



SENIOR OFFICIALS' MEETING
19-20 October 2020

Implementation Progress Report

June 2019 – October 2020

1. The CAREC program is in its 20th year of running, thus marking two decades of cooperation and progress in member countries. This progress report covers the period from July 2019 – October 2020. This year began with a planned list of more than 60 activities and events in the CAREC calendar, ultimately aimed at contributing to the goals of CAREC’s 2030 Strategy. This long list was commensurate with CAREC’s broadening scope that has grown to include new sectors. The onset of COVID-19, however, necessitated a re-calibration of the planned calendar of events. Most events were put on hold between February to June. Meanwhile, new arrangements were put in place to meet the challenges emanating from the pandemic. These mainly included shifting the existing CAREC activities to carry-on in an online and remote format. A COVID-19 response component was incorporated for initiatives that were in formulation stage and starting with the CAREC National Focal Point meeting in June 2020, virtual platforms have been successfully adopted for meetings, consultations, and seminars. These included a CAREC side-event as part of the ADB Annual General Meeting with renowned historian Peter Frankopan in which Ministers and senior officials from CAREC countries participated. Other knowledge generation and capacity development activities also moved fully online.
2. COVID-19 is having a significant impact on the economies of CAREC members. GDP growth rates have seen continuous downward revisions, with latest forecasts estimating 1.6% growth rate for the CAREC region for 2020 (which drops to -1.3% if People’s Republic of China is excluded). 8 out of 11 members countries will undergo an economic contraction this year. Only Turkmenistan at 3.2%, People’s Republic of China at 1.8%, and Uzbekistan at 0.5% are expected to grow, while the rest have negative rates ranging from Pakistan at -0.4% to Afghanistan at -10%. Many countries are facing an increasing twin deficit, i.e. both the current account and fiscal balances have worsened. While imports were subdued by suppressed demand from reduced incomes, exports have been a mixed bag with lower forex revenue from oil and gas exports, while revenues from mineral export have improved from increases in prices of gold, copper, and other metals. Fiscal balances have worsened due to reduction in revenues while stimulus measures have increased expenditures significantly. The CAREC program continued to adopt in order to provide relevant inputs to deal with the complex environment at hand.
3. In the **Economic and Financial Stability cluster**, CAREC activities aimed to promote policy dialogue to further the understanding of economic and financial challenges and discuss solutions to problems facing the CAREC region. This has involved organizing seminars, preparing policy briefs, and initiating research projects. This year, two high-level seminars on economic and financial stability are being organized in collaboration with the IMF and World Bank focused on fiscal policy and macroeconomic consolidation as well as financial stability in the COVID environment. To address the challenges of largely unmet need for trade finance by Micro and Small Scale Enterprises (MSMEs) and female- owned enterprises, ADB and CAREC Institute are currently working on a policy paper to assess how utilization of fintech solutions can overcome this challenge.
4. Several developments have taken place in the **Trade, Tourism, and Economic Corridor cluster**. The CAREC trade sector made progress despite facing unprecedented challenges this year. The Regional Trade Group (RTG) and Customs Cooperation Committee (CCC), both chaired by Afghanistan, met virtually to discuss the progress and next steps for the implementation of the CAREC Integrated Trade Agenda (CITA) 2030. The RTG meeting highlighted the importance of keeping trade open and regional cooperation through CITA with support from development partners such as ADB and WTO Secretariat. CAREC countries welcomed the initiatives on services trade and e-commerce development as part of post-pandemic economic recovery; and as follow up, two key research works on enhancing services

trade and e-commerce development were completed and presented at a series of webinars. The CCC agreed to step up trade facilitation initiatives and regional cooperation. The role of customs agencies in adopting paperless trade and promoting cross-border e-commerce was emphasized. Workshops were organized at various levels such as for CAREC and SASEC (South Asia Subregional Economic Cooperation) customs agencies and to support Kazakhstan in hosting WTO's 12th Ministerial Conference in 2021, among the various issues covered. CITA also supported countries in meeting their WTO commitments, and the 8 WTO-member CAREC countries are on track on meeting the goals of the WTO's Trade Facilitation Agreement. Azerbaijan and Uzbekistan, who currently hold observer status, continued technical work aimed at preparing for ultimate WTO accession, and Turkmenistan's observer status was endorsed by the WTO General Council. Progress was also made on Sanitary and Phyto-Sanitary measures. Uzbekistan became the first Central Asian country to accede to the International Plant Protection Convention as part of its reforms to improve phytosanitary measures.

5. A feasibility study for establishing a multilateral Trade Credit and Investment (re-) Guarantee Agency (TCIGA) is ongoing. The proposed TCIGA will assist in promoting foreign direct investment and sustainable economic growth in the Central and West Asia, East Asia, and South Asia sub-regions through intra-regional and interregional trade. A report on legal, governance, management and capital structures has been completed together with the financial model and financial and economic analyses and a 10-year business plan. A project to develop the trade and economic cooperation zone between PRC and Mongolia was approved in June 2020 for Mongolia and its counterpart subproject in PRC is under consideration.
6. The **CAREC Tourism Strategy 2030** was formulated in collaboration with stakeholders over virtual consultation workshops. The strategy aims at setting the long-term vision, objectives, targets, and programs to promote sustainable, safe, and more inclusive tourism development in the region. The strategy has adopted a holistic approach, covering key strategic issues such as connectivity and infrastructure, quality and standards, skills development, marketing, and market intelligence. The final draft of the CAREC Tourism Strategy is being presented at this SOM and will be finalized for endorsement at the upcoming 19th CAREC Ministerial Conference. The strategy will be accompanied by a regional tourism investment framework with concrete projects to be implemented over 2021–2025.
7. **Economic Corridor Development** under CAREC has made significant progress in the past year. For the Almaty-Bishkek Economic Corridor (ABEC), these include the completion and adoption of the ABEC Tourism Master Plan, conceptualization of modernized border crossing points between both countries, finalization of a feasibility study for a modern agricultural wholesale markets network, agreement on a joint action plan on developing a regional network of medical reference laboratories, completion of a business plan for a regional tourism skilling center, and the launch of an ABEC video and website. Some key activities in the next 12 months include a pre-feasibility study for the Turgen mountain resort, design concepts for modern border crossing points and procedures, detailed design for modern agricultural wholesale markets, high-density air quality measuring, and a concept for medical reference laboratories. For the Shymkent-Tashkent-Khujand Economic Corridor (STKEC), a roadmap for the STKEC development and a report on trade potentials along the STKEC have been finalized and being published. Additional resources have been mobilized by ADB to support prefeasibility studies for selected priorities projects, capacity building, and institutional set-up, for the STKEC development. ADB is also implementing a technical assistance project to support the Government of Pakistan on economic corridor planning to reap expanded regional cooperation and integration benefits.
8. **The Infrastructure and Economic Connectivity Cluster** has seen important developments. **The transport sector** was making significant headway before COVID hit. Trainings and

workshops were held on key transport issues such as the Railway Sector Assessments, Road Asset Management Systems (RAMS) and Performance-based Contracting. Due to border shutdowns and travel restrictions, some transport projects were significantly affected leading to postponements and cancelations. However, the pace of work has since picked up, and quarter 4 of 2020 has many deliverables lined up. These include a study on 'Impact of COVID-19 on the CAREC Aviation Sector', the CAREC Ports and Logistics Scoping Study, Road Safety Engineering Manual 4 on Pedestrian Safety; the CAREC Silk Road Air Pass Proposal, and CAREC Country Specific Railway Sub-Sector Assessments. Further, there have been sustained efforts to increase consultations this year among CAREC countries to effectively implement cross-border transport agreements, improve corridor performance measuring and monitoring, and organize trainings and workshops in the areas of aviation, railways, road safety and road asset management, and cross-border trade facilitation.

9. In the **energy sector**, as a follow-up to the adoption of the CAREC Energy Strategy 2030, a technical assistance project was approved in July 2020 to implement a first set of actions foreseen under the strategy. These include the establishment of a new regional transmission cooperation association, promotion of market reforms, establishment of a financing vehicle for green energy projects, development of a CAREC Energy Outlook and a women-in-energy program. These actions were endorsed during the first Regional Energy Ministers Dialogue in September 2019. CAREC's large portfolio of regional energy and infrastructure projects and TAs have been on track and made significant progress. A regional flagship technical assistance project determining the financial savings that can be made through regional cooperation in integrating large volumes of renewable energy into the grid, was successfully completed in June 2020.
10. To mitigate the infrastructure gap in the CAREC region and jumpstart regional projects, CAREC secretariat is embarking on developing a **CAREC Regional Infrastructure Projects Enabling Facility**. A technical assistance project has been approved to help prepare the concept for examining its scope, eligibility criteria, structure, governance, and financing instruments and modalities and identifying a potential project pipeline that could be supported by such a facility. The facility will ultimately support CAREC governments in preparation of regional projects and readiness, initial design, and application of appropriate financial solutions while promoting knowledge exchange and capacity development. This vehicle is expected to become an important tool in enhancing private sector participation and expanding project financing using innovative approaches.
11. To meet the objectives of the **Agriculture and Water cluster**, two new technical assistance programs have been launched. The first one is titled "Strengthening International Food Safety Standards in Agricultural Value Chains in the CAREC Member Countries". It aims to improve public health and agro-food trade facilitation in CAREC economies through enabling regulatory environment reforms, enhancing laboratory infrastructure and capacity, strengthening capacity of actors in the value-chain, and advancing network linkages and peer-to-peer institutional cooperation. As of September 2020, technical advice and inputs have been given to specialist food safety organizations in member countries in drafting and/or updating legal and regulatory and policy documents. On-the-job training and mentoring have been delivered to enhance capacity of food laboratory staff and inspectors. An analysis of issues and options is being undertaken to derive cost-effective ways to strengthen value-chain actor capacity in adopting international food safety practices. The second TA program is for development of the CAREC Water Pillar. The scope of the TA includes an emphasis on economic aspects and sustainable financing of water resources management. The TA is aligned with ADB's Strategy 2030, particularly for the operational priorities that involve (i) tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; (ii) fostering regional

cooperation and integration. As of September 2020, ADB has engaged 3 international and one regional consultants. Contacts with relevant government focal points are being established, and discussions on detailed work planning are ongoing.

12. In the **Human Development cluster**, work was initiated in the health sector with a completed scoping study on CAREC health cooperation. This is timely in the wake of the unexpected pandemic that has affected all CAREC countries. The study titled “Toward CAREC 2030: Enhancing Regional Cooperation in the Health Sector” proposes measures to strengthening regional health cooperation and security, improving health information systems and human resources, access to medicine and health services, and care for migrant workers. To jumpstart the implementation of recommendations, a technical assistance project has been approved that will help CAREC countries address public health threats, including from COVID-19. It will also support formulation of CAREC regional health strategy and an investment framework for 2022–2026.
13. To ensure CAREC benefits reaches all stakeholders equally, a **CAREC Gender Strategy 2030** is being finalized and is to be presented for endorsement at the 19th Ministerial Conference. The strategy aims to mainstream gender into CAREC’s operational clusters, thereby increasing the potential and capacity of women in the participating countries to benefit equally from CAREC investments and interventions. The draft strategy has benefitted from extensive consultations with all CAREC countries.
14. A scoping study on **CAREC Border Communities Collaboration** has been completed to identify ways of promoting development of communities living in the border regions of the member countries. Several recommendations have been made to promote economic and social cooperation through enhanced people-to-people contacts. Field missions were conducted in several border areas between Afghanistan and Tajikistan, Azerbaijan and Georgia, and the People’s Republic of China and Mongolia. The study will be published before the 19th Ministerial Conference.
15. **Information, communication, and digital technologies** is a crucial cross-cutting theme under CAREC 2030. COVID-19 pandemic has demonstrated the current and future need and dependence on use of technology and innovation. Information and digital technologies can help fight the pandemic and play an important role in economic diversification and revival in post-COVID environment. An ADB-supported TA is being approved to prepare CAREC technology vision and support CAREC countries in developing a regional startup ecosystem through knowledge sharing and capacity development. The program will establish a regional platform to harness innovative ideas and digital solutions and promote collaborative projects that address problems posed by the COVID-19 pandemic. Through effective partnerships, the TA will provide capacity building opportunities to key stakeholders including government officials, financial institutions, incubators, accelerators, startups, and universities for them to reach the next level of innovation and development, focused on country specific and regional issues and challenges.
16. A regional initiative is underway to design a **comprehensive risk transfer mechanism** for CAREC countries to reduce their physical and financial vulnerability to infectious disease outbreaks and natural hazards. The project will develop a tool to model risk profiles of CAREC countries and support risk management. An inception meeting with disaster risk focals was held recently to present the project approach and work program for 2020-2022 and gather countries’ feedback on expectations and risk financing priorities.

17. The **CAREC 2030 Results Framework** has been developed and shared with member countries, and is being presented at this SOM. The framework includes concrete indicators, baseline data, data sources, and output levels that will ensure regular monitoring and evaluation of CAREC 2030 strategy's goals and objectives.
18. Lastly, in accordance with the aspirations of CAREC 2030 strategy, efforts have launched to enhance active engagement of multilateral and bilateral development partners with the CAREC Program. A Development Partners' Forum is being planned as a lead-up to the 19th Ministerial Conference. The forum will identify and discuss ways to further strengthen collaboration between CAREC member countries, the Secretariat, and the development partners. There are on-going discussions with a number of new partners, such as OPEC Fund and the Green Climate Fund to explore options for enhanced engagement in CAREC activities.