



# **CAREC Post-Pandemic Framework for a Green, Sustainable, and Inclusive Recovery**

---

November 2022

# Table of Contents

- I. Brief Introduction ..... 4
- II. Principles for a Green, Sustainable, and Inclusive Recovery ..... 6
- III. Core themes for CAREC cooperation ..... 10
- IV. Role of Development Partners and Multilateral Development Banks for Regional Cooperation and Integration ..... 12

## Abbreviations

BRI	Belt and Road Initiative
CAREC	Central Asian Regional Economic Cooperation
DP	Development Partners
ECO	Economic Cooperation Organization (Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan)
GHG	Greenhouse gases
GDI	Global Development Initiative
MDBs	Multilateral Development Banks
NDCs	Nationally determined contributions for the reduction of GHG emissions
NIS	National Innovation Systems
RCEP	Regional Comprehensive Economic Partnership
RCI	Regional Cooperation and Integration
R&D	Research and Development
SPECA	United Nations Special Programme for the Economies of Central Asia (Afghanistan, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan)
TVET	Technical and vocational education and training

## I. Brief Introduction

1. The aim of the “CAREC Post-Pandemic Framework for Green, Sustainable and Inclusive Recovery” is for CAREC member countries to galvanize their joint efforts, demonstrate commitment and utilize regional cooperation to achieve a green, sustainable, and inclusive recovery for the region. The aim is also to provide a vision of the topics in which collaboration and action of the Development Partners and Multilateral Development Banks are most urgent and would make the largest contribution to the benefit of the CAREC region.
2. The CAREC region has overcome the worst obstacles for economic growth posed by the COVID-19 pandemic, but new challenges have emerged. Higher public debt brought about by increased government spending, coupled with rising inflation and geopolitical conflict again darken economic prospects in the region. Amidst this backdrop, CAREC economies must strike a delicate balance between preserving macroeconomic stability and sufficient support for the economy.
3. However also new opportunities have emerged thanks to new technologies, better connectivity, the global resolve to tackle climate change, secure biodiversity, and to deal with other environmental threats. The CAREC region has reduced poverty and will renew this trend after some setbacks due to COVID-19, natural disasters, conflicts, and elevated inflation. Efforts have been intensified to develop human capital and improve the well-being of all through better education, health care, social protection and empowering women and socially disadvantaged groups of the population.
4. The CAREC region is among the most vulnerable areas worldwide to climate change and natural disasters. Draughts, the recent large-scale floods in Pakistan, the melting of glaciers in the Kyrgyz Republic and Tajikistan are vivid examples for this. Food security and protection against disasters have gained utmost importance for the region. More generally, policies, regulations, and initiatives that support the CAREC region’s green transition and adaptation to climate change must be given highest priority. Sustainable agriculture and the energy transition will be key areas of structural change.
5. To allow the smooth transition to new productions and services and not to leave any group of population without adequate support during the imminent big socio-economic transitions, programs to secure inclusiveness must be mainstreamed. Social discrimination where it still exists needs to be overcome, education needs to be further improved, health systems and pandemic prevention need to be further propped up.
6. A new set of policies is needed along with the upgrading of existing ones to help CAREC members boost economic growth by strengthening resilience against new shocks, accelerating technological change, attracting new capital inflows, further facilitating interconnectivity and trade, and by promoting initiatives that support the CAREC region’s

green transition and adaptation to climate change. Coordination should be strengthened to enhance synergy between the CAREC Programme and other global and regional initiatives, including the Global Development Initial (GDI) which aims to accelerate the implementation of SDGs.

7. To move successfully and fast ahead, regional cooperation will be essential. There has never been a more important time for the CAREC economies to join efforts and work together to achieve the common goal of a green, sustainable, and inclusive recovery.

## II. Principles for a Green, Sustainable, and Inclusive Recovery

### A. Productivity push through digitalization, innovation, and investment

8. During the past decades, strong growth allowed the CAREC region to substantially narrow its income gap with developed economies. To continue on this path, new sources of productivity must be tapped. As the COVID-19 pandemic has shown, digitalization and innovation not only increase productivity but can also contribute to a more resilient society. They are also crucial prerequisites for ensuring successful participation in global and regional value chains. The business environment must be further improved. CAREC economies need to make the acceleration of development a priority and commit to an innovation-driven approach, to better exploit production niches related to their natural and historically accumulated comparative advantages. Mining, textiles, and agriculture will likely remain important, but more sophisticated, higher value-added downstream production and related services, distribution, marketing, R&D, will increasingly play a bigger role. Innovation will also be crucial for the localization of a higher share of foreign invested production.

9. There is a need to make national innovation systems (NISs) more efficient, increase R&D and innovation investment via public funds or catalyzing more private investment, including through encouraging venture capital, and by increasing support for incubators and technoparks. Innovation and advanced technologies are not only supportive to economic growth, they also play a big role in generating more inclusive and environmentally sustainable patterns of development.

10. The *CAREC Digital Strategy 2030* that was endorsed during last year's Ministerial Conference laid out the principles for closer collaboration in technology, innovation and scaling up digital connectivity in the CAREC region. Significant progress has been made along the lines outlined, especially on e-government. Now, further digitalization of all areas of the economy and personal life needs to be facilitated while dealing at the same time with data security and other potentially negative effects and challenges of digitalization.

11. Achieving green and sustainable development is impossible without narrowing the digital divide within/across the CAREC economies. Inequality or lack of digital access is one of the key factors that impedes sustainable development and leads to severe socioeconomic and environmental damage. Digital gaps are critical hindrances faced by developing countries that yield income inequality, cause social conflicts and loss of competitiveness, and polarizes people within/across countries.

12. For increasing productivity and the securing of needed products and services, foreign trade and foreign direct investments play a crucial role. Intra-CAREC trade and investment must be further developed, along with broader engagement in international initiatives such as the Belt and Road Initiative, the Regional Comprehensive Economic Partnership (RCEP), and others. The CAREC Integrated Trade Agenda 2030 continues to be the overarching guideline while

especially the soft trading infrastructure should be further upgraded and trade facilitation and trade-related development strategies further enhanced and better aligned, including initiatives for digitalization of transportation, customs, and trade.

## **B. Green growth through climate action, sustainable agriculture, and energy transition**

13. Balancing economic growth with climate imperatives and promoting harmony between man and nature have become central in the global development agenda. All CAREC members as well have submitted their intended nationally determined contributions (NDCs) for the reduction of GHG emissions under the COP 21 Paris Agreement. Time horizons are short, mostly 2030 is the critical year for delivery. Therefore, CAREC members should urgently take actions for delivering the required results. Implementation must be accelerated, and better coordinated international and regional action could help. For some CAREC countries, exports will be strongly impacted by global decarbonization efforts, especially in the long run. All CAREC economies must further develop their strategies in support of climate actions and further enhance cooperation in the areas of climate change mitigation and adaptation, and disaster relief, especially on cross-border projects.

14. Climate change is dramatically altering the hydroclimatic conditions in the CAREC region. The average annual temperature in Central Asia increased by 0.5°C over the last three decades, and it is set to increase further strongly. The projected negative climate trajectory will bring more challenges if the right measures are not taken at national and regional levels. The drying up of the Aral Sea, which used to be one of the world's largest lakes, is a living example. The floods in Pakistan are another drastic example. The increase in temperature coupled with changing seasonal and spatial patterns in precipitation is causing more frequent and severe droughts on the Central Asian plains. According to various forecast, seven countries in the CAREC region will be experiencing extremely high levels of water stress by 2040. The CAREC economies are exposed to the highest water stress in agriculture, followed by industrial and domestic use.

15. Climate change is severely impacting the CAREC region's agriculture, which still accounts for a substantial share of the region's production and an even higher share of employment. Agriculture is of the highest importance for food security. To address the challenges, breakthroughs in water and land productivity and diversification of agriculture production are required. Digital technologies are among the effective tools for modernizing agriculture and managing agricultural land and resources. The sector will have to rethink current agricultural production models to increase productivity and to address the challenges of climate change and global warming. The *Cooperation Framework for Food Security and Agricultural Development in the CAREC region* is to further enhance joint CAREC initiatives in this area.

16. As with agriculture, the region's energy sector needs to undergo deep transformation to cope with the realities of climate change and global warming. The CAREC region is strongly dependent on fossil fuel for electricity and heat, with some of the economies being large GHG emitters. Making a green transition for energy requires a broad range of measures from reorganizing the company structure of the sector to attracting more investments in transmission lines, the transition to a new power mix for a bigger share of renewables, to new financing tools, tariff setting, and regulation. The *CAREC Green Energy Alliance* as a regional financing will serve as a new vehicle for green energy projects.

17. Energy transition will have to encompass various dimensions, including availability, applicability, acceptability, and affordability. Challenges range from grid integration, the need for storage systems, and enhancing industry and household energy efficiency, to addressing the imminent increase in electricity demand resulting from the spread of digitalization and e-mobility.

Effective management of demand and supply patterns is needed to enhance asset use efficiency while minimizing potential market and regulatory risks. The transition requires reforms in regulations, tariffs, and pricing regimes. The CAREC members need to further improve the institutional and regulatory framework to encourage investments in the energy transition and in renewables. Regional cooperation is an important element of upgrading governance in the electricity sector. Stronger regional coordination can promote the rollout of stable governance frameworks and contribute to economies of scale and scope. Closer cooperation at all levels would also enhance efficiencies while minimizing market and regulatory risks faced by prospective investors. Such an approach would also facilitate the functioning of a regional energy market and diversifying generation based on competitive advantages.

### **C. Promoting inclusivity through social protection, gender, education, and health**

18. The CAREC economies have made great progress in poverty reduction and welfare improvement in the past decades, but the pandemic and the recent surge in inflation have slowed or reverted this trend. CAREC members should always follow a people-centred approach that benefits all. Achieving poverty reduction requires a complex set of social protection measures along with decent employment opportunities, social integration, robust social protection programs and a favorable environment. Adequate social safety nets, reduced inequality, and improvements in human capital will be key for a successful economic transition, allowing it to unfold without heightened social tensions.

19. The COVID-19 pandemic aggravated the gender equality gap in the CAREC region, with scarring from the pandemic deeper and longer lasting for women than for men. A whole range of policies and measures are needed to enhance gender equality - regulations and implementation controls that ensure goods are produced under safe working conditions, free from harassment, and with equal pay for equal work; zero tolerance policies to reduce the risk of gender discrimination, sexual exploitation, and the harassment of women and girls; helping women to gain skills by scholarships and other incentives that prepare them for jobs in science, technology, engineering, and mathematics. Gender inequality needs to be addressed on many levels, most importantly also by the empowerment of women in the political sphere. The *CAREC Gender Strategy 2030* endorsed in 2020 has reaffirmed the CAREC members commitment to “inclusion, empowerment, and resilience for all”.

20. Progress has also been made in education. However, issues remain, especially for technical and vocational education and training (TVET), and technical higher education. These are crucial for raising productivity and delivering proper services for digitalization, decarbonization and the green transition. Investments in this sector are crucial, especially in the digital infrastructure and access to online education. There needs to be more standardization and harmonization in TVET and technical higher education and strengthened cooperation on these initiatives. Academic exchange, although already well developed, can and should be further intensified.

21. COVID-19 hit education severely and affected disadvantaged students disproportionately. To ensure better and more equal access to education in future, CAREC countries need to strengthen early age education for all to compensate for the degree of education of parents that strongly impact the education and professional careers of their children, to support education in rural areas, and to invest in unlocking digital learning opportunities, including in online teaching methods and materials. Regional cooperation could help here as well.

22. Healthcare systems need to be better prepared for pandemic outbreaks as serious health threats remain. As new Sars-Cov-2 variants emerge, the CAREC region remains under threat from COVID-19, while other communicable diseases are also endangering the region. Chronic



infectious diseases, such as HIV/AIDS, tuberculosis (TB), and viral hepatitis B and C, continue to be a heavy burden in the region. Resistance to inexpensive and effective antimicrobial drugs has emerged at a high rate, making many common diseases and pathogens (such as TB) difficult and expensive to treat.

23. Innovative digital technologies and solutions in support of health information systems, data management, and knowledge sharing are all essential for better healthcare. Health services for migrants, border communities, and vulnerable groups should be enhanced, together with the specific needs of women. Properly organized measures are key to contain pandemics, such as successfully conducted vaccination campaigns based on well-conveyed information and timely procurement of vaccines. Regional cooperation should advance harmonized standards and regulatory mechanisms for efficient procurement and mutual help in case of insufficient health system capacities. The *CAREC Health Strategy 2030* reaffirms CAREC members' commitment to achieving regional health security.

### III. Core themes for CAREC cooperation

24. Since its inception in 2001, the CAREC Program has been an effective facilitator of practical, results-based regional projects and policy initiatives critical to sustainable economic growth and shared prosperity in the region. It has mobilized \$44.7 billion in investments as of June 2022, that have helped establish multimodal transport networks, increased energy trade and security, facilitated free movement of people and freight, and laid the groundwork for economic corridor development. The CAREC 2030 Strategy, endorsed during the 16<sup>th</sup> Ministerial Conference in 2017, provides a new long-term strategic framework for the program leading to 2030. Many initiatives have already been successfully implemented in the five priority clusters of the strategy under the overarching vision of “Good Neighbors, Good Partners, Good Prospects”.

25. The COVID-19 pandemic has validated the importance and need for continued regional cooperation, the exchange of knowledge and lessons, the identification of urgent investment needs and the mobilization of resources. Business activities and investments often require economies of scale to be successful and efficient, which can be done through strengthening cooperation and integration among the CAREC economies and coordinating development programs and policies of each country. The CAREC program should be used even more as an open and inclusive platform for strengthening linkages and synergy within countries and with other international and regional cooperation mechanisms. Partnerships among countries should be further strengthened to deepen cooperation in the focus areas for a green, sustainable, and inclusive recovery. Regional cooperation has become even more essential in the post-COVID-19 era and must be deepened to cope with new challenges in the region.

26. The imminent major technological and socioeconomic changes, the green transition, and new demand for inclusions and human capital development open new opportunities for closer intraregional cooperation and integration and increase the potential benefits for CAREC economies. These changes require in crucial areas sufficiently large economies of scale and scope, more common approaches and regulations, as well as and especially the intensified exchange of views, ideas, and knowledge, and the mutual contact and cooperation of all populations within the CAREC countries.

27. Core areas of old and new cooperation:

- I. **Trade and connectivity**: new transport corridors, new trade facilitation agreements, enhanced cooperation for product certification, better standardization of customs procedures, upgrading digital connectivity
- II. **Cooperation in regional services**: transportation, tourism, financial services, including green finance
- III. **Energy**: intensifying electricity trade in optimized trading systems, new electricity transmission lines, new oil and gas transportation routes, hydrogen transportation facilities

- IV. **Agriculture and food security**: better alignment of regional water management, improved logistics for trade in agricultural products and the development of regional agricultural value chains
- V. **Migration**: better equalization of minimum wages and social entitlements for migrant workers with that of residents, ensuring better cross-country portability of entitlements for migrants
- VI. **Science, technology, and education**: further intensification of cooperation in science, technology development and transfer and academia, including student exchange; broadening of mutual recognition of academic and professional degrees; broadening of cooperation especially in areas that have highest relevance for a sustainable and inclusive recovery such as climate change, energy efficiency, biodiversity, water management and green finance. A major focus should also be on health care and social sciences that deal with poverty reduction, inclusiveness and the empowerment of disadvantaged groups of the society.
- VII. **Health care**: early information in case of regional health threats, harmonization of standards for efficient procurement of vaccines, equipment and other medical goods, mutual help in case of insufficient health system capacities

## IV. Role of Development Partners and Multilateral Development Banks for Regional Cooperation and Integration

28. Development Partners' commitment to regional cooperation and integration (RCI) has been an important facilitating factor of the CAREC region's impressive development from the very beginning of the CAREC program's establishment, made possible by improved regional connectivity and trade, but not only. The exchange of views contributed to better mutual understanding and was a starting point of many successful initiatives. Cooperation in CAREC expert and working groups yielded many important concrete results improving people's lives in the CAREC region. To fully exploit the development potential of the CAREC region and to cope with the challenges and opportunities of our time not only intra-CAREC cooperation is highly important, but also the participation in other major cooperation and trade initiatives in the broader Asia-Pacific region and beyond.

29. Development Partners play a crucial role for the development of the CAREC region in multiple ways. Coordination among the Development Partners, and between Development Partners and CAREC region governments have a great effect on the outcomes of development efforts and should be intensified even more, especially along the core CAREC cooperation themes, to maximally benefit all CAREC members and the CAREC common cause.

30. Areas of essential interventions by Development Partners and Multilateral Development Banks:

- I. Guidance on the directions to go within the CAREC program's range of sectoral and thematic areas
- II. Linking CAREC's regional plans and programs more effectively with national plans and priorities
- III. Linking CAREC with other cooperation initiatives, regional and beyond (including BRI, SPECA, ECO, etc.)
- IV. Knowledge sharing through CAREC expert and thematic working groups
- V. Support for national and regional capacity and skills development, not least to underpin regional cooperation among countries
- VI. Critical review of the projects undertaken, help in assessing performance results
- VII. Last, but not least financial support and conducting of joint CAREC development projects and mobilizing concessional and non-concessional resources for this purpose.

31. Of special importance is the cooperation with Development Partners also for embedding CAREC activities in the Sustainable Development Goals framework and for monitoring CAREC activities through the prism of the Sustainable Development Goals. The CAREC program should intensify contacts with the organizations responsible for monitoring the progress on SDGs on the international level as well as with the national agencies of the CAREC members responsible for the Voluntary National Reviews for a deeper exchange of views.