

# CAREC Regional Infrastructure Projects Enabling Facility Progress Report for the CAREC Ministerial Conference, 17 November 2021

*CAREC 2030 will continue to advance the regional infrastructure agenda, in line with the SDGs' call for reliable and sustainable infrastructure, including regional and cross border infrastructure.*

## **A. Background**

1. The Central Asia Regional Economic Cooperation (CAREC) region, comprising Afghanistan, Azerbaijan, People's Republic of China (PRC), Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan, has significant infrastructure financing needs and challenges. The Asian Development Bank (ADB) estimates CAREC countries' current infrastructure gap at \$2.17 trillion or \$144.8 billion per year ( \$1.15 trillion or \$76.8 billion per year when excluding PRC) for the period 2016–2030 for CAREC countries at 2015 prices.[\[1\]](#)
2. In addition to the gaps in national infrastructure, the infrastructure deficit is particularly large for regional and cross-border projects, including low-carbon and climate resilient infrastructure, which benefit multiple countries and confer significant positive externalities. At the same time, there is inadequate capacity and experience in the public sector for project preparation as well as a lack of understanding of the private sector's needs and possible involvement. Insufficient capacity for project preparation and design adds to potential investors' cost of project assessment making it difficult for them to consider investing in the projects. Private sector participation in infrastructure development, particularly for regional projects, is still very limited.
3. There is a need for developing a pipeline of regional investment-ready projects in CAREC countries, building capacity for project preparation, and linking projects to financing instruments and modalities from diversified sources. It is on this premise that ADB, as the CAREC Secretariat, proposes to support the establishment of a Regional Infrastructure Projects Enabling Facility (RIPEF) after thorough groundwork and consultations with CAREC member countries and development partners.

## **B. Objectives**

4. To establish a CAREC RIPEF to assist CAREC member countries in preparing and developing regional projects in a manner that adopts sustainable and innovative financing principles and modalities by providing resources from diversified sources.

## **C. CAREC RIPEF**

5. The proposal is to establish a facility that can provide project preparation funding, assist in configuring tailored finance and de-risking instruments, along with support for structuring sustainable project models and improving institutional capacity. The RIPEF will provide: (i) assistance in structuring regional projects to increase their bankability and to adhere to sustainability principles; (ii) attracting public, private, institutional, and commercial sources of capital; (iii) accelerating cooperation, project delivery and achievement of Sustainable Development Goals; and (iv) supporting capacity development and institutional strengthening.

## D. Progress and Next Steps

6. **Transaction TA Facility**<sup>1</sup>. This initiative is envisioned to provide project preparation funding for ADB's multiple CAREC regional infrastructure projects in the pipeline, along with support for structuring sustainable project models and improving institutional capacity. The Facility will especially (i) help effective mobilization of regional cooperation and integration (RCI) resources across different sectors; (ii) serve as a platform for accumulating and disseminating knowledge in the design, financing, and implementation of regional infrastructure projects; and (iii) enable multisector collaboration within ADB to optimize the RCI design impact of regional infrastructure projects. The project team obtained ADB Management endorsement on the concept presented in August 2021 and final approval on 4 November 2021. The Facility will continue to seek additional funding from diverse sources and trust funds to expand the pipeline and provide needed support.
7. **Small-scale Technical Assistance (SSTA)**. The SSTA which was approved in September 2020 will provide the groundwork for the CAREC RIPEF, i.e., undertake studies to help prepare the facility and meet requirements for establishment. Structured finance and cofinance experts at the international and national levels have been engaged to support the CAREC Secretariat in delivering the outputs of the SSTA. The team of consultants is now revising the background and concept report.
8. **CAREC RIPEF concept**. The concept will define the detailed objectives and scope of the facility, legal structure, governance framework, operations model, eligibility requirements, financial projections, implementation and administrative arrangements, criteria for project selection and contribution guidelines. It shall include the modalities of the project preparatory facility including steps for institutional capacity building of the public-sector in CAREC countries. It will provide the basis for the initial funding size, financing instruments and modalities, replenishment mechanism, and the strategy for mobilizing private sector investment and road map for future expansion from being a pilot to a full-scale facility.
9. **Progress on the background and concept report**. The report will undertake a full assessment and analysis of the CAREC's regional, or multi-country infrastructure needs and develop an expected project pipeline in priority operational clusters. It will also analyze lessons from other national and regional/multi-country project preparation facilities and comparable multi-donor infrastructure funds across the globe and identify best practices that can be incorporated into the facility's design and operational framework and guidelines. The report will also look at the public sector's institutional capacity and gaps in project identification and design, identify capacity building and policy support needs for undertaking regional projects and to create a conducive investment climate, including packaging of projects for mobilizing private sector investment in a complex multi-country context. It will evaluate the merits of establishing a project preparatory facility to help incubate private and public sector investments and analyze diversified financing instruments and modalities to undertake projects of regional significance and benefit. The report will analyze diversified financing approaches that can encourage private sector participation and identify opportunities for bilateral as well as multilateral financing that can be tapped to support the facility.

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<sup>1</sup> ADB. 2021. Transaction Technical Assistance Facility: Central Asia Regional Economic Cooperation and the Caucasus Regional Infrastructure Preparation Facility

10. **Stakeholder consultations.** As a next step, governments of CAREC member countries and other stakeholders will be consulted on the draft CAREC RIPEF concept. Multilateral and bilateral development partners will be invited to participate in the Facility by providing technical and financial support. CAREC countries may also be requested to contribute to the Facility. Workplan on the CAREC RIPEF is detailed in the attached timetable.

## CAREC RIPEF Workplan

No.	Activity	Description	Prior April 2021	May	June	July	Aug	Sep/Oct	Nov	Dec to early 2022
1	Preparatory Activities	Collation of background information, internal discussions, recruitment of consultants								
2	Kick-off meeting	Introductory meeting with Director, ADB team and consultants		May 28						
3	Draft concept note	Draft Note containing the preliminary options; pointers for discussions with stakeholders								
4	Consultations	ADB internal consultation with SDCC and SPD, OPPP, PSOD, CWRD Sector Divisions/ Country Offices								
		CAREC governments and other stakeholders								
		Co-financing and development partners								
5	Draft establishment paper and technical reports	Interdepartmental review. Detailing of the structure, funding, governance, implementation arrangement, etc.								
6	RIPEF structure workshop	Workshop/roundtable to discuss the various options; finalization of concept note based on feedback								
7	CAREC Ministerial Conference	Submission of progress report								