



NATIONAL FOCAL POINTS' MEETING
12 October 2021

Implementation Progress Report

November 2020 – September 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 209 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\$545.44 million have been approved.
2. During the reporting period from November 2020 – September 2021, since last SOM was held, the CAREC program planned and organized nearly 50 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. 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 June 2021, the Senior Officials' Meeting (SOM) discussed the progress of CAREC operational areas and reviewed the progress made in formulating the draft CAREC Development Effectiveness Review, CAREC Health Cooperation Strategy 2030, CAREC Digital Strategy 2030, CAREC Regional Infrastructure Projects Enabling Facility, and in development of the CAREC Water Pillar as well as the progress of the CAREC Institute. The SOM was chaired by Mr. Rovshan Najaf, Deputy Minister, Ministry of Economy of Azerbaijan and co-chaired by Mr. Yevgeniy Zhukov, Director General, Central and West Asia Department (CWRD), ADB and Ms. Teresa Kho, Deputy Director General, East Asia Department, ADB. Also, 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

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

(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.

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). In July 2021, the Forum continued the dialogue focusing on rising inequalities caused by the impact of the pandemic and discussed financial inclusion challenges and opportunities intensified during and post the pandemic. 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 their commitments to align with and transpose international obligations and standards into domestic practices. Notably, member countries continued to implement the World Trade Organization (WTO) Trade Facilitation Agreement at an average implementation rate of 45.5% for mandatory provisions (Category A). 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. Country-specific SPS trainings for Uzbekistan and Georgia in June and September 2021, respectively. The trade sector work also explored opportunities for regional and bilateral trade agreements and the potential to develop a CAREC-wide FTA in the future. Member countries identified their research and capacity-building priorities, needs and expectations at consultation workshops organized in May and September 2021.

8. Digital transformation and e-commerce development have been long-standing priorities under the CAREC Integrated Trade Agenda 2030. 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 (PRC) are members, entered into force in February 2021. Effective in July 2021, Mongolia joined Azerbaijan among the contracting parties to the UN Convention on the Use of Electronic Communications in International Contracts. ADB and CAREC Institute completed two research studies looking at regulatory framework and infrastructure aspects of developing e-commerce ecosystems as well as knowledge-sharing modules on Regional Improvement of Border Services and Digital SPS Certification. In September 2021, three webinars on CAREC e-commerce development, PRC's experience, and digital trade and innovation were organized at the sidelines of meetings of the Customs Cooperation Committee and Regional Trade Group and as part of the CAREC Trade Week with the theme: Enhancing Cooperation in Digital Trade.
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. As part of the implementation of the CAREC Tourism Strategy 2030, support is currently being provided to further develop the Almaty - Issyk-Kul tourism cluster through pilot projects to improve health and safety protocols and measures, enhance stakeholders' capacities, and harmonize the accommodation classification system in Kazakhstan and Kyrgyz Republic.
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 processed. ADB is also conducting 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 27 knowledge products in a timely manner. The sector organized virtual events, including a three-part webinar series on Aviation and Tourism between January and March 2021, a two-part series on Ports and Logistics in February 2021, and a road asset management training workshop for the Kyrgyz Republic. The sector partnered with the CAREC Institute using its e-learning platform to deliver training on road asset management and road safety, as well as with the Eastern Alliance for Safe and Sustainable Transport in developing a new e-learning course on safer road works. Other significant knowledge work completed includes the impact study of Covid-19 on CAREC Aviation and Tourism, a scoping study on CAREC Ports and Logistics (2 volumes), and the CAREC Road Safety Engineering Manual 4: Pedestrian Safety, the latest addition to the series of road safety engineering manuals. Railway sector assessments (RSAs) were conducted and published covering all CAREC countries and a CAREC-wide RSA is currently being finalized for publication by end 2021. ADB-financed TAs are currently supporting the implementation of the CAREC Transport Strategy 2030, the CAREC Railway Strategy 2030, and the CAREC Road Safety Strategy 2030. CAREC Regional Improvement of Border Services (RIBS) projects, financed by ADB, are supporting cross-border trade expansion in 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 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. The development of facility concept is in progress, and a series of consultations with CAREC stakeholders are planned in 2021. An ADB-supported transaction TA Facility is also under preparation to provide funding for regional infrastructure project preparation in CAREC region and to improve associated institutional capacity starting in 2022.
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). Finally, an Energy Investment Forum is planned for December 2021 to discuss business opportunities in the field of energy efficiency.

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 first regional consultation was held virtually in April 2021 to present the findings of the scoping study and its preliminary recommendations. Feedback from that meeting and other discussions was incorporated into the draft scoping study report which was circulated for review by national agencies, international organizations and development partners in late June 2021. The second consultation was organized to obtain further feedback on the scoping study and discuss next steps for formulating initial projects for inclusion under the Water Pillar in September 2021. The feedback and inputs were incorporated into the revised scoping study report.
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 Cooperation Strategy 2030 is ongoing. A CAREC Working Group on Health (WGH) has been established to guide formulation of the strategy. An ADB-assisted TA, approved in July 2020, has been supporting the development of the 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 Cooperation Strategy 2030. 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 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. Also, a series of technical consultations were conducted in July 2021 and further inputs to the draft strategy were provided by the WGH in September 2021. The strategy is planned to be submitted to the CAREC MC 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 imperative since the COVID-19 pandemic significantly accelerated the shift to digital platforms. The ADB-financed TA, 'Supporting Startup Ecosystem in the Central Asia Regional Economic Cooperation Region to Mitigate Impact of COVID-19 and Support Economic Revival', is part of ongoing efforts to promote digital economy and innovation within the region. The CAREC Secretariat completed an assessment of the virtual connectivity capacity of CAREC national and sector focal points along with planning of capacity building workshops and training programs. The preparation of the CAREC Digital Strategy 2030 is nearing completion and has benefitted from consultations with government agencies, private sector from CAREC member countries, and informed by a combination of primary and secondary research. A draft is being presented at this NFP meeting for finalization, which will be subsequently placed for endorsement at the upcoming CAREC Ministerial Conference in November. Preparatory work for the CAREC virtual startup ecosystem hub has been launched. This hub will engage with CAREC region startup ecosystem stakeholders to promote networking, knowledge exchange and receive necessary exposure and mentoring, allowing for their development.
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. To build CAREC countries' financial **resilience to risks derived from natural hazards and infectious disease outbreaks**, the regional technical assistance (TA) on "Developing a Disaster Risk Transfer Facility in the CAREC region" is being implemented. As part of the infectious disease risk component, a report on recommendations for the development of infectious disease risk financing mechanisms for CAREC countries was finalized in July 2021. The proposed mechanisms include: (i) a spark risk cover to provide rapid financing for countries to manage an outbreak and aim to contain spread within as small an area as possible; (ii) a containment financing mechanism to finance activities in neighboring countries to a country claiming under the spark risk cover and to further strengthen the initial early response; and (iii) an SME business interruption program, which could cover loss of profits, loss of revenue or any other additional

expenses incurred. The findings of the report were presented to member countries during the country consultations for the formulation of the CAREC Health Cooperation Strategy 2030 held in the 3rd quarter 2021.

20. In addition, country risk profiles, covering earthquakes, floods, and infectious disease outbreaks as well as an assessment on the financing protection gap for flood and earthquake risk, have been prepared. A disaster risk modelling tool has also been developed as an open-access interface that will allow users from CAREC countries to explore model results for earthquake, flood, and infectious disease risks, and assess costs and benefits of disaster risk reduction and disaster risk financing measures, including insurance. Virtual country seminars to disseminate the findings of the risk profiles and a regional capacity building workshop for the use of the disaster risk modeling interface will be organized with CAREC countries in Q4 2021.
21. **CAREC Institute (CI)**, the knowledge arm of the CAREC program, has significantly upscaled its activities in 2021, building on the solid base of 2020. CI's research portfolio has been expanded with over 16 completed and ongoing projects covering all CAREC 2030 priority clusters. A book based on papers presented in the research conference on "COVID-19 and Potential for Economic Recovery", held in March 2021 is being published. CAREC Regional Integration Index is being updated on a yearly basis. Quarterly Economic Monitor, being released in English, Chinese and Russian languages, is another regular quality product capturing economic trends, including issues related to COVID19. CI has also contributed to research projects of ADB Institute and Boao Forum. E-Learning platform is now fully operational, significantly increasing capacity of the Institute to deliver capacity building activities, both in terms of the number of activities as well as the number of participants. Outreach activities of the institute have been bolstered through regular monthly newsletter reaching over 3,000 stakeholders and effective use of social media platforms. Webinars are being organized to promote regional dialogues and disseminate CI products. CI's updated strategy aiming to align its activities with COVID19 imperatives has been presented to its Governing Council.
22. The **first CAREC 2030 Development Effectiveness Review (DEfR)** covering the period from 2017–2020 is under preparation to report progress of CAREC 2030 strategy implementation. This is based on the CAREC 2030 Program Results Framework endorsed by member countries last year. The concept and methodology for the DEfR were presented and discussed at the SOM in June 2021. A draft report is being shared for member countries' feedback.