



The Central Asia Regional Economic Cooperation (CAREC) Program Development Effectiveness Review 2020

Final Draft report

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Acronyms

ABEC	–	Almaty-Bishkek Economic Corridor
ADB	–	Asian Development Bank
ADBI	–	Asian Development Bank Institute
AIIB	–	Asian Infrastructure Investment Bank
BCP	–	Border Crossing Point
BRI	–	Belt and Road Initiative
CAREC	–	Central Asia Regional Economic Cooperation
CATCA	–	Central Asia Transmission Cooperation Association
CAREM	–	Central Asia Regional Electricity Market
CASA	–	Central Asia - South Asia
CCC	–	Customs Cooperation Committee
CI	–	CAREC Institute
CITA	–	CAREC Integrated Trade Agenda
COP21	–	21st Conference of the Parties to the United Nations Framework Convention on Climate Change
CPMM	–	Corridor Performance Measurement and Monitoring
CWRD	–	Central and West Asia Department (ADB)
DEFr	–	Development Effectiveness Review
DMCs	–	Developing Member Countries
DP	–	Development Partners
EAEU	–	Eurasian Economic Union
EBRD	–	European Bank for Reconstruction and Development
ECD	–	Economic Corridor Development
ESCC	–	Energy Sector Coordinating Committee
IMF	–	International Monetary Fund
IsDB	–	Islamic Development Bank
MC	–	Ministerial conference
NFP	–	National Focal Point
PRF	–	Program Results Framework
RIBS	–	Regional Improvement of Border Services
RSAP	–	Rolling Strategic Action Plan
RTG	–	Regional Trade Group
RWG	–	Regional Working Group
SDG	–	Sustainable Development Goal
SMEs	–	Small and medium-sized enterprises
SOM	–	Senior Officials' Meeting
SPS	–	Sanitary and phytosanitary
STKEC	–	Shymkent-Tashkent-Khujand Economic Corridor
TAP	–	Turkmenistan-Afghanistan-Pakistan
TAPI	–	Turkmenistan-Afghanistan-Pakistan-India
TFA	–	Trade Facilitation Agreement

- TFI – Trade Facilitation Indicators
- TSCC – Transport Sector Coordination Committee
- TUTAP – Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan
- WB – World Bank
- WTO – World Trade Organization

Executive summary

Purpose and Scope of the Development Effectiveness Review

This report presents the findings and recommendations from the first Development Effectiveness Review (DEfR) of the Central Asia Regional Economic Cooperation (CAREC) Program under the *CAREC 2030 Strategic Framework*, endorsed at the 16th Ministerial Conference in 2017. The review covers 2017-2020, with 2017 as the baseline year. It reports progress against the CAREC Program Results Framework (PRF) and provides a consolidated picture of progress towards achieving the objectives of CAREC 2030, highlights achievements in the Program's five operational clusters, and identifies areas for improvement. The DEfR used *relevance*, *process* (coherence and sustainability) and *progress* (effectiveness) as criteria for review.

Overview of CAREC 2030

CAREC is a partnership of six multilateral institutions, the Asian Development Bank (ADB) as the host of CAREC Secretariat, and 11 Central Asian countries. It began in 2001 as a long-term regional cooperation initiative to accelerate economic growth and shared prosperity for the CAREC region. CAREC 2030's mission aims to create an open and inclusive regional cooperation platform that connects people, policies, and projects for shared and sustainable development. The CAREC program pursues its objectives through technical assistance projects, policy dialogues, and knowledge products and services in five operational clusters encompassing existing and new sectors: (i) economic and financial stability; (ii) trade, tourism, and economic corridor development; (iii) infrastructure and economic connectivity (transport and energy); (iv) agriculture and water; and (v) human development (health and education). Gender, information communication technology (ICT), and climate change adaptation are cross cutting themes. The enlarged scope of the program was expected to open new opportunities for existing and new development partners to provide support and expertise in areas of respective comparative advantage. The new framework emphasized deepening of policy dialogue, delivery of quality knowledge products, and integrating the role of private sector and civil society. A renewed institutional framework was proposed to implement CAREC 2030.

Key Findings

Relevance: There is strong evidence that *CAREC 2030 strategic framework* remains relevant. It aligns with the Sustainable Development Goals and the sustainable development priorities of member countries. Participation of member countries and development partners in CAREC planning and implementation of activities demonstrates the value members attach to the program. Building on lessons learned and the emerging context, CAREC has revised strategies for 2030 and developed rolling action plans in its traditional sectors (trade, transport, and energy) to remain relevant. CAREC strategies or approaches for new sectors are being developed based on detailed scoping studies. Each sector strategy was developed in consultation with member countries, development partners, and technical experts. The strategies reflect national priorities and are well aligned with CAREC's overarching objectives. The driving principles of *CAREC 2030*

have been adopted in the Program, evident from expansion to new clusters and sectors, adoption of the *project++* approach by enhancing emphasis on policy dialogue and knowledge cooperation, and increased integration of technology in sector initiatives (e.g., paperless trade, one-window operation, e-commerce, and virtual portals). The formulation of the CAREC Digital Strategy 2030 was initiated, and the draft digital strategy, which is expected to be submitted to CAREC Ministerial Conference for endorsement in November 2021. Climate change adaptation is reflected in the water and agriculture sector and integrated in the energy sector by including green energy promotion and energy efficiency as a key pillar.

Progress on gender mainstreaming has been relatively slow and some opportunities to integrate gender equality in CAREC-assisted projects were missed. This situation is expected to change as the CAREC Gender Strategy 2030, developed and endorsed in 2020, is implemented. The DEfR also noted room for improvement in integrating the role of private sector and civil society in promoting regional cooperation and development.

Process: CAREC has developed a strong template for regional cooperation through its *project++* approach, comprehensive strategies and action plans, and a multi-stakeholder institutional structure linked with strategizing, planning, and implementation processes. CAREC's institutional structure and processes enabled progress despite the disruptions caused by COVID-19 while leveraging opportunities that the pandemic opened, including transition to a virtual platform and greater digitalisation.

The renewed institutional structure proposed in CAREC 2030 has worked well and provided continuity and coherence. The Ministerial Conference (MC), Senior Officials Meeting (SOM), National Focal Points (NFP) meetings, sector committees, and sub-working groups have continued to meet during the pandemic, with few exceptions, and to keep the CAREC agenda moving. Representation of national governments and development partners on these bodies, their role as co-chair, and their participation in meetings is enabling ownership of strategies and initiatives by different stakeholders. However, building ownership of CAREC 's agenda requires further sustained efforts at multiple levels of governments with multiple agencies.

The program has been engaging bilateral and multi-lateral agencies, beyond the six original development partners, to co-finance projects, provide technical assistance, participate in policy dialogues, and share knowledge. Feedback during DEfR consultations indicates there is room for improvement, especially in leveraging expertise of development partners, for example in integrating the role of private sector in regional economic cooperation.

CAREC Secretariat has been the glue for the overall institutional structure. It has facilitated development and endorsement of CAREC strategies, engaged consultants for different tasks, organized MC and SOM, liaised with sector committees and national focal points, coordinated engagements with more development partners, and provided administrative support. But staffing of the Secretariat has barely increased despite the broader CAREC 2030 agenda. As CAREC implements activities in all five clusters, it will be challenging for the Secretariat to provide adequate administrative and program support with its current strength.

Progress: The Program has achieved good progress in implementing the CAREC 2030 agenda during its initial three years. CAREC strengthened its position as a multi-sector regional cooperation platform. Its enlarged scope is creating more opportunities for CAREC to bring member countries together, mobilise expertise from a larger group of development partners, influence policies and extend capacity building support to enhance regional connectivity and cooperation. A higher number of Technical Assistance (TA) projects were implemented in the past three years compared to the last three years (2014-16) of the preceding strategy and technical assistance has been more sharply focused on supporting multi-faceted, region-wide, longer-term, and strategic objectives of CAREC. Significant progress was also noted at the CAREC Institute, which developed its internal capacities and plays a greater role in supporting CAREC's knowledge services and influencing the regional connectivity and cooperation agenda.

CAREC's strong performance in implementing the 2030 strategy and progress made in the sectors suggest that it is on track to achieve most of its 2030 goals. However, significant efforts in each sector would be required to transform its gains in results achieved into more tangible outcome and output results in the remaining ten years.

The Program has implemented an impressive array of strategic planning, capacity building, policy reform, and knowledge creation activities to enhance regional connectivity and cooperation in its traditional sectors (trade, transport, and energy) with modest results emerging. Simultaneously, it has built a good foundation to launch activities in new clusters and sectors (economic and financial stability, tourism, agriculture and water, and health).

The traditional sectors – transport, trade, and energy – have shown modest yet steady improvements between 2017 and 2020. Analysis of available data on CAREC 2030 outcome and output indicators for trade and transport shows that the average time, cost, and speed to move goods on CAREC corridors improved marginally for rail transport but deteriorated for road transport. There was some progress on integration of member countries into the global economy and expanding their trade. CAREC countries' trade in fuel and non-fuel within the region and the rest of the world increased as a percentage of GDP in 2019 (latest data available) compared to the baseline. Progress on diversification of exports, a key agenda of CAREC, is yet to be observed.

It is too early to expect results in the energy sector as the new sector strategy was approved in 2020 but work on several key deliverables has progressed. It includes the first region-wide Energy Efficiency Awareness Campaign, a preliminary concept for a regional green financing vehicle, a draft toolkit on tariff-setting principles and tariff reforms and plans for a new virtual CAREC Energy Reform Atlas, the first 10-year CAREC Energy Outlook, and a web-based CAREC energy platform as a one-stop gateway for energy programming. Three cross-border electricity interconnection projects advanced.

For the new clusters and sectors, progress on output indicators is premature to expect, but a good start has been made in economic and financial stability, tourism, agriculture, water, and health sectors. Strategies or approaches for tourism, health, and the economic and financial stability

sectors have been developed and activities have started. Strategic planning for the water and education sector is expected to be complete in 2022.

DEfR noted that it is early to expect results within three years of implementation of the new strategic framework. As well, each of the traditional sector strategies (trade, transport, and energy) were renewed after 2017 and have seen three years or less of implementation. Whereas much of CAREC's work is on instituting reform, building institutional capacities, and working with multiple agencies and governments to improve and harmonize rules, regulations, and systems within the region, which are efforts that require coordination with multiple agencies and countries having varying capacities and priorities. These efforts take a longer timeframe to yield tangible results. The pandemic has also slowed down progress in all sectors in 2020. Lastly, gaps in the CAREC 2030 program results framework, discussed in the conclusion section of this report, makes it challenging to assess progress.

Recommendations

Based on findings of the review, the following recommendations are proposed:

- Review and adjust as necessary sectoral priorities and interventions to ensure the highest level of relevance considering the impact of the pandemic. Stronger and accelerated efforts by CAREC on supporting ICT infrastructure development and digitalisation of services, as well as prioritising regional health security and health systems strengthening, may help mitigate the negative impact of COVID-19.
- Review and revise the CAREC PRF to make it more coherent, realistic, and aligned with the CAREC 2030 Strategy and objectives, sector strategies and interventions. The PRF will benefit from enhanced results chain, refined results statement, and improved identification of indicators. A supporting theory of change could also be developed.
- Develop a CAREC communication strategy and invest in well-targeted communication and engagement with member countries on CAREC objectives, program, and achievements to build greater visibility, understanding and ownership of the program. Simultaneously, political commitment by member countries can be further enhanced through a summit-level meeting of CAREC head of states or government as proposed in the CAREC 2030 Strategy.

1. Overview of CAREC Program

A. Methodology and Scope

This first Development Effectiveness Review covers the period 2017-2020. The overall objective is to assess progress achieved during this period using 2017 data as the baseline, highlight achievements, identify challenges and areas for improvements, and propose recommendations to meet current and emerging challenges and assist in strategic decision making. Since this is the first progress review of CAREC 2030 strategy and program, the emphasis has been on learning, continuous improvement, and future direction of the CAREC program.

The DEfR uses relevance, progress (effectiveness), and process (coherence and sustainability) as criteria to assess CAREC 2030 implementation as of 2020. It is based on: (i) literature review, particularly analyses conducted by ADB, World Bank, International Monetary Fund (IMF) and other agencies on development trends in the CAREC region over the past three years with a special focus on the impact of COVID-19; (ii) review of CAREC documents and data including sector progress reports, sector strategies, scoping studies, meeting and workshop reports, corridor performance measurement and monitoring (CPMM) reports, data on program results framework, and other relevant documents; (iii) interviews with 19 key informants to obtain in-depth information on the DEfR questions (11 ADB staff, 4 national focal persons from member countries, 2 representatives from development partners and 2 officials from the CAREC Institute); and (iv) structured questionnaires to elicit responses from member countries and sector focal points on the three criteria. Details of DEfR scope and methodology is presented at Annex IV.

The DEfR encountered three methodological challenges in assessing the progress of CAREC Program over the last three years. Foremost is the weakness in the current program results framework (PRF). There are gaps in the results chain and data. Some results statements need to be redefined to ensure consistency in definition of outcomes and outputs. The PRF also includes some results on which CAREC has limited control. The DEfR came up with methods to mitigate the challenges and provided recommendations to address them (discussed and explained in detail in Annex IV).

B. Background

The Asian Development Bank (ADB), in collaboration with development partners¹, and the Central Asian countries jointly launched the Central Asia Regional Economic Cooperation (CAREC) program in 2001 as a long-term regional cooperation initiative with the goal of promoting sustainable economic development and shared prosperity in the region. The program is guided by its overarching vision of “Good Neighbors, Good Partners, and Good Prospects”. Since its launch, the CAREC Program has continued to evolve in response to emerging needs of member countries and changing global and regional contexts. Its first strategic framework, the CAREC

¹ European Bank for Reconstruction and Development, Islamic Development Bank, International Monetary Fund, United Nations Development Program and the World Bank.

Comprehensive Action Plan, guided the program in 2006-2010. This plan was revised in 2011 following a stocktaking of achievements and lessons. The second strategic framework, CAREC 2020, was approved by the CAREC Ministerial Conference (MC) to guide the program for the next ten years, 2011-2020 with the twin strategic objectives of trade expansion and improved competitiveness.

Following the midterm review of CAREC 2020, the third strategic framework, *CAREC 2030*, was developed and endorsed at the 16th Ministerial Conference in October 2017. The framework had a broadened scope to ensure CAREC's relevance in the changing development landscape of member countries in the region and in view of emerging challenges to globalization due to stalemate in global trade deals and a rise in protectionist sentiments in various parts of the world. As well, the emergence of other regional players such as the Asian Infrastructure Bank (AIIB), the Eurasian Economic Union (EEU), Eurasian Fund for Stabilization and Development and a revamped global development agenda, including the Sustainable Development Goals (SDGs) and the Paris agreement reached at the 21st Conference of Parties of UN Framework Convention on Climate Change (COP21) offered fresh opportunities for partnerships, coordination, and regional cooperation for development.

CAREC 2030: Connecting the Region for Shared and Sustainable Development provides the long-term strategic framework for the CAREC Program leading to 2030 with plans for a Development Effectiveness Review (DEfR) of the Program every three years. The DEfR is intended to provide a consolidated picture of the progress made by the CAREC program to support the CAREC members' economic development through regional cooperation.

C. CAREC 2030 Strategic Objectives, Operational Priorities, and Institutional Structure

CAREC 2030 has a mission “a regional platform to connect people, policies, and projects for shared and sustainable development” and a goal of “Development through cooperation leading to sustainable economic development and shared prosperity for the CAREC region”. To pursue this goal, CAREC was expected to deepen its operations in the existing priority areas of transport, energy, and trade and selectively expand to new areas – economic and financial stability, agriculture and water, and human development.

While each of the five operational clusters (see box) under the new strategy has its objective, outcomes, and outputs, these are synergistic in achieving the program's overarching goal. Integrating gender, information communication technology and climate change impact across the spectrum of CAREC operations is a cross-cutting priority. In addition, the new framework emphasized private-sector participation and investment in the CAREC region. It also aims to strengthen engagement with civil society to seek its support in promoting people-to-people contacts, including among border communities.

As part of its “*project++*” approach, CAREC 2030 places a strong emphasis on complementing priority investment projects with policy dialogue and knowledge cooperation.

The 2030 strategic framework includes a renewed institutional framework (Annex I) to promote member countries’ active and sustained participation in CAREC at both policy and project levels. The Ministerial Conference (MC) functions as a high-level strategy setting and policy body that meets annually. The Senior Officials Meeting (SOM) serves as a mechanism to ensure the effective implementation of policy and strategic decisions made by the MC, monitors progress at cluster and sector levels, and recommends operational improvements. Each cluster is supported by sector committees to ensure effective and timely implementation of projects and initiatives within their mandated area. The framework allows for establishing sub-working groups and expert groups on specific areas.

Operational Clusters of CAREC 2030

Economic and financial stability: Increased regional macroeconomic stability, improved investment, and financial integration

Trade, tourism, and economic corridors: Expanded trade, competitive economic corridors, and tourism opportunities

Infrastructure and economic connectivity: Enhanced economic connectivity, and increased sustainability and resilience of regional infrastructure for transport and energy

Agriculture and water: Expanded agricultural trade, and effective transboundary water resource management

Human development focusing on health and education: Increased regional cooperation in education and health

The expanded scope of CAREC 2030 provides more space for development partners to engage in any of the five operational clusters through parallel or co-financing investment projects, extending technical assistance, contributing to policy dialogue and co-chairing working groups. The CAREC Secretariat, based at ADB, is expected to continue providing technical, administrative, and coordinating support for the implementation of CAREC 2030 strategy and program. The new strategy calls for an enhanced role of the CAREC Institute in providing knowledge and analytical products to inform policy dialogues and sector specific discussions at the MC, SOM, and sector committees.

D. Global and Regional Developments

Since the implementation of the current CAREC strategy from 2017, several global and regional developments and events have affected the Program. Among these, COVID-19 has had the most profound impact since early 2020 as lockdowns and travel restrictions disrupted global supply chains, shrunk demand, interrupted construction and manufacturing activities, brought tourism to almost a grinding halt, led to closure of businesses and large-scale staff layover or furlough – with the cumulative impact of slowing down the global economy. The world merchandise trade volume in 2020 declined by 5.3 percent² accompanied by a 3.2 percent contraction in world GDP. When measured in nominal US dollar terms, the decline in

² World Trade Statistical Review 2021; WTO, viewed on September 6, 2021.

merchandise trade in 2020 was even larger – 8 percent fall in value of exports. Services export fell even more, dropping by 20 percent, mainly due to travel restrictions.

The CAREC region was no exception as the growth rate in every member country dropped sharply in 2020 (Table 1) with seven countries experiencing contraction in their economy reflected by negative growth rates. This decline in 2020 in the CAREC region came after consistent growth in the pre-pandemic years as GDP of all countries expanded between 2017 and 2019 with six countries experiencing higher growth rate in 2019 compared to the baseline year. Except for Afghanistan and Pakistan, the other nine countries experienced either consistent growth or minor fluctuations in growth rates showing some sign of stability.

Table 1: Gross Domestic Product (% growth)

Country	2017	2018	2019	2020	2021	2022
Afghanistan	2.7	1.2	3.9	-1.9	3.0	4.0
Azerbaijan	0.2	1.5	2.5	-4.3	2.2	2.5
PRC	6.9	6.7	6.0	2.3	8.1	5.5
Georgia	4.8	4.8	5.0	-6.2	8.5	6.5
Kazakhstan	4.1	4.1	4.5	-2.6	3.4	3.7
Kyrgyz Republic	4.7	3.8	4.6	-8.6	3.5	5.0
Mongolia	5.3	7.2	5.2	-5.3	4.6	6.0
Pakistan	5.2	5.5	2.1	-0.5	3.9	4.0
Tajikistan	7.1	7.3	7.5	4.5	5.0	5.5
Turkmenistan	6.5	6.2	6.3	1.6	4.8	4.9
Uzbekistan	4.5	5.4	5.8	1.6	5.0	5.5
Middle East & Central Asia			1.4	-2.6	4.0	3.7
Emerging Markets & Developing Economies			3.7	-2.1	6.3	5.2
Low Income Developing Countries			5.3	0.2	3.9	5.5
Global			2.8	-3.2	6.0	4.9

PRC = People's Republic of China.

Note: Data for 2021 and 2022 are projections

Source for CAREC countries:

[September 2021 GDP Growth in Asia and the Pacific, Asian Development Outlook \(ADO\) Update](#)
[GDP Growth in Asia and the Pacific, 2021 ADO](#)

Source for 2021 and 2022 Afghanistan
 (updated data not available)

Source for group of countries/global:

[July 2021 IMF World Economic Outlook Update](#)

The global economy started rebounding in 2021 and is projected to grow six percent in 2021 and 4.9 percent in 2022. However, these growth figures must be viewed in the context of a lower economic base in the preceding year and the shaving effect of expected inflation in 2021-2022³. Projections for low-income developing countries are 3.9 percent and 5.5 percent for 2021 and 2022, respectively. But recovery has been divergent⁴ and growth forecasts are mired in uncertainty. According to the [July 2021 IMF World Economic Outlook](#), access to vaccine against COVID-19 in a country is a key determinant of return to normalization of activity but recovery is

³ IMF. July 2021. [World Economic Outlook Update](#)

⁴ Countries with high vaccine rollout (include all advanced economies) are returning to normalization of activity while those with low vaccination rate are facing more challenges in recovery, though uncertainty prevails for group of countries amid the fear of renewed flareup.

not assured even in countries where COVID-19 infections are currently very low so long as the virus circulates elsewhere and continues to mutate. Slow vaccine rollout would allow the virus to mutate further and delay recovery. Hence, an immediate priority is to deploy vaccines equitably worldwide. The World Health Organization, in collaboration with multilateral institutions and G7 countries, has been leading efforts on vaccine deployment in developing countries through the COVAX mechanism, but coverage has been low.

As of July 2021 IMF Update, COVID-19 vaccines have been administered to less than [12 percent](#) of the population in emerging markets and less than two percent in low income countries compared to 40 percent in advanced economies. Within the CAREC region, two countries – Mongolia (64 percent) and the PRC (56 percent) – have fully vaccinated more than half of their population. Two countries have fully vaccinated about one quarter of their population – Kazakhstan at 27 percent and Azerbaijan at 24 percent. The remaining countries for which data is available have fully vaccinated less than 10 percent of their population, well below the world average of 24 percent⁵ and far below the target set by the WHO of vaccinating 40 percent of the global population by the end of 2021.

Sustained recovery in CAREC countries would require progress in at least four areas. First, CAREC countries need access to COVID-19 vaccines as well as arrange logistics to administer doses. Second, countries with financially constrained economies need access to international liquidity. Third, governments will have to introduce well-directed policies to stimulate the economy and enable an inclusive and sustainable recovery. Fourth, governments, through CAREC, will need to ensure harmonization of health and safety standards across the region or at least within sub-regional travel bubbles. The CAREC Program, through facilitating investment projects, policy advice, and capacity building support in multiple sectors, is well placed to support this recovery. But reinvigorating domestic economic activity will also require building resilient health systems with capability for testing, tracing, and treatment as this would allow social interaction and consumption levels to rebound⁶.

Although [remittance flows to low and middle income countries](#) remained resilient in 2020 despite the pandemic, showing only a small decline (1.6 percent) below the 2019 total of \$548 billion, the drop was much sharper (nearly 10 percent) for Europe and Central Asia region where almost every country experienced a decline. Remittance flow to the region is estimated to fall further by 3.2 percent in 2021. For the central Asian countries, which rely on Russian Federation for remittance inflows, the situation is less likely to improve in the near future because of the economic slowdown that Russian Federation has been experiencing. Among CAREC countries, Pakistan registered the highest growth (17 percent) in remittances in 2020 compared to the previous year and expects it to stay around that level in 2021.

But a major issue that pre-dates COVID-19 is trade diversification, an important objective of CAREC. This has been a longstanding issue for Central Asian economies where a large share

⁵ Source: Johns Hopkins University. <https://coronavirus.jhu.edu/vaccines/international> (as of August 21, 2021)

⁶ UNDP. 2020. *COVID-19 and Central Asia: Socio-economic impacts and key policy considerations for recovery*. This research covers Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan.

of government revenue and export value is derived from limited sectors – making the economies vulnerable to shocks due to volatility in commodity prices and international market, as also witnessed during the pandemic. The Central Asian economies have a very low ‘economic complexity’ of exports, which has deteriorated between 2000 and 2017, despite an increase in GDP per capita, owing largely to commodity price increases and not to diversification⁷.

Lack of progress in trade diversification in Central Asia since 2000 had led to prioritization of economic diversification under the CAREC trade agenda. Deeper structural issues and strengthened cross-sectoral policy coordination need to be addressed for trade diversification in addition to trade policy and trade facilitation. CAREC countries can learn from global research on enablers and drivers of export diversification. A [recent IMF research](#) shows four economy-wide factors – governance, education, infrastructure and trade policy – relate closely to more diverse and complex exports across countries. CAREC has been working on two of the factors – infrastructure and trade policy. Economy-wide policies to improve the four areas help to diversify by creating conditions that make it possible to boost complex or higher value-added exports. For governments aspiring to diversify exports, the research underscores the need to shorten connectivity between nations, improve transportation logistics at seaports and border crossing points, ease trade policy barriers, promote the spread of technology, improve quality of skilled labor force and invest in communication technology such as broadband that supports digital economy.

2. Status of CAREC Portfolio

A. Investment Projects

CAREC program does not directly finance projects but records and reports on projects that are related to its objectives and strategy considering factors such as project-country being a CAREC member and project bringing cross-border benefits. But the current project classification system tracks investments only in the traditional sectors – trade, transport, and energy – as it is based on CAREC 2020 strategy. With the addition of new clusters, sectors and development partners under CAREC 2030, the project classification system needs to be updated. The DEfR noted the program is currently updating its project classification system for implementation⁸.

Based on the current system, the Program has recorded around \$40 billion worth of CAREC related investments made between 2001 and 2020 through 213 investment projects (Table 2). These projects have been financed through a combination of loans and grants. The transport sector, with investments of over \$30 billion, has the largest share (75 percent) in the CAREC portfolio followed by energy at \$8.9 billion or 22 percent. Unlike transport and energy, which involve capital-intensive infrastructure projects, trade projects do not typically require large

⁷ UNDP. 2020. *COVID-19 and Central Asia: Socio-economic impacts and key policy considerations for recovery*, Page 2.

⁸ Draft CAREC-related Portfolio and Project Classification Guidance Note.

financing, which explains its smaller share (3 percent) in the portfolio. Of the 213 investment projects, 116 have been completed by the end of 2020, with a total value of \$14.5 billion⁹.

Table 2: Growth in CAREC Operations, 2017-2020 (Unit: US\$ million)

Indicator	Cumulative		Baseline	CAREC 2030			
	2001-2020	2014-2016	2017	2018	2019	2020	2018-2020
Amount of CAREC investment projects (\$)	40,009	7,335	2,028	2,957	2,084	1183	6,224
Number of approved investment projects	213	32	7	8	10	6	24
Investment by financier:							
- ADB	38%	34%	56%	34%	64%	68%	50%
- Other MIs & Co-financiers*	40%	39%	30%	55%	20%	6%	34%
- Government	22%	27%	14%	11%	16%	26%	16%
Investment by sector:							
- Trade	3%	5%	0%	0%	1%	37%	8%
- Transport	75%	66%	84%	57%	87%	53%	66%
- Energy	22%	29%	16%	43%	12%	10%	26%
Projects approved by sector:							
- Trade	19	3	0	0	1	2	3
- Transport	141	20	6	3	6	3	12
- Energy	53	9	1	5	3	1	9

ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation, MI = multilateral institution.

Source: CAREC Website. CAREC Project Portfolio (https://www.carecprogram.org/?page_id=13630)

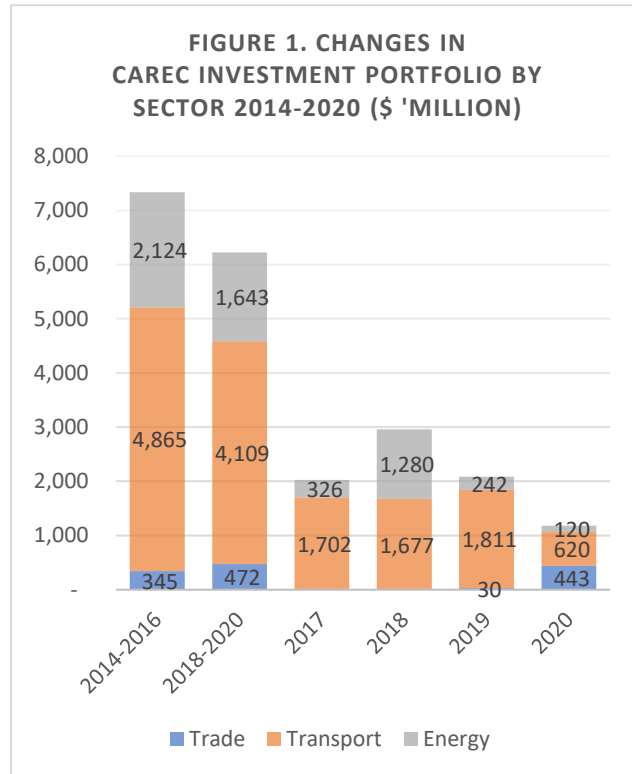
Since the introduction of the CAREC 2030 strategy, CAREC investments increased for the initial two years compared to the baseline year (2017) but nose-dived in 2020 as COVID-19 impacted approval of new projects. Economic slowdown and disruptions in services due to the pandemic pushed member countries and development partners to reconsider priorities. A total of 24 investment projects with a financial outlay of approximately \$6.2 billion (Table 2) were approved between 2018 and 2020. The lower level of investment when compared to the three years (2014-16) preceding the current strategy is owing mainly to the pandemic impact, but rising debt to GDP ratio in some CAREC countries might also have prevented approval of new loans for projects.

⁹ CAREC Portfolio is periodically updated. DEfR is based on data available as of 30 September 2021.

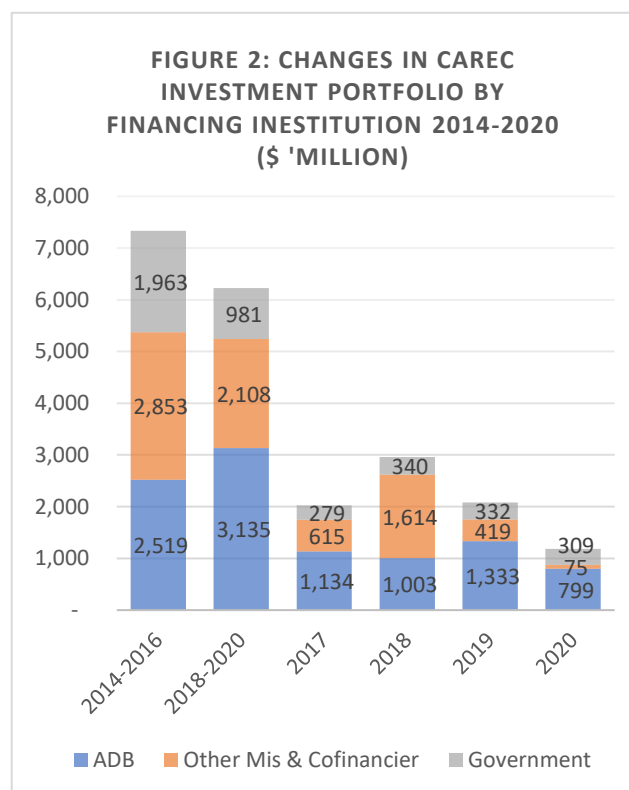
As depicted in Figure 1, the sectoral distribution of the CAREC project portfolio over 2018-2020 followed past trends, with bulk of the funds going to transport (66 percent), followed by energy (26 percent) and trade (8 percent). But the average share of transport (2018-2020) decreased compared to the baseline 2017 while the energy sector increased its share, rising from 16 percent in 2017 to 26 percent over the last three years.

It should be noted that this increase is not consistent throughout the preceding years but was driven by approval of five energy projects in 2018 valued at \$1.28 billion. These projects account for 78 percent of the 2018-2020 energy portfolio. On the other hand, analysis of cumulative investments during the last three years (2014-2016) of the CAREC 2020 strategy when compared to the initial three years (2018-2020) of the CAREC 2030

strategy shows that the share of transport projects in the investment portfolio stayed at around the same level and the energy projects decreased from 29 percent to 26 percent. But the share of trade projects increased from 5 percent to 8 percent between the two periods which aligns with the increased emphasis on trade facilitation under CAREC 2030. In the transport sector, the DEfR noted the shift in emphasis under CAREC 2030, toward maintenance and sustainability of transport infrastructure (compared to new infrastructure development), is reflected in the projects approved during 2017-2020, almost all of which are for rehabilitation, repair and maintenance, and efficiency improvement, or these components are part of new infrastructure development initiatives.



CAREC has remained a multi-sourced financed program since its inception with the Asian Development Bank (ADB) as the lead financier. The ADB contributed 38 percent of the CAREC project portfolio from 2001 up to the end of 2020. The five development partners and co-financiers¹⁰ provided 40 percent of financing, while the remaining 22 percent came from governments of member countries. However, as evident from Figure 2, ADB's leveraging of financing from other sources appears to have decreased under CAREC 2030. When compared to the three years prior to CAREC 2030, ADB's share in cumulative 2018-2020 investment increased to around half of the portfolio value while the share of development partners and co-financiers and member governments decreased. But this could be due to the current project classification system which may have excluded some CAREC related projects by other development partners.



B. Technical Assistance Projects

Technical assistance (TA) is among the most critical vehicles for the CAREC program to achieve its goals. It comprises projects for scoping studies, strategy development, project preparation, knowledge products and services, pilot projects, capacity building, and policy dialogue. Between 2001 and the end of 2020, CAREC implemented 319 TA projects worth \$545.4 million in priority and second-tier sectors¹¹, including the new sectors. Similar to the findings for the investment project portfolio, the transport sector has the largest number of TA projects, accounting for more than one-third of the portfolio in terms of number of projects (Table 2) since 2001. Since much of the work in trade policy and trade facilitation is done through technical assistance, projects in this sector constitute a sizeable portion (21 percent) of the portfolio.

The increased emphasis on capacity building, policy and regulatory changes, and knowledge products and services under the CAREC 2030 strategy compared to CAREC 2020 is beginning to reflect in the TA portfolio with the increase in number of TA projects (Table 3) under

¹⁰ Development partners are the five multi-lateral institutions (EBRD, IsDB, IMF, UNDP, WB) supporting CAREC in addition to ADB. The co-financiers include AIIB, the Agence Française de Développement (AFD), the Eurasian Fund for Stabilization and Development, the European Investment Bank (EIB), the Japan International Cooperation Agency (JICA), UKAID and other agencies.

¹¹ Priority sectors include transport, energy, and trade. The second-tier areas could cover control of communicable diseases, agriculture, disaster risk management, and climate change adaptation and mitigation, in the context of addressing social impacts of trade expansion and improved

CAREC 2030 compared to the last three years of the previous strategy. The number of second-tier projects more than tripled (to 12) during 2018-2020 since more TA was needed in new sectors. CAREC is also using technical assistance to develop pipelines for investment projects as many of these TA lead up to design and approval of investment projects.

Table 3: Technical Assistance under CAREC, 2017-2020

Technical Assistance Projects	Cumulative		Baseline	CAREC 2030			2018-2020
	2001-2020	2014-2016	2017	2018	2019	2020	
Transport	112	18	5	8	4	2	14
Energy	78	7	4	2	4	3	9
Trade	68	6	1	2	-	2	4
Multi-sector 2 nd Tier	61	4	3	3	3	6	12
Total	319	35	13	15	11	8	39

Source: CAREC Website. CAREC Project Portfolio (https://www.carecprogram.org/?page_id=13630)

The DEfR noted more recent TAs are multi-faceted, have a region-wide focus and are designed to support longer-term strategic objectives of CAREC 2030. For example, the TA approved in 2020 on [Strengthening Knowledge and Capacities for the Design and Implementation of Free Trade Agreements \(FTA\) Involving CAREC Countries](#) will build capacities and develop a roadmap for a CAREC FTA. The multi-faceted TA (TA 9754) covers all pillars of transport with more attention to road asset management, aviation, ports and logistics. The TA on [assessing health threats in the region, developing the CAREC water pillar](#), developing [CAREC regional infrastructure enabling facility](#), and feasibility study for establishing a multilateral trade and credit investment guarantee agency to promote foreign direct investment, are designed with long-term strategic objectives for the region. Moreover, the TA, [Supporting Startup Ecosystem in the CAREC Region to Mitigate Impact of COVID-19 and Support Economic Revival](#), was approved in 2020 to prepare CAREC technology vision and support CAREC countries in developing a regional startup ecosystem through knowledge sharing and capacity development.

3. CAREC Progress and Results

3.1 Economic and Financial Stability

CAREC 2030 introduced Economic and Financial Stability as a new cluster aimed at increased regional macro-economic stability, improved investment, and financial integration. To pursue these long-term outcomes, the cluster is established as a knowledge sharing platform that convenes high-level policy dialogues on selected issues within its three focus areas, supports technical discussions and seminars, facilitates cross-learning within the region, and acts as a catalyst of knowledge. The CAREC 2030 Program Results Framework identifies two process-oriented outputs for this cluster: (i) policy dialogue on economic and financial stability issues institutionalized; and (ii) CAREC Capital Market Forum institutionalized.

A. Summary of progress

The cluster has shown early progress as a knowledge sharing platform by providing opportunities to discuss selected macro-economic and financial stability topics relevant for the

region and learn from each other. Between 2017 and 2020, CAREC convened seven High-Level Fora¹² (HLF) in collaboration with the World Bank (WB) and the International Monetary Fund (IMF) on policy responses to external shocks, debt sustainability in CAREC region, and countercyclical fiscal measures for recovery. In 2021, two HLF were planned under the theme of addressing rising inequality caused by the impact of COVID-19 pandemic. In July 2021, High-Level Policy Dialogue on Covid-19 Pandemic and Financial Inclusion was held to discuss financial inclusion challenges and opportunities that intensified owing to the circumstances brought by the COVID-19 pandemic. The next HLF, planned in December 2021, will focus on how to create fiscal space for social spending to tackle rising inequality post-COVID-19 in the CAREC countries while ensuring fiscal sustainability. These fora brought ministers, deputy ministers, and senior officials from central banks, financial regulatory authorities, and finance ministries together with senior representatives from ADB, IMF and WB.

The first forum of capital market regulators from member countries, convened in Islamabad in August 2019, brought over 150 delegates from private and public sector institutions from 11 member countries to discuss regional cooperation for development of their capital markets, enhancing access to finance, and supporting private sector development. It provided a unique platform for learning from the ASEAN experience of regional integration of capital markets as well as country experiences from Pakistan and People's Republic of China (PRC) on capital market reforms and connectivity. The forum sparked conversation and learning on various aspects of capital market integration in CAREC through sessions on derivatives market development, fin-tech, shared challenges for debt markets, and issues and prospects for capital market integration in CAREC. The event concluded with consensus on establishing the capital market regulators forum as a regular event to: i) develop knowledge, build capacities, and exchange experience for product and process innovation; ii) pilot initiatives for regulatory and legal harmonization; and iii) ultimately support market integration through cross-listings, standard setting, and recognition. The next forum, planned originally for 2020, is rescheduled to 2022 or 2023 owing to delays caused by the pandemic.

Work on research, analysis and pilot initiatives under this cluster is progressing, although with some delays. This includes a working paper¹³ by the CAREC Institute on financial inclusion and fintech in CAREC and a comprehensive study on CAREC regional capital market development. The study will include an analysis on benefits of regional cooperation for integrated capital markets development in CAREC countries, landscape of capital markets development and regulatory framework in each country, proposed vision and goal with a road map for enhanced regional cooperation for integrated capital markets development, options for the structure of capital market regulators forum, next steps and pilot initiatives.

¹² Panel Discussion on “Export Diversification for Growth and Macroeconomic Stability”; Nov 2018 in Ashgabat, Turkmenistan; HLF on Macroeconomic Policies for Economic and Financial Stability: Lessons from Fiscal and Monetary Policy Responses to External Shocks, May 2018; Balancing Infrastructure Investment with Debt Sustainability in CAREC Countries, organised by ADB, WB, IMF, May 2019; and a series of high-level policy dialogues on Countercyclical Fiscal Measures for Recovery, October 2020, and HL dialogue on COVID-19 – financial stability implications and regional cooperation, Dec 2020.

¹³ [Financial Inclusion and Fintech in CAREC: Constraints and Prospects](#); January 2021, CAREC Institute

Results: Despite some delays, overall, the cluster is making progress in achieving its output targets by 2030. It has met its target of convening at least one high-level forum on economic and financial stability per year since 2017 with participation of senior representatives. However, a clear pathway towards institutionalization of the forum has yet to be defined. A start has been made towards the second output on institutionalizing the CAREC Capital Market Regulators Forum through the inaugural meeting in 2019 and plans for a comprehensive study with road map for integrated development of capital markets in CAREC countries. The outcome of the second Forum rescheduled for 2022-23 and the study, expected to be completed in 2022, will provide further insights on the extent of progress on this output.

Progress at the outcome level, is premature to expect at this stage and heavily dependent on factors beyond the ambit of CAREC. There are gaps between the outcome and the existing outputs (HLF and Capital Market Regulators Forum institutionalized). Linkages between outcome and outputs should be strengthened as the existing outputs can at best marginally contribute to the outcome of increased regional macroeconomic stability, improved investment, and financial integration.

B. Process

In line with the principle of making CAREC 2030 more inclusive, there was a strong intent that IMF takes the lead in implementing the cluster because of its comparative strength and global role in economic and financial stability sector. Both IMF and WB are collaborating in defining the scope of the cluster. IMF took the lead in defining the scope of the Economic and Financial Stability cluster by developing its terms of reference in 2018 and subsequently in guiding [CAREC countries' policy responses in the post-COVID-19 environment](#). The policy dialogues were planned and organised through close collaboration of ADB, IMF and WB. The cluster's focus and activities were informed by macro-economic analysis of the region and member countries as reflected in the [economic outlook presentations](#) at the annual Ministerial Conference. The topics selected for HLF were relevant but kept broad enough to engage everybody as opposed to going deep into specific topics. This is a new cluster for CAREC and the approach of starting the HLFs with broad topics may be useful in the beginning to engage senior representatives from member countries which are vastly different in terms of size, structure, and issues of their economy and financial markets. However, there is a risk that utility of HLF may diminish if it continues to discuss broad topics without focusing on specific issues of common regional interests and possible solutions. The DEfR also noted that the cluster is yet to form a sector working group to plan and implement activities and follow-up on actions agreed.

C. Challenges and recommendations

Sustainability of the fora: Whether member countries would be able to sustain these fora without ADB's direct support is an issue that came up in the DEfR consultations. There is initial thinking that by 2030 the high-level forum can be institutionalised within a think tank in the region, such as the CAREC Institute, but a clear strategy or approach to make it happen is yet to be developed. The cluster may benefit by developing a strategy or approach for institutionalising the forum. This could include formation of a working group for the cluster with specific terms of

reference and developing steps, processes and incentives leading to institutionalization of the forum. Ownership of the forum is likely to increase when countries see its value in building understanding on specific issues of common interest for the region, learning from each other, and finding solutions. Once the countries start working on addressing an issue, ADB's policy loans could be used as an incentive.

Gap between outputs and outcomes of the cluster: There is a sizeable gap between outputs and outcomes defined for this cluster. While the outcome (increased regional macro-economic stability, financial integration, and improved investment climate) is ambitious in scope and has a long-term horizon, the outputs (policy dialogue and regulators forum institutionalized) are relevant but much more modest in scope. The cluster needs to review and refine its results chain to make it more realistic and coherent.

3.2 Trade, Tourism and Economic Corridors

CAREC 2030 brought trade, tourism – considered as one category of services -- and economic corridor under one cluster, seeking expanded trade within the region and with the rest of the world, competitive economic corridors, and tourism opportunities in the region as its outcome. The objective of this cluster is also supported by trade facilitation, transport service improvements, and energy connectivity initiatives under the Infrastructure and Economic Connectivity cluster. Interventions under this cluster remained focused on achieving CAREC 2030's overarching objective of sustainable economic development by assisting member countries to integrate with global economy and expand their trade through greater diversification of products and sectors. Throughout the reporting period, the cluster maintained good momentum in implementing a range of interventions aimed at enhancing connectivity and market access for the CAREC region.

A. Trade Sector

Under CAREC 2030, separate but interlinked strategies for trade and transport were developed to provide greater depth to the two most critical sectors of CAREC. The [CAREC Integrated Trade Agenda \(CITA\) 2030](#) and the Rolling Strategic Action Plan (RSAP): 2018-2020 were developed to guide CAREC's trade sector. CITA also included a strengthened institutional structure comprising the Regional Trade Group (RTG), the Customs Cooperation Committee (CCC) and the Regional Working Group on Sanitary and Phytosanitary Measures (SPS RWG) under the overall strategic direction of the Ministerial Conference and oversight from the Senior Officials Meeting. CITA aims to assist CAREC members to integrate further into the global economy and improve the living standards of its people through three pillars: (i) trade expansion from increased market access; (ii) greater diversification of trade (both merchandise and services trade); and (iii) stronger institutions for trade. The RSAP 2018-2020 included 49 projects and activities (10 investment projects, 13 investment project scoping studies, 17 knowledge-sharing products and services and nine policy dialogue and cooperation activities).

A.1. Summary of Progress

Trade expansion from increased market access: Over the past three years, CAREC continued to facilitate trade openness despite temporary trade measures adopted by member countries in 2020 to mitigate the effects of the pandemic. There was progress on WTO accession as Turkmenistan was granted WTO observer status in July 2020 while Azerbaijan and Uzbekistan were supported in the accession process. ADB is supporting an impact assessment for Azerbaijan's accession, preparation of Turkmenistan's Memorandum on the Foreign Trade Regime, and assessment for Uzbekistan's foreign economic policy issues, including its accession to the Eurasian Economic Union.

As of June 2021, eight CAREC members implemented the World Trade Organization (WTO) Trade Facilitation Agreement (TFA)¹⁴ at an average implementation rate of 45.5 percent for Category A (mandatory) provisions, with the PRC and Georgia reporting the highest compliance. The average for Category B is at 19.5 percent (for six countries), and Category C is at 12.7 percent (for five countries)¹⁵.

CAREC also supported alignment with the WTO Sanitary and Phytosanitary (SPS) agreement, which is part of the Common Agenda for the Modernization of SPS Measures for Trade (CAST)¹⁶. An assessment and way-forward study on [Modernizing Sanitary and Phytosanitary Measures in CAREC](#) provided a detailed analysis of laws and procedures governing the oversight and application of SPS measures, laboratory infrastructure, and management services in member countries. Based on the recommendations of the study, several initiatives are in implementation. These include a pilot project in Ferghana Valley to enhance market access and horticulture value chain development by improving diagnostic and pest surveillance capacities of national plant protection organizations in five member countries. Uzbekistan became the first Central Asian country to accede to the International Plant Protection Convention as part of the reforms to improve phytosanitary measures. Another pilot project in Turkmenistan is working on adoption of a modern and cost-effective food safety management and inspection system aligned with Codex standards to access export markets. Training to promote understanding and cooperation on the prevention and control of transboundary animal diseases was held for five CAREC countries.

Meanwhile, the Regional Improvement of Border Services (RIBS) projects in Kyrgyz Republic, Mongolia, Tajikistan, and Pakistan has seen these countries upgrading their border crossing facilities and modernizing customs and trade systems – all intended to bring down trade costs. Parallel investments have been approved to develop a trade and economic cooperation

¹⁴ The WTO Trade Facilitation Agreement (TFA), which came into force in 2017, seeks to expedite the movement, release, and clearance of goods, including those in transit. It also sets out measures for effective cooperation between customs and other authorities and enhances technical assistance and capacity building. The TFA was ratified by all eight CAREC countries that are WTO members: Afghanistan, PRC, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, and Tajikistan.

¹⁵ Source: [CAREC Trade Sector Progress Report: June 2020 - June 2021](#)

¹⁶ CAST is a regional framework for priority actions to upgrade SPS measures and complement customs-related initiatives under the CAREC program. CAREC ministers endorsed CAST in 2015.

zone between the PRC and Mongolia that will enable smooth transit between two economic zones along CAREC Corridor 4¹⁷. In September 2020, Tajikistan launched its national single window information system.

Greater diversification of trade: CAREC continued its work on creating an enabling environment for trade in services, particularly e-commerce and digitization, as part of its diversification agenda. The COVID-19 pandemic further magnified the need to focus on these areas. Preparatory work to support diversification was carried out through a series of knowledge products and services, including the study¹⁸ on development of services along with a proposal to develop priority sectors such as telecommunications, ICT, financial, education, tourism, transport, quality testing and certification, and agri-related services. The ADB and CAREC Institute also completed two research studies assessing the laws and policies and infrastructure¹⁹ for e-commerce development in CAREC and an assessment of the customs agencies' readiness and challenges in handling cross-border e-commerce. A feasibility study is ongoing for establishing a multilateral trade and credit investment guarantee agency to promote foreign direct investment.

Stronger institutions for trade: CAREC has introduced a robust mechanism to develop joint agenda for regional strengthening of trade institutions by bringing relevant trade agencies from member countries to share experiences and agree on regional priorities that can then be included in the CITA 2030's three-year RSAP²⁰. The RTG, CCC, SPS RWG, through regional/sub-regional workshops, meetings, national capacity building programs, and knowledge sharing, are playing an important role in promoting coordination of sectoral policies and priorities, evidence-based policy making, capacity building of government agencies involved in the trade sector and engagement with private sector. As part of a blended-learning approach, the ADB and CAREC Institute developed knowledge-sharing modules²¹ on selected aspects of CAREC trade. To support evidence-based policy making, the CAREC Trade Information Portal is being updated and the online portal on corridor performance measurement and monitoring (CPMM) that tracks transport cost and time on the six corridors is being developed to facilitate wider awareness and use of CPMM by providing access to aggregate CPMM data. The SPS RWG organized a series of dialogues on strengthening cooperation in SPS measures related to plant health, animal health, and food safety. As part of supporting private sector engagement in trade, the CAREC Federation of Carrier and Forwarders Association (CFCFA) is being assisted to become a fully independent self-governing body by 2021.

Results: Progress in the sector has been mixed - trade in goods, with CAREC and with the rest of the world (for both fuels and non-fuels), as a proportion of GDP increased between 2017 and 2019 (Annex III) indicating some progress on the trade sector outcome of greater

¹⁷ ADB. 2020. Mongolia: Developing the Economic Cooperation Zone Project.; ADB. 2020. PRC: Inner Mongolia Sustainable Cross-Border Development Investment Program.

¹⁸ Study on *Advancing Economic Diversification in CAREC Countries through the Development of Services*, 2020

¹⁹ CAREC Institute. 2020. Policy Brief: Regulatory Framework for e-Commerce Development in CAREC

²⁰ CITA 2030 RSAP: 2021-2023 is the rolling action plan developed for the next three years.

²¹ This includes a three-part series on the Regional Improvement of Border Services (RIBS) and national single window projects and facilitating trade through digital SPS certification. The modules are available in both English and Russian languages in the CAREC Institute's E-Learning Platform. <https://elearning.carecinstitute.org/>

integration of CAREC countries into global economies. At the output level, the share of services in GDP remained almost constant during this period while the share of top five exports as a percentage of total exports increased from 61.7 percent in 2017 to 64.9 percent²² in 2019, showing a slightly higher degree of concentration – contrary to the objective of diversification. As stated earlier, limited diversification in the Central Asian economies has been a longstanding issue. CAREC has been rightly supporting trade diversification through economy-wide or horizontal policies on improved physical connectivity (through infrastructure for transport and energy), more open trade policies and trade facilitation as opposed to supporting vertical policies targeted on specific sectors or industries. But structural issues are not confined to trade. Improvements in areas such as governance and education, are also needed to enable increase in higher value-added exports and diversification. Lessons can be learned from examples of countries (like Chile, Malaysia, Rwanda, and Ukraine) that have successfully diversified their trade²³.

As global GDP and output declined in 2020 owing to pandemic-led disruption in economic activity, trade in CAREC region also suffered. In 2020, world merchandise trade volume fell by -5.3 percent and value by nearly 8 percent²⁴. For CAREC, merchandise trade (both exports and imports), excluding PRC, declined by -15.3 percent and -8.7 percent respectively in 2020 (Table 1, Annex II).

Services trade shows an even steeper decline (-20 percent globally) in 2020 compared to merchandise trade, with travel being the most affected sector. Exports and imports of commercial services also dropped by 35 percent and 28 percent, respectively, in 2020 for CAREC countries (excluding PRC and Turkmenistan).

The review notes that the decline in both merchandise and services trade in CAREC countries did not happen only in the pandemic year but started in 2019. After registering impressive growth in trade in 2018, growth rates for CAREC (excluding PRC) dropped to around 0 percent for both merchandise and services in 2019 (Table 1, Annex II). The drop in CAREC trade in 2019 follows the global trend as growth in trade volume fell to 0.2 percent in 2019, largely due to trade tensions between the two largest economies. As the global economy is expected to rebound with a growth rate projected at 3.7 percent and global output expected to recover by 6.0 percent in 2021, CAREC merchandise trade is also projected to rebound in 2021 for all countries.

There has been progress on the output related to capacity of trade institutions strengthened as reflected by 100 percent of the respondents of the 2020 survey of training participants reporting improved knowledge of trade. The DEFIR noted the small number of respondents which can be increased in future to make the survey finding more robust. Additional indicators, such as the number and type of trade institutions provided with capacity building support, number and type of capacity building services and products delivered and the number of

²² CAREC Trade Sector Progress Report: June 2020-June 2021

²³ IMF blog. [How countries can diversify their exports](#). September 22, 2021.

²⁴ [World Trade Statistical Review 2021](#), WTO.

participants benefitting from capacity building events, can be added to gain more insights on progress under this output.

A.2. Process

CAREC followed a consultative and structured approach for design and implementation of strategies and action plans for trade sector. The [CAREC Integrated Trade Agenda \(CITA\) 2030](#) and the Rolling Strategic Action Plan: 2018-2020 – now updated for 2021-2023 - are guided by past strategies and lessons and considered forward looking trade priorities. CITA was developed after extensive consultation that started with a regional consultation workshop in December 2017, followed by a consultation paper with guiding questions circulated for official comments of member countries and a series of stakeholder consultations attended by trade related agencies from member countries, development partners, international organisations including WTO, and the private sector. The RSAP translates CITA into practical and implementable periodic phases, reviewed annually to maintain its relevance. A strengthened institutional structure comprising the Regional Trade Group and the Customs Cooperation Committee under the overall strategic direction of the Ministerial Conference and oversight from the Senior Officials Meeting enables relevance and appropriateness of sector planning and implementation.

A.3. Challenges and recommendations

Challenges faced in accelerating progress in the trade sector: This is partly reflected in declining growth rate of merchandise and services trade of CAREC members since 2018, and trade diversification yet to be observed. However, this must be viewed in the context of longer time required for policy reforms to take effect and facilitate positive impact on trade diversification. As well, there are multitude of factors – many of which are beyond the control of CAREC - that impact on volume and mix of trade as stated earlier. This also raises the question whether the outcome, outputs and indicators identified in the CAREC program results framework are well-defined to gauge progress of CAREC in the trade sector or need revision.

COVID-19 contributed to decline in trade globally and in the CAREC region due to the pandemic led economic slowdown and travel restrictions. In response to the pandemic, member countries imposed trade restrictions (export prohibitions, import bans, reduced import tariffs and VAT exemptions) which might be challenging to lift to ensure consistency with WTO measures. On the other hand, some trade facilitating actions implemented as temporary measures (e.g., expedited passage and release of goods for relief and other essential supplies, minimum inspection, and simplified and paperless trade procedures) could help improve trade in the post-COVID era. CAREC should take advantage of these positive measures.

B. Economic Corridor Development

Economic corridor development is part of CAREC's multi-dimensional approach to enhance connectivity, trade, and economic activity in selected cross-border regions of member

countries. To achieve this, the sector is pursuing two outputs: economic corridors successfully developed, and ECD-related projects developed and implemented.

B.1. Summary of Progress

Since 2017, the program has made progress on development of the *Almaty-Bishkek Economic Corridor (ABEC)*. Measures agreed upon at the ABEC Committee would implement the [ABEC Tourism Master Plan](#), establish a modern agriculture wholesale market, modernize border crossing points and alternative road connections, create a regional network of medical reference laboratories, and support Almaty and Bishkek cities in improving air quality by piloting 100 air quality measurement devices in both cities. Progress has been slow, and these initiatives are still in planning and approval stages.

Planning for the tri-country (Kazakhstan, Uzbekistan, Tajikistan) *Shymkent-Tashkent-Khujand Economic Corridor (STKEC)* moved forward and a road map of STKEC was developed and endorsed by the three governments. This economic corridor focuses on developing six intertwined thematic focus areas (road and railway transport connectivity, modernization of border crossing points and border management, development of horticulture value chains, modernization of sanitary and phytosanitary measures and development of food safety services, regional tourism, and development of special economic zones and industrial zones). ADB is supporting the three governments in implementing the road map through pre-feasibility studies on priority projects identified in the road map. A trilateral memorandum of understanding on the STKEC development, to be signed to reinforce political commitment in jointly developing the STKEC, has faced delays.

ADB has also initiated a study to develop a framework and operational guidelines for economic corridor development that will facilitate further uptake of ECD in national strategies among member countries.

Results: The number of CAREC countries that are applying economic corridor development as national strategies to strengthen economic links and drive trade through cross-border cooperation for wider economic benefits increased from four in 2017 to seven (PRC, KAZ, KGZ, MON, PAK, TAJ, UZB) in 2020. Overall, ECD as a spatial development concept, holds great potential for bringing increased economic benefits to CAREC countries through deepening economic integration among the neighboring countries. However, the multidisciplinary approach (multi-country, multisector and multilateral government coordination) makes ECD a complex process with no easy efforts to success.

B.2. Process

As ECD is a complex and long-term process requiring political support, strong institutional capacities, and sustained commitment over a decade or more, CAREC has sought to sign memorandum of understanding by the concerned governments and engaged country leadership at the top for the current ECD initiatives (ABEC and STKEC). The Kyrgyz Republic – Kazakhstan Intergovernmental Council, chaired by the prime ministers of both countries, established the

ABEC subcommittee in 2016 which is responsible for all aspects related to the development and implementation of ABEC projects. The sub-committee has met five times since its formation and moved ABEC from concept to project design and implementation stage. For STKEC, an MoU between the three governments is expected to be signed meanwhile CAREC is working simultaneously with key stakeholders from the three governments on the corridor development. Timeline and steps for establishing an institutional set-up for STKEC have been discussed. Three workshops, attended by deputy ministers and senior officials of various departments from the three countries, have been held to move the process over the last three years. A key feature of CAREC ECD process is the technical assistance provided to the governments for planning and implementation of projects for ABEC and STKEC.

B.3. Challenges and recommendations

Coordination among multiple stakeholders at various levels of government, diverse government agencies at each level, and countries for aligning/coordinating rules and regulations at both borders is a challenge for ECD initiatives. But sustained and well targeted efforts over long term can help address this challenge.

C. Tourism

C.1. Summary of Progress

Since its introduction in CAREC 2030 strategy, the tourism sector's most notable achievement is the development of a comprehensive [CAREC Tourism Strategy 2030](#) and its accompanying regional tourism investment framework 2021-2025. Building on national tourism strategies, it rallies member countries around a shared vision of a sustainable, safe, easily accessible, and well-known tourism region that provides a variety of unique year-round quality experiences to visitors along the Silk Road, and widely shares its benefits among its communities. The strategy aims for achieving outcomes of increased direct contribution of tourism to GDP in the region, increased number of international visitors' arrival in the CAREC region, and an improved ranking of member countries on the Travel and Tourism Competitiveness Index by 2030.

The Tourism Strategy, endorsed at the 19th CAREC Ministerial Conference in December 2020, provides a long-term approach to sustainable tourism development at the regional level. Investments are targeted towards five pillars (critical infrastructure, quality and standards, skills development, marketing and branding, market intelligence) and five cross-cutting areas (use of ICT, environmental sustainability, gender equality, private sector development, and health, safety and security to support countries' efforts in responding to the COVID-19 pandemic and build resilience of their tourism sector to future global crises). The strategy is being implemented in phases, with the initial phase (2021-2023) focused on promoting domestic and intra-regional tourism within seven priority regional tourism clusters. The second phase (2024-28) will concentrate on attracting high-spending international markets through improvement of air connectivity and development of joint tourism products and multi-country experiences. In the last

phase (2029 onwards), expansion towards secondary destinations beyond the seven priority regional clusters will be considered.

Results: Progress on the two outputs identified in the CAREC Program Results Framework for tourism sector are at an early stage as implementation of the strategy has just begun. There is some traction on the output related to establishing an institutional mechanism as the CAREC tourism focal points group was established in 2018 for implementing joint regional tourism initiatives. The group has met twice since it was formed. The output on regional tourism projects is showing progress as three projects under the CAREC regional tourism strategy have been approved (one for the CAREC region and two for the ABEC area)²⁵. Under the marketing and branding pillar of the tourism strategy, work has started on developing the CAREC Tourism Virtual Portal, which consolidates tourism-related information. At the outcome level, seven member countries²⁶ have improved their ranking on the global Travel and Tourism Competitiveness Index between 2017 and 2020, although it is too early for CAREC to claim a role in this improvement.

Although tourism is the sector hardest hit by the pandemic, it is projected to recover albeit slowly, and return to its pre-COVID-19 level in coming years. The phased implementation approach of the CAREC Tourism Strategy, which starts with promotion of domestic and intra-regional tourism (since international tourists are likely to prefer closer destinations in the near future) and which prioritizes health, safety and security measures will contribute to recovery of tourism in the region.

C.2. Process

Similar to other new sectors, the process for developing CAREC tourism sector started with a scoping study which formed the basis on which a strategy and a regional tourism investment framework was developed through a consultative process. All five pillars and cross-cutting areas of the strategy align with member countries tourism strategies, priorities and plans. The strategy aims to ensure close coordination among tourism initiatives being implemented by development partners in the region. The CAREC tourism focal points group, established in 2018, for implementing joint regional tourism initiatives, is expected to ensure relevance, appropriateness, and timely completion of CAREC's tourism strategy and plans.

C.3. Challenges and recommendations

COVID-19 affected the entire trade, tourism and ECD cluster. Trade and tourism in CAREC region declined due to the pandemic led economic slowdown and travel restrictions.

²⁵ Sustainable Tourism Development Project in Mongolia (\$ 30 million loan, and \$ 2 million grant), an investment project approved in 2019; TA-9976 Sustainable Tourism Development in the CAREC Region (approved in 2019); TA 6729-KAZ: Pre-feasibility study on Turgun Mountain Resort Development (formerly Promoting Sustainable Tourism) approved in Apr 2021; Georgia: Livable Cities Investment Project for Balanced Development for approval in Q4 2021

²⁶ Two CAREC countries are within the top 70 rank (PRC improved from 15 to 13 while Georgia moved from 70 to 68 between 2017 and 2020). Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, and Tajikistan also improved their rank. Source: CAREC Tourism Sector Progress Report: July 2020-June 2021 (Table 1)

According to the UNWTO, international tourist arrivals decreased by 73 percent in 2020, with Asia and Pacific experiencing a steeper decline of tourist arrivals by 84 percent and forecast of decline by 96 percent in January 2021 compared to the same period in 2020²⁷. Much of tourism businesses such as hotels, restaurants, tour operators and guide services have been forced to close and a large number of jobs have been lost. Thus, CAREC tourism sector faces an unusually challenging situation at its very start. But enhanced emphasis on promoting domestic and regional tourism, responsible travel, and increased use of digital technologies, online platforms and social media for promoting domestic and safe travel can help in reinvigorating tourism in the region.

3.3 Infrastructure and Economic Connectivity

Infrastructure and Economic Connectivity is the largest cluster under CAREC 2030 in terms of investment scale. Comprising transport and energy, the two most longstanding sectors of CAREC, this cluster is focused on enhancing connectivity, efficiency, and sustainability of regional infrastructure in the two sectors and is fully aligned with the overall objectives of CAREC 2030.

A. Transport

The sector is guided by the [CAREC Transport Strategy 2030](#) that works in conjunction with the [CAREC Integrated Trade-Agenda \(CITA\) 2030](#) to enable efficient movement of goods and people across the region through safe multimodal corridor network comprising roads, railways, aviation services, ports, multimodal logistics hubs, and improved border crossing facilities and services. Both strategies were developed and endorsed by the MC in 2018-2019. The CAREC Transport Sector Strategy 2030 builds on infrastructure development centred along the six CAREC transport corridors – 9,964 km of CAREC corridor roads and 1,800 km of rail track built – developed under the previous transport and trade facilitation strategy. The emphasis in the current strategy is on increasing the sustainability and quality of the multimodal corridor network, in addition to construction and rehabilitation of the corridors to enhance connectivity.

To achieve its objectives, the 2030 Transport Strategy aims for interventions in five areas: (i) cross border transport and logistics facilitation consisting of implementation of transport facilitation agreements and conventions, improvements in border crossing facilities and procedures, and development of cross-border logistics centers and operations; (ii) roads and road asset management to optimize allocation of resources for the management, operation, preservation, and enhancement of road infrastructure; (iii) road safety, primarily through road safety management and safer road infrastructure as envisaged under the CAREC Road Safety Strategy 2017-2030; (iv) railways, consisting of development of rail infrastructure, commercial capabilities and improved legal and regulatory frameworks to facilitate cross-border trade; and v) aviation, with a view towards a more open and effective aviation market across the region through policy and regulatory changes and improvement of infrastructure, equipment, and operations. A results framework with five outcomes and twelve indicators was developed to track progress of

²⁷ CAREC Tourism Sector Progress Report and Workplan, July 2020-June 2021, p7.

the sector and the Corridor Performance Measurement and Monitoring (CPMM) system was strengthened to provide data on average traffic speed by corridor and average time and cost incurred to clear a border crossing point along the six corridors in each country.

A.1. Summary of Progress

Since the start of CAREC in 2001, slightly over \$30 billion has been invested up to December 2020 in 137 projects in road, railway, aviation, and logistics along the six CAREC transport corridor routes to enhance regional connectivity²⁸. Though some disruptions and delays were encountered due to the pandemic, overall, the sector continued its momentum over the past three years as 24 new projects were approved between 2018 and 2020.

Progress was made on implementation of activities in each of the six pillars of the CAREC Transport Strategy 2030. For **cross-border transport and logistics facilitation**, the Regional Improvement for Border Services (RIBS) projects in the Kyrgyz Republic, Mongolia, Pakistan and Tajikistan continued a holistic approach to improve border crossing points (BCP) through construction of BCP, deployment of BCP security and ICT equipment, creating national single window facilities, establishment of integrated border management institutions, and capacity building of border management and trade regulatory agencies. The [Ports and Logistics Scoping Study in CAREC Countries](#), completed in 2020, provides comprehensive background on ports and logistics development in the region and identifies potential areas of cooperation among CAREC members and development partners.

The **CPMM tool** was improved and applied in analyzing speed, border crossing costs, and delays on each of the six transport corridors on an annual basis. The [CPMM Annual Report 2019](#) provides the most comprehensive set of data and analysis to date on CAREC trade facilitation indicators disaggregated by mode (road and rail), six corridors and sub-corridors, 36 pairs of BCPs, and 11 countries. The country update section includes country-specific performance on trade facilitation indicators, analysis of trends over the past three years, and a set of recommendations for the government. This level of disaggregated analysis, especially by border crossing points in each country, is to enable member countries to identify problematic BCPs and take unilateral or joint actions, as required, to address the underlying causes of delays.

CAREC continued the past work on building support for and adoption of a strategic **road asset management (RAM)** approach among member countries through workshops²⁹, online courses, webinars, studies and manuals³⁰ that are aimed at building the knowledge and capacity of government agencies in the region on Road Asset Management System (RAMS), the status of RAMS in each country, performance-based contracting model for asset management, and basic road construction and maintenance. A [Compendium of Best Practices in Road Asset Management](#) was produced in 2018 to help CAREC countries introduce and strengthen road asset management. More than eight capacity building events were organized, and seven

²⁸ Source: [CAREC Project Portfolio](#)

²⁹ [RAM System and Performance-based-Contracting Training](#);

³⁰ [Guide to Performance Based Road Maintenance Contracts](#); [Decision Makers Guide to Road Tolling in CAREC Countries](#).

knowledge products (KP) were completed between 2018 and 2020. Also, a publication on Road Asset Management Systems and Performance-Based Contracting in the CAREC Region is being prepared and will be published in November 2021. This document provides an overview of the development status of road asset management systems (RAMS) and performance-based contracting (PBC) in the 11 member countries of the CAREC Program and identifies the way forward and next steps to be taken in RAMS and PBC development. The study done for this KP shows that Pakistan and Georgia are the leading countries in RAMS development and integration followed by PRC and Azerbaijan and countries like Kazakhstan, Tajikistan and Kyrgyz are also developing RAMS. These activities are moving the process forward. However, development and mainstreaming of RAMS that sees a shift in governments' focus from capital investment towards preservation for sustainability of roads, and giving priority to roads with high volume, also require shifting of mindsets at senior levels of the governments, a process which may take time.

Work on enhancing **safety** on CAREC road corridors for safe and efficient movement of people and goods continued with knowledge-based events and products, including completion of four manuals on Road Safety Engineering (RSE) published in English and Russian alongside a training workshop³¹ and four accompanying videos developed by CAREC Institute for its E-learning platform on road safety. In addition, the 5th RSE Manual: linking road safety audit with iRAP road safety assessment is being produced and expected to be published early next year. There were eight country national road safety training workshops conducted in 2019-2020. These works are aimed at mainstreaming and integration of road safety engineering in the design and implementation of CAREC road projects and also building the capacity of relevant government agencies in the region. The second phase of a knowledge support technical assistance project was approved in November 2020 to facilitate regional policy dialogue, knowledge sharing, and coordination on common road safety issues in the region. The CAREC Road Safety Report Card, has been completed and planned to be published end of 2021 or early 2022. It will monitor progress of road safety initiatives by country under the [Regional Road Safety Strategy for CAREC Countries: 2017-2030](#). The Report Card will be a useful reference source for identifying implementation gaps, priorities, and required actions and resources to support road safety initiatives in CAREC countries.

Following the development of the [CAREC Railway Strategy 2017-2030](#), a series of foundational activities were completed during the past three years to support long-term development of the **railway** sector in the region. A CAREC transportation model was developed for use in (pre-) feasibility studies to evaluate the competitiveness and investment potential of CAREC rail corridors, and country-specific railway sub-sector assessments (RSAs) were carried out. The RSAs describe the railway network, operational and financial performance, and proposals for investments and reform for each CAREC country. Based on the individual RSAs, an overarching report is under completion for 2021 that summarizes main findings and recommendations for CAREC railway sector development. To assist member countries, modernize their railways, a report on track capacity and timetabling software (TCTS) and its use

³¹ [Road Safety Engineering Workshop](#)

by infrastructure managers and train operators was prepared and published on CAREC website in May 2020 and training³² on infrastructure management was conducted.

In **aviation**, initial work to enhance air connectivity between CAREC countries started with the commissioning of the [Scoping Study on Aviation and the Role of CAREC](#), which was published in September 2018 and disseminated to member countries. Recommendations of the study were used to develop the aviation pillar of the CAREC Transport Strategy 2030, which emphasizes the importance of establishing more direct, cost-efficient, and safe aviation links among CAREC members countries for a more open regional aviation market. But given the severe impact of the COVID-19 pandemic on travel and tourism globally and in the region, a study on the Impact of COVID-19 on CAREC Aviation and Tourism was carried out and findings were discussed with member countries. Recommendations of the Study summarized in the November 2020 ADB blog “Five ways to revitalize aviation and tourism in Central Asia” and a series of webinars³³ which took place in early 2021 are likely to contribute to more informed responses by CAREC members to revitalize the aviation and tourism industries in the context of COVID-19.

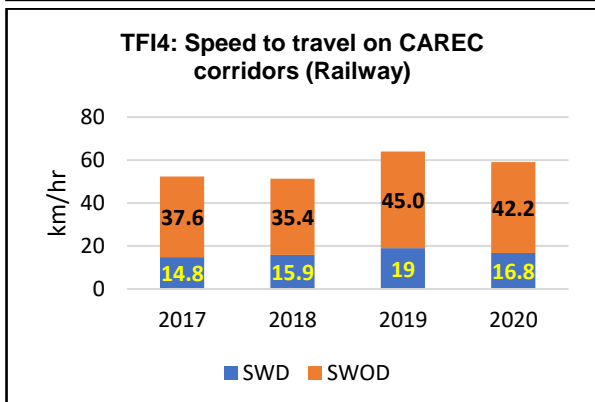
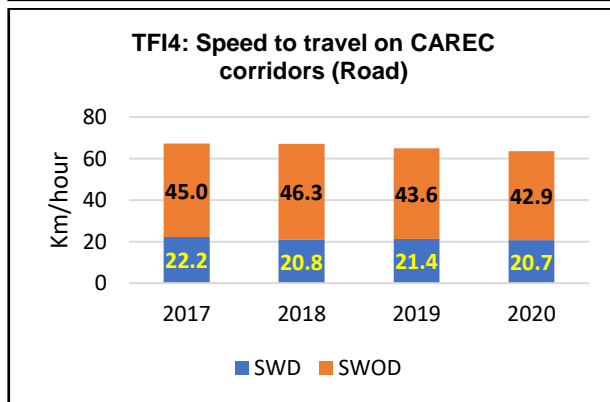
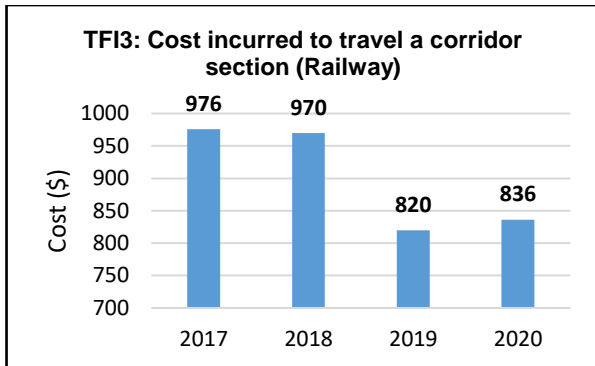
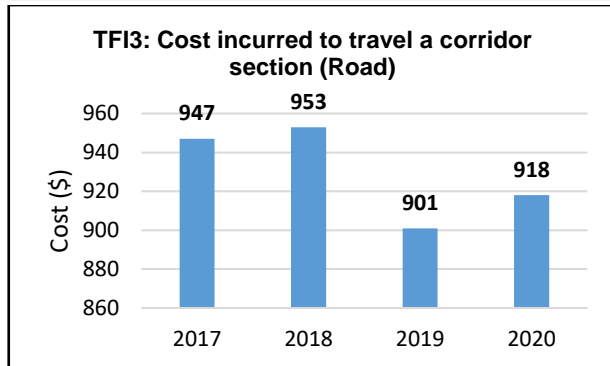
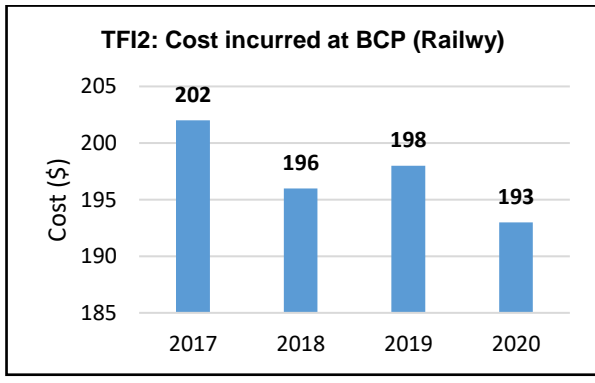
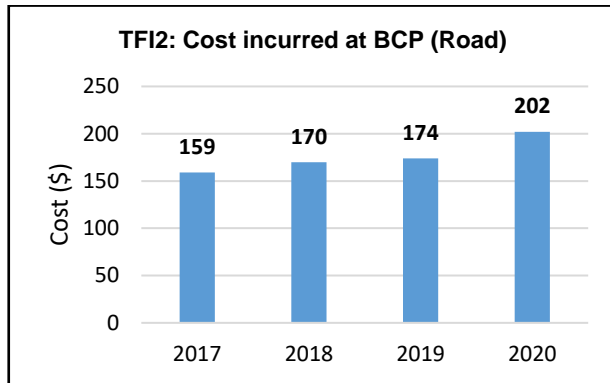
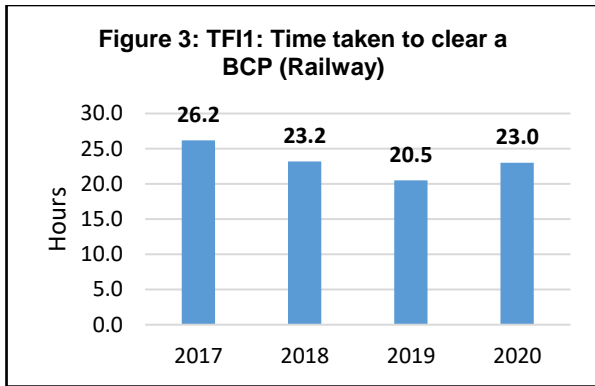
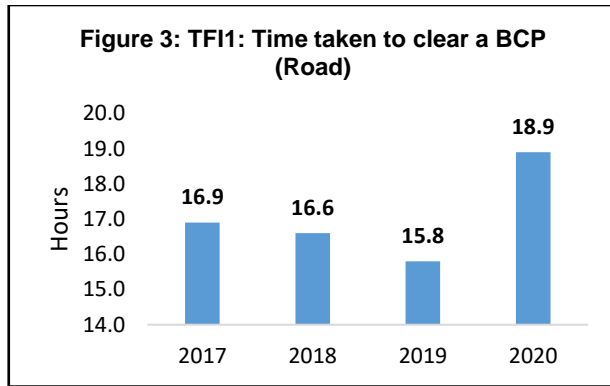
Results: Overall, there have been challenges in reducing time and cost to travel on CAREC corridors and cross borders since 2017. When compared to the baseline, aggregate corridor performance has shown marginal improvements by 2020 for all trade facilitation indicators for railway transport but almost no improvement for road (Figure 3). It is important to note that prior to the pandemic there were steady and gradual improvements in all indicators for railway and two indicators for road between 2017 and 2019. Moreover, a recent analysis³⁴ concluded that transportation reforms in the CAREC region decrease transport times between city pairs, which corresponds to an increment in bilateral trade values for existing exporters and trade participation.

For road transport, the average time taken to clear a BCP increased from 16.9 hours in 2017 to 18.9 hours in 2020 which also explains the decrease in speed with delays (SWD) from 22.2 km/hr to 20.7 km/hr in the same period. But the speed without delay (SWOD), which discounts the delays at BCP, also dropped, possibly indicating some deterioration in condition of the road and road safety, though other factors such as condition of vehicles and frequency of security checks along the corridor might have been contributors to slower speed. It appears transport sector interventions on road, road asset management and road safety are yet to translate into related outcomes. The only indicator that showed some improvement for road is the cost incurred to travel a corridor section which decreased from \$947 to \$918. On the other hand, for rail transport, the time taken, and cost incurred at BCP decreased and speed on the corridor improved in 2020 when compared to baseline.

³² [Railway Infrastructure Management Training](#)

³³ [CAREC Webinar Series - Aviation and Tourism](#)

³⁴ [Trade Effects of Transportation Infrastructure Reforms in the CAREC Region: A Geographic Information Systems and Computable General Equilibrium Analysis, presented on 29 September 2021.](#)



Source: CAREC Transport Sector Progress Report: June 2021, Appendix 1; and CPMM Annual Report 2019.

The pandemic affected the corridor performance in 2020 due to the imposition of stricter border control measures in CAREC countries as time to cross a border increased while speed to travel on CAREC corridors declined from the preceding year for both road and rail (Figure 3). Since 2020 was an unusual year, the review also looked at data of pre-pandemic years (2017-2019) which shows a trend of improved performance for rail transport but similar trend in road transport is not visible although a sizeable portion of the sector interventions was devoted to road transport improvement during the last three years.

As this analysis is based on averages of trade facilitation indicators for the six corridors, which hide performance changes at each corridor and BCP, the review suggests a deeper analysis of annual CPMM data from 2017 to 2020 disaggregated by corridor, BCP and country. This would provide a more nuanced understanding of the performance and efficiency of the corridors in the CAREC region. A disaggregated analysis will also assist in drawing causal links between CAREC interventions in the transport sector and performance of the corridors.

A.2. Process

The process of developing and implementing the CAREC Transport Strategy 2030 and action plans has been consultative, reflective, and evidence based. The institutional arrangement for the sector, comprising the CAREC Transport Sector Coordination Committee (TSCC)³⁵, Railway Working Group (RWG), National Transport Sector Focal officials, National Focal Points, Senior Officials Meeting and the Ministerial Conference, is multi-stakeholder and enables ownership and partnership. It has continued to guide the development and implementation of the CAREC Transport Strategy 2030 and the sub-sector strategies (Railway and Road Safety), facilitated alignment of sector strategies with national priorities and CAREC 2030 objectives, enabled reflection on success and lessons from the preceding strategy (TTFS 2020), and supported detailed analysis (aviation scoping studies and railway assessments) to inform sector planning and implementation. The sector has been responsive to emerging challenges as demonstrated by the study commissioned on [Impact of Covid-19 on CAREC Aviation and Tourism](#) to inform CAREC plans in the two sectors.

The TSCC has been guiding strategic decision making and planning for all transport-related investment and coordinating other sector-wide issues and activities, including events and capacity building activities, identifying transport sector pilot projects, and coordinating the work of transport-project working groups. The 17th and 18th TSCC annual meetings held in April 2018 and 2019 respectively, with participation from 11 member countries and development partners, reviewed sector progress based on detailed annual reports and recommended actions, including endorsement of the strategies. Meanwhile, the Railway Working Group (RWG) has been supporting member countries on implementation of the CAREC Railway Strategy through provision of technical assistance to carry out country-specific assessment of railways, capacity

³⁵ The 17th TSCC meeting in April 2018 endorsed the need for a new transport strategy. A draft strategy was developed and reviewed in the 18th TSCC meeting in April 2019 and comments were elicited from member countries. An updated version was reviewed by the SOM in 2019 and approved by the MC in 2019 after incorporating all comments.

development, and support for project preparation. The Customs Coordinating Committee (CCC) has been supporting the sector by leading on implementation of border crossing service improvements under RIBS projects. There was close collaboration with the CAREC Institute on knowledge product and services for transport sector, such as the e-learning platform on road safety and road asset management. The quality of monitoring, analysis, and reporting for the sector remained high as evident from the [2019 Transport Sector Annual Report](#) and the [2019 CAREC Corridor Performance Measurement and Monitoring Report](#).

Taken together, the transport sector strategies, rolling action plans, knowledge products and events, annual reports, and annual meetings of TSCC, RWG, SOM and MC act as a platform for CAREC countries to develop understanding, joint vision, and practical solutions for safe, sustainable multimodal corridors that enable flow of goods and people across the CAREC region. The platform has enabled information sharing and coordination with a number of development partners, who are actively involved in transport sector development in the region.

A.3. Challenges and recommendations

COVID-19 affected transport sector results and program activities: Restrictions on travel and movement of goods imposed by countries globally had a cascading and cyclical effect across the world, including CAREC countries. It disrupted global supply chains, halted tourism, increased the time and cost to cross border, resulted in a drop in travel demand and freight transport, which soon created excess capacity (grounded planes, passenger trains, buses, cargo, and cruise ships etc.) and caused reductions in overall transport operations and revenues. Imposition of lockdown and social distancing in 2020 caused delays in implementation of some infrastructure projects that had to be halted temporarily. The pandemic also disrupted scheduling of program events in 2020 though most transport activities were completed albeit virtually and with some delays but few activities (such as the Aviation Forum, 6th RWG Meeting, and two railway sector studies) that required face-to-face interactions were postponed to end of 2021 or early 2022. At least two TA activities were affected by budget shortfalls or realignment of funding priorities of some development partners.

Governance issues and security concerns undermine efforts on improving cross-border services: Consultations during the review highlighted the significant variation in governance quality, institutional capacities, and security issues across CAREC countries and their potential impact on progress in transport sector. Gains in improving cross-border services are undermined by weak governance and/or heightened security checks along the corridor and/or at the borders as these contribute to increasing cost and time for transport of goods.

Steady yet slow progress in transport sector: Although CAREC has implemented an impressive array of activities which appear to be on track in terms of their potential to impact key levers of goods movement, there has been slow progress since 2017 in reducing time and cost to transport goods on CAREC corridors and across the borders. As mentioned above, there were noticeable improvements by 2019 prior to the outbreak of COVID-19 and the recent research findings also indicated positive impact of transportation reforms in the CAREC region. The ongoing pandemic provided both an opportunity and challenge to implement more sustainably,

the temporary trade facilitating measures —adopted at the onset of the pandemic—while ensuring safe movement of goods and people. CAREC needs to unpack the issue by analysing the CPMM data for the last 10 years for each corridor and BCP within a country to find where performance has improved or not and why.

B. Energy

The long-term vision of CAREC’s energy sector is to seek a reliable, resilient, sustainable and reformed energy system for the region. Such an energy system is considered the backbone for sustainable economic development and shared prosperity. To achieve this vision, the Program is working on three priority areas: enhancing energy security through regional interconnections, supporting market-oriented reform to restore the financial health and efficiency of the energy sector in the region, and enhancing sustainability by prioritizing investments in green energy projects and energy efficiency measures. The sector has integrated CAREC’s cross-cutting theme of climate change adaptation by making green energy and energy efficiency one of its pillars. Building knowledge and partnerships, attracting private sector investments across the energy value chain, and empowering women in energy are the three cross-cutting themes for development of the sector.

B.1. Summary of progress

Over the last three years, the CAREC Energy Sector Coordinating Committee has implemented initiatives to support member countries in this long-term transition towards an efficient, green, resilient, and interconnected energy system. Eight priority investment projects with \$1.6 billion in financing and eight technical assistance projects in the energy sector were approved between 2018 and 2020.

An important accomplishment of the reporting period is the development of the [CAREC Energy Strategy 2030](#) along with a results framework and a workplan for 2020-2030 that seek to achieve improved regional energy security and enhanced deployment of green energy until 2030.

The first deliverables of the CAREC Energy Strategy 2030 have been conceptualized, including the holding of the first region-wide Energy Efficiency Awareness Campaign (through jointly-developed TV and radio commercials and consumer leaflets) and a preliminary concept for a new regional green financing vehicle. The CAREC members also agreed on the main features of a new Central Asia Transmission Cooperation Association and approved the layout and content for a new virtual CAREC Energy Reform Atlas. Moreover, the structure of the first 10-year CAREC Energy Outlook to be published in 2022 was prepared which is expected to attract significant investments to the region. A CAREC energy platform (www.carecenergy.org) is being developed for launch in 2021 as a one-stop gateway to all issues of energy programming and a draft toolkit on tariff-setting principles and methods of introducing tariff reform is under preparation, with finalization expected in 2021. These initiatives are aimed at building awareness and to enable policy makers to make informed decisions on market-oriented reforms for energy sector.

All CAREC members and development partners also fully 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. Thus, all target indicators specified in the ESCC's 2020-2022 workplan are underway with their respective early drafts developed.

Deliverables that were started before the CAREC Energy Strategy 2030 adoption were also completed during the reporting period. These include the preparation of a high-technology roadmap for CAREC countries in 2018 to allow for faster integration of new technology³⁶ as well as the completion of a technical assistance project in 2020, which developed a regional cooperation mechanism for seven CAREC countries to integrate a higher share of renewable energy into their grid. A pilot project on solar off-grid kits was also completed in 2020 in Afghanistan, the Kyrgyz Republic and Tajikistan. Another TA, which is still ongoing on Increasing Cross-Border Energy Trading within the Central Asian Power System produced several outputs, including a needs assessment for modernizing the coordinating dispatch centre, which coordinates power flow between the national electricity grids of the Central Asian power system.

Over the past three years, a historic milestone was achieved with the organization of the 1st region-wide Energy Ministers Dialogue at which a declaration containing concrete commitments was signed in the areas covered by the CAREC Energy Strategy 2030. Several energy investment forums were also organized with investors, suppliers, financiers, and policy makers to increase private investments in the energy sector.

Three flagship cross-border electricity interconnection projects (TUTAP, TAP and CASA-1000)³⁷ and the TAPI³⁸ gas interconnection project are scheduled to be operational by 2030 to boost regional energy trade and improve overall energy security in the region.

The third phase of TUTAP for a 300 MW power interconnection between Afghanistan and Turkmenistan was expected to be completed by end of 2021³⁹. A contract was awarded in 2017 for the fourth phase to extend the Afghanistan-Turkmenistan interconnection to north-east Afghanistan where interconnections from Uzbekistan and Tajikistan into Afghanistan meet and converge with the TKM interconnection. Once the interconnection components are completed, energy trade among four countries is expected to start. Several discussions have been held regarding interconnection with Pakistan.

Discussion on the proposed TAP power interconnection project to export Turkmenistan power into Afghanistan and Pakistan were put on hold due to security challenges in Afghanistan and excess capacity in Pakistan.

³⁶ New technologies included electric vehicles, battery technology, solar energy through floating photo voltaic technology.

³⁷ TUTAP – Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan, TAP – Turkmenistan-Afghanistan-Pakistan, CASA – Central Asia–South Asia.

³⁸ TAPI – Turkmenistan-Afghanistan-Pakistan-India

³⁹ Timeline of all projects which include Afghanistan have become uncertain due to the situation in the country.

The CASA-1000 project led by the World Bank Group aims at developing a cross-border energy market that will enable the transfer of surplus summer power from the Kyrgyz Republic and Tajikistan to Afghanistan and Pakistan. The project is constructing high-voltage transmission infrastructure that connects the four countries. Technical assistance and project implementation support to all four countries is being provided. All engineering, procurement, and construction (EPC) contracts have been awarded and contractors have started infrastructure construction activities on site in all four countries. CASA countries are putting in place the commercial and operational arrangements in readiness for full operation by 2023-2024. This has, however, been put on hold for the time being given the situation in Afghanistan.

The TAPI gas interconnection project intends to help improve regional energy trade by building and supporting requisite natural gas supply and transportation capacity across the TAPI countries. Over the past three years, support was extended to the TAPI Pipeline Company Limited (TPCL) on the project's environmental and social safeguards, procurement, technical and financial workstreams. ADB Management approved the TAPI project concept paper and Transaction Technical Assistance Report (TRTA) in May 2020. The project preparation is progressing, although it is facing delays. Given the political differences among the countries through which the pipeline passes and the security situation in Afghanistan, it is unclear when and if this project will become operational by 2030.

Results: The Results Framework for the energy sector identifies two outputs: increased regional energy trade through implementation of the regional energy interconnection projects (TUTAP, TAP, CASA-1000 and TAPI) by 2030; and financing vehicle for green energy projects developed and consumer awareness for energy efficiency strengthened. The outcome result is enhanced regional energy security and deployment of green energy in the energy sector of CAREC countries.

Overall, there has been progress towards the output results in the energy sector considering that the bulk of ongoing activities were launched only in 2020 after the adoption of the CAREC Energy Strategy. The first region-wide energy efficiency campaign was held at the time of publishing this report and a full draft concept for the green energy financing vehicle was developed which is scheduled for endorsement in 2022. The share of renewable energy in CAREC countries also increased significantly from 1 percent in 2017 to 6 percent in 2020⁴⁰, which is an indicator of rising demand for renewable energy in the region, although the contribution of CAREC initiatives to this increase is premature to claim at this stage.

One (TUTAP) out of the four regional energy interconnection projects was partially operational by the end of 2020. The remaining projects are still in preparatory stages given the complex setting.

⁴⁰ Source: IRENA (2021), Renewable capacity statistics 2021. International Renewable Energy Agency (IRENA), Abu Dhabi.

B.2. Process

The institutional structure for CAREC's energy sector and the processes for planning, implementation and progress reviews on sector strategies and action plans have followed a consultative approach that has enabled participation of national governments and development partners. There was extensive in-country consultation with all 11 CAREC member countries in June-July 2019 on the draft CAREC Energy Strategy 2030 prior to its adoption by the MC in November 2019. Country ownership was confirmed in the First Energy Minister Dialogue held in September 2019, where energy ministers signed a declaration in which they endorsed the Strategy and committed to increasing the share of renewable energy, improving energy efficiency, launching energy sector reforms, and fostering gender equity in the energy sector.

The Energy Sector Coordinating Committee meetings held in 2018 and [2019](#)⁴¹ acted as a knowledge sharing, capacity building, coordination, progress review and decision-support platform to move the sector agenda forward. Development partners active in the energy sector, including the WB, AIIB, EBRD, and USAID attended the meetings and presented progress on their respective plans and initiatives. The World Bank continued to present progress on the CASA-1000 initiative, while USAID shared progress on the Central Asia Regional Electricity Market (CAREM) initiative. The ESCC has been strengthened with the establishment of working groups and task forces for each of the three pillars and three thematic areas of the CAREC Energy Sector Strategy. These working groups are led by 1-2 CAREC members and have responsibility for implementation of energy sector strategy and workplans. According to ESCC members, this is improving ownership and accountability.

The energy sector is moving towards a fully virtual program with a web platform that has members portal to log-in, access information and participate in events and activities. The sector has social media platform (Twitter and Instagram) to reach more people, especially youth. The increased use of ICT by the energy sector is expected to enable greater participation of member countries.

B.3. Challenges and recommendations

Impact of COVID-19: Overall, the impact of the pandemic has been limited on the energy sector program. The sector quickly moved to organise virtual meetings and events which enabled greater participation from member countries. However, one of the TA projects faced shortfall in funding due to the shifting priority of one of the development partners, but this did not impact the results.

3.4 Agriculture and Water

In 2017 CAREC introduced agriculture and water as a new cluster in the CAREC 2030 Strategy as part of selective expansion of operational priorities. The overall emphasis of both sectors is on promoting expanded agriculture trade in the region to support the CAREC 2030 goal of sustainable economic development and shared prosperity in the region. Under agriculture,

⁴¹ The 2020 meeting was rescheduled to 2021 due to the pandemic.

support for sanitary and phytosanitary measures (SPS) and transboundary animal disease control were identified as important for integrating CAREC countries into global agricultural value chains. In the water sector, securing water supply through coordinated river basin management and improved irrigation was considered important for value chain integration.

A. Summary of Progress

The sector started with a technical assistance project on Strengthening International Food Safety Standards in Agricultural Value Chains in the CAREC Member Countries. The outcome of the TA is expected to be stronger institutional systems – SPS regulations harmonized with international SPS measures and strengthened capacity of agencies that implement these measures – for the operationalization of international food safety standards. The project has been severely affected by the pandemic but has provided advice to five member countries on the harmonization of 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. Training was provided to most CAREC countries on good hygiene and manufacturing practices and hazard analysis critical control point system inspection and how to engage with Codex via national networks. Work related to the proposed CAREC regional food safety network was put on hold since setting up the network was considered premature at this stage.

To inform the sector work, CAREC commissioned a [study⁴²](#) in 2019 that identified trends, challenges, and opportunities in the sector in 11 CAREC member countries, with a particular emphasis on integration into regional and global agriculture related value chains.

In the water sector, CAREC is implementing a technical assistance project since 2019 for development of the CAREC water pillar with emphasis on economic aspects and sustainable financing of water resources management. Under the TA, a scoping study was commissioned to develop a framework for regional cooperation in the CAREC region, initially focusing on the five Central Asian states and in particular the region covered by the waters of the Aral Sea Basin, with consideration given to expanding to other CAREC countries over time. The water pillar will take an incremental approach to strengthening regional cooperation through technical assistance or investment projects aimed at: (i) addressing issues of common concern across two or more countries that may or may not be directly linked to a shared water resource; and (ii) supporting regional cooperation on shared water resources. CAREC Program's water pillar is expected to be finalized after a series of consultations and endorsement by the MC in 2021 or the following year.

Results: As the water pillar is still in the planning stage, it is premature to expect progress on output indicators of the sector. In agriculture, a series of technical advisory inputs and training sessions were delivered in 2020 to support harmonization of national regulations with international SPS measures and for strengthening capacity of relevant agencies in six countries. However, work related to the proposed CAREC Regional Food Safety Network (TA Output 4) has been on

⁴² ADB. 2019 *Agriculture Development in the Central Asia Regional Economic Cooperation Program Member Countries*, Manila.

hold due to challenges in obtaining and gathering relevant country specific information and intended inputs that are critical for the network design. Some of the information suggested to be shared is meant to be available under WTO rules - but few countries in the region yet fully comply with WTO requirements. Therefore, the setup and operationalization of the network at this stage is premature.

B. Challenges and recommendations

While some groundwork is starting for the overall agriculture sector, the initial work on food safety has faced some challenges. One of the reasons may be the slowdown in TA work program with ministries of health, a key client, which have had to focus on the COVID-19 pandemic. Securing time with key managers to organize training and deliver training online has been a challenge.

In addition, the project is finding it challenging to provide training and assistance to all countries involved in the TA due to lack of required resources (technical expertise and/or funding). This issue needs to be resolved to make the TA more effective.

The lack of alignment between contemporary approaches for managing food safety and former Soviet-era approaches, the cross-country regulations under the Eurasian Economic Union (EAEU), and the internationally recommended approaches in food safety all add to the complexity of the task of harmonization of regulations. The TA implementation will end in September 2021, but further effort should continue focusing on training of technical staff, and advisory and knowledge sharing.

3.5 Human Development

A. Summary of Progress

In the human development cluster, which was introduced as a new operational priority under the CAREC strategy 2030, preparatory work on education and skills development and health commenced but due to the pandemic, member countries agreed to focus on health as a priority sector. A scoping study on education and skills development was completed in 2019 that identified opportunities to harmonize education and skill standards, enhance student and worker mobility, strengthen labor market information and movement, and facilitate knowledge exchange. A regional consultation workshop held in March 2019 with participants from 11 CAREC countries discussed key challenges and opportunities for regional initiatives and collaborative actions in skills development, and higher education in the region.

A [scoping study on CAREC health cooperation](#) was completed in 2020 and a regional working group on health (WGH) was established to guide formulation of the CAREC health strategy and the related investment framework for 2022-2026. The study identified three strategic areas for the health sector: regional health security; strengthening health systems through regional cooperation and information sharing; and improving access to health services for migrant

workers, mobile populations, and border communities. A regional technical assistance project⁴³ approved in July 2020 is supporting the development of the health strategy, which is expected to be submitted to CAREC Ministerial Conference for endorsement in November 2021. An investment framework for regional health initiatives is expected to be completed in 2022. The TA will also build capacities to respond to COVID-19 and to prevent, prepare for, and respond to regional health threats.

B. Challenges and recommendations

As COVID-19 has affected – and will continue impacting - progress in almost every sector globally and within the region at least over the next few years, a key priority for CAREC countries is to control its spread within their populations and shield human lives, health systems and economies from the harmful affects of the pandemic. This development has enhanced the importance of the health sector and amplified the need for developing and operationalizing the CAREC health strategy and investment framework on an urgent basis.

4. Knowledge Services and CAREC Institute

CAREC continued to strengthen its position as a ***unique and valuable source of knowledge, policy influence and capacity building for the region***. The Program is using technical assistance projects and the CAREC Institute as two main (though not always mutually exclusive) vehicles for knowledge products and services. Between 2018 and 2020, CAREC, in collaboration with ADBI and CAREC Institute, produced 54 [knowledge products](#) (assessments, strategies, master plan, scoping studies, guides, issue paper and case study) and organised 96 [events](#) including capacity building events. The CAREC Institute also produced 64 [knowledge products](#) (technical and research studies, guides and manuals, working papers, briefs and notes) and organized 46 capacity building [workshops, webinars, expert roundtable discussions and experiential regional policy dialogues](#) during this period.

The Institute has shown impressive growth since its transition under an Inter-governmental Agreement (IGA), enforced in August 2017. It has developed its internal capacities through recruitment of staff, strategy development and organisational strengthening, launched an [e-learning platform](#) and is playing an increasing role in supporting CAREC's capacity building and influencing agenda on regional connectivity and cooperation. The Institute's analytical work, such as the country brief based on the CPMM data that summarises empirical evidence on bottlenecks on specific border-crossing points, supports CAREC initiatives as the analysis encourages member countries to make required changes in services and systems at the identified BCPs. The CAREC Think Tank Network (CTTN) has the potential to build greater understanding and political commitment on regional cooperation by supporting regular research and dialogue on specific issues of regional cooperation through think tanks based in member countries. The Institute has recently established a quality assurance system for its research and analytical work.

⁴³ [Addressing Health Threats in Central Asia Regional Economic Cooperation Countries and the Caucasus: Technical Assistance Report, ADB](#)

CI has started developing regular products to help understand trends over time. In 2017, the Institute started designing the CAREC Regional Integration Index (CRII) to measure progress in regional economic cooperation and integration among the 11 member countries⁴⁴. A first report on CRII was presented in 2019 which was updated in 2021 based on latest available data. The product needs to further refine its scope and dimensions to align it with the possibilities of both integration within CAREC, as well as leveraging the geographic advantage for connecting economic power houses around CAREC. A regular quarterly economic monitor has also been started which captures economic data trends. The Institute also publishes Economic Briefs and Policy Briefs which can be further improvised to provide policy options for member countries on issues relevant to CAREC Program. CI may also consider developing a repository of knowledge on key sector related development indicators of CAREC countries.

The Institute responded quickly to the COVID-19 challenge and produced three COVID-related studies which were well perceived by CAREC countries and Development Partners (on impact of COVID on MSMEs in the region, on harnessing technology for tourism development, and on vaccine perception in selected CAREC countries).

CAREC Institute started its work in the traditional cluster but has demonstrated its capacity to support knowledge-based work in the new sectors which now account for almost one-quarter of CI's activities. As CAREC will ramp up its implementation in new clusters in the coming years, the demand on CI for knowledge products and services to support policy or regulatory changes and capacity building will increase significantly. There is a risk that CI might get overstretched which may compromise quality of its work. CAREC Secretariat, in collaboration with CI and sector coordinating committees can assist in prioritising the knowledge and capacity building agenda that can be delivered by CI and those that are best suited for delivery through additional technical assistance.

Long term role of the Institute will depend on financial sustainability and diversification of resource base through consensus of its Inter-governmental Agreement (IGA) members, so that it can serve the objective of an independent, credible, and trusted source of knowledge and capacity building support to CAREC Program.

5. Internal Alignment and Institutional Framework

Alignment with CAREC 2030 priorities: Overall, there is strong alignment of CAREC Program design and implementation with the principles and priorities (operational and cross-cutting) of CAREC 2030 Strategy. Each sector strategy was developed in consultation with member countries, development partners, and technical experts. These strategies reflect national priorities and are well aligned with CAREC's overarching objectives. The driving principles of CAREC 2030 have been adopted in the Program, evident from gradual expansion to new clusters and sectors, adoption of the *project++* approach by enhancing emphasis on policy dialogue and

⁴⁴ The CRII is based on 16 indicators that describe CAREC integration along six dimensions: trade and investments, money and finance, regional value chains, infrastructure and connectivity, free movement of people, and institutional and social integration. [CAREC Regional Integration Index](#); CAREC Institute, February 2021

knowledge cooperation, and increased integration of technology in sector initiatives (e.g., paperless trade, single-window operation, e-commerce, smart grid, use of technology for road safety, CAREC tourism virtual portal). An ADB-supported TA⁴⁵ was approved in 2020 to prepare CAREC technology vision and support CAREC countries in developing a regional startup ecosystem through knowledge sharing and capacity development. The formulation of the CAREC Digital Strategy 2030 was also initiated, and the digital strategy is expected to be submitted to CAREC Ministerial Conference for endorsement in November 2021. Climate change adaptation is integrated in the energy sector through one of its pillars that focuses on promoting green energy and energy efficiency. Climate change adaptation is also reflected in the water and agriculture sectors.

Progress on gender mainstreaming has been slow and some missed opportunities to integrate gender equality in CAREC assisted projects were observed. To complement CAREC 2030 in providing strategic guidelines for mainstreaming gender into CAREC's five operational clusters, the CAREC Gender Strategy 2030 was developed and endorsed in 2020. A CAREC Gender Strategy 2030 Results Framework was also designed to complement CAREC PRF. Implementation and integration of gender within CAREC clusters will require sustained efforts by the CAREC Secretariat and the sector coordinating committees, initially in building understanding and ownership of the strategy within the committees and member countries followed by technical support to integrate gender equality measures within each cluster. As one of the first steps proposed in the Strategy, CAREC should form a Regional Gender Expert Group (RGEG) with representatives from member countries and interested DPs. The CAREC Program Results Framework also need to be gender sensitized to track progress and enable accountability in this area. A new TA project is in pipeline to support the implementation of the Gender Strategy 2030 and is expected to be approved in 2021.

The DEfR noted room for improvement to integrate the role of private sector and civil society in promoting regional cooperation and development. Achieving the goal of increased economic interconnection requires market-led and private sector driven actions to both influence government on required policy reform and also to develop private sector network across the region. The Program needs to extend private sector participation in the trade and transport sector beyond the CAREC Federation of Carrier and Forwarders Association. CAREC may consider leveraging the expertise of EBRD, which is exclusively focused on working with private sector, to make progress in this area.

As part of its strategic priority to make CAREC an open and inclusive platform, the program has been engaging bilateral and multi-lateral agencies (beyond the six original development partners), including AIIB, USAID, GIZ, JICA and others, to finance projects, provide technical assistance, co-chair working groups, participate in policy dialogues, and share knowledge to enhance regional cooperation. But feedback during DEfR consultations indicates room for improvement, especially in building ownership of CAREC initiative among development partners. There was a suggestion to have more frequent exchanges at the operational level among DPs to

⁴⁵ TA 6602-REG: Supporting Startup Ecosystem in the CAREC Region to Mitigate Impact of COVID-19 and Support Economic Revival

build ownership, for example, CAREC sector leads can meet virtually with DP counterparts on a more regular and perhaps informal basis, to stay abreast of CAREC related initiatives by each partner. A more proactive approach by CAREC Program, in identifying opportunities for investment, providing technical assistance, co-hosting events and knowledge sharing and linking relevant DPs to these, was also suggested to leverage respective strengths.

Institutional structure: The renewed institutional structure (Annex I) proposed in CAREC 2030 Strategy has worked well since 2017. The CAREC Ministerial Conference (MC) has functioned as a high-level strategy setting and policy body that has continued to meet annually. The MC has reviewed and endorsed five strategies, helped secure commitment of national governments on CAREC initiatives, and provided guidance on regional and supranational issues. The semi-annual Senior Officials Meeting (SOM) has been monitoring progress at cluster and sector levels, recommending operational improvements, and acts as a recommending body to the MC. Four sector coordinating committees, five working groups, assisted by sub-working groups or sub-committees have been supporting implementation of projects and initiatives in their respective sector. The sector committees have prepared annual workplans and progress reports and led strategy development for their respective sectors. CAREC Institute has played a valuable role in supporting the knowledge cooperation agenda of the Program, delivering knowledge products and services in all clusters between 2018 and 2020.

Despite the pandemic, the MC, SOM, sector committees and sub-working groups have continued to meet, with few exceptions, and keep the CAREC agenda moving. Representation of national governments and development partners on these bodies, their role as co-chair, and their participation in meetings is enabling ownership of strategies and initiatives by different stakeholders.

CAREC Secretariat has been the glue for the overall institutional structure. It has facilitated development and endorsement of CAREC strategies, engaged and managed consultants for a variety of tasks, organized MC, and SOM, followed up with sector committees and national focal persons on pending actions, coordinated engagements with a larger group of development partners, provided required administrative support and leading the transition to a virtual CAREC platform. It has played a central role in monitoring and review of CAREC. But staffing strength of the Secretariat has barely increased despite the broader CAREC 2030 agenda. As the recently developed sector strategies and action plans transition towards full implementation and strategies for new sectors (agriculture, water, health) are developed, demand for CAREC Secretariat's support will further increase. It will be challenging for the Secretariat to meet this demand with its current strength.

While sector committees, working groups and SOM saw some transition of government representatives, the overall institutional structure of CAREC has continued to function and has provided continuity and coherence. This structure is also one of the key strengths of CAREC. However, its effectiveness in ensuring quality of implementation is less clear as an absence of information on qualitative aspects and travel restrictions constrained this review from assessing the quality of CAREC meetings, projects, policy dialogues, or capacity building initiatives.

Consultations during the DEfR suggested CAREC meetings can be made more productive by introducing more opportunities for discussions.

ADB's roles as CAREC Secretariat host: ADB has demonstrated its comparative advantage in hosting and nurturing CAREC by playing multiple roles. The Bank leveraged its established relations with multilateral and bilateral institutions to deepen and expand engagement of DPs in the CAREC Program. While it has been the single largest financier of investment and technical assistance projects for CAREC, ADB facilitated member countries mobilize funding and TA from other development partners for CAREC objectives. Nearly 40 percent of the CAREC investment project portfolio is funded by other DPs. ADB has played a major role in creating, consolidating, catalysing, and disseminating knowledge and information on regional cooperation and integration relevant for CAREC. The Bank brought the ADB Institute and was instrumental in the establishment of CAREC Institute for knowledge creation and dissemination. It has also been a provider as well as facilitator of capacity building for CAREC countries and brought its institutional expertise in sectors such as transport, trade, energy and ECD to assist member countries build their understanding and capacities on complex regional connectivity and cooperation issues and initiatives. At the same time, it created opportunities for development partners to bring in their expertise in specific sectors to inform CAREC agenda, strategy and interventions. ADB has also provided opportunities for CAREC to learn from its broader regional cooperation and integration work in Asia including the Greater Mekong Sub-region program.

6. Conclusions and Recommendations

CAREC has achieved good progress in implementing the CAREC 2030 agenda during the initial three years of its new strategy. It has broadened the scope of the program by adding new clusters and sectors which has enabled the Program to further enhance its position as a **multi-sector regional cooperation platform**. This enlarged scope is creating more opportunities for CAREC to bring member countries together, mobilise investments and expertise from a larger group of development partners, extend capacity building support, coordinate project and policy initiatives with development partners and national governments, and share knowledge on a wider range of themes to support regional connectivity and cooperation.

CAREC has developed a **strong template for regional cooperation** through its *project++* approach, comprehensive strategies and action plans, and a multi-stakeholder institutional structure linked with strategizing, planning, and implementation processes. Despite the disruptions caused by the pandemic, CAREC managed to make progress and also leveraged opportunities that the pandemic opened including transition to CAREC virtual platform and sharpening the focus on digitalisation as enabler for regional cooperation and sustainable economic development.

Over the last three years, CAREC has **implemented an impressive array of strategic planning, capacity building, and knowledge creation activities** to enhance regional connectivity and cooperation in its traditional sectors (trade, transport, and energy) and built a good foundation to launch activities in new clusters and sectors (economic and financial stability,

tourism, agriculture and water, and health). In the transport sector, there have been improvements in services at selected border-crossing points (e.g., between Pakistan and Afghanistan)⁴⁶. In trade, CAREC has supported members in their accession to WTO. Turkmenistan was granted WTO observer status in July 2020 while Azerbaijan and Uzbekistan were supported in the accession process. In the energy sector, progress has been made on the TUTAP regional energy investment project as well as in creating enabling resources (e.g., energy portal) to support market-oriented energy reforms in member countries. In the health sector, a strategy focusing on regional health security and resilient health systems has been developed which will open new possibilities on regional cooperation for improved health.

CAREC's strong performance on implementation of the 2030 strategy and the **progress made in the sectors suggest that it is on track to achieve most of its 2030 goals** though significant efforts in each sector would be required to transform the modest gains in results achieved over the last three years into more tangible outcome and output results in the remaining ten years. Delivery of some sector outputs faced challenges, in part due to the pandemic. The CAREC 2030 Program Results Framework (PRF) includes five cluster outcomes, 10 sector outcomes, 21 outputs and 31 indicators (output and sector outcome) for measuring results. CAREC has maintained data on most indicators, but there are gaps in the baseline, targets, and 2020 data for several indicators, all of which makes it challenging to analyze performance on results. DEfR noted the current PRF was designed to be flexible to accommodate future indicators and refinements as the sector and cluster programs evolve and respond to the changing needs of the region. The sector and pillar strategies and workplans that are being scoped out (and were recently developed) will be incorporated into the PRF after being confirmed by sector coordinating committees and working groups.

Based on data that is available, there has been progress on 13 output indicators (including for new clusters). The traditional sectors – transport, trade, and energy – have shown mixed results or marginal improvements between 2017 and 2020. In the transport sector, time, cost, and speed to move goods on CAREC corridors improved marginally for rail transport but deteriorated for road transport. In the trade sector, CAREC countries' trade in fuel and non-fuel within the region and with rest of the world increased as a percentage of GDP in 2019 compared to the baseline but progress on diversification of export, a key agenda of CAREC, is yet to be observed. Trade in services as proportion of GDP also increased in 2019. In terms of absolute value of trade (exports and imports of merchandise and services in million dollars), the DEfR noted a decline that predates the pandemic year, primarily due to the impact of trade tensions between two major economies. The absolute values of exports as well as imports for both merchandise and services stagnated between 2018 and 2019 and dropped sharply in 2020 (Annex II, Table 1 and 2). It is rather premature to expect tangible results in the energy sector as the new sector strategy was approved in 2020 but work on several key deliverables has progressed. It includes the first region-wide Energy Efficiency Awareness Campaign, a preliminary concept for a regional green financing vehicle, a draft toolkit on tariff-setting principles and tariff reforms and plans for a new virtual CAREC Energy Reform Atlas, the first 10-year CAREC Energy Outlook, and a web-based

⁴⁶ This was prior to 15 August 2021.

CAREC energy platform as a one-stop gateway for energy programming. Three cross-border electricity interconnection projects advanced.

For the new clusters and sectors, progress on output indicators is premature to expect at this stage, but a good start has been made in economic and financial stability, tourism, agriculture, water, and health sectors.

CAREC's progress on delivery of results need to be contextualised for three main aspects. First, it is early to expect results within three years of implementation of the new strategic framework (in effect until 2030). As well, each of the traditional sector strategies (trade, transport, and energy) were also renewed after 2017 and have seen three years or less of implementation. Much of CAREC's work is on instituting reform, improving and/or harmonizing rules, regulations, and systems, and building institutional capacities which require longer time frame to yield results. The pandemic has also slowed down progress in all sectors in 2020.

Second, several of the outcome and output statements and the indicators in the program results framework need improvement as they are either highly ambitious, not clearly defined, or gaps remain between activities, outputs, and outcomes. For example, the outcome, output, and indicators for the trade sector are quite broad and ambitious and their realisation is dependent on several factors beyond the ambit of CAREC interventions. DEfR noted that the CITA 2030 plans for midterm review in 2024, which could also be an opportunity to revisit the targets and indicators of achieving the goals.

Third and perhaps the most important point is to understand the core or mission of CAREC and include it as an essential parameter in assessing its performance. CAREC's mission is to create a regional cooperation platform that connects people, policies and projects for shared and sustainable development. In line with its mission CAREC is establishing a dense network of institutional structure and processes for regional cooperation with the objective of promoting sustainable economic development in the region. It is therefore important to view and assess CAREC's progress in terms of its effectiveness as a regional cooperation platform and the PRF needs to be modified to reflect this critical aspect of CAREC.

Over the last 20 years, ADB has made efforts in nurturing CAREC and established it as a multi-sector regional cooperation platform which has mobilised financial resources for the region and is showing modest results and some benefits of regional cooperation to its members and development partners. But its visibility, across the region beyond its direct stakeholders, is limited and it has much work to do in convincing governments on benefits countries will derive through regional cooperation. Consultations during this review drew attention to the needs for stronger ownership and political commitment, especially on soft infrastructure development, which is now a major area of focus under CAREC 2030.

While ADB, development partners and member countries must continue pursuing CAREC 2030 goal, they may also reflect on the possible trajectory of CAREC beyond 2030 and discuss pros and cons of various options. For example, whether CAREC continues beyond 2030 in its present form as a regional cooperation platform hosted by ADB (or another development) partner

or transitions into a preferential or free trade agreement among member countries or takes some other form. The reason for this conversation to happen sooner than later is to start positioning for the longer-term shift – assuming there is a consensus on it - as these are extremely complex and time-consuming transitions.

CAREC has developed well defined strategy or concept for all sectors (except education) to take it to 2030. But its aspirations for 2030 to achieve significant progress in each cluster, firmly establish itself as a multi-sector regional cooperation platform better owned by member countries, and attract greater financing and interest from other development partners, face the following challenges and opportunities:

- There is a risk that COVID-19 will continue to strain public health system and the economy of CAREC countries at least for the next couple of years. This might reduce political commitment to regional cooperation as member countries may prioritise addressing domestic issues including spread of COVID-19 and economic downturn. There is a risk that countries might prolong restrictions to cross-border movement of goods and people for both health reason and to protect local economy especially SMEs. On the other hand, the pandemic induced crisis provides opportunity to convince members on the benefits of regional cooperation e.g., for cross-border disease surveillance or joint purchase of vaccines and essential medicines to benefit from economies of scale.
- Continuation or possible escalation of trade tensions among major global and regional economies will be disruptive for global economy and for the CAREC region but may open opportunities for investment in CAREC countries as was experienced and leveraged by some East Asian countries in the past. It may also provide opportunities to CAREC members to plug into global supply chains where gaps have emerged due to rising trade conflicts.
- The situation in Afghanistan is likely to have an impact on the CAREC program, its interventions and results especially in the trade, transport, and energy sectors as the country provides the corridor for linking central Asia to the nearest seaport and to south Asian market. Four transport corridors (2, 3, 5 and 6) and all major energy projects (TUTAP, TAP, TAPI and CASA-1000) of CAREC include Afghanistan.
- Increased emphasis of global community, especially the G-7 countries, on curtailing carbon emission and greening the energy system is likely to increase financing available for renewable energy projects as well as bring the cost of renewable energy systems further down due to economies of scale. This will open opportunities for CAREC countries to invest in green energy systems.
- As CAREC 2030 expands into new clusters and sectors, the complexity of the program and coordination requirements will increase, so will the demand on time of national focal persons, senior leadership (minister/deputy minister) of member countries and CAREC Secretariat to attend or organise meetings, process information and follow-up on action plans. Risk of overstretching should be managed as it could dilute efforts.

- Weaknesses (discussed earlier) in the program results framework of CAREC 2030 will make it challenging to monitor progress and also set CAREC for underperformance when evaluated against the framework.

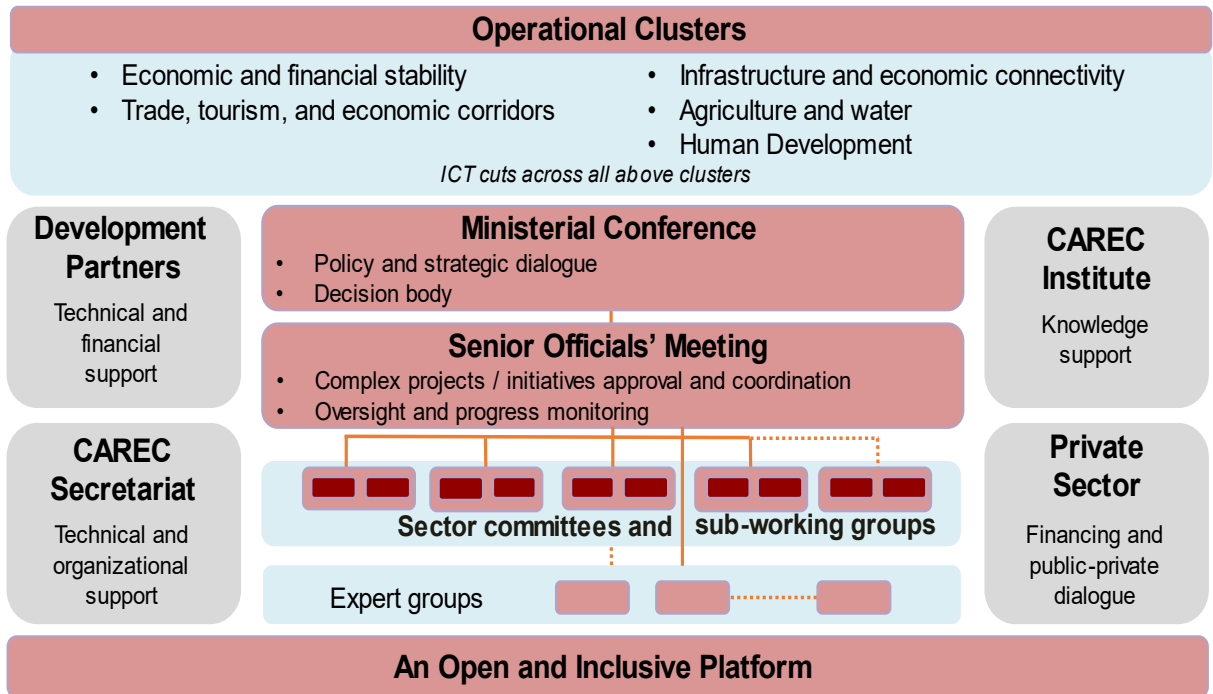
Recommendations

Based on the review findings, the following recommendations are proposed:

1. CAREC 2030 strategic framework remains relevant but there is merit in reviewing and adjusting sectoral priorities and interventions to ensure these maintain a high level of relevance considering the impact of the pandemic. Stronger and accelerated efforts by CAREC on supporting region-wide ICT infrastructure development and digitisation of services, including e-commerce, paperless trade, and single window operations as well as prioritising initiatives on regional health security and health systems strengthening, may help mitigate the negative impact of COVID-19.
2. Review and revise the CAREC Program Results Framework to make it more coherent, realistic, and aligned with CAREC 2030 Strategy, sector strategies and interventions. This can be done by strengthening the results chain of the PRF and aligning it with impact statement (to be developed) for each cluster and sector. Some of the current outcomes, which are highly ambitious and too broad, can be moved out of the results chain and used as impact statement. These would be the outcomes that are not controlled by or attributable to the CAREC program although the program would contribute to them to some degree. But CAREC would not be held accountable for the impact. Review and modify, as needed, current outcome statements for each sector and align these with the higher-level impact. There are several output statements in the PRF which are outcomes - these need to be moved up the results chain and corresponding outputs that would directly lead to the outcome will have to be identified. Complete the results chain aligned to impact statements for each sector. Ensure that the results chain (outcomes and outputs) though ambitious, stays within reasonable control of CAREC Program. Review and revise existing indicators once the outcome and output statements are revised. Where appropriate, provide realistic targets for 2030 for the indicators. supporting theory of change (ToC) also be developed.
3. Develop a CAREC communication strategy and invest in well-targeted communication and engagement with member countries on CAREC objectives, program, and achievements to build greater visibility, understanding and ownership off the program. Simultaneously political commitment by member countries can be further enhanced through a summit-level meeting of CAREC head of states or government as proposed in the CAREC 2030 Strategy. A carefully developed agenda focused on key CAREC priorities and issues that cut both national and regional interests may contribute to attracting the interest of top national leadership and make the summit a useful vehicle to move forward CAREC agenda.

Annex I: CAREC 2030 Institutional Framework

CAREC 2030 Institutional Framework



CAREC = Central Asia Regional Economic Cooperation, ICT = information and communication technology.
Source: CAREC Secretariat.

Annex II: CAREC Trade Sector Data: 2017-2020

Table 1: Merchandise Exports and Imports, 2017-2020

Countries	Merchandise Exports (\$ million)				Merchandise Imports (\$ million)			
	2017	2018	2019	2020	2017	2018	2019	2020
Afghanistan	723	875	864	783	7,065	7,407	6,777	6,475
Azerbaijan	15,481	20,317	19,636	13,741	8,783	11,466	13,667	10,731
PRC	2,263,346	2,486,695	2,499,457	2,591,121	183,792	2,135,748	2,078,386	2,055,752
Georgia	2,746	3,380	3,798	3,342	8,057	9,362	9,517	8,011
Kazakhstan	48,304	60,956	57,309	46,447	29,266	35,534	37,757	37,222
Kyrgyz Republic	1,764	1,837	1,986	1,965	4,495	5,292	4,989	3,684
Mongolia	6,201	7,012	7,620	7,576	4,337	5,875	6,127	5,294
Pakistan	21,569	23,425	23,334	21,976	57,746	60,078	50,349	45,847
Tajikistan	1,198	1,073	1,174	1,838	2,775	3,151	3,349	3,110
Turkmenistan	7,458	9,573	9,695	7,120	4,571	2,351	2,913	3,225
Uzbekistan	10,079	10,921	14,024	13,281	12,035	17,312	21,866	20,020
CAREC-10	115,523	139,369	139,440	118,069	139,130	157,828	157,311	143,619
% Change CAREC-10		20.6%	0.1%	-15.3%		13.4%	-0.3%	-8.7%

PRC = People's Republic of China; CAREC-10 excludes PRC

Sources: WTO <http://data.wto.org/> (Viewed on September 6, 2021)

Table 2: Commercial Services, Exports and Imports, 2017-2020

Countries	Merchandise Exports (\$ million)				Merchandise Imports (\$ million)			
	2017	2018	2019	2020	2017	2018	2019	2020
Afghanistan	369	734	652	700	1,240	1,367	1,213	1,105
Azerbaijan	4,688	4,691	3,761	2,621	8,068	6,753	6,377	5,461
PRC	228,090	271,451	283,192	280,629	467,589	525,154	500,680	381,088
Georgia	3,990	4,490	4,600	1,586	1,966	2,246	2,425	1,456
Kazakhstan	6,505	7,320	7,745	5,032	10,083	11,981	11,462	8,096
Kyrgyz Republic	824	830	1,083	440	916	963	1,021	572
Mongolia	966	1,157	1,233	655	2,178	2,606	3,224	2,105
Pakistan	6,328	5,933	5,870	5,353	11,741	11,670	10,295	7,543
Tajikistan	252	242	242	139	374	458	488	410
Uzbekistan	2,251	2,750	3,095	1,700	4,093	5,191	5,361	3,511
CAREC-10	26,173	28,147	28,281	18,226	40,659	43,235	41,866	30,259
% Change CAREC-10		7.5%	0.5%	-35.6%		6.3%	-3.2%	-27.7%

PRC = People's Republic of China; CAREC-9 excludes Turkmenistan (no data) and PRC

Sources: WTO <http://data.wto.org/> (Viewed on September 6, 2021)

Annex III: CAREC Program Results Framework (Baseline and Actual)

Reporting on [CAREC 2030 Program Results Framework](#)

Outcome/Output	Indicator	2017 Baseline	2019 Progress	2020 Target	2020 Progress
<p>EFS Outcome (OC1) Increased regional macroeconomic stability, improved investment, and financial integration</p>	<p>EFS OC 1: High level policy dialogue on macroeconomic issues among CAREC countries regularized, leading to greater economic stability and improved macroeconomic outcomes</p>	<p>0 high-level participation in CAREC meetings on economic and financial stability issues</p> <p>Regional average growth rate of X%</p> <p>Current account deficit at Y% of GDP</p> <p>Public debt to GDP ratio of Z% of GDP</p>	<p>4 HL policy dialogue with high level participation organized between 2018 and 2020 (2 in 2018, 2 in 2019)</p>	<p>At least 30% of participants in annual high-level forum on economic and financial stability are at minister / central bank governor level</p>	<p>7 HL policy dialogue with high level participation organized between 2018 and 2020 (2 in 2018, 2 in 2019 and 3 in 2020)</p> <p>Majority of attendees to 2020 high-level policy dialogues were deputy/vice ministers of finance and central bank deputy governors. (2021 SOM report)</p> <p>GDP grew for all CAREC countries in 2018 and 2019 but growth rate declined for all in 2020 and economies of six countries shrank.</p>
<p>EFS Output 1: Policy dialogue on economic and financial stability issues institutionalized</p>	<p>EFS OP 1: High level dialogues on economic and financial stability issues organized</p>	<p>(2018) 0 high level economic and financial stability forums organized</p>	<p>HL policy dialogue held in 2018 and 2019 with high level participation,</p>	<p>At least 1 high level economic and financial stability forums organized annually</p>	<p>Target met as HL policy dialogue held in 2018, 2019 and 2020 with high level participation, e.g., majority of the attendees to 2020 high-level policy dialogues were deputy/vice ministers of finance and central bank governors</p>

Outcome/Output	Indicator	2017 Baseline	2019 Progress	2020 Target	2020 Progress
EFS Output 2: CAREC Capital Markets Forum institutionalized	EFS OP 2: CAREC capital market regulators meet regularly to discuss capacity building and legal and regulatory harmonization issues	0 meetings of CAREC capital market regulators	1 st Capital Market Regulators Forum held in 2019.	CAREC capital markets forum meets every # years At least 1 working group on capital market regulation constituted At least one report on capital market regulatory gaps and cooperation potential finalized.	1 st Capital Market Regulators Forum held in 2019. The 2 nd Forum scheduled for 2020 has been moved to 2022. Study with road map for integrated development of capital markets in CAREC countries is expected to be complete in 2022
TRADE TRD Outcome (OC 1): CAREC countries are more integrated into the global economy	TRD OC 1: Trade in fuels and non-fuels within CAREC and with rest of the world as % of GDP	2016 Baseline as per CITA 2030 <u>Fuels:</u> Within region: 0.43 With rest of the world: 9.59 <u>Non-fuels:</u> Within region: 1.83 With rest of the world: 24.03 2017 Baseline (SOM sector report) <u>Fuels:</u> Within CAREC: 0.48 With rest of the world: 10.85 <u>Non-fuels:</u> Within CAREC: 1.65 With rest of the world: 25.10	<u>Fuels:</u> Within region:0.71 With rest of the world: 13.65 <u>Non-fuels:</u> Within region:2.5 With rest of the world: 29.07	No targets for 2020 but <u>2023 targets are:</u> <u>Fuels:</u> Within region:0.84 With rest of the world: 14.87 <u>Non-fuels:</u> Within region: 4.17 With rest of the world: 31.52	2020 data yet to be available from UN COMTRADE

Outcome/Output	Indicator	2017 Baseline	2019 Progress	2020 Target	2020 Progress
TRD Output 1 (OP1): Greater diversification in products and sectors achieved	TRD OP 1: Trade in services as % of GDP Share of top 5 exports in total exports	2016 Baseline as per CITA 2030 <u>Trade in services at 10.0% of GDP</u> <u>Share of top 5 exports in total exports at # %</u> 2017 Baseline (SOM sector report) Trade in services as % of GDP: 10.56 Share of top 5 exports in total exports: 61.66%	<u>Trade in services as % of GDP: 11.00</u> <u>Share of top 5 exports in total exports: 64.85</u>	<u>2023 targets</u> <u>Trade in services as % of GDP: 13.72</u> <u>Share of top 5 exports in total exports: 54.04</u>	2020 data yet to be available from UN COMTRADE
TRD Output 2: Capacity of institutions for trade strengthened	TRD OP 2: % of respondents from trade institutions report improved knowledge for trade (this is a weak indicator)	2018 Baseline 93.0% of respondents (based on survey of trade events)	90.5%	<u>2023 targets</u> 95%	100%
TOURISM TSM Outcome 1: Tourism competitiveness and positioning of the CAREC region as a globally attractive tourism destination enhanced	TSM OC 1: CAREC countries' Travel and Tourism Competitiveness Index rank increased	2 of CAREC countries within the top 70 ranks (PRC 15, Georgia 70)		At least # CAREC countries within the top 70 ranks	2 CAREC countries within the top 70 ranks (PRC 13, Georgia 68); 5 CAREC countries have improved their rank (KAZ, KGZ, MON, PAK, and TAJ)

Outcome/Output	Indicator	2017 Baseline	2019 Progress	2020 Target	2020 Progress
<p>TSM Output 1: Regional tourism projects approved</p>	<p>TSM OP 1: Regional tourism projects conceptualized and approved</p>	N/A	<p>TA 9677-REG: ABEC: Preparing the Modern Agriculture Wholesale Market Development project approved in 2018; TA-9976 Sustainable Tourism Development in the CAREC Region (approved in 2019).</p>	<p><u>PRF 2020 targets</u> # Regional TA</p>	<p>TA-9976 Sustainable Tourism Development in the CAREC Region (approved in 2019). TA 9677-REG: ABEC: Preparing the Modern Agriculture Wholesale Market Development project approved in 2018; TA 6729-KAZ: Pre-feasibility study on Turgen Mountain Resort Development (formerly Promoting Sustainable Tourism) approved in Apr 2021. Investment: The Sustainable Tourism Dev Project, Mongolia approved in 2019 (here) Georgia: Livable Cities Investment Project for Balanced Development for Approval Q4 2021 (here)</p>
<p>TSM Output 2 (TSM OP2): Institutional mechanism for implementing joint regional tourism initiatives established</p>	<p>TSM OP 2: Expert groups and regional tourism agency established and operationalized</p>		<p>CAREC tourism focal points group established in 2018. Two meetings of this group held (Oct 2018, Dec 2019)</p>	<p><u>PRF 2020 targets</u> N/A <u>2023 targets</u> At least # expert groups meetings held Institutional framework in the Tourism Strategy 2030 endorsed by CAREC countries</p>	<p>CAREC tourism focal points group established in 2018. Since then, three meetings of this group have been held (Oct 2018, Dec 2019, Jan 2021) CAREC Tourism Strategy 2030 developed and approved by MC in Dec 2020. Regional tourism</p>

Outcome/Output	Indicator	2017 Baseline	2019 Progress	2020 Target	2020 Progress
					investment framework developed. CAREC Tourism Virtual Portal is under development.
Economic Corridors ECD Outcome 1: Outcome: Land and air economic corridors applied by CAREC countries to strengthen economic links and drive trade and development of cross-border regions	ECD OC 1: Cross-border economic corridor concepts	4 countries (PRC, KAZ, KGZ, PAK) (SOM report)		1 country with economic corridor concept included in national development strategies of CAREC countries 3-year average increase in trade turnover along designated corridors: X%	7 CAREC countries (PRC, KAZ, KGZ, MON, PAK, TAJ, UZB) included ECD concepts in national development strategies. Too early to report on this indicator
ECD Output 1: Economic corridors successfully developed	ECD OP 1: ECD related sector development concepts included in national development strategies of CAREC countries	4 countries (PRC, KAZ, KGZ, PAK)		At least # ECD related sector (tourism) development concepts included in national development strategies of CAREC countries	7 CAREC countries (PRC, KAZ, KGZ, MON, PAK, TAJ, UZB) have included sectors such as tourism, cross-border transport, agriculture value chain, health in ECD
ECD Output 2: ECD related projects developed and implemented	ECD OP 2: Projects supporting priority sectors for ECD developed and implemented	1 TA (\$1.75 million) (ABEC Support) 0 project concepts approved		# Project concepts approved under ABEC # TAs approved (ABEC+STKEC)	1 additional financing (\$0.75 million) for ABEC TA; 1 TRTA (\$2 million) supporting the preparation of modern agriculture wholesale market development project for ABEC; 1 TA and 1 additional financing (\$1.8 million) on

Outcome/Output	Indicator	2017 Baseline	2019 Progress	2020 Target	2020 Progress
					assessing potential of STKEC; 1 TA (GBP 2 mil) for Pakistan on economic corridor planning nearing completion; SSTA on a New Operational Economic Corridor Development Framework for Central Asia and Beyond
TRANSPORT TRP Outcome 1: Enhanced economic connectivity and sustainability of regional transport infrastructure	Transport (TRP) OC 1 Average speed by corridors by speed with delay (SWD) and by speed without delay (SWOD)	Road SWD=22.2 kph Road SWOD=45.0 kph Rail SWD=14.8 kph Rail SWOD=37.6 kph	Avg speed by corridors (kph): <u>Road</u> SWD Overall: 21.4 SWOD Overall: 43.6 <u>Railway</u> SWD Overall: 19.0 SWOD Overall: 45.0	2023 targets Road SWD= # kph SWOD= # kph Rail: SWD= # kph SWOD= # kph	Road: SWD Overall: 20.7 SWOD Overall: 42.9 Railway: SWD Overall: 16.8 SWOD Overall: 42.2
TRP Output 1: Efficiency improvements in border crossings (BCPs), customs clearance, immigration procedures and cross-border logistics	TRP OP 1 Time to clear a border crossing point, by corridor, country and border crossing point (BCP)	Average Road: 16.9 hrs Railway: 26.2 hrs	Road: Overall: 15.8 hrs Cor 1: 22.5 hrs Cor 2: 15.0 hrs Cor 3: 4.6 hrs Cor 4: 8.2 hrs Cor 5: 28.0 hrs Cor 6: 14.6 hrs	2023 targets Average Road – # hrs Rail – # hrs	Road: Overall: 18.9 hrs Cor 1: 27.9 hrs Cor 2: 22.4 hrs Cor 3: 6.8 hrs Cor 4: 8.1 hrs Cor 5: 40.2 hrs Cor 6: 14.0 hrs

Outcome/Output	Indicator	2017 Baseline	2019 Progress	2020 Target	2020 Progress
TRP Output 2: Improved service level and operation efficiency of railways	TRP OP 2 CPMM average commercial speed, by CAREC corridor, SWD/SWOD	Overall: 14.8/37.6 kph Cor 1: 18.1/50.4 kph Cor 2: NA Cor 3: NA Cor 4: 10.0/20.6 Cor 5: 12.9/24.7	Overall: 19.0/45.0 Cor 1: 21.6/64.4 Cor 2: 7.4/8.4 Cor 3: 28.1/33.8 Cor 4: 15.1/20.6 Cor 5: N/A Cor 6: 13.4/24.3	Cor 1 – # kph Cor 2 – # kph Cor 3 – # kph Cor 4 – # kph Cor 6 – # kph	Overall: 16.8/42.2 Cor 1: 20.2/67.3 Cor 2: 5.4/7.9 Cor 3: 17.5/19.6 Cor 4: 13.5/18.4 Cor 5: N/A Cor 6: 13.4/24.4
ENERGY ENG OUTCOME 1: Enhanced regional energy security and deployment of green energy in the energy sector of CAREC countries	ENG OC1 % Renewable energy in CAREC countries	<u>2017 baseline</u> < 1% renewable energy in CAREC countries		# % renewable energy in CAREC countries	6% renewable energy in CAREC countries
ENG Output 1: Increased regional energy trade through implementation of the TUTAP, TAP, and CASA-1000 electricity interconnection projects and the TAPI gas pipeline project	ENG OP 1 TUTAP, TAP, and CASA- 1000 electricity interconnection projects and the TAPI gas pipeline project operational	0 project operational		0 project operational	1 project (TUTAP) partially operational. Significant progress on TAPI yet to be observed.

Outcome/Output	Indicator	2017 Baseline	2019 Progress	2020 Target	2020 Progress
<p>ENG Output 2:</p> <p>Financing vehicle for green energy projects developed and consumer awareness for energy efficiency strengthened</p>	<p>ENG OP 2</p> <p># of donor organizations providing finance to new CAREC green energy alliance.</p> <p># of regional energy efficiency consumer campaigns held throughout the region</p>	<p>0 donor organizations providing finance to new CAREC green energy alliance</p> <p>0 regional energy efficiency consumer campaigns held</p>		<p># of donor organizations providing finance to new CAREC green energy alliance</p> <p># of regional energy efficiency consumer campaigns held</p>	<p>0 donor organizations providing finance to new CAREC green energy alliance</p> <p>One energy efficiency campaign designed in 2020 and has been launched in 2021</p>
<p>Agriculture</p> <p>AGR Outcome 1:</p> <p>Enhanced institutional capacity in adopting international Sanitary and Phytosanitary measures</p>	<p>AGR OC 1</p> <p>National food safety regulations in compliance with the international Sanitary and Phytosanitary measures developed/revised</p>	<p>Very limited compliance</p>		<p>Adoption of international standard commenced (Yes/No)</p>	<p>Too early to report</p>
<p>AGR Output 1:</p> <p>National regulations harmonized with international Sanitary and Phytosanitary measures.</p>	<p>AGR OP 1</p> <p>Key strategies and guidelines for Sanitary and Phytosanitary measures developed</p>	<p>0 developed</p>		<p># developed/ revised in # countries (plus technical advice to all member countries on need basis)</p>	<p>Advice on harmonization of legislation and regulations with international norms given in KAZ, KGZ, TAJ, UZB and AZE.</p>
<p>AGR Output 2:</p> <p>Strengthened capacity of value chain actors in implementing measures to achieve international Sanitary and Phytosanitary measures</p>	<p>AGR OP 2</p> <p>Training workshops and on-the-job training on Sanitary and Phytosanitary measures conducted for food safety inspectors</p>	<p>0 training workshops and on-the-job training on Sanitary and Phytosanitary (SPS) measures conducted</p>		<p># Training workshops and on-the-job training on SPS measures conducted</p>	<p>Training in Good Hygiene and Manufacturing Practices (GHP, GMP) and Hazard Analysis Critical Control Point System (HACCP) inspection in AZE, KAZ, KGZ, GEO, TAJ, TKM, UZB</p>

Outcome/Output	Indicator	2017 Baseline	2019 Progress	2020 Target	2020 Progress
AGR Output 3: CAREC food safety network initiated.	AGR OP 3 Network setup and administration meetings conducted.	0 network setup and 0 administration meetings conducted.		Network setup (Yes/No) and # administration meetings conducted. (plus, technical advice to all member countries on need basis)	This is on hold due to reluctance of countries to share anything meaningful for the network design. Some of the info suggested to be shared is meant to be available under WTO rules but few countries in the region fully comply with WTO requirements, hence setting up the network at this stage is premature.
WATER Water Outcome 1: Improved water resources management in the Central Asian region	WTR OC 1 # of countries with an outlined roadmap of national water resources development interventions	0 of countries with an outlined roadmap		# of countries with an outlined roadmap	Too early to report progress
Water Output 1: Water resources Developed	WTR OP 1 # of sector specific frameworks for water resources infrastructure investments	0 sector specific frameworks	A TA project was initiated for development of the CAREC Water Pillar	# of sector specific frameworks	A TA project is under implementation since 2019 for development of the CAREC Water Pillar under which a Scoping Study was commissioned to develop a framework for regional cooperation in the CAREC region, initially focusing on the five Central Asian states.
Water Output 2 Operation and maintenance of water infrastructure improved	WTR OP 2 # of country specific recommendations for operation and maintenance practices and cost recovery	0 country specific recommendations		# country specific recommendations	Too early to report

Outcome/Output	Indicator	2017 Baseline	2019 Progress	2020 Target	2020 Progress
Education Education Outcome 1: Improved access to and quality of secondary and tertiary skills education and better skills mobility to meet national and international labor market demands	Education (EDC) OC 1 Bilateral and/ or multilateral agreements, including student exchange and researcher collaboration agreement, signed among CAREC countries and their partners on tertiary and TVET standardization and harmonization	0 bilateral and/ or multilateral agreements signed		0 bilateral and/ or multilateral agreements signed	Too early to report
Education Output 1: Standardization and harmonization in higher education strengthened	EDC OP 1 Agreement framework for collaboration established	N/A	Scoping study on education and skills development completed in 2019 and a regional consultation workshop held in March 2019 with participants from 11 CAREC countries.	(Baseline) At least # countries sign collaboration framework agreement	Scoping study on education and skills development completed in 2019 and a regional consultation workshop held in March 2019 with participants from 11 CAREC countries.
Education Output 2: Standardization and harmonization in TVET improved	EDC OP 2 Bilateral and/ or multilateral agreements signed established for at least one occupation	N/A		# bilateral and/ or multilateral agreements signed for # occupation(s)	
HEALTH Health Outcome 1: Increased regional cooperation in health	Health (HLT) OC 1 Number of CAREC countries that incorporate joint regional approaches and cross-sector activities in their UHC and/or health sector strategies or plans			N/A	Too early to report

Outcome/Output	Indicator	2017 Baseline	2019 Progress	2020 Target	2020 Progress
Health Output 1: Institutional platform for regional health cooperation established	HLT OP 1 Number of joint regional health solutions developed under CAREC	N/A ▶		At least 2 joint regional health solutions developed	A scoping study on CAREC health cooperation was completed in 2020. A regional working group on health (WGH) was established to guide formulation of CAREC health strategy and related investment framework for 2022-2026. A TA project approved in July 2020 is supporting the development of health strategy and investment framework, expected to be submitted to CAREC MC for endorsement in November 2021.
Health Output 2: CAREC countries' capacity to jointly respond to regional health threats enhanced	HLT OP 2 Number of CAREC government officials trained on regional health security; and Number of countries that share info on human infectious diseases with other countries of cross border surveillance	N/A		N/A	Too early to report

Annex IV: Methodology and Scope of Development Effectiveness Review (DEfR)

1. DEfR Objectives

This first Development Effectiveness Review covers the period 2017-2020. The overall objective of the Review is to assess progress achieved during this period using 2017 data as the baseline, highlight achievements, identify challenges and areas for improvements, and propose recommendations to meet current and emerging challenges and assist in strategic decision making. More specifically, the CAREC DEfR reports on progress against the CAREC Program Results Framework (PRF) endorsed at CAREC Ministerial Conference in 2020. Since this is the first progress review of CAREC 2030 strategy and program, the emphasis has been on learning, continuous improvement, and future direction of the CAREC program.

2. Scope of DEfR

The DEfR reviews progress on the five operational clusters under CAREC 2030: (i) economic and financial stability; (ii) trade, tourism, and economic corridors; (iii) infrastructure and economic connectivity; (iv) agriculture and water; and (v) human development; while integrating the use of information and communication technology (ICT), gender mainstreaming, and climate change mitigation as cross-cutting priorities.

The scope of the review covers, besides results achieved against PRF, various preparatory work undertaken by each cluster and progress made by the program as a whole to create an open and inclusive regional cooperation platform by promoting dialogues among members and development partners, and delivering knowledge services, which is a strategic direction and mission of the CAREC 2030.

3. DEfR Criteria and Areas of Examination

The DEfR assessed each of the five clusters through three broad lens: (i) **Relevance** (of Program interventions and outputs to CAREC 2030 stated objectives and to policies and priorities of member countries, partners and beneficiaries); (ii) **Progress** focusing on *effectiveness* of the program in achieving its intended results; and (iii) **Process** focusing on assessing *coherence* of interventions with other donors and agencies and *sustainability* of processes, outputs and outcomes catalysed by CAREC program. Table 1 presents the areas examined under each criterion.

Table 1: DEfR Criteria

Criteria	Areas Examined
RELEVANCE (Strategy)	<ol style="list-style-type: none">1. Consistency with higher objectives and principles of CAREC 2030 Strategy2. Whether the program is generating knowledge and lessons learned to ensure the continued relevance towards its stated objectives3. Comparative advantage of ADB-CAREC as Secretariat

Criteria	Areas Examined
<p>PROGRESS (Effectiveness)</p>	<ol style="list-style-type: none"> 1. How much progress has been made in terms of “indicators” of outputs and outcomes? 2. How much progress is likely to be made towards 2030 goals? 3. Effectiveness of CAREC Program as a regional cooperation platform?
<p>PROCESS (Coherence and Sustainability)</p>	<ol style="list-style-type: none"> 1. Appropriateness of designing process of CAREC development strategies including needs assessment, consultation, and approval. 2. Appropriateness of implementation process of CAREC development strategies in terms of transparency and monitoring mechanism. 3. Engagement and effectiveness of harmonization with development partners.

4. Methodology

The Development Effectiveness Review drew from multiple data collection methods presented below, to allow for triangulation of findings and to inform conclusions and recommendations:

- **Literature review**, particularly analyses conducted by ADB, World Bank, International Monetary Fund (IMF), UNDP and other agencies on development trends in the world and the CAREC region over the past three years with a special focus on the impact of COVID-19.
- **Review of CAREC documents** including sector progress reports, sector strategies, scoping studies, meeting and workshop reports, corridor performance measurement and monitoring (CPMM) reports, data on program results framework, previous DEfR and mid-term review reports and other relevant documents.
- **Review of data on CAREC Program results** including data on output and outcome indicators for each sector drawn from CAREC progress reports, PRF and CPMM reports.
- **Key informant interviews (KII)** with 19 individuals to obtain in-depth information on DEfR questions (including 11 ADB staff, 4 national focal persons from member countries, 2 representatives from development partners and 2 officials from the CAREC Institute). Interview guides are attached at the end of this Annex.
- **Structured questionnaires** sent to ADB sector leads and government agencies to elicit responses on the three criteria.

5. Methodological Challenges encountered in the DEfR

Challenge	Mitigation
<p>COVID 19 pandemic prevented travel for in-person data collection.</p>	<p>CAREC Secretariat provided excellent support in connecting the reviewer to potential interviewees within ADB, member country governments, development partners and CAREC Institute. All stakeholders, except for few, were quick to agree to participate by video link despite the increased workload from the pandemic fallout.</p>
<p>Weaknesses in the current Program Results Framework (PRF) and gaps in data on several indicators made it challenging to assess the extent to which CAREC is on track to achieve its objectives and targets for 2030.</p>	<p>The DEfR noted three weaknesses in the PRF. First, the results chain for sectors has gaps between the identified outputs and outcomes. Gap is also because of absence of impact statements that align with outcome. Second, inconsistencies in outcome and output statements and indicators can be improved. For example, several of the outcomes - such as in economic, trade and water sectors - are highly ambitious and so broad that the contribution of the outputs to their achievement can at best be marginal. As well, there are outputs – in trade and transport sectors - which are outcomes and should move higher up the results chain. Third, some of the indicators are less relevant to gauge progress on corresponding output or outcome. Also 2020 data is missing for some indicators (e.g., trade sector). The DEfR has complemented the gaps and missing data by drawing relevant information from sector leads, CAREC Secretariat and NFPs.</p>
<p>Identifying the right metrics to assess progress of CAREC has been an issue.</p>	<p>CAREC does not have its own finances to invest in projects for regional energy, road, or railway infrastructure development to enhance regional connectivity. Investments in infrastructure development by ADB or other DPs happen independent of the CAREC program though CAREC keeps track of these in its project portfolio database. But some of the result statements and indicators (such as proportion of renewable energy in CAREC countries or average speed by transport corridors) identified in the PRF, implicitly make CAREC accountable for their outcome. Whether and to what extent CAREC should be held accountable for outcome of these projects on which it has no control is an issue that needs to be resolved and reflected in the results framework.</p> <p>CAREC is a regional cooperation platform and much of its work is soft infrastructure development such as policy reform, harmonization of rules and regulations, capacity building, institutional strengthening and building knowledge on aspects of regional connectivity and development. In that context, it is equally important to view and assess CAREC’s progress in terms of its effectiveness as a regional cooperation platform and the PRF needs to be modified to reflect this critical aspect of CAREC. The DEfR, therefore, attempted to strike a balance in using the existing PRF as well as assessing effectiveness of CAREC as a regional cooperation platform.</p>