for CAREC Corridors, particularly for CAREC Corridor 2 (i.e., Middle Corridor); (iii) apply new tools such as digitalization and AI allowing for use of big data in decision making; (iv) facilitate the transition to green transport and enhanced climate resilience; and (v) explore new business models to encourage greater private sector participation. The concept for the CAREC Transport Observatory—which will complement the current Corridor Performance Measurement and Monitoring (CPMM), and among others track the effectiveness of policies and investments, create or refine performance indicators, including on sustainability—will be circulated for stakeholder consultation in Q3–Q4 of 2024. The proposal for the CAREC Infrastructure Investment Forum (potentially to cover transport and energy sectors) will also be explored. The midterm review of the CAREC Transport Strategy will be initiated in 2024 to respond better to current and future transport and mobility needs of CAREC Member Countries.

Action Item: *For SOM information, and guidance on ongoing CAREC Transport activities, including the development of CAREC Corridor 2 (i.e. Middle Corridor), mainstreaming of climate actions in transport sector work, application of new business models and new technologies in CAREC transport, set-up of a CAREC Transport Observatory, the potential CAREC Infrastructure Investment Forum, and a mid-term review of the CAREC Transport Strategy 2030.*

29. The **energy sector** held its 34th Energy Sector Coordinating Committee (ESCC) meeting virtually in April 2024, where it discussed progress in the 2023-2025 CAREC Energy Work Plan. The ESCC reaffirmed its commitment to an action and meeting-based workplan, leveraging on previously delivered knowledge products, coordinated with other Development Partners and CAREC member governments, and aligned with the CAREC energy strategy of interconnectivity, scaled up investments and sustainability.

30. A recap of the 6th Energy Investment Forum (EIF) in November 2023 in Tbilisi was also discussed. The event was attended by over 170 participants from CAREC country governments, Development Partners, research institutions and the private sector. The EIF improved network and relationship-building in the longer term that can help accelerate progress of regional projects and initiatives, but more private sector participation and a more defined project focus are needed for a more impactful outcome.

31. Key initiatives in 2024 include: (i) an energy study tour to Oslo and Copenhagen in June, (ii) a transmission and interconnectivity workshop in Tashkent in September, and (iii) the proposed CAREC Infrastructure Investment Forum, to cover, potentially, energy, transport, water pillar, and other sectors.

32. The overarching goal in the **energy sector** is to achieve improved regional energy security and enhanced deployment of green energy until 2030. To this end, several flagship cross-border electricity interconnection projects¹¹ as well as gas interconnection projects¹² were identified to boost regional energy trade and improve overall energy security in the region. However, these regional interconnection projects are impacted as ADB and other development parties placed on hold its assistance in Afghanistan effective 15 August 2021. In parallel, major hydro power projects are actively being developed in Tajikistan and the Kyrgyz Republic.¹³ These projects will not only increase regional clean energy generation, but also support the stability of the power grid amid increasing shares of intermittent renewable power generation in the region.

Action Item: *For SOM information and feedback on ongoing CAREC Energy activities, including guidance on mainstreaming of climate actions in Energy sector.*

33. The **Agriculture and Water** cluster has advanced steadily including to operationalize the [Cooperation Framework for Agricultural Development and Food Security in the CAREC Region](#), endorsed by CAREC members in November 2022. To address food insecurity in the region, ADB has been working closely with CAREC Member Countries, Development Partners, and the private sector, to (i) modernize, and achieve inclusive, and climate-smart agriculture; (ii) strengthen policy frameworks; (iii) develop food value chains; (iv) harness international trade in food products; and (v) strengthen food security information sharing. ADB approved the \$3 million [TA 10258-REG: Resilient and Inclusive Agricultural Development and Food Security in the CAREC Program Member Countries](#) to facilitate implementation of the cooperation framework. The TA inception meeting is planned in June/July 2024 to discuss the TA work plan and support for country and regional initiatives, including the establishment of a CAREC Working Group on Agricultural Development and Food Security.

34. The Water Pillar Working Group (comprising representatives from Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan) was established in 2023. Georgia confirmed joining the Working Group, which serves as an advisory and consultative body to provide guidance on the implementation and future direction of the Water Pillar and development of regional projects, including coordination with other regional initiatives. The Water Pillar is envisaged to expand over time to include other CAREC countries on a gradual process as demand arises. The activities are funded under the [TA 9977-REG: Developing the CAREC Water Pillar](#).

35. The Water Pillar Working Group will meet in Istanbul in June 2024 to (i) share knowledge and advancements in climate and water within the Central Asia region, and (ii) agree on a potential pipeline projects for investment. Prefeasibility studies will be carried out by CAREC Water Pillar Working Group on the agreed proposed projects. The climate-energy nexus modeling will continue in 2024 to develop a proof-of-concept simulation model to demonstrate the water-energy nexus.

Action Item: *For SOM information and feedback on the CAREC Agriculture and Food Security work and relevant CAREC countries' support to Water Pillar activities.*

36. As part of implementing the [CAREC Health Strategy 2030](#), the Regional Investment Framework (RIF) on Health 2022-2027 was developed in consultation with CAREC countries

¹¹ Under CASA 1000 = Central Asia–South Asia Electricity Transmission Project; TUTAP = Turkmenistan–Uzbekistan–Tajikistan–Afghanistan–Pakistan Electricity Transmission Project.

¹² TAPI = Turkmenistan–Afghanistan–Pakistan–India Gas Pipeline Project; TAP = Turkmenistan–Afghanistan–Pakistan Gas Pipeline Project.

¹³ Most notably, the Rogun Dam Project in Tajikistan, and the Kambarata-1 Project in the Kyrgyz Republic.

through the Working Group on Health (WGH). The RIF is a living operational document guiding implementation of the Health Strategy and supporting identification of investment opportunities across countries and Development Partners. The 4th WGH Meeting convened virtually in September 2023 to discuss progress in CAREC Health Workstreams. The 5th WGH Meeting in Almaty in November 2023 endorsed the CAREC health program deliverables, including a regional health security training repository and design of a knowledge sharing platform, and updated the RIF to include climate and health actions.

37. From July to September 2023 under the support of [TA 6535-REG: Addressing Health Threats in Central Asia Regional Economic Cooperation Countries and the Caucasus](#), drug regulatory authorities of Azerbaijan, Tajikistan and Kyrgyz Republic have been engaging in dialogues to identify areas of possible cooperation to strengthen capacities for ensuring the quality of imported medicines. In February 2024, ADB organized a meeting to explore possible synergies between the regulatory and procurement and supply components.

38. Efforts are underway towards regional mechanism for health procurement and supply chain—including preparation of a comprehensive regional risk management plan for health supply chains—to help improve regional health security and access to essential medicines and medical supplies. A Procurement and Supply Chain Management Sub-Working Group on Health (PSM SWGH) was established and first met in March 2024, and discussed the design of the regional risk management plan in April 2024.

39. ADB supported the first Global Health Security Summit held in Islamabad in January 2024 where several CAREC countries were invited to participate. The meeting discussed key health security issues such as surveillance and early detection, health systems resilience, research and innovation as well as cooperation. In Kazakhstan, health sector and facility assessments including scoping opportunities for cross-border cooperation are being conducted.

Action Item: *For SOM information and feedback on activities for CAREC Health sector.*

40. On **education and skills development**, the [TA 6806-REG: Strengthening Regional Cooperation on Skills Development under the CAREC Program](#) aims to promote human development improved through increased quality, mobility, and productivity of the labor force of the CAREC countries. The CAREC Working Group on Skills Development (Skills WG) was established in Tashkent in February 2024, to conduct needs assessment, better engage Ministries of Education and Labour from CAREC countries in the implementation of the TA and align activities of the TA with emerging challenges of the region.

41. The proposed Action Plan of the Skills WG includes specific policy and thematic research activities, expert group discussions, briefs, and others to feed the discussion during regular meetings and implementation of agreements. Key Development Partners with regional programs in higher education and skills development will be invited to the initiative.

42. At the Skills WG meeting, senior officials and representatives of major agriculture universities from 10 CAREC Member Countries also explored the establishment of the CAREC Agriculture Universities' Network for climate action, climate-proof agriculture, and water resources management. The Network will explore student exchanges, introduction of joint degree programs, faculty exchanges, research collaborations, and mutual recognition of skills and qualifications under the TA to drive climate change research, foster innovation and develop cutting-edge solutions to address the climate challenges that CAREC region is currently facing. The TA will enhance awareness of the governments on mainstreaming climate change and prioritize green skills into education and labor policies, qualification frameworks, curricula, and training materials.

Action Item: For SOM information and feedback on activities for CAREC Education and Skills Development.

43. The CAREC Program has laid the groundwork for advancing **cross-cutting themes**. As one of the key outputs of the [CAREC Gender Strategy 2030](#) and the ADB TA on Promoting Gender Equality in the CAREC region, the Regional Gender Expert Group (RGEG) was established. The CAREC Women Business Forum and the CAREC Award for Advancing Gender Equality are held at the sideline of the CAREC Ministerial Conference in November 2023, bringing together reputable regional and national women networks and women entrepreneurs. In 2024, [the CAREC Women's Empowerment Online Platform \(WEOP\)](#) was launched on April 8 with 150 participants joined virtually, aiming to empower women across the region by providing capacity development resources, networking opportunities, knowledge sharing, and collaborating with stakeholders. A Gender Study Tour involving the gender awardees and the RGEG was organized in April 2024 in Shanghai, PRC, as part of CAREC's efforts to enhance gender capacity and knowledge exchange through site visits and dialogues with gender experts, organizations, and institutions in the PRC.

Action Item: For SOM information and feedback on CAREC Gender activities.

44. Under the [CAREC Digital Strategy 2030](#), the CAREC Digital Strategy Steering Committee (DSSC) met for the second time on 19 April 2024 in Astana, Kazakhstan. The DSSC shared CAREC members' progress in implementing the initiatives under the *CAREC Digital Strategy 2030* and as well as the ICT/digital strategy workplan. As part of its communication, a [CAREC Digital Strategy Portal was launched](#).

45. The [TA 6602-REG: Supporting Startup Ecosystem in the CAREC Region to Mitigate Impact of COVID-19 and Support Economic Revival](#) aims to promote innovation and entrepreneurship. Supported by the TA, the following initiatives were launched under the **CAREC Startup Ecosystem Development Hub**, to foster innovation and digital solutions to support regional collaboration in CAREC countries:

- (i) *CAREC Startup Map*, which locates active stakeholders in the startup ecosystem;
- (ii) *CAREC Innovation Network*, which offers training in business model validation, marketing and financing, through knowledge sharing by successful startup enterprises and ecosystems via the CAREC Innovation Decoded Series;
- (iii) *CAREC Regional Startup Bootcamp*, which is a platform for collaboration and connection between accelerators and potential investors. Bootcamps were organized together with three incubation centers/ IT Parks in the region, Astana Hub (Kazakhstan), IT Park (Uzbekistan) and Next Step Innovation Center (Azerbaijan) in August 2023;
- (iv) *CAREC University Startup Competition*, which attracted over 580 university students, and showcased impressive startup ideas such as the "Know Bus" (a convenient environment-friendly ride-sharing app) and the AI Office Butler (a productivity-enhancing app using artificial intelligence);
- (v) *CAREC University Exchange Program*, where 12 teams of university students from the region joined a 2-week education program on business innovation and opportunities in Azerbaijan, Georgia, Kazakhstan, and Uzbekistan in July 2023;
- (vi) *Business Angel Network* is designed to connect startups with regional experts for local insights and market validation and to expand their networks for accelerated growth.

46. The CAREC Program collaborated with the PRC's Ministry of Commerce and the Hangzhou Municipal People's Government for the [CAREC Innovation Week and Digital Economy Tour](#) from 22-24 November 2023 in Hangzhou, Zhejiang Province, PRC. Over 150 delegates from the PRC government and private sectors involved in innovation and digital economy and over 50

CAREC senior government officials, leaders from national tech parks, incubation and acceleration centers, university representatives, enterprise delegates, and venture capitalist participated. At the sideline of the events, several MoUs, collaboration agreement, and/or letters of intent were signed. For example, the Hangzhou Bureau of Commerce signed a cooperation memorandum with the Pakistan Khyber Pakhtunkhwa Board of Investment and Trade. In February 2024, a Workshop and Korea Showcase: Universities as Enablers of Vibrant Startup Ecosystems was jointly organized by the ADB, ADB Institute, and the CAREC Program for select CAREC members.

47. Plans for 2024 include *Open Innovation Challenges* to further promote youth engagement; entrepreneurship, and a series of virtual round table public-private dialogue sessions; CAREC Ecosystem Health Check and a Case Study to evaluate and rank the health and potential of selected startup ecosystems within the CAREC region, and support for CAREC sector priorities.

Action Item: For SOM information and feedback on activities for CAREC Digital/ICT sector.

48. In November 2023, the 22nd CAREC Ministerial Conference endorsed the [Regional Action for Climate Change: A Vision for CAREC](#). The Vision, i.e., “A Region of Sustainable Development, Shared Prosperity and Climate-Resilience” explicitly provides for climate change as a cross-cutting priority in the CAREC 2030 Strategy and pursues three broad goals: mitigate climate change; adapt to climate change; and cooperate across borders. The Vision has 7 priority areas: (i) energy; (ii) water; (iii) agriculture; (iv) transport, transit, and trade; (v) climate-smart cities; (vi) climate-related disasters; and (vii) health, education, and social protection.

49. The CAREC Working Group on Climate Change (WGCC) was established and met virtually on 26 April 2024. The main tasks and functions of the WGCC (Terms of Reference) include: (i) accelerating regional climate action in close coordination with committees and working groups across CAREC 2030’s sectors and themes, (ii) sharing best practices and identifying priority sectors for climate change adaptation and mitigation, (iii) developing a CAREC Climate Change Action Plan aligned with countries’ Nationally Determined Contributions (NDCs) and climate strategies and plans; (iv) mobilizing climate finance, and (v) promoting One CAREC voice on climate change agenda at global and regional forums such as the 29th Session of the Conference of the Parties (COP29) on 11–22 November 2024 in Baku, Azerbaijan.

50. The WGCC is expected to meet onsite for the first time on 29 May 2024 in Astana and report to the SOM, including on the preparation of the *CAREC Climate Change Action Plan*, which will prioritize and phase the actions recommended in the CAREC Climate Change Vision. The Action Plan will focus on mainstreaming climate action in CAREC Clusters, exchange best practices, and support the development of climate projects. The CCWG discussed initial proposals on: (a) climate risk adaptation assessments of CAREC assets; (b) grid readiness for renewable energy; (c) disaster risk finance; (d) decarbonization of transport corridors, climate data and knowledge sharing’ and (e) climate change and health. Further consultation will help finalize the Climate Change Vision Action Plan for endorsement by the CAREC Ministerial Conference in 2024.

51. The Vision also provides for the CAREC Secretariat to: (i) coordinate with the CAREC Institute regarding analytical and capacity building activities to help countries better understand climate and disaster risk and support risk-informed policies and investments; (ii) organize CAREC Development Partners Forums to strengthen cooperation and create synergies of supported initiatives to operationalize the Climate Change Vision; and (iii) develop a communication and outreach plan for the Vision document, which was published in April 2024.

52. On 2 May 2024, a high-level panel on [Financing Greener Value Chains in the CAREC Region](#) was organized during ADB's 57th Annual Meeting in Tbilisi to explore policy options and regional initiatives to strengthening CAREC's linkages with global value chains while advancing the climate agenda. Preliminary outcomes of an ADB [study](#) highlighted that most CAREC countries specialize in emission-intensive sectors such as electricity, chemicals, and mining. This results in CAREC having one of the highest shares of carbon dioxide emissions in the world in value-added manufacturing. Strengthened environmental regulations and increased investments in sustainable infrastructure aligned with the Paris Agreement are necessary to reduce the carbon footprint in CAREC global value chains. On the other hand, CAREC countries have vast reserves of critical minerals that are crucial for wind turbines to electric vehicles and battery storage. This gives an opportunity for CAREC countries to transition from fossil fuels and diversify with new market opportunities brought about by energy transition. Through regional cooperation, CAREC Program could support development of green standards, facilitate collective policy responses to decarbonization measures, mobilize financing and develop innovative financing instruments for regional climate programs and projects.

53. Stakeholders' consultations—with countries and potential donors—are ongoing for the proposed establishment of a **CAREC Climate and Sustainability Project Preparatory Fund (CSPPF)**. Proposed as a multi-donor trust fund to be managed by ADB, the CSPPF aims to help address financing gaps to achieve climate change and sustainable development goals through preparation of bankable climate-related regional projects for CAREC countries. As a crucial first step in establishing the CSPPF, ADB and the Republic of Korea signed on 4 May 2024 at the sideline of the 57th Annual ADB Meeting, the Letter of Intent to contribute to the CSPPF in the amount of \$3 million. ADB is preparing the CSPPF Establishment Paper for management approval to be followed with negotiation of Contribution Agreements with Financing Partners, initially with the PRC and Republic of Korea.

Action Item: *For SOM guidance and guidance on plans to operationalize the Climate Change Vision including the CCWG TOR and the Action Plan, the establishment of the CSPPF, and the proposed CAREC session during COP29 in Baku.*

54. A regional TA on *Developing a Disaster Risk Transfer Facility in the CAREC Region* helps to build CAREC countries' physical and financial resilience against disaster risks derived from earthquakes, floods, and infectious disease outbreaks. Completed activities include: (i) disaster risk profiles for each CAREC country; (ii) protection gap assessment, which quantifies the difference between the estimated losses from the earthquake and flood risk and the existing ex-ante financing tools in CAREC countries; (iii) an infectious disease risk report, which identifies three potential risk financing solutions to help build CAREC countries' financial resilience to future outbreaks; (iv) compound risk analysis of potential joint impacts from disaster events and infectious disease outbreaks; (v) a Disaster Risk Modeling Interface, allowing stakeholders to visualize the risk profiles, perform high-level cost-benefit analysis of disaster risk reduction and adaptation measures, and quantify risk transfer costs for earthquake and flood parametric insurance structures; (vi) report on the issuance of a pilot Disaster Relief (Cat) Bond for selected CAREC countries, and (vii) a roadmap for the establishment of a CAREC risk transfer facility based on international best practices and lessons learned from other successful regional risk pools established in the Caribbean, Africa, the Pacific, and Southeast Asia.

55. A [Joint Statement](#) drafted during the final TA workshop in July 2023 in Islamabad, was endorsed at the 22nd CAREC Ministerial Conference in November 2023. The first phase of the regional TA has been completed in February 2024. A second phase TA will be explored in 2024 to continue supporting the implementation of the regional disaster risk financing solutions identified in Phase 1.

Action Item: *For SOM information and feedback on the TA's proposed Phase 2.*

56. To ensure that **CAREC Institute's (CI)** operations align with strategic priorities and make the necessary adjustments, a Mid-term Review (MTR) of the strategy is underway with ADB support. After the Governing Council's review and feedback, the CI will prepare a comprehensive Action Plan to implement key recommendations on the institute's restructuring. The CI Advisory Council held its 5th virtual meeting in October 2023. The CI Governing Council met on 1 December 2023 in Tbilisi to consider the budget, rolling operational plan (ROP) 2024-2025, MTR, organization restructuring, budget, operational plans, and recruitment plans, and how to improve the effectiveness of CI operations and activities while ensuring its adherence to its original mandate as a knowledge arm of the CAREC Program. In 2023, CI signed five MOUs with various national and international organizations.

57. In 2023, CI implemented seven projects covering trade facilitation, fintech-led regional financial cooperation, digitalization, the implications of climate inaction, and water sector financial governance. The Annual Research Conference, Visiting Fellowship Program, and CAREC Think Tank Network Research Grants Program augment CI's research functions. Leveraging its e-learning platform, CI has expanded its capacity-building activities to target participants. CI's monthly newsletter reaches over 3,000 stakeholders. CI organized the 7th CAREC Think Tank Forum in Urumqi on 16-17 August 2023, and plans on holding the next Forum in Almaty in August 2024 followed by the IV Annual Research Conference.

Action Item: *For SOM information and guidance on the CAREC Institute work.*

III. FOR CONSIDERATION AT THE SENIOR OFFICIALS' MEETING

58. **Implementation of the CAREC Climate Change Vision.** The CAREC Climate Change Working Group (CCWG) is expected to prepare the CAREC Climate Change Action Plan for completion prior to 23rd CAREC Ministerial Conference. Several committees or working groups have started discussions on mainstreaming the Climate Change Actions in CAREC sector work. **SOM's guidance and support on this ongoing process is requested.**

59. **CAREC Climate and Sustainability Project Preparatory Fund (CSPPF).** ADB initiated internal process for the preparation of the establishment paper for the CSPPF and is consulting with the proposed donors (i.e., the PRC and Republic of Korea). **A separate background note is prepared for SOM's feedback and support.**

60. Taking the opportunity of COP29 being held in the CAREC region and chaired by Azerbaijan, SOM is requested to consider promoting **One-CAREC voice on climate change** agenda, including to organize a CAREC session in Baku, Azerbaijan on 11–22 November 2024.

61. **Midterm Review of CAREC Strategy 2030.** The CAREC Secretariat has initiated the process for undertaking the *CAREC 2030 Strategy* Midterm Review (MTR). The objective of the MTR is to (i) assess how well the CAREC 2030 Strategy remains fit-for-purpose and (ii) to enhance the effectiveness, efficiency, relevance, governance, and sustainability of the CAREC

Program and align it with CAREC members' emerging priorities and challenges amid the rapidly evolving global and regional landscape. **A zero draft for SOM consideration** was prepared by the CAREC Strategy Evaluation Advisor, engaged to conduct consultations with the CAREC National Focal Points, sector focals and CAREC sectoral bodies starting from April 2024. **SOM is requested to provide guidance and responses to key questions** including:

- *What are the key strengths of CAREC Strategy 2030, and are there any areas where it could be strengthened or updated to better reflect current challenges and opportunities?*
- *How can the CAREC Program harness regional ownership (CAREC members and Development Partners)?*

62. **Deliverables for the 23rd CAREC Ministerial Conference and COP29.** The CAREC Secretariat requests **SOM guidance and suggestions** on potential key activities including:

- Implementation of the CAREC Climate Change Vision and endorsement of the CAREC Climate Change Action Plan;
- Establishment and launch of the CAREC Climate and Sustainability Project Preparatory Fund;
- CAREC side event or joint proposal for COP29 under the Presidency of Azerbaijan in November 2024;
- Finalization of the CAREC 2030 Strategy Midterm Review;
- CAREC Infrastructure Investment Forum in October/November 2024 and identification of flagship regional projects;
- Improved mechanism for generation and monitoring of pipeline green or climate-focused regional projects, including along the CAREC Corridor 2 (Middle Corridor);
- Potential signing or commemorative ceremonies at the sideline of the CAREC MC.