CAREC Project Classification Methodology

For CAREC Development Partners

March 2021

This note describes the project classification method for the CAREC portfolio. It is developed to align the project portfolio with the CAREC 2030 Strategy.

What is a CAREC project?

A CAREC project is one which promotes collaboration between two or more CAREC member countries and is expected to generate economic benefits to more than one country in the CAREC region.[1] A CAREC project may be a single country or multi-country project, which should promote CAREC 2030 strategy, and the related sector strategies and/or action plans and contribute to the objectives of the CAREC Program.

CAREC project classification system is based on three criteria. A CAREC project is expected to:

1. Support relevant national and regional strategies related to CAREC's five operational clusters and sector strategies. Examples include relevant national and regional strategies and plans that support the CAREC related sectors; the country has been active in relevant cross-border agreements under CAREC; and success with similar ADB or other DPs supported projects in the past is high.

2. Contribute to regional economic benefits. Below are examples under each of the three pillars of ADB's OP7:

   Pillar 1: Greater and higher quality <u>connectivity</u> between economies

   - Time and cost savings through improved transport, information, and communication technology (ICT), or energy connectivity (soft and hard infrastructure)
   - Net increase in cargo or energy traded through improved cross-border connectivity

   Pillar 2: <u>Global and regional trade and investment opportunities expanded</u>

   - Net increase in trade through trade facilitation or economic corridor development
   - Productivity gains from agglomeration or economies of scale through improved value chains
   - Net increase in foreign investment or reduced economic impact of financial crisis through regional financial cooperation and integration

   Pillar 3: <u>Regional public good</u>s increased and diversified

   - Reduced cross-border public health costs through improved regional health infrastructure and/or services
   - Greater value and more sustainable transboundary natural resources through improved management
   - Reduced cross-border environment costs (e.g., pollution)
   - Higher incomes through improved skills, job opportunities, or technology from regional education infrastructure and/or services.

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[1] Project includes loan, grant, and technical assistance (TA).

3. Provide additional support to CAREC activities. Examples include refining or strengthening existing regional policies and practices; harmonizing or standardizing policies and practices to meet regional or international standards; mobilizing additional or leveraging existing public and private financing; generating project cost saving through multi-country cooperation; increasing inclusion such as in border areas or supporting small and medium-sized enterprises; increasing cross-border knowledge sharing, technology adoption, or innovation; and promoting sovereign and non-sovereign collaboration in project financing.

Finally, the three cross-cutting themes – information and communication technology (ICT), mitigation of climate change impact, and gender mainstreaming will be tracked as part of the five operational clusters within the various sector and pillar frameworks.

APPLICATION OF CAREC PROJECT CLASSIFICATION CRITERIA IN CAREC CLUSTERS

The below table describes the application of the CAREC project classification criteria in the five clusters of CAREC 2030 strategy, including categorizing scope and activities under each cluster.

Cluster	Application (scope and activities)
CLUSTER 1: Economic and Financial Stability	Projects categorized under this cluster contribute to *increased regional macroeconomic stability, improved investment, and financial integration*, which include loans/grants and TAs that support high-level policy dialogues on economic and financial stability issues[2] such as CAREC capital markets forum, policy dialogues and meetings of governments and multilateral and non-governmental institutions that provide expertise and inputs in areas related to economic and financial stability, as well as supporting financial sector reforms in CAREC countries and responding to (potential) financial crisis or mitigating financial risks. Policy dialogues may discuss issues such as:[3] a) Fiscal and monetary policy strategies. b) Designing and implementing appropriate counter-cyclical policy responses; Promoting cross-country coordination and adopting relevant financing models reducing investor transaction costs; Improving investment policies and regulations (those related to trade policy will be classified under the trade sector); Promoting business for SMEs; Supporting policies that increase cross-border financial integration and promote capital flow; and c) Exchanging data and intelligence and developing common practices to international standards. Other relevant topics.
CLUSTER 2: Trade, Tourism, and Economic Corridors	Projects under this cluster contribute to achievement of the cluster's outcome "*expanded trade, competitive economic corridors, and tourism opportunities.*" More sector-specific classification application is described below: 2. A. Trade In accordance with the CAREC 2030 Strategy, Trade and Transport are now separate sectors but remain interconnected. Projects in trade sector should contribute to achievement of its outcome "CAREC countries are more integrated into the global economy." The operational priorities of the trade sector have expanded with the [CAREC Integrated Trade Agenda (CITA) 2030](). CITA 2030 comprises three pillars: a) Trade Expansion from Increased Market Access

[2] Source: Cluster outcome and output, CAREC 2030 Program Results Framework
[3] Source: CAREC 2030 Strategy

Cluster	Application (scope and activities)
	b) Greater Diversification c) Stronger Institutions for Trade CITA 2030 specifies sub-activities and provides a comprehensive list of interventions (see Appendix IV) that will achieve its outcomes. A 3-year rolling strategic action plan (RSAP)[4] translates CITA into practical and implementable periodic phases while being reviewed annually to maintain its relevance. RSAP serves as a platform to build a pipeline of projects, mobilize funds, and coordinate seamlessly with countries and DPs for CITA implementation. <u>2. B. Tourism</u> Under CAREC 2030, tourism is a standalone sector. Projects will contribute to "enhancing tourism competitiveness and positioning of the CAREC region as a globally attractive tourism destination" and be guided by the CAREC Tourism Strategy (CTS) 2030. The CTS 2030 comprises five strategic pillars and cross-cutting themes: a) Connectivity and Infrastructure facilitating tourism development (e.g., tourism visitor center, integrated urban development in corridor towns, restoration of tourist heritage sites, etc.) b) Quality and Standards c) Skills Development d) Marketing and Branding e) Market Intelligence f) Cross-cutting themes: Health[5], safety and security, Digitalization, Gender equality, Private sector development, Environmental sustainability, Universal access. The Regional Tourism Investment Framework[6] provides a list of proposed projects under each of these strategic pillars for the period 2021-2025. The list was prepared in collaboration with the CAREC member countries and includes the priority issues of the sector. Projects that are aligned and contribute to the framework's list of projects/activities should be considered as being under the CAREC umbrella. <u>2. C. Economic Corridor</u> Economic Corridor Development (ECD) refers to the spatial organization of economic activities. It brings together existing and new infrastructure, policies, and institutions to attract private investment that will create jobs and encourage growth. CAREC 2030 aims to support CAREC countries in applying land and air economic corridors to strengthen economic links and

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[4] Rolling Strategic Action Plan 2018–2020 is annexed to CAREC Integrated Trade Agenda (CITA) 2030

[5] It focuses on supporting countries' efforts to build resilience of their tourism sectors to future global crises. Examples may include the development of a pilot safe travel corridor and/or travel bubble.

[6] Regional Tourism Investment Framework (2021-2025) is annexed to CAREC Tourism Strategy (CTS) 2030

Cluster	Application (scope and activities)
	drive trade and development of cross-border regions. Projects should directly generate/increase cross-border economic activities.[7] These may include regional tourism, agriculture value chains, cross-border transport connectivity, and regional standards for export of food and agriculture products, integrated border management as sub-areas.[8] Projects are categorized as CAREC ECD projects if they:[9] a) Support national economic corridor development (with regional/CAREC implications) as a national development strategy for deepened economic and trade integration with CAREC countries and beyond. b) Support cross-border/regional economic corridor development which promotes stronger economic and trade integration among the participating countries, and other CAREC countries and beyond. c) Support ECD related development of sectors and themes, including agriculture value chains, transport infrastructure, cross-border cooperation in service sectors, and cooperation on common challenges like sustainable and environmentally friendly urban development. d) Support peer-to-peer learning and knowledge sharing, capacity development, applying of best practices, and identification/conceptualization of ECD related investment projects.[10]
CLUSTER 3: Infrastructure and Economic Connectivity	Projects under the Infrastructure and Economic Connectivity contribute to achievement of the cluster's outcome "enhanced economic connectivity and increased sustainability and resilience of regional infrastructure." 3. A. Transport The CAREC Transport Strategy (CTS) 2030[11], which has superseded the CAREC Transport and Trade Facilitation Strategy (TTFS) 2020, has broader strategic pillars than the TTFS. The CAREC CTS 2030's objectives and five pillars provide criteria to categorize CAREC transport projects. The five pillars are: a) Cross-border transport and logistics facilitation b) Roads and road asset management c) Road safety d) Railways e) Aviation

[7] Source: CAREC website: https://www.carecprogram.org/?page_id=18146

[8] Further analytical work is being undertaken under an ADB TA 54423-001: Regional: A New Operational Economic Corridor Development Framework for Central and West Asia and Beyond. Link: https://www.adb.org/projects/54423-001/main#project-overview. It will further clarify and enhance the existing ECD concept capturing wider economic benefits of ECD in different regions and subregions.

[9] Source: Sector outcome and outputs, CAREC 2030 Program Results Framework

[10] The criteria will be further updated once the existing ECD framework is refined.

[11] Reference: ADB. 2021. CAREC Transport Strategy 2030. Link here.

Cluster	Application (scope and activities)
	Each of the strategic pillars has potential project avenues and priority activities. Projects can be classified as CAREC if they are within these action areas. The CTS 2030, the CAREC Railway Strategy and the CAREC Road Safety Strategy list out the priority investment projects by country. The projects included in these lists or projects that are aligned to the strategic pillars can be considered CAREC if they impact more than one member country. A similar strategy document for aviation can be adopted in the future.

3. B. Energy

The CAREC Energy Strategy 2030[12] has increased the scope for energy projects. Its Strategy Implementation Work Plan 2020-2030 delineates the various actions required to achieve the goals of the strategy. The actions are listed according to its three pillars and three cross-cutting themes of the strategy. Projects that aim to achieve "enhanced regional energy security and deployment of green energy the energy sector of CAREC countries" and are in line with these actions can be classified as CAREC:

a) Better energy security through regional interconnections
b) Scaled-up investments through market-oriented reforms
c) Enhancing sustainability by greening the regional energy system
d) Cross-cutting themes: building knowledge and forming partnerships, attracting private sector investments across the energy value chain, and empowering women in energy

The projects included in these lists that are aligned to the strategic pillars can be considered CAREC if they impact more than one member country.

3.c. Cross cutting theme: Digitalization/ICT

In addition to the above two sectors, projects may contribute to promoting digital connectivity in the region with additional guidance from the CAREC Digital Strategy 2030 endorsed in 2021. Projects related to the following five pillars of the strategy can be categorized as CAREC related:
a) Leadership, Governance, and Investment in the Digital Economy;
b) Digital Policy Enablers and Safeguards;
c) Digital Infrastructure, Resilience and Platforms;
d) Digital Skills and Competencies; and
e) Innovation, Entrepreneurship, and ICT Competitiveness. |

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[12] ADB. 2019. CAREC Energy Strategy 2030: Common Borders. Common Solutions. Common Energy Future. Manila. Endorsed at the 18th CAREC Ministerial Conference in 2019.

Cluster	Application (scope and activities)
CLUSTER 4: Agriculture and Water	Projects under this cluster contribute to achievement of the cluster's outcome "expanded agricultural trade, and effective transboundary water resource management."
	Sector-specific classification application:
	<u>4. A. Agriculture</u>
	To fall under the agriculture sector, projects should contribute to "enhancing institutional capacity in adopting international Sanitary and Phytosanitary measures" and fall in the following areas:[13]
	a) Alignment of SPS measures and other national regulations with international standards
	b) Integration of member countries into regional and global agricultural value chains by developing capacity on product quality and diversity and improving shipment linkages.
	c) Cross-border collaboration on issues of transboundary animal disease, including biotechnology information sharing, bio-safety coordination, and the harmonization of veterinary measures.
	d) Development of the CAREC food safety network and a common quality control system that involves the management of pesticides and improved food safety standards would broaden access to export markets.
	e) Support for hydromet services and for environmental conservation of bioresources from a regional perspective.[14]
	<u>4. B. Water</u>
	CAREC 2030 aims to provide a platform to discuss water sector cooperation, including water scarcity and water productivity issues as well as eventually explore transboundary water resource management. Projects under this cluster will involve the following areas:
	a) Irrigation and efficient agriculture development
	b) Improved management of river flows to reduce flood risk
	c) Addressing water contamination
	d) Assistance in basin water management in transboundary areas
	Projects that aim to contribute to "*improved water resources management in the Central Asian region*" and are in line with the above-mentioned areas can be classified as CAREC-related projects provided they benefit more than one country. The nature of CAREC initiatives under the water pillar is likely to include preparing roadmaps for water resource development, water sector-

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[13] Source: Sector outcome and outputs, CAREC 2030 Program Results Framework and CAREC 2030 Strategy.

Cluster	Application (scope and activities)
	specific frameworks for infrastructure investment, and plans for operation and maintenance practices and cost recovery at a regional level
CLUSTER 5: Human Development	This is a new cluster under the CAREC 2030 strategy. The projects that contribute to achievement of the cluster's outcome "increased regional cooperation in education and health" and are aligned to the strategic priorities should be considered CAREC. Sector-specific classification application: 5. A. Education Projects can be classified under CAREC's education sector if they lead to achievement of "improved access to and quality of secondary and tertiary skills education and better skills mobility to meet national and international labor market demands" through:[15] • Strengthening of standardization and harmonization in higher education • Improvement in standardization and harmonization in technical and vocational education and training (TVET) This will include projects that involve:[16] a) Collaboration on instructional delivery initiatives such as student exchanges, development of branch campuses, and introduction of dual and joint degree or diploma programs, including e-learning programs. b) Non-instructional initiatives such as faculty exchanges, research collaborations, cross-border accreditation, program and degree or diploma harmonization, mutual recognition of skills and qualifications, c) Development of higher education and technical and vocational education and training institutions networks, and institutional twinning arrangements. d) Development of an integrated regional labor market information system focusing on providing information on current and future skill needs, and regional job search and placement services. 5. B. Health The CAREC Health Strategy 2030 has been developed and endorsed in 2021, and the accompanying investment framework (2022-2026) is being developed. Four strategic pillars[17] have been identified in the new CAREC health strategy are to guide future CAREC health cooperation. Projects may include those that:

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[15] Source: Sector outcome and outputs, CAREC 2030 Program Results Framework
[16] Source: ADB. 2017. CAREC 2030 Strategy. Link here.
[17] Four pillars include: (1) leadership and human resource capacity; (2) technical preparedness (laboratories and surveillance); (3) surge demands and access to supplies; and (4) vulnerable population groups and border health.

Cluster	Application (scope and activities)
	a) Strengthen capacity to prevent, detect and respond to human and animal disease outbreaks before they become pandemics. b) Develop robust health system and financing for achieving universal health coverage, thereby contributing to containing outbreaks before they become pandemics. c) Support region-wide universal health coverage schemes that will strengthen financing and delivery of region-wide prevention, detection and treatment of communicable and other diseases of migrant workers and other non-nationals. d) Strengthen capacities for transparent and timely information sharing with regional and global partners during outbreaks, which is critical to mitigate their spread and impact. e) Support regional health cooperation, including region-wide training of health workforce; pooled procurement and logistic systems of medicines, diagnostics, and vaccines; and region-wide tele-medicine, tele-radiology and tele-pathology systems, which help address communicable diseases in countries. f) Address country-level and region-wide anti-microbial resistance and inappropriate use of antibiotics in humans and animals. g) Strengthen health infrastructure facilities that focuses on addressing communicable diseases in border areas. h) Enhance laboratory capacities that support surveillance and management of communicable diseases. i) Help increase multisectoral collaboration among relevant sectors (e.g., human and animal health, finance, agriculture, security, defense, law enforcement, development, foreign affairs, research), as well as non-governmental partners. This includes helping to prevent transmission of diseases from animals to humans, and from humans to animals; and other region wide One Health interventions that jointly address human and animal health concerns. j) Sustain programs on vaccine-preventable diseases, malaria, tuberculosis, and HIV/AIDS, particularly after the reduction of Global Fund financing support.