



21st Ministerial Conference

24 November 2022

CAREC 2030

Progress Report



Central Asia Regional Economic
Cooperation (CAREC) Program



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Implementation Progress Report

November 2021 – October 2022

1. The Central Asia Regional Economic Cooperation (CAREC) Program, now 22 years in operation, has recorded impressive achievements in economic cooperation in the region. Since 2001, US\$45.7 billion worth of CAREC-related investment has been made covering 246 projects, as of June 2022, including US\$16.9 billion worth investment financed by the Asian Development Bank (ADB), more than US\$19 billion with support from other development partners, and more than US\$9 billion from CAREC governments. In addition, as of June 2022, CAREC-related technical assistance (TA) projects amounting to US\$581.31 million have been approved.
2. During the reporting period from November 2021 – October 2022 since the last SOM was held, the CAREC program planned and organized more than 89 activities, including meetings, consultations, and dialogues to promote efforts towards achieving its vision of "Good Neighbors, Good Partners, and Good Prospects", and the goals of 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 travel restrictions in some countries still in place, majority of events in the CAREC program were still conducted in virtual mode, but to further enhance active participation of member countries and development partners, events are gradually being shifted to hybrid mode.
3. The 20th CAREC Ministerial Conference (MC) was held virtually on 17 December 2021. The Ministerial Conference endorsed two new strategies, CAREC Digital Strategy 2030 and the CAREC Health Cooperation Strategy 2030. The Senior Officials' Meeting (SOM), held last 28 June 2022, discussed the progress of CAREC operational areas and new initiatives; the CAREC Post-Pandemic Framework for A Green, Sustainable and Inclusive Recovery, the Cooperation Framework for Agricultural Development and Food Security in the CAREC Region, the CAREC Green Energy Alliance, and the Climate Change and RCI Scoping Study. A CAREC High-Level Session was also held at the sidelines of the 55th Annual General Meeting on 28 September 2022, which provided CAREC ministers, senior officials, and development partners an opportunity to discuss regional cooperation for a green and resilient development.
4. CAREC countries are slowly recovering from the economic impacts of the COVID-19 pandemic. Despite some volatility in annual growth, almost all member countries reached real GDP levels well above those of 2019. When compared to the first half of last year, value-added in agriculture, manufacturing and services increased, with some volatility remaining in the mining sector. External debt ratios, already high for some economies, have not increased dramatically during the pandemic, despite elevated government spending and recovering consumption. Foreign exchange reserves have remained at acceptable levels but will need heightened attention¹.
5. Monetary policy was re-tightened in most CAREC economies during the first half of 2022 to counter inflation and protect exchange rates. Uncertainty caused by geopolitical conflict and

¹ CAREC Institute Quarterly Economic Monitor No. 7.

global inflationary pressures can cause significantly larger economic damage and greater potential for fragmentation of international trade and investment. This has also caused a further reduction in policy space, which is now more limited than at the onset of the pandemic¹. CAREC's role as an honest broker takes on an even greater significance and will have to navigate a more complex and rapidly evolving landscape to help member countries find common ground.

6. In the face of these challenges, each CAREC cluster has made progress. The **Economic and Financial Stability** cluster continues its mandate of promoting policy dialogue on important economic and financial stability issues in the region, as well as regional learning on macroeconomic policy coordination. Despite continued disruptions brought about by the COVID-19 pandemic, two high-level forums on important economic and financial stability issues in the CAREC region were organized by the ADB in coordination with the International Monetary Fund (IMF) and World Bank (WB), both in virtual format. The first high-level forum on financial stability was held on 4 October 2022, attended by Central bank governors, vice-governors, and senior finance ministers, which highlighted the emerging risks and vulnerabilities to financial stability in the region amid tightening global financial conditions and discussed policy measures that can mitigate these risks. The second high-level forum is being planned for early 2023. The topic is under discussion and will cover current fiscal challenges of the CAREC countries.

7. The **Trade, Tourism, and Economic Corridor** cluster continues to show its dynamism to keeping trade open and implementing regional cooperation initiatives. In the **trade** sector, there is good progress in implementing international agreements, aligning with international standards, and accelerating digital trade among the CAREC members. Azerbaijan and Uzbekistan advanced their efforts in World Trade Organization (WTO) working party discussions, while Turkmenistan was granted an acceding country status in February 2022 and launched its accession work program in July 2022. Implementation of commitments under the WTO Trade Facilitation Agreement is on track for CAREC members, with the PRC and Georgia achieving 100% implementation rate. Turkmenistan and the Kyrgyz Republic acceded to the World Customs Organization's Revised Kyoto Convention in 2021. In September 2022, the CAREC Forum on Developing Sustainable Economic Zones and Roundtable on Supply Chain Connectivity and Resilient Border Operations were organized in hybrid format in Mongolia. Tailored in-country activities on sanitary and phytosanitary measures were implemented in Azerbaijan, Mongolia, Pakistan, and Uzbekistan from March to July 2022.

8. Promoting e-commerce and accelerating digital trade remain priorities in the trade sector. Tajikistan launched its national single window (NSW) information system in 2020, while Pakistan launched its NSW in 2021 and e-commerce portal in 2022. Among CAREC countries, Uzbekistan and the PRC are actively exchanging electronic phytosanitary certificates via the International Plant Protection Convention's ePhyto solution. Turkmenistan and Mongolia acceded in May and July 2022, respectively to the UN Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the

Pacific, joining Azerbaijan and the PRC as parties to the treaty. Azerbaijan, Mongolia and the PRC are contracting parties to the UN Convention on the Use of Electronic Communications in International Contracts, while efforts are underway to provide pilot support to the PRC and Georgia in adopting the UN Model Law on Electronic Transferable Records. The ADB and CAREC Institute completed two research studies looking at the regulatory framework and infrastructure aspects of developing e-commerce ecosystems in 2021-2022. A series of CAREC Program webinars and online trainings were organized on e-commerce; with the USAID Future Growth Initiatives in May 2022; with CAREC Institute and ADB-PRC Regional Knowledge Sharing Initiative on the PRC's best practices in cross-border e-commerce from March to July 2022; and the Digital Commerce for Agricultural Development Forum in September 2022.

9. As part of strengthening institutions for trade, 12 regional dialogues/webinars and 7 tailored national training sessions with over 2,500 participants were organized in 2021 under the trade sector. The *CAREC Trade Week: Enhancing Cooperation in Digital Trade* was a key event in September 2021. The report on the feasibility of a CAREC-wide FTA was presented in August 2022, and phased implementation of capacity building activities are planned in Q4 2022 to Q2 2023. The CAREC Trade Information Portal and 10-year CAREC Corridor Performance Measurement and Monitoring perspective were updated and launched in August 2022. As part of the dissemination plan, the newsletter "CAREC Trade Insights and News" was launched in 2022, released every quarter. For the rest of 2022, the main trade deliverables include: (i) Flagship study on Trade Facilitation in CAREC: A 10-year Corridor Performance Measurement and Monitoring (CPMM) Perspective; (ii) CAREC Digital Trade Forum in October 2022; and (iii) the 20th Year of Customs Cooperation Committee in October 2022.
10. The **CAREC Tourism Strategy 2030** and its accompanying regional tourism investment framework 2021–2025 were endorsed in 2020 at the 19th CAREC Ministerial Conference. The Strategy 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 2022. The CAREC program also supported the establishment of the Almaty–Issyk Kul tourism cluster. Efforts were made to improve existing health and safety protocols and measures, develop capacities of stakeholders, and harmonize a regional accommodation classification system.
11. **Economic Corridor Development (ECD)** has maintained momentum in the CAREC region. CAREC countries have made good progress in adopting cross-border economic corridor concept in their national development strategies. Two CAREC initiatives are achieving

substantive results. The Almaty-Bishkek Economic Corridor (ABEC) saw the first ABEC-supported project approved by ADB to strengthen regional health security. Other supported projects include Preparing the Modern Agriculture Wholesale Market Development Project, the Issyk-Kul Lake Environmental Management for Sustainable Tourism Project, and the ABEC Regional Improvement of Border Services Project. Additionally, urban air quality measuring devices were deployed in Bishkek and Almaty. The implementation of the road map for the Shymkent-Tashkent-Khujand Economic Corridor (STKEC) development is also making progress, with pre-feasibility studies on an International Center for Industrial Cooperation between Kazakhstan and Uzbekistan, and a Trade and Logistics Center in Sugd Oblast in Tajikistan under preparation. An ADB-supported study on an ECD framework and operational guidelines that reflect wider economic benefits and captures the diversity of regions in Asia is being finalized.

12. The Infrastructure and Economic Connectivity cluster made notable progress over the reporting period. The **transport sector** completed most planned events and knowledge products in a timely manner and continued to support capacity development of government ministries and relevant authorities. With COVID-19-related restrictions remaining largely in place across member countries, the 19th Transport Sector Coordinating Committee Meeting, and the 6th Railway Working Group Meeting which require in-person discussions was conducted in 17-20 October 2022. Training workshops on road safety and road asset management systems that have been successfully completed on schedule were all arranged and conducted virtually. The transport sector also produced key knowledge products, such as the Road Asset Management System and Performance-Based Road Maintenance Contracts in the CAREC Region, and the Situation of Railways in CAREC Countries and Opportunities for Investment, Commercialization and Reform. The CAREC Road Safety Engineering Manual 5: Star Ratings for Road Safety Audit and the CAREC Road Safety Report Card have been completed and published last June-July 2022. Other key knowledge products on aviation and cross-border transport and logistics are underway, including the Aviation Freight Study, the Low-Cost Carriers Study, and a publication on Developers' Guide on Planning and Design of Logistics Centers. The CAREC Regional Improvement of Border Services (RIBS) projects in Pakistan, Mongolia, and the Kyrgyz Republic are ongoing and continue to support cross-border trade expansion in the CAREC region.
13. The **CAREC Energy Program** completed phase 1 of implementing the CAREC Energy Strategy 2030. Between 2020 and 2022, the ESCC endorsed a plan to establish a CAREC Green Energy Alliance to be the region's 1st targeted financing vehicle for green energy projects and launched the 1st regionwide energy efficiency campaign. The Committee also launched a 24/7 tool for policy makers – the CAREC Energy Reform Atlas – which aims to support decision makers in resolving the typical dilemmas when implementing energy sector reform. The ESCC also laid the foundation for a new Regional Transmission Cooperation Association (CATCA) as a body to establish regional grid enhancement plans and execute future cross-border projects. Another 2030 flagship deliverable - the CAREC Energy Outlook 2030 - was endorsed and will be officially published at the end of 2022 to

attract much needed investment. All CAREC members and development partners also endorsed the first CAREC Women-in-Energy Program which includes an action plan targeted at improving employability, visibility and education of women in the energy sector. The program's visibility was significantly boosted through the new CAREC Energy web platform (www.carecenergy.org) which led to a number of new organizations and development partners expressing significant interest in joining the program.

14. The CAREC Secretariat initiated conceptualization of a **CAREC Regional Infrastructure Projects Enabling Facility (RIPEF)** to reduce regional infrastructure financing gaps and strengthen the development capacities of member countries. The RIPEF, dedicated to regional projects preparation, aims to provide financial and technical support to member countries on project preparation and readiness, initial design, and application of appropriate financial solutions for project preparation while promoting knowledge exchange and capacity development. As a first step, an ADB-supported transaction technical assistance (TRTA) facility, with initial funding of \$1.4 million, has been successfully established and became operational since November 2021. The TRTA facility is currently supporting ADB's multiple regional infrastructure projects preparation in the CAREC region. In addition, an ADB-supported technical assistance was also approved in September 2020 to provide support for undertaking studies to help prepare the RIPEF concept 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 the RIPEF concept is in progress, and a series of consultations with ADB's internal counterparts, development partners, potential donors, and CAREC stakeholders are being undertaken in 2022.
15. The **Agriculture and Water** cluster has made steady progress. In the **agriculture sector**, a recently concluded technical assistance was quite successful in aligning national food safety regulations in compliance with international food safety standards for Kazakhstan, Kyrgyz Republic, Uzbekistan, Turkmenistan, Tajikistan, and Azerbaijan. Technical training was also provided to establish national Future actions could include providing knowledge support in this area and explore country-specific lending opportunities to improve food safety laboratories and related infrastructure, in accordance with preferences and priorities identified by CAREC member countries. Food security is a growing concern for the region, and, realizing this, the CAREC Secretariat has initiated work on "Cooperation Framework for Agricultural Development and Food Security in the CAREC Region", which is to be a deliverable for the Ministerial Conference this November. It is prepared in consultation with the CAREC member countries.
16. In the **water sector**, preparations for identifying a future portfolio of activities in the Central Asia region are in progress, with completion of the scoping study report and development of a framework for the Water Pillar. The framework comprises three blocks, (1) climate resilient and productive water systems, (2) sustainable water resources and water services, and (3) nexus solutions and cross sector learning. The five Central Asian countries voiced strong commitment for the Water Pillar to address the increasing pressures on water and challenges

to water security from a more variable climate. In 2022, five national consultations were held to solicit ideas for the Water Pillar and identify synergies with ongoing and pipeline programs in the region. A regional workshop is planned in November 2022 to consider a longlist of potential project activities, from which two will be initially selected in for more detailed project concept design and possible funding in 2023. They are expected to include components to support governance and management reforms required to manage water more efficiently, capacity and skills development, and infrastructure investments. Other project ideas from the longlist will be considered for implementation in subsequent years. The regional workshop will also consider institutional proposals for guiding the future work of the Water Pillar. Knowledge events on related topics are being planned for the fourth quarter of 2022 and the potential for expanding the geographic scope of the Water Pillar beyond Central Asia will be explored by early 2023. This work is also supported by a recently initiated study by the CAREC Institute 'Water Infrastructure in Central Asia: Promoting Sustainable Financing and Private Capital Participation'. The 2nd Water Dialogue on Sustainable Water Governance in Central, held last April 27, also presented findings on the analytical report 'Water Footprint Analysis of Central Asia', which outlined policy recommendations for mitigating climate change challenges through sustainable water management practices.

17. With CAREC Strategy 2030, member countries agreed to include **health** as a priority under the **Human Development** cluster. A Regional Implementation Framework (RIF) (2022-2026) is currently being developed to identify areas for implementation. This was presented during the 2nd Meeting of the CAREC Working Group on Health last 11-13 October in Georgia. In 2022, a series of regional webinars were conducted, specifically on *Covid Vaccine Hesitancy and Behavior Change Communication*, *Strengthening Health Supply Chain Management and Regional Collaborative Procurement*, and *Practical Epidemiology for COVID-19*. These webinars are conceptualized in close coordination with the member countries. A webinar series on *Digital Health and Regional Collaboration among Drug Regulatory Authorities* are also being planned for the rest of the year. In addition, the support to pilot a regional health security dashboard is currently being explored. The [CAREC health subsite](#) has been updated and provides an overview of key milestones in the CAREC health work.
18. For the **education sector**, specifically on higher education and skills development, an ADB-supported technical assistance project, 'Strengthening Regional Cooperation on Skills Development under the CAREC Program', was approved in October 2021. The first inception meeting and international expert roundtable was held in Tbilisi, Georgia, last May 2022, and focused on key developments, challenges, and opportunities for collaboration on skills development in the CAREC region. Two knowledge products are in final stage of preparation and will be circulated to member countries for their review: (i) a policy report providing a systematic assessment of the existing skills in CAREC countries, particularly the extent to which they provide relevant and utilizable skills; and (ii) policy brief providing a systematic assessment of how and how well skills development systems function in CAREC countries focusing particularly on two areas, i.e., higher education and technical and vocational education and training. Over the coming months, the project will embark on six new research projects: (1) mapping studies outlining CAREC members adherence to regional integration

frameworks in the higher education sector and (2) the extent and nature of existing university and TVET partnerships within CAREC; (3) a CAREC-wide review of labor recruitment regulations; (4) a regional study of long-term trends as well as (5) recent dynamics of Central Asian migration and a (6) multi-national CGE assessment of CAREC regional skill and labor market development scenarios. It is also currently working with partners interested in developing a CAREC University Consortium Network which will serve as a platform for consultations among academic stakeholders and an exchange mechanism for collaborative initiatives in the region.

19. The cross-cutting thematic areas of the CAREC Program have continued in implementing regional cooperation initiatives and made notable progress over the reporting period. As one of the key outputs for **CAREC Gender Strategy 2030** and the ADB-supported TA, 'Promoting Gender Equality in the Central Asia Regional Economic Cooperation Region,' the Regional Gender Expert Group (RGEG) was established with twelve nominated representatives from the CAREC member countries in July 2022. To mark the establishment of the RGEG and kick-start its work as an advisory and consultative body, the CAREC Secretariat organized the RGEG Inaugural meeting together with a Women's Economic Empowerment Forum in a hybrid format on 9-10 August 2022 in Istanbul, Türkiye. The meeting was a platform for the RGEG to meet and share national perspectives on gender and women's empowerment, and discuss urgent regional issues related to the implementation of the TA and the CAREC Gender Strategy. To promote the CAREC Gender Strategy, the communication team launched the CAREC Gender pages on LinkedIn and Facebook using key points from the RGEG inaugural meeting and the gender forum as initial content and is in the process of launching its webpage on the new CAREC website. In addition, concept notes about the CAREC Businesswomen Forum and other regional pilot activities will be developed and consulted with the RGEG. Lastly, a sectoral gender analysis will be conducted to further identify the gender gaps for the development of a regional gender actional plan and gender database.

20. The **CAREC Digital Strategy 2030**, since its endorsement at the 2021 Ministerial Conference, provides the vision and roadmap to serve as the catalyst for promoting digital technology to address social and economic challenges through regional cooperation in the CAREC region. The CAREC Secretariat has created the CAREC Digital Strategy 2030 portal website. The CAREC Digital Strategy Steering Committee has been established and the first inaugural meeting will be conducted in October 2022. The ADB and EAKPF supported the TA project 'Supporting Startup Ecosystem in the Central Asia Regional Economic Cooperation Region to Mitigate Impact of COVID-19 and Support Economic Revival' and have undertaken innovation-promoting initiatives. The 'Virtual CAREC' initiative has provided ICT equipment to CAREC National Focal Point offices and organized a series of capacity-building and training workshops for CAREC staff to improve their digital skills. The CAREC Startup Ecosystem hub has moved to the implementation phase. Based on the interviews and secondary research with ecosystem players, the Secretariat has

launched the [CAREC Startup Map](#) and the CAREC Innovation Network to encourage cross-country cooperation and collaboration between entrepreneurs and active stakeholders in the region. The Startup Map has listed over 6000 entities which is currently the largest regional database of Startups, Accelerators, Incubators, etc. in the CAREC region. We have over 40 registered and active members representing various CAREC countries in the CAREC Innovation Network. Lastly, as part of hosting open innovation challenges, the Secretariat concluded the CAREC University Startup Generator challenge which saw participation from more than 100 students who developed their startup ideas.

21. To build CAREC countries' physical and financial resilience against **disaster risks** derived from earthquake, floods and infectious disease outbreaks, the regional technical assistance (TA) on [Developing a Disaster Risk Transfer Facility in the CAREC Region](#) is being implemented. The first phase of the TA has delivered several knowledge products, including i) disaster risk profiles for each CAREC country; ii) a Protection Gap Report quantifying the difference between the estimated losses from earthquake and flood risk and the existing ex-ante financing tools in CAREC countries, iii) a report on *Building Resilience to Future Outbreaks: Infectious Disease Risk Financing Solutions* which includes recommendations for the development of infectious disease risk financing mechanisms for CAREC countries, and iv) a Compound Risk Analysis Report assessing of the potential impacts of the combined risk of natural hazards and infectious disease outbreaks in the CAREC region. The alpha version of a disaster risk modelling tool has been developed and presented during consultations meetings with the countries from March to beginning of April 2022. A pilot disaster risk transfer facility will be conceptualized based on the analytical work done. Additional consultations, workshops, and deliverables will be done during the next few months, including: i) beta version of the disaster risk modelling tool; ii) feasibility assessment on the issuance of a disaster relief (cat) bond by ADB for CAREC countries, including financial, modeling, structural, legal and documentation requirements; and iii) a final report detailing next steps to further develop regional infectious disease risk financing framework coordinated with the Health Sector Group. The team will be holding a regional engagement event in hybrid format by end 2022 to present the progress on project deliverables and discuss the next steps and activities moving forward with the project. The TA will be extended at no additional cost until Q3 2023 to ensure completion and quality of deliverables.

22. **CAREC Institute (CI)**, the knowledge arm of the CAREC program, has adopted a new strategy with an extended time horizon to effectively contribute to post-pandemic recovery efforts. A revamped Advisory Council (AC), with renowned regional and global experts and practitioners as members, has been notified and convened to serve as source of intellectual inputs. As a crucial step forward to financial sustainability, the Institute has formed a cross-divisional resource mobilization task team to systematically approach sources of financing. To expand outreach to national stakeholders, a Quarterly Economic Monitor and e-newsletter in English, Chinese and Russian is regularly being disseminated, including briefings on key regional economic topics. The Sixth CAREC Think Tank Forum, was completed last 15-16

September 2022 in Azerbaijan and was the first conducted ever since the outbreak of COVID-19. The Institute also published its inaugural annual book, 'COVID-19 and Economic Recovery Potential in the CAREC Region', which includes a series of analytical papers with policy recommendations. A key ministerial deliverable for 2022, 'Post-Pandemic Framework for a Green, Sustainable and Inclusive Recovery', is also being finalized. So far this year, 30 different research products has been completed and disseminated, such as reports, papers, policy briefs, and blogs. The Institute is also increasingly leveraging regional networks and has engaged in four collaborative research projects: i) Civil Aviation Development in Kazakhstan and Mongolia, and ii) Civil Aviation Development in Uzbekistan, Kyrgyzstan, Turkmenistan, and Georgia in collaboration with Civil Aviation Administration of China (CAAC), iii) Digital and Sustainable Trade Facilitation in CAREC 2021 in collaboration with UN ESCAP, and iv) Digital CAREC: Analysis of Regional Digital Gap with Islamic Development Bank. The CI continues its research and policy dialogues on various issues of CAREC regional integration. With upgraded E-Learning infrastructure, CI has fully transformed its capacity building into hybrid mode and already completed 90% of planned activities, while intensifying efforts to deliver additional workshops jointly with implementing partners. More than 70 digital learning modules with videos, presentations and other relevant materials have been uploaded to the E-Learning platform – attracting 25,000 distance learners. CI's communication channels and products are expanding to further transfer the knowledge for shared regional prosperity.