



**Senior Officials' Meeting**

13–14 June 2023

# CAREC 2030 Progress Report



**Central Asia Regional Economic  
Cooperation (CAREC) Program**



# **IMPLEMENTATION PROGRESS REPORT**

## **JULY 2022 – JUNE 2023**

Reference Document  
Senior Officials' Meeting  
Central Asia Regional Economic Cooperation  
13–14 June 2023

# CENTRAL ASIA REGIONAL ECONOMIC COOPERATION PROGRAM

## I. BACKGROUND

1. The Central Asia Regional Economic Cooperation (CAREC) Program has been operating for about 22 years, since its inception in 2001.<sup>1</sup> Following the adoption of the CAREC 2030 strategic framework in October 2017, the Program focuses on five operational clusters: (i) economic and financial stability; (ii) trade, tourism, and economic corridors; (iii) infrastructure and economic connectivity; (iv) agriculture and water; and (v) human development. Three cross-cutting themes; digital connectivity, gender equality and climate change mitigation and adaptation, are also supported under CAREC 2030.
2. Since the endorsement of CAREC 2030, the Program has renewed strategies in its traditional sectors (CAREC Integrated Trade Agenda 2030 endorsed in 2018, CAREC Transport Strategy 2030 and Energy Strategy 2030 endorsed in 2019), and formulated strategies in the new sectors and thematic areas (CAREC Tourism Strategy 2030 and Gender Strategy 2030 endorsed in 2020; and CAREC Health Strategy 2030 and Digital Strategy 2030 endorsed in 2021) under its five operational clusters. Strengthening the implementation of existing CAREC strategies remains a priority in facilitating resilient recovery and growth in the region amid a challenging environment.

## II. ECONOMIC GROWTH IN THE CAREC REGION

3. Growth was remarkably strong in the CAREC region for 2022, slightly lower than in 2021 but is still higher than the pre-pandemic period. This growth was mostly due to a combination of high commodity prices, which benefited the net income of the net commodity exporters, strong growth in the export of services such as tourism and transportation, a post-pandemic recovery in real wages despite high inflation, and strong remittances/ transfers/inflows<sup>2</sup>.

Table 1: Real GDP Growth in the CAREC Region

	Actual					Forecasted	
	2018	2019	2020	2021	2022	2023	2024
Afghanistan	1.2	3.9	(2.4)	(20.7)	...	...	...
Azerbaijan	1.5	2.5	(4.3)	5.6	4.6	3.5	3.8
P.R.C.	6.7	6.1	2.2	8.4	3.0	5.0	4.5
Georgia	4.9	5.0	(6.8)	10.5	10.2	4.5	5.0
Kazakhstan	4.1	4.5	(2.5)	4.3	3.2	3.7	4.1
Kyrgyz Republic	3.8	4.6	(8.4)	6.2	7.0	4.5	4.0
Mongolia	7.7	5.6	(4.6)	1.6	4.8	5.4	6.1
Pakistan	6.1	3.1	(0.9)	5.7	6.0	0.6	2.0
Tajikistan	7.3	7.5	(4.5)	9.2	8.0	5.5	6.5

<sup>1</sup> The CAREC Program is a partnership of 11 countries and development partners working together to promote development through cooperation, leading to accelerated economic growth and shared prosperity. Member countries include Afghanistan, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, the PRC, Tajikistan, Turkmenistan, and Uzbekistan. ADB placed on hold its assistance in Afghanistan effective 15 August 2021 (<https://www.adb.org/news/adb-statement-afghanistan>).

<sup>2</sup> CAREC Institute Quarterly Economic Monitor, April 2023

	Actual					Forecasted	
	2018	2019	2020	2021	2022	2023	2024
Turkmenistan	...	...	...	5.0	6.2	6.5	6.0
Uzbekistan	5.5	6.0	2.0	7.4	5.7	5.0	5.0
CAREC less P.R.C. and AFG	5.02	3.72	(1.33)	5.70	5.42	2.46	3.29
CAREC Energy Exporters	1.53	1.76	(0.57)	2.28	1.85	1.81	1.90
CAREC Energy Importers	3.49	1.97	(0.76)	3.42	3.57	0.65	1.39

Notes: 1. Data from Asian Development Outlook April 2023 estimates.

<https://www.adb.org/sites/default/files/publication/863591/asian-development-outlook-april-2023.pdf>

2. CAREC energy exporters are Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan

### III. PROGRESS IN IMPLEMENTATION OF THE CAREC 2030 STRATEGY

4. The **Economic and Financial Stability** cluster continues its mandate of promoting policy dialogue on important economic and financial stability issues in the region, as well as regional learning on macroeconomic policy coordination. Two high-level forums on important economic and financial stability issues in the CAREC region were organized by the ADB in coordination with the International Monetary Fund (IMF) and World Bank (WB). The first high-level forum on financial stability was held virtually on 4 October 2022, attended by Central bank governors, vice governors, and senior finance ministers, which highlighted the emerging risks and vulnerabilities to financial stability in the region amid tightening global financial conditions, and discussed policy measures that can mitigate these risks. The second high-level forum, held on 14 February 2023 in Tbilisi, Georgia, focused on challenges and opportunities in mobilizing domestic revenues, designing efficient and equitable tax policies, and implementing carbon taxation. It was attended by senior finance ministers and officials of CAREC countries. The first session was led by IMF and discussed policies to raise more revenue, support national development goals, and rebuild fiscal buffers of CAREC countries. The second session, jointly organized by ADB and World Bank, discussed perspectives for carbon taxation in CAREC countries, including non-climate reasons to use carbon taxes and issues related to the design and implementation of carbon taxation. A third high-level forum on climate change risks to financial stability in the region will be held on the 14<sup>th</sup> of June, as a side event to the Senior Officials' Meeting. To support CAREC countries in formally establishing a regional capital markets development forum, an ADB-supported TA, 'Supporting the CAREC Capital Markets Forum' was approved in 2022. A second Capital Markets' Development Forum is slated to be held in Almaty this coming October, in partnership with the Agency of the Republic of Kazakhstan on Development of Financial Markets (ARDFM).
5. The CAREC Secretariat initiated conceptualization of a **CAREC Regional Infrastructure Projects Enabling Facility (RIPEF)**, now renamed as the **CAREC Climate and Sustainability Project Preparatory Fund (CSPPF)**, to reduce regional infrastructure financing gaps and strengthen the development capacities of member countries. The CSPPF, dedicated to climate change responsive and sustainable regional projects preparation, aims to provide financial and technical support to member countries on project preparation and readiness, initial design, and application of appropriate financial solutions for project preparation while promoting knowledge

exchange and capacity development. As a first step, an ADB-supported transaction technical assistance (TRTA) facility, with initial funding of \$1.4 million, has been successfully established and became operational since November 2021. The TRTA facility is currently supporting ADB's multiple regional infrastructure projects preparation in the CAREC region. In addition, ADB-supported technical assistance was also approved in September 2020 to prepare the CSPPF concept. The CSPPF concept has been developed and shared among CAREC member countries for review. A series of consultations with ADB's internal counterparts, development partners, potential donors, and CAREC stakeholders are being undertaken in 2023 with an aim to secure financial contributions from donors and endorsement of the concept during the Ministerial Conference in November 2023.

6. **The Trade, Tourism, and Economic Corridor** cluster continues to show its dynamism to keeping trade open and implementing regional cooperation initiatives. In the **trade** sector, there is good progress in implementing international agreements, aligning with international standards, and accelerating digital trade among the CAREC members. Azerbaijan and Uzbekistan advanced their efforts in World Trade Organization (WTO) working party discussions this year, while Turkmenistan was granted an acceding country status in February 2022 and launched its accession work program in July 2022. Implementation of commitments under the WTO Trade Facilitation Agreement is on track for CAREC members, with the PRC and Georgia achieving 100% implementation rate. Turkmenistan and the Kyrgyz Republic acceded to the World Customs Organization's Revised Kyoto Convention in 2021. In September 2022, the CAREC Forum on Developing Sustainable Economic Zones and Roundtable on Supply Chain Connectivity and Resilient Border Operations were organized in hybrid format in Mongolia, followed by a CAREC Roundtable on Supply Chain Connectivity and Resilient Border Operations, also hosted by the Government of Mongolia Tailored in-country activities on sanitary and phytosanitary measures were implemented in Azerbaijan, Mongolia, Pakistan, and Uzbekistan from March to July 2022. A series of subregional and national workshops in designing, negotiating and implementing free trade agreements (FTAs) are currently ongoing and planned from 2022-2023.
7. Digitalization is a priority at both national and regional levels in order to reap the benefits of a digital economy. Launched in November 2022, the CAREC Digital Trade Forum serves as a platform for cross-learning among policy makers, regulators, trade promotion agencies, private sector, development partners, research institutions, and other stakeholders. Countries are exploring emerging technologies, such as artificial intelligence for Georgia's import procedures, and blockchain technology for Mongolia's electronic certificates of origin. ADB is supporting various initiatives to promote SMEs' participation in cross-border e-commerce in Kyrgyz Republic, Mongolia, and Pakistan. A series of study tours and public-private sector dialogues (in May 2023 in Malaysia and Singapore; and in Q3 2023 in the PRC) will promote knowledge sharing on best practices and experience in e-commerce for Central Asian economies.
8. The CAREC trade sector delivered at least 15 regional and subregional policy dialogues and training events, and 15 national capacity building activities from July 2022 to May 2023. The Regional Trade Group met virtually for its 5th Meeting in October 2022 and discussed progress in implementing CITA's Rolling Strategic Action Plan 2021-2023. In October 2022, the Customs Cooperation Committee marked 20 years of its establishment with a Joint Statement reaffirming

commitment to trade facilitation through regional cooperation. In January 2023, the 3rd Meeting of the Regional Working Group on Sanitary and Phytosanitary Measures, Strategic Directions Planning and TA 9500 Closing Workshop was held in Tbilisi, Georgia. Meanwhile, flagship knowledge products on trade continue to support evidence-based policy making and discussions. “The Progress in Trade Facilitation: A 10-Year Corridor Performance Measurement and Monitoring (CPMM) Perspective” marked a milestone for the CPMM as a tool for informing dialogue, collaboration, and decision-making among member countries. The CAREC Trade Information Portal provides the latest trade statistics at country level, while the CPMM online database offers trade facilitation indicators at country and corridor level. The CAREC Trade Insights and News was launched in 2022 to provide quarterly update on CAREC trade activities

9. Following the endorsement of the **CAREC Tourism Strategy 2030**, several regional initiatives have been initiated, including the development of a CAREC tourism portal as a tool for consolidating information on tourism regions and attractions in CAREC countries and promoting the services of local tourism businesses. The tourism portal will be launched as a side event to the Senior Officials’ Meeting this year. The conceptualization of four projects identified in the regional tourism investment framework 2021–2025 is currently ongoing. The initial project concepts were shared with CAREC member countries in Q2 2022, and the report is being finalized to incorporate views/suggestions received from CAREC countries. Phase 1 of the ‘Development of a Travel Bubble in Kazakhstan and the Kyrgyz Republic’ under the Almaty-Bishkek Economic Corridor (ABEC) has been completed in 2022. ADB in collaboration with UNWTO developed two projects focused on working towards an effective “travel bubble” within the ABEC: (i) Accommodation Classification System (ACS) Report supported by TA 9487: ABEC Support; and (ii) COVID-19 Health and Safety Protocol Report supported by TA 9776, with both including capacity building components.
10. Moving forward, capacity-building workshops and training activities will be organized with tourism stakeholders in CAREC countries to build their capacity in areas such as tourism planning and management, data collection and analysis, market research, and tourism marketing and promotion. Focus on content development will be pursued for the tourism portal. A second phase of the ‘Development of a Travel Bubble in Kazakhstan and Kyrgyz Republic’ is proposed to implement the targeted recommendations and implementation plan for delivery that should be further developed if progress within the ABEC travel bubble is to be sustained over time. A Visa Facilitation Study for the CAREC Region will also be undertaken to assess current visa policy procedures and regulations and recommend areas for improvement based on global best practices and case studies.
11. On **economic corridors**, CAREC countries have made good progress in adopting the cross-border economic corridor concept in their national development strategies. Two CAREC initiatives are achieving notable results. The ABEC saw transformative regional investment projects being developed and financed. These include the ‘Strengthening Regional Health Insurance Project’ that ADB approved in September 2022, the ‘Issyk-Kul Lake Environmental Management for Sustainable Tourism Project’, and the ‘ABEC Regional Improvement of Border Services Project’, which are planned to be approved this year. Two key knowledge products are being prepared for release in 2023 including (i) the ABEC Trade Facilitation Report in improving border crossing

procedures and infrastructure, and (ii) the ABEC Joint Accommodation Classification System in line with UNTWO standards. The 7th ABEC Subcommittee Meeting held on 17 February 2023, reviewed ongoing ABEC projects, and discussed the next steps. The implementation of the road map for the Shymkent- Tashkent-Khujand Economic Corridor (STKEC) development is also making progress, with pre-feasibility studies on an International Center for Industrial Cooperation between Kazakhstan and Uzbekistan, and a Trade and Logistics Center in Sugd Oblast in Tajikistan being finalized. An ADB-supported study on “A Guidance Note on Economic Corridor Development”, which includes a refined ECD framework and operational guidelines that reflect wider economic benefits and captures the diversity of regions in Asia (including CAREC) is being finalized for publication and dissemination this year.

12. The Infrastructure and Economic Connectivity cluster made notable progress over the reporting period. The **transport sector** completed most planned events and knowledge products and continued to support capacity development of government ministries and relevant authorities. The 19th Transport Sector Coordinating Committee Meeting and the 6th Railway Working Group Meeting was conducted on 17-20 October 2022, and discussed strategic directions and priorities, current developments and ongoing initiatives, as well as current challenges faced by the CAREC transport sector. To support the development of the sector, the CAREC Transport Program organized workshops and launched important knowledge products within the reporting period. Key knowledge products include (a) The Developers Guide to Planning and Designing Logistics Centers in the CAREC Region, (b) Road Funds and Road User Charges in the CAREC Region, and (c) the Road Safety Report Card for the CAREC Region. Another key knowledge product underway is the Aviation Cargo Study and the Low-Cost Carriers Study, developed to facilitate the development of competitive aviation freight and logistics services. Training workshops on road safety and road asset management systems have been successfully completed, including crash investigation trainings in Mongolia and Tajikistan, with trainings for Pakistan and Kazakhstan to follow. The CAREC Regional Improvement of Border Services (RIBS) projects in Pakistan, Mongolia, and the Kyrgyz Republic are ongoing and continue to support cross-border trade expansion in the CAREC region. The 20<sup>th</sup> Transport Sector Coordinating Committee meeting, the 7<sup>th</sup> Railways Working Group Meeting and a Highways Workshop is scheduled this 22-25 May 2023, in Tbilisi, Georgia. To lay the groundwork for a more sustainable CAREC transport sector, the Secretariat considers introducing the Paris Agreement Alignment (PAA) as a cross-pillar initiative in the CAREC Transport Strategy 2023 and to develop a scoping study to guide the CAREC Transport Program in promoting the PAA agenda.
13. The **energy sector** completed phase 1 of implementing the CAREC Energy Strategy 2030. Between 2020 and 2022, the Energy Sector Coordinating Committee (ESCC) endorsed the establishment of the CAREC Green Energy Alliance as the region’s 1st targeted financing vehicle for green energy projects and launched the first region-wide energy efficiency campaign. The Committee also launched the CAREC Energy Reform Atlas, a 24/7 tool for policymakers aimed at supporting them in resolving the typical dilemmas when implementing energy sector reform. The ESCC also investigated the potential to create a new Regional Transmission Cooperation Association (CATCA) as a body to establish regional grid enhancement plans and execute future cross-border projects. Another 2030 flagship deliverable, the CAREC Energy Outlook 2030, was endorsed and officially published in December 2022. All CAREC members and development partners also endorsed the first CAREC Women-in-Energy Program, which includes an action

plan targeted at improving the employability, visibility, and education of women in the energy sector. The Energy Sector will hold its 33rd ESCC meeting on May 16 to decide on the next steps for the CATCA initiative and the Green Energy Sector Alliance and approve the 2023-2025 CAREC Energy Work Plan. A possible workshop on regional transmission and grid infrastructure is being planned for the third quarter of 2023; while the Energy Investment Forum is planned to be held in connection with the Ministerial Conference in November.

14. The **Agriculture and Water** cluster has made steady progress. In the **agriculture sector**, a recently concluded technical assistance was successful in aligning national food safety regulations in compliance with international food safety standards for Azerbaijan, Kazakhstan, Kyrgyz Republic, Uzbekistan, Turkmenistan, and Tajikistan. Technical training was also provided to support national future actions that could include enhancing knowledge in this area and exploring country-specific lending opportunities to improve food safety laboratories and related infrastructure, in accordance with preferences and priorities identified by CAREC member countries.
15. Food security is a growing concern for the region, and, realizing this, the CAREC Secretariat has initiated work and proposed a *Cooperation Framework for Agricultural Development and Food Security in the CAREC Region*, which was endorsed during the 21st Ministerial Conference last 24 November 2022. To support the implementation of key activities as outlined in the endorsed Cooperation Framework, a Knowledge and Support Technical Assistance (KSTA) is currently being processed. The KSTA will strengthen food security in CAREC member countries while supporting ADB's ambition for resilient and sustainable food security in the region.
16. In the **water sector**, preparations for identifying a future portfolio of activities in Central Asia are in progress, with a scoping study supporting the development of a framework for the Water Pillar completed. The framework comprises three blocks: (i) climate resilient and productive water systems, (ii) sustainable water resources and water services, and (iii) nexus solutions and cross-sector learning. The five Central Asian countries<sup>3</sup> voiced strong commitment to the Water Pillar to address increasing pressures on water and challenges to water security given greater climate variability. In 2022, five national consultations have been held to solicit ideas for the Water Pillar and identify synergies with ongoing and pipeline programs in the region.
17. A regional workshop on *Developing the CAREC Water Pillar* was held in Tashkent last 29-30 November 2022, aimed at defining a shortlist of priority activities and providing inputs to the composition and role of a Water Pillar working group. Two activities will be initially selected for more detailed project concept design and possible funding in 2023. They are expected to include components to support governance and management reforms required to manage water more efficiently, capacity and skills development, and infrastructure investments. Other project ideas from the longlist will be considered for implementation in subsequent years. The regional workshop also considered institutional proposals for guiding the future work of the Water Pillar. Knowledge events on related topics are being planned for the second half of 2023, together with the potential for expanding the geographic scope of the Water Pillar beyond Central Asia.

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<sup>3</sup> Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan



18. Significant progress has been made in the CAREC **health sector**. Following the recommendations from a CAREC health scoping study, a CAREC Health Strategy 2030 was developed and endorsed by the CAREC Ministerial Conference in November 2021 to elaborate on areas for collaboration to enhance health security through regional cooperation. The CAREC Working Group on Health (WGH) was established in March 2021 to provide guidance and direction for CAREC health cooperation and formulate and implement the CAREC Health Strategy 2030. During the 2nd meeting of the CAREC WGH held from 11 to 13 October 2022 in Tbilisi, Georgia, progress in CAREC Health Strategy implementation was discussed and the draft Regional Investment Framework (RIF) was further aligned to country priorities and needs. A critical milestone was achieved on 2 March 2023 when all member countries endorsed the RIF, a living operational document guiding regional health cooperation and supporting investment coordination across countries and development partners. Implementation of the RIF will be through countries' initiatives and funding, with some selected activities supported by technical assistance from development partners.
19. The CAREC Health Strategy and country engagements are also informing national health strategies. Georgia has incorporated essential aspects of strengthening health security through regional cooperation into their national health strategy. Uzbekistan is updating its health sector strategy, and consultations are ongoing to integrate regional cooperation priorities into the national agenda. For knowledge events and products, a series of regional webinars have been conducted to strengthen health systems' resilience and promote regional health cooperation. A regional repository of training materials related to health security and a video on innovative solutions for addressing CAREC and Caucasus health threats are forthcoming. The CAREC health website has been updated and provides an overview of key milestones in the CAREC health work.
20. For the **education and skills development sector**, an ADB-supported technical assistance project, 'Strengthening Regional Cooperation on Skills Development under the CAREC Program', was approved in October 2021. The TA aims to spearhead activities that support the human development cluster of the CAREC strategy by helping CAREC member countries further their paths towards standardization and harmonization in two critical sectors of higher education, and technical-vocational education and training (TVET). The first inception meeting and international expert roundtable was held in Tbilisi, Georgia, last May 2022, and focused on key developments, challenges, and opportunities for collaboration on skills development in the CAREC region.
21. Two knowledge products are in the final stage of preparation and will be circulated to member countries for their review: (i) a policy report providing a systematic assessment of the existing skills in CAREC countries, particularly the extent to which they provide relevant and utilizable skills; and (ii) policy brief providing a systematic assessment of how and how well skills development systems function in CAREC countries focusing particularly on two areas, i.e., higher education and TVET.
22. Over the coming months, the project team has been embarking on key activities such as: (1) mapping adherence to regional integration frameworks on higher education in the CAREC region; (2) mapping the extent and nature of existing university and TVET partnerships within CAREC;

(3) a CAREC-wide review of labor recruitment systems; (4) a regional study of long-term trends and dynamics of Central Asian migration and (5) a multi-national CGE assessment of CAREC regional skill and labor market development scenarios. The project is also working on developing a “CAREC University Consortium Network” which will serve as a platform for consultations among academic stakeholders and an exchange mechanism for collaborative initiatives of selected universities in the region. Finally, the second workshop and expert roundtable is planned to be conducted in June 2023 by building up on the knowledge and collaboration networks developed so far.

23. The CAREC Program has laid the groundwork to advance cross-cutting thematic areas. As one of the key outputs for **CAREC Gender Strategy 2030** and the ADB-supported TA, 'Promoting Gender Equality in the Central Asia Regional Economic Cooperation Region,' the Regional Gender Expert Group (RGEG) was established with twelve nominated representatives from the CAREC member countries. To mark the establishment of the RGEG and kick-start its work as an advisory and consultative body, the CAREC Secretariat organized the RGEG Inaugural meeting together with a Women’s Economic Empowerment Forum on 9-10 August 2022 in Istanbul, Türkiye. RGEG members met and shared national perspectives on gender, women’s empowerment, and discussed regional issues related to TA implementation and the CAREC Gender Strategy. The CAREC Women Business Forum and CAREC Women of the Year Award have been developed and consulted with gender teams from SDTC-GEN, EARD, CWRD, to be shared with RGEG. Influential and reputable regional and national women networks and women entrepreneurs will be identified to join the CAREC Women Business Forum and can also be nominated for the CAREC Women of the Year Award, which will be prospectively launched in October this year. Lastly, given the pressing need to develop digital literacy programs for women within CAREC member countries, a concept note for the Digital Growth and Literacy of Women (Digital-GLOW) Initiative has been drafted and shared with internal stakeholders and development partners. The initiative aims to empower women by providing them with essential digital skills and knowledge to navigate the digital landscape and bridge the gender digital divide.
24. The **CAREC Digital Strategy 2030**, since its endorsement at the 2021 Ministerial Conference, provides the vision and roadmap to catalyze digital technology to address social and economic challenges through regional cooperation in the CAREC region. The CAREC Digital Strategy Steering Committee (DSSC) has been established, with the first inaugural meeting conducted last 25 October 2022, where the work plan (2023-2025) and terms of reference for the committee was approved. Launching activities of the CAREC Digital Steering Committee (DSSC) will be held in Seoul, South Korea, tentatively set for the third quarter of this year. Target participants will be selected members from government agencies, DSSC members, development partners, and private organizations for possible engagement and collaboration on various activities. Participants from the Korean telecom sector, electronic payment platforms, and universities from the Republic of Korea will also be invited to share their experiences in the development of the Korean startup ecosystem.
25. The ADB and EAKPF supported the TA project “Supporting Startup Ecosystem in the Central Asia Regional Economic Cooperation Region to Mitigate Impact of COVID-19 and Support Economic Revival” and have undertaken innovation-promoting initiatives. Under the CAREC

Startup Ecosystem Development Hub, the CAREC Startup Map and CAREC Innovation Network (CIN) has been launched to encourage collaboration between entrepreneurs and active stakeholders in the region. The Startup Map has listed over 6,000 entities, currently the largest regional database of startup ecosystem support organizations like accelerators, incubators, etc., in the CAREC region. CIN has over 60 registered and active Entrepreneurship Support Organizations (ESOs) working in the region to enhance collaboration and service delivery. Online workshops are continuously organized to educate members and promote the growth of the startup ecosystem in the region through knowledge sharing and discussing the region-specific challenges. A new program under the CIN, *CAREC Innovation Decoded*, is designed to foster collaboration and learning among the countries in the CAREC region, reduce the digital divide, and create an enabling environment for startup ecosystem development.

26. As part of the Open Innovation Challenge, a second “CAREC University Startup Generator 2023” challenge was successfully conducted with a total of 168 teams (580 university students) from CAREC member countries participating. As the next step, the CAREC Open Innovation Affiliate program will be introduced, in which universities will host their own Open Innovation Challenges with technical support from the CAREC Secretariat. In addition, the "CAREC University Exchange Program" will be introduced to enhance further collaboration and knowledge sharing among the innovation centers operated by CAREC universities. This program will enable participating universities to host startup teams from other universities of the CAREC region, providing them with a unique opportunity to learn, connect, and access resources across the region.
27. Consultation visits for future initiatives under the CAREC Startup Ecosystem Development Hub have been conducted so far in Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, and Uzbekistan, to develop strategic partnerships with government counterparts, startup ecosystem stakeholders, national institutions, and organizations to promote activities with a regional focus. Based on feedback from these consultations, several initiatives are being deliberated, including organizing events such as investor summits, startup roadshows, innovation spaces and digital nomad promotion activities, as well as creating a regional talent poll, regional mentor network and regional angel investor network.
28. A regional TA on ‘Developing a Disaster Risk Transfer Facility in the CAREC Region’ is being implemented to build CAREC countries’ physical and financial resilience against **disaster risks** derived from earthquakes, floods and infectious disease outbreaks. The first phase of the TA has delivered several knowledge products including (i) the disaster risk profiles for each CAREC country; (ii) a Protection Gap Report quantifying the difference between the estimated losses from earthquake and flood risk and the existing ex-ante financing tools in CAREC countries; (iii) a report on Building Resilience to Future Outbreaks: Infectious Disease Risk Financing Solutions which includes recommendations for the development of infectious disease risk financing mechanisms for CAREC countries; and (iv) a Compound Risk Analysis Report assessing of the potential impacts of the combined risk of natural hazards and infectious disease outbreaks in the CAREC region. Completed knowledge products can be accessed publicly on the CAREC website. Moreover, the alpha version of a disaster risk modelling tool, as the open-access interface that will allow public officials from CAREC countries to explore model results for earthquake, flood and infectious disease risks, and assess costs and benefits of disaster risk reduction measures and

financing structures, including insurance, has been developed and presented during virtual consultation meetings with the countries in first half of 2022.

29. Based on the analytical work conducted so far, the conceptualization of the pilot disaster risk transfer facility has been launched, supported by additional capacity building meetings and consultation workshops as well as the following deliverables during the final phase of the TA including: (i) beta version of disaster risk modelling tool; (ii) feasibility assessment on the issuance of a disaster relief (cat) bond by ADB for CAREC countries, including financial, modeling, structural, legal and documentation requirements; and (iii) a final report detailing next steps to further develop a regional 'CAREC Disaster Risk Insurance Facility' and an infectious disease risk financing framework coordinated with the CAREC Health Sector Group. A regional CAREC Disaster Risk Engagement Event was held in hybrid format on 28-30 November 2022 to present the progress on project deliverables and discuss the next steps and activities moving forward with the project. During the engagement event, the team (i) presented the completed work on disaster risk profiling and disaster risk transfer; (ii) discussed disaster risk transfer options including a potential disaster relief (cat) bond issued by ADB; and (iii) conducted individual discussions/consultations with CAREC countries. The next engagement event is planned for July 2023 in Pakistan. The TA has been extended at no additional cost until Q3 2023 to ensure the completion and quality of deliverables. Another initiative related to **climate change** is the recently completed report on "CAREC 2030: Supporting Regional Actions to Address Climate Change—A Scoping Study", commissioned by the CAREC Secretariat. Recommendations of the study are currently planned to be implemented in consultation with member countries.
30. The **CAREC Institute's (CI)** strategic priorities, as outlined in the Strategy 2021-2025, remain on track for implementation within the stipulated time horizon. To ensure that its operations align with strategic priorities and make necessary adjustments, a Mid-term Review (MTR) of the strategy is planned for this year. CI's Governing Council (GC) met online in December 2022 and will convene again in November 2023 alongside the CAREC Ministerial Conference to review and approve the budget, operational plans, audited financial statements, and recruitment plans. The Advisory Council (AC), which has a diverse composition, gives additional guidance and oversight, with its 5<sup>th</sup> regular meeting scheduled for September. For operational sustainability, CI is pursuing a multiple-pronged approach that includes deepening engagement with its most trusted partners, the P.R.C. and ADB, engaging with other member countries, building in-house capacity for systematic resource mobilization, and tapping project-based funding from multilateral partners.
31. As a knowledge arm of the CAREC Program, CI plays an essential role in meeting the growing knowledge needs of its member countries. CI fulfills this role by producing Quarterly Economic Monitor (QEM) and Policy Briefs, undertaking research and capacity-building training, knowledge sharing, and building partnerships and networks. CI provided a key deliverable to the 21st Ministerial Conference held last November 2022, the background report for the endorsed "Post-Pandemic Framework for a Green, Sustainable, and Inclusive Recovery," by CAREC member countries. It also has published over 10 economic briefs on topics covering the economic impacts of the COVID-19 pandemic in the CAREC region, inflation threats, environmental, social, and governance (ESG) development, and green BRI investment, among others. In 2023, CI plans to

prepare three additional economic briefs. CI completed all planned research projects for 2022 and began implementing nine projects in 2023 on CAREC regional trade integration and activities, digitalization, climate change, regional cooperation, fintech development, and water sector financing, among others. The Annual Research Conference, Visiting Fellowship Program (VFP), and CTTN Research Grants Program (RGP) further augment CI's research function. Leveraging a tech-based E-learning platform, CI has fully transitioned to delivering systematic and holistic capacity-building activities to its target participants. As indicated in ROP 2023-2024, CI aims to provide at least 12 core capacity-building programs annually. Similarly, CI's knowledge management and dissemination function has witnessed exponential growth since 2019. CI's monthly newsletter reaches over 3000 stakeholders, and CI's presence and following on professional platforms such as LinkedIn and multilingual social media continues to grow.

32. Under the CAREC Think Tank Network (CTTN), CI completed the fourth RGP cycle and organized the sixth think tank forum in Baku, Azerbaijan. The fifth RGP cycle is underway, and the seventh think tank forum is scheduled for August in Urumqi, the PRC. To expand its partnership, CI signed three MOUs in 2022 and aims to sign three more MOUs in 2023 with national, regional, and international organizations.