CAREC 2030 DEVELOPMENT EFFECTIVENESS REVIEW (2017–2020)

APRIL 2022
Contents

Tables and Figures iv
Acknowledgments v
Abbreviations x
Executive Summary xi
1 Overview of CAREC Program 1
2 Status of CAREC Portfolio 6
3 CAREC Progress and Results 11
4 Knowledge Services and CAREC Institute 31
5 Internal Alignment and Institutional Framework 33
6 Conclusions and Recommendations 36
Appendixes
1 CAREC 2030 Institutional Framework 40
2 CAREC Trade Sector Data—2017–2020 41
3 CAREC Program Results Framework (Baseline and Actual) 42
4 Methodology and Scope of Development Effectiveness Review 52
Tables and Figures

Tables

3. Technical Assistance under CAREC, 2017–2020
A2.1 Merchandise Exports and Imports, 2017–2020
A2.2 Commercial Services, Exports and Imports, 2017–2020
A3 Reporting on CAREC 2030 Program Results Framework
A4.1 Development Effectiveness Review Criteria
A4.2 Development Effectiveness Review Methodological Challenges

Figures

CAREC Development Effectiveness Review 2020
1. Changes in CAREC Investment Portfolio by Sector, 2014–2020
2. Changes in CAREC Investment Portfolio by Financing Institution, 2014–2020
3. Trade Facilitation Indicator Results 2017–2020
A1 CAREC 2030 Institutional Framework
Acknowledgments

This study was undertaken by the Central Asia Regional Economic Cooperation (CAREC) Secretariat and supported by a technical assistance financed by the Asian Development Bank (ADB). The team extends its gratitude for the overall guidance given by Eugenue Zhukov, director general, Central and West Asia Department; Safdar Parvez, former director; and Alain Borghijs, officer-in-charge, Regional Cooperation and Operations Coordination Division, Central and West Asia Department.

The CAREC Secretariat managed the preparation of this Development Effectiveness Review (DEfR) report. The team includes Saad Paracha, senior regional cooperation specialist and CAREC unit head; Alzeus R. Alzate, consultant; Xinglan Hu, principal regional cooperation specialist; Jennifer Lapis, consultant; Jinha Kim, consultant; Mary Ann Magadia, programs analyst; Vishal Potluri, young professional; and Irene S. De Roma, programs officer. This DEfR report’s principal author is Abid Mallick, who built on the work started by Takeshi Daimon-Sato.

The team would like to thank ADB CAREC sector focal points and colleagues from the CAREC Institute and the World Bank who provided relevant inputs from their respective areas of work.

The team also conveys its appreciation to the national focal points of all CAREC countries for their valuable inputs and advice as well as to the national focal points’ advisors and regional cooperation coordinators for their assistance in collecting data and information.
CAREC 2030 DEVELOPMENT EFFECTIVENESS REVIEW (2017–2020)

CAREC 2030 IMPLEMENTATION (2018–2020) IS ON TRACK

**ACHIEVEMENTS**

**RELEVANCE**
- The CAREC 2030 strategic framework remains relevant with a broadened scope. It covers five operational clusters encompassing existing and new sectors. CAREC 2030 aligns with Sustainable Development Goals and development priorities of CAREC member countries.

**PROCESS**
- The CAREC Program has developed a strong template for regional cooperation through its project++ approach, comprehensive strategies and action plans, and a multistakeholder institutional structure.
- CAREC 2030’s institutional structure has provided continuity and coherence. It has leveraged opportunities that the coronavirus disease (COVID-19) pandemic opened, including a gradual transition to online platforms and greater digitalization.
- The CAREC Secretariat has supported CAREC’s overall institutional structure as a coordinating body.

**PROGRESS**
- The CAREC Program creates opportunities to bring partners together, mobilize expertise from development partners, influence policies, and extend capacity building.
- The CAREC Institute plays a greater role in supporting CAREC’s knowledge services.

**CHALLENGES**
- Restrictive measures and economic uncertainty in the wake of COVID-19 pandemic.
- Complexity of the program and increased coordination requirements due to a broadened scope of the CAREC 2030 framework.
- Remaining gaps in the CAREC 2030 Program Results Framework.

**OPPORTUNITIES**
- Increased global emphasis on curtailing carbon emission and greening the energy system.
- Enlarged scope of CAREC 2030 resulting in opportunities for engaging more development partners.

**RECOMMENDATIONS AND WAY FORWARD**
- Review and adjust sector priorities and interventions to maintain sustained relevance.
- Improve program results framework to better measure, monitor, and capture the program’s performance.
- Develop communication strategy for greater visibility and understanding of the CAREC Program among existing and potential partners.

**CAREC-RELATED INVESTMENTS as of 31 December 2020**

$40 billion

From 2001 to December 2020, $40 billion worth of CAREC-related investments had been made across 213 projects

**SOURCE OF FUNDING**

**SECTOR** (% Funding and number of projects)

**CARE INVESTMENTS, 2018–2020**

**SOURCE OF FUNDING**

SECTOR (% Funding)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ADB</th>
<th>Development Partners</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>26%</td>
<td>26%</td>
<td>52%</td>
</tr>
<tr>
<td>2019</td>
<td>16%</td>
<td>20%</td>
<td>64%</td>
</tr>
<tr>
<td>2018</td>
<td>11%</td>
<td>55%</td>
<td>34%</td>
</tr>
</tbody>
</table>

**SECTOR**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Energy</th>
<th>Transport</th>
<th>Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>19%</td>
<td>53%</td>
<td>37%</td>
</tr>
<tr>
<td>2019</td>
<td>87%</td>
<td>12%</td>
<td>1%</td>
</tr>
<tr>
<td>2018</td>
<td>57%</td>
<td>43%</td>
<td>1%</td>
</tr>
</tbody>
</table>
CAREC 2030 DEVELOPMENT EFFECTIVENESS REVIEW (2017–2020)

CAREC-RELATED TECHNICAL ASSISTANCE
as of 31 December 2020

$545 million

From 2001 to December 2020, $545 million worth of CAREC-related technical assistance (TA) had been provided, covering 319 TA projects.

SOURCE OF FUNDING

<table>
<thead>
<tr>
<th>Source of Funding</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB</td>
<td>52%</td>
<td>35%</td>
<td>46%</td>
</tr>
<tr>
<td>Development Partners</td>
<td>41%</td>
<td>41%</td>
<td>33%</td>
</tr>
<tr>
<td>Governments</td>
<td>7%</td>
<td>16%</td>
<td>11%</td>
</tr>
</tbody>
</table>

SECTOR (% Funding and number of TA projects)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>61%</td>
<td>16%</td>
<td>78</td>
</tr>
<tr>
<td>Transport</td>
<td>68%</td>
<td>34%</td>
<td>112</td>
</tr>
<tr>
<td>Trade</td>
<td>68%</td>
<td>34%</td>
<td>112</td>
</tr>
<tr>
<td>Multisector</td>
<td>61%</td>
<td>16%</td>
<td>78</td>
</tr>
<tr>
<td>Second Tier</td>
<td>68%</td>
<td>34%</td>
<td>112</td>
</tr>
</tbody>
</table>

PROGRESS OF EACH CLUSTER OR SECTOR

Significant progress was made in traditional sectors (trade, transport, and energy) and a solid foundation was built for new sectors from 2018 to 2020.

ECONOMIC AND FINANCIAL STABILITY

Seven high-level policy dialogues on economic and financial stability were organized with prominent stakeholder presence.

TRADE, TOURISM, AND ECONOMIC CORRIDORS

Fuel and nonfuel trade in services as % of GDP increased both within the CAREC region and with the rest of the world.

Five out of 11 CAREC countries have improved their ranks in the Travel and Tourism Competitiveness Index.

Seven out of 11 CAREC countries incorporated economic corridor development concepts in their national development strategies.

INFRASTRUCTURE AND ECONOMIC CONNECTIVITY

24 investment and technical assistance projects were approved despite the pandemic.

Renewable energy in CAREC countries increased from less than 1%–6%.

AGRICULTURE AND WATER

Seven CAREC countries received technical assistance to harmonize sanitary and phytosanitary measures with international procedures and strengthened their capacity to implement these measures.

A scoping study for the CAREC Water Pillar development is underway.

HUMAN DEVELOPMENT

A scoping study on education and skills development has been completed.

A regional consultation workshop was held in March 2019.

A regional working group on health has been established.

A TA project is supporting the development of a health strategy and investment framework.
Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABEC</td>
<td>Almaty-Bishkek Economic Corridor</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AIIB</td>
<td>Asian Infrastructure Investment Bank</td>
</tr>
<tr>
<td>BCP</td>
<td>border crossing point</td>
</tr>
<tr>
<td>CAREC</td>
<td>Central Asia Regional Economic Cooperation</td>
</tr>
<tr>
<td>CASA</td>
<td>Central Asia–South Asia</td>
</tr>
<tr>
<td>CCC</td>
<td>Customs Cooperation Committee</td>
</tr>
<tr>
<td>CITA</td>
<td>CAREC Integrated Trade Agenda</td>
</tr>
<tr>
<td>COVID-19</td>
<td>coronavirus disease</td>
</tr>
<tr>
<td>CPMM</td>
<td>corridor performance measurement and monitoring</td>
</tr>
<tr>
<td>DEfR</td>
<td>Development Effectiveness Review</td>
</tr>
<tr>
<td>ECD</td>
<td>economic corridor development</td>
</tr>
<tr>
<td>ESCCC</td>
<td>Energy Sector Coordinating Committee</td>
</tr>
<tr>
<td>GDP</td>
<td>gross domestic product</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>PRF</td>
<td>program results framework</td>
</tr>
<tr>
<td>RIBS</td>
<td>Regional Improvement of Border Services</td>
</tr>
<tr>
<td>RSAP</td>
<td>Rolling Strategic Action Plan</td>
</tr>
<tr>
<td>RWG</td>
<td>regional working group</td>
</tr>
<tr>
<td>SOM</td>
<td>senior officials’ meeting</td>
</tr>
<tr>
<td>SPS</td>
<td>sanitary and phytosanitary</td>
</tr>
<tr>
<td>STKEC</td>
<td>Shymkent-Tashkent-Khujand Economic Corridor</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>TAP</td>
<td>Turkmenistan–Afghanistan–Pakistan</td>
</tr>
<tr>
<td>TAPI</td>
<td>Turkmenistan–Afghanistan–Pakistan–India</td>
</tr>
<tr>
<td>TSCC</td>
<td>Transport Sector Coordination Committee</td>
</tr>
<tr>
<td>TUTAP</td>
<td>Turkmenistan–Uzbekistan–Tajikistan–Afghanistan–Pakistan</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>
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. Covering 2017–2020, with 2017 as the baseline year, the DEfR reports on the progress against the CAREC Program Results Framework (PRF). The review consolidates the accomplishments toward achieving the objectives of CAREC 2030, highlights the achievements of the CAREC 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—with the Asian Development Bank (ADB) as host of the CAREC Secretariat—and 11 Central Asian countries. It began in 2001 as a long-term regional cooperation initiative that aims to accelerate economic growth and shared prosperity for the CAREC region. CAREC 2030 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 (TA) 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 and communication technology (ICT), and climate change adaptation are the crosscutting 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 their respective areas of comparative advantage. The new framework emphasized deepening of policy dialogue, delivery of quality knowledge products, and integrating the role of the private sector and civil society. A renewed institutional framework was proposed to implement CAREC 2030.

Key Findings

Relevance. There is strong evidence that the 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 that members attach to the program. Building on the 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 CAREC Program through 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, of which draft is to be endorsed during the CAREC Ministerial Conference 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 the need to further integrate the role of the 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 multistakeholder institutional structure linked with strategizing, planning, and implementation processes. CAREC’s institutional structure and processes have enabled progress despite the disruptions caused by the coronavirus disease (COVID-19) while leveraging opportunities that the pandemic opened, including transition to a virtual platform and greater digitalization.

The renewed institutional structure proposed in CAREC 2030 has worked well and provided continuity and coherence. The Ministerial Conference, Senior Officials Meeting, national focal points meetings, and sector committees and sub-working group meetings have continued to be organized during the pandemic—with few exceptions—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 have enabled 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 multilateral agencies, beyond the six original development partners, to cofinance 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 the private sector in regional economic cooperation.

The CAREC Secretariat has been the coordinating body for the overall institutional structure. It has facilitated development and endorsement of CAREC strategies, engaged consultants for different tasks, organized the ministerial conference and the senior officials meeting, liaised with sector committees and national focal points, coordinated engagements with existing and new development partners, and provided administrative support. However, 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 staffing capacity.

**Progress.** The CAREC Program has made a notable achievement in implementing the CAREC 2030 agenda during its initial 3 years. CAREC has strengthened its position as a multisector regional cooperation platform. Its enlarged scope includes creating more opportunities for CAREC to bring member countries together, mobilize expertise from a larger group of development partners, influence policies, and extend capacity-building support to enhance regional connectivity and cooperation. More TA projects were implemented in the past 3 years, from 2018 to 2020, compared to the last 3 years (2014–2016) of the preceding strategy, CAREC 2020. Technical assistance has been more sharply focused on supporting multifaceted, regionwide,
longer-term, and strategic objectives of CAREC. Significant progress in the CAREC Institute was also noted. The institute developed its internal capacities, providing greater support to CAREC's knowledge services while influencing the regional connectivity and cooperation agenda.

CAREC's strong performance in implementing the 2030 Strategy and the progress made in the sectors suggest that it is on track toward achieving most of the set goals for 2030. However, significant efforts in each sector are required to achieve more tangible outcome and output results over the remaining 10 years.

The CAREC Program has implemented an impressive array of strategic planning, capacity-building, policy reform, and knowledge creation activities to enhance regional connectivity and cooperation in 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—showed modest yet steady improvements between 2017 and 2020. Analysis of available data on CAREC 2030 outcome and output indicators for trade and transport show that the average time, cost, and speed to move goods on CAREC corridors improved marginally for rail transport but deteriorated for road transport. There has been some progress in terms of integrating member countries into the global economy and expanding their trade. CAREC countries' fuel and nonfuel trade within the region and the rest of the world increased as a percentage of gross domestic product in 2019 based on the latest data available from UN Comtrade (as of 30 November 2021) 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. However, work on several key deliverables has commenced, including the first regionwide Energy Efficiency Awareness Campaign, a preliminary concept for a regional green financing vehicle, a draft tool kit on tariff-setting principles and tariff reforms, 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 have also progressed.

For the new clusters and sectors, progress on output indicators is premature to expect, but a good start has been made in the economic and financial stability, tourism, agriculture, water, and health sectors. Strategies or approaches for the tourism, health, and the economic and financial stability sectors have been developed and activities have started. Strategic planning for the water and education sectors is expected to conclude in 2022.

CAREC's progress on the delivery of results needs to be contextualized for several reasons. First, it is early to expect results within 3 years of implementation of the new strategic framework. Strategies of each of the traditional sectors (trade, transport, and energy) were renewed after 2017 and have seen 3 years or less of implementation. Much of CAREC's work involves instituting reforms, building institutional capacities, and working with multiple agencies and governments to improve and harmonize rules, regulations, and systems within the region. These efforts require coordination with multiple agencies and countries that have varying capacities and priorities; hence it takes longer for these efforts 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 the findings of the review, the following recommendations are proposed:

- Review and adjust sector priorities and interventions as necessary 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
digitalization of services, as well as prioritizing regional health security and health systems strengthening, can 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 improved results chain, results statement, and 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 heads of state and government as proposed in the CAREC 2030 Strategy.

Uzbekistan Regional Road Project. The CAREC Regional Road Project upgrades a key highway in Uzbekistan that is an integral part of a regional transport corridor across Central Asia (photo by Relisa Granovskaya/ADB).
Overview of CAREC Program

Methodology and Scope

This first Development Effectiveness Review (DEfR) covers the period 2017–2020. The overall objectives are to assess the 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.1

The DEfR uses relevance, progress (effectiveness), and process (coherence and sustainability) as criteria to assess CAREC 2030 implementation as of 2020. The review involves

(i) literature review, particularly analyses conducted by the Asian Development Bank (ADB), the World Bank, the International Monetary Fund (IMF), and other agencies on development trends in the CAREC region over the past 3 years with a special focus on the impact of the coronavirus disease (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 18 key informants to obtain in-depth information on the DEfR questions (11 ADB staff, 4 national focal persons from member countries, 1 representative 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 the DEfR scope and methodology are presented in Appendix 4.

The DEfR encountered three methodological challenges in assessing the progress of the CAREC Program over the last 3 years. A major challenge lies in the current program results framework (PRF) where there are gaps in the results chain and data. Some results statements need to be redefined to ensure consistency in the 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 (see Appendix 4).

Background

The Asian Development Bank (ADB), in collaboration with other development partners,2 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.

---

1 ADB placed on hold its assistance in Afghanistan effective 15 August 2021.
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 the emerging needs of CAREC member countries and the changing global and regional contexts. Its first strategic framework, the CAREC Comprehensive Action Plan, guided the CAREC Program for 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 to guide the program for the next 10 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’s scope was broadened to ensure CAREC’s relevance in the changing development landscape of member countries in the region and in view of emerging challenges to globalization, such as stalemate in global trade deals and a rise in protectionist sentiments in various parts of the world. The emergence of other regional players and the updated global development agenda also offered fresh opportunities for partnerships, coordination, and regional cooperation for development. The new regional players include the Asian Infrastructure Investment Bank (AIIB). The revamped global development agenda include the Sustainable Development Goals (SDGs) and the Paris Agreement reached at the 21st Conference of Parties of UN Framework Convention on Climate Change (COP21).

CAREC 2030: Connecting the Region for Shared and Sustainable Development is the long-term strategic framework for the CAREC Program leading to 2030. The framework includes plans to conduct a DEfR of the CAREC Program every 3 years. The DEfR aims to provide a consolidated picture of the progress made by the CAREC Program to support the CAREC members’ economic development through regional cooperation.

CAREC 2030 Strategic Objectives, Operational Priorities, and Institutional Structure

CAREC 2030’s mission is “a regional platform to connect people, policies, and projects for shared and sustainable development.” Its goal is to achieve “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 under the new strategy has its own objective, outcomes, and outputs, these are synergistic in achieving the program’s overarching goal. Integrating gender, information and communication technology, and climate change impact across the spectrum of CAREC operations is a crosscutting priority. The new framework emphasizes 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 (Appendix I) to promote member countries’ active and sustained participation in CAREC at both policy and project levels. The ministerial conference functions as a high-level strategy setting and policy body that meets annually. The senior officials’ meeting serves as a mechanism to ensure the effective implementation of policy and strategic decisions made at the ministerial conference.
Global and Regional Developments

Since the implementation of the current CAREC Strategy in 2017, several global and regional developments and events have affected the CAREC Program. Among these, COVID-19 has had the most profound impact since early 2020 as lockdowns and travel restrictions disrupted global supply chains, shrank demands, interrupted construction and manufacturing activities, brought tourism to almost a grinding halt, and led to the closure of businesses and large-scale staff layover or furlough—all of which have brought a cumulative impact on global economic slowdown. The world merchandise trade volume in 2020 declined by 5.3%, accompanied by a 3.6% contraction in world GDP.\(^3\) When measured in nominal United States dollar terms, the decline in merchandise trade in 2020 was even larger—8% fall in value of exports. Services export fell even more, dropping by 20%, mainly due to travel restrictions.

The CAREC region was no exception as the growth rate in every member country dropped sharply in 2020. Seven countries experienced contraction in their economy reflected by negative growth rates (Table 1). This decline in 2020 came after consistent growth in the pre-pandemic years as GDP of all countries in the CAREC region expanded between 2017 and 2019. Six countries experienced 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 signs of stability.

The global economy started rebounding in 2021 and is projected to grow by 6% in the same year and by 4.9% 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 2021–2022.\(^4\) Projections for low-income developing countries are 3.9% and 5.5% for 2021 and 2022, respectively. But recovery has been divergent and

---

# Table 1: Gross Domestic Product of CAREC Members, 2017–2022

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>2.7</td>
<td>1.2</td>
<td>3.9</td>
<td>-1.9</td>
<td>3.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>0.2</td>
<td>1.5</td>
<td>2.5</td>
<td>-4.3</td>
<td>2.2</td>
<td>2.5</td>
</tr>
<tr>
<td>People’s Republic of China</td>
<td>6.9</td>
<td>6.7</td>
<td>6.0</td>
<td>2.3</td>
<td>8.1</td>
<td>5.5</td>
</tr>
<tr>
<td>Georgia</td>
<td>4.8</td>
<td>4.8</td>
<td>5.0</td>
<td>-6.2</td>
<td>8.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>4.1</td>
<td>4.1</td>
<td>4.5</td>
<td>-2.6</td>
<td>3.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>4.7</td>
<td>3.8</td>
<td>4.6</td>
<td>-8.6</td>
<td>3.5</td>
<td>5.0</td>
</tr>
<tr>
<td>Mongolia</td>
<td>5.3</td>
<td>7.2</td>
<td>5.2</td>
<td>-5.3</td>
<td>4.6</td>
<td>6.0</td>
</tr>
<tr>
<td>Pakistan</td>
<td>5.2</td>
<td>5.5</td>
<td>2.1</td>
<td>-0.5</td>
<td>3.9</td>
<td>4.0</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>7.1</td>
<td>7.3</td>
<td>7.5</td>
<td>4.5</td>
<td>5.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>6.5</td>
<td>6.2</td>
<td>6.3</td>
<td>1.6</td>
<td>4.8</td>
<td>4.9</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>4.5</td>
<td>5.4</td>
<td>5.8</td>
<td>1.6</td>
<td>5.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Middle East and Central Asia</td>
<td></td>
<td>1.4</td>
<td>-2.6</td>
<td>4.0</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td>Emerging markets and developing economies</td>
<td>3.7</td>
<td></td>
<td>-2.1</td>
<td>6.3</td>
<td>5.2</td>
<td></td>
</tr>
<tr>
<td>Low-income developing countries</td>
<td>5.3</td>
<td>0.2</td>
<td>3.9</td>
<td></td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td>Global</td>
<td>2.8</td>
<td>3.2</td>
<td>6.0</td>
<td>4.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Data for 2021 and 2022 are projections.


The July 2021 IMF Update reports that COVID-19 vaccines have been administered to less than 12% of the population in emerging markets and less than 2% in low-income countries compared to 40% in advanced economies (footnote 2). Within the CAREC region, two countries—Mongolia (64%) and the People’s Republic of China (56%)—have fully vaccinated more than half of their population. Two countries have fully vaccinated about one-fourth of their population—Kazakhstan at 27% and Azerbaijan at 24%. The remaining countries for which data is available have fully vaccinated less than 10% of their population, well below the world average of 24%. This is far below the target set by WHO of vaccinating 40% of the global population by the end of 2021.

---

5 Countries with high vaccine rollout (including 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 some countries amid the fear of renewed flareup.

Sustained recovery in CAREC countries would require progress in at least four areas. First, CAREC countries need access to COVID-19 vaccines and logistics arrangements 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 subregional 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, which can increase social interaction and consumption levels.7

Despite the pandemic, remittance flows to low- and middle-income countries remained resilient in 2020, showing only a small decline (1.6%) from the total remittance of $548 billion in 2019.8 The drop was much sharper (nearly 10%) 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% in 2021. For the Central Asian countries that rely on the Russian Federation for remittance inflows, the situation is less likely to improve in the near future because of the economic slowdown that the Russian Federation has been experiencing. Among the CAREC countries, Pakistan registered the highest growth in remittances (17%) in 2020 compared to the previous year, and it is expected to stay around that level in 2021.

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 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, with the situation deteriorating between 2000 and 2017, despite an increase in GDP per capita”—largely attributed to commodity price increases instead of diversification.9

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 need to be addressed and cross-sector policy coordination should be strengthened in order to diversity and facilitate trade and further improve trade policy. CAREC countries can learn from global research on enablers and drivers of export diversification. A recent IMF research shows that four economy-wide factors—governance, education, infrastructure, and trade policy—relate closely to more diverse and complex exports across countries.10 CAREC has been working on infrastructure and trade policy. Economy-wide policies for improving the four areas help diversify trade 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 countries, improve transportation logistics at seaports and border crossing points (BCPs), ease trade policy barriers, promote the spread of technology, improve the quality of skilled labor force, and invest in communication technology (e.g., broadband that supports digital economy).

7 United Nations Development Programme. 2020. COVID-19 and Central Asia: Socio-economic Impacts and Key Policy Considerations for Recovery. This research covers Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.
Investment Projects

The CAREC Program does not directly finance projects but records and reports on projects that are related to its objectives and strategy. It considers factors such as being a CAREC member country and a 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 that the program is currently updating its project classification system for implementation.11

Based on the current system, the CAREC 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 more than $30 billion, has the largest share (75%) in the CAREC portfolio, followed by the energy sector at $8.9 billion or 22%. Unlike transport and energy, which involve capital-intensive infrastructure projects, trade projects do not typically require large financing, which explains its smaller share (3%) in the portfolio. Of the 213 investment projects, 116 were completed by the end of 2020, with a total value of $14.5 billion.12

After the introduction of CAREC 2030 Strategy, CAREC investments increased for the initial 2 years compared to the baseline year (2017) but nose-dived in 2020 due to COVID-19 impact on approval of

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of CAREC investment projects ($ million)</td>
<td>40,009</td>
<td>7,335</td>
<td>2,028</td>
</tr>
<tr>
<td>Number of approved investment projects</td>
<td>213</td>
<td>32</td>
<td>7</td>
</tr>
</tbody>
</table>

Table 2: Growth in CAREC Operations, 2017–2020

($ million)

Investment by financier:

<table>
<thead>
<tr>
<th></th>
<th>ADB</th>
<th>Other multilateral institutions and cofinanciers</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative 2001–2020</td>
<td>38%</td>
<td>40%</td>
<td>22%</td>
</tr>
<tr>
<td>Baseline 2014–2016</td>
<td>34%</td>
<td>39%</td>
<td>27%</td>
</tr>
<tr>
<td>CAREC 2030 2017–2020</td>
<td>56%</td>
<td>30%</td>
<td>14%</td>
</tr>
<tr>
<td>ADB</td>
<td>34%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Other multilateral institutions and cofinanciers</td>
<td>64%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>68%</td>
<td>26%</td>
<td></td>
</tr>
</tbody>
</table>

12 The CAREC portfolio is periodically updated. DEFR is based on data available as of 30 September 2021.
new projects. Economic slowdown and disruptions in services due to the pandemic have pushed member countries and development partners to reconsider priorities. A total of 24 investment projects with a financial outlay of approximately $6.2 billion were approved between 2018 and 2020 (Table 2). The lower level of investments when compared to the 3-year period (2014–2016) preceding the current strategy is mainly attributed to the pandemic impact. Rising debt-to-GDP ratio in some CAREC countries might also have prevented approval of new loans for projects.

Sector distribution of the CAREC project portfolio over 2018–2020 followed the past trends (Figure 1). The bulk of the funds went to transport (66%), followed by energy (26%) and trade (8%). The average share of transport over 2018–2020 decreased compared to that of the baseline in 2017. The energy sector increased its share, rising from 16% in 2017 to 26% over the last 3 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% of the 2018–2020 energy portfolio.
Comparing the last 3 years (2014–2016) of the CAREC 2020 Strategy with the initial 3 years (2018–2020) of the CAREC 2030 Strategy, analysis of cumulative investments shows that the share of transport projects in the investment portfolio stayed at around the same level. The energy projects decreased from 29% to 26%, but the share of trade projects increased from 5% to 8% between the two periods, which aligns with the increased emphasis on trade facilitation under CAREC 2030. In the transport sector, the DEfR noted that the projects approved during 2017–2020 reflect the shift in emphasis under CAREC 2030, which focuses more on maintenance and sustainability of transport infrastructure rather than development of new infrastructure. Almost all of these projects are for rehabilitation, repair and maintenance, and efficiency improvement, and some project components are part of the new infrastructure development initiatives.

CAREC has remained a multisourced financed program since its inception with ADB as the lead financier. ADB contributed 38% of the CAREC project portfolio from 2001 up to the end of 2020. The five development partners and cofinanciers provided 40% of financing, while the remaining 22% came from governments of member countries. However, ADB’s leveraging of financing from other sources appears to have decreased under CAREC 2030 (Figure 2). When compared to the 3 years (over 2014–2016) prior to CAREC 2030 implementation period, ADB’s share in cumulative investment over 2018–2020 increased to around half of the portfolio value while the share of development partners and cofinanciers and member governments decreased—but this could be due to the current project classification system which may have excluded some CAREC-related projects of other development partners.

Figure 2: Changes in CAREC Investment Portfolio by Financing Institution, 2014–2020 ($ million)

ADB = Asian Development Bank, CAREC = Central Asia Regional Economic Cooperation.
Source: CAREC. CAREC Project Portfolio.

13 Development partners are the five multilateral institutions (European Bank for Reconstruction and Development, Islamic Development Bank, International Monetary Fund, United Nations Development Programme, and the World Bank) supporting CAREC in addition to ADB. The cofinanciers include Asian Infrastructure Investment Bank, Agence Française de Développement (AFD), European Investment Bank (EIB), Japan International Cooperation Agency (JICA), and UK Aid.
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 sectors, including the new sectors.\(^1\) Similar to the findings for the investment project portfolio, since 2001, the transport sector has the largest number of TA projects, accounting for more than one-third of the portfolio in terms of the number of projects (Table 2). Since much of the work in trade policy and trade facilitation is done through technical assistance, projects in this sector constitute a sizable portion of the portfolio (21%).

The increased emphasis on capacity-building, policy and regulatory changes, and knowledge products and services under the CAREC 2030 Strategy compared to CAREC 2020 Strategy is reflected in the TA portfolio—the number of TA projects increased under CAREC 2030 compared to the last 3 years of the previous strategy (Table 3). The number of second-tier projects more than tripled (to 12) during 2018–2020 since more TA projects were needed in new sectors. CAREC is also using technical assistance to develop pipelines for investment projects as many of these TA projects lead up to design and approval of investment projects.

The DEFR noted that the more recent TA projects are multifaceted, have a regionwide focus, and are designed to support the longer-term strategic objectives of CAREC 2030. For example, the technical assistance on Strengthening Knowledge and Capacities for the Design and Implementation of Free Trade Agreements (FTA) Involving CAREC Countries, approved in 2020, will build capacities and develop a road map for a CAREC FTA.\(^1\) Also, the multifaceted technical assistance on Central Asia Regional Economic Cooperation: Knowledge Sharing and Services in Transport and Transport Facilitation, Phase 2 covers all pillars of transport with more attention to road asset management, aviation, ports, and logistics.\(^2\) TA projects that are designed to help achieve the long-term strategic objectives for the region include assessing health threats in the region,\(^3\) developing the CAREC water pillar,\(^4\) developing the CAREC regional infrastructure enabling facility,\(^5\) and feasibility study for establishing a multilateral trade and credit investment guarantee agency to promote foreign direct investment.

### Table 3. Technical Assistance under CAREC, 2017–2020

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>112</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>Energy</td>
<td>78</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Trade</td>
<td>68</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Multisector second tier</td>
<td>61</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Total</td>
<td>319</td>
<td>13</td>
<td>39</td>
</tr>
</tbody>
</table>

CAREC = Central Asia Regional Economic Cooperation.


---

\(^1\) 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.


Moreover, the technical assistance on supporting startup ecosystem in the CAREC region to mitigate the 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.  

The CAREC Program has the increased emphasis on capacity-building, policy and regulatory changes, and knowledge products and services under the CAREC 2030 Strategy.

Economic and Financial Stability

CAREC 2030 has introduced economic and financial stability as a new cluster aimed at increased regional macroeconomic stability, improved investment, and financial integration. To pursue these long-term outcomes, the cluster has been established as a knowledge-sharing platform that convenes high-level policy dialogues on selected issues within its three focus areas. The platform aims to support technical discussions and seminars, facilitate cross-learning within the region, and act as a knowledge catalyst. 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.

Summary of Progress

The cluster has shown early progress as a knowledge-sharing platform by providing opportunities to discuss selected macroeconomic and financial stability topics relevant for the region, and for the CAREC members to learn from each other. Between 2017 and 2020, CAREC convened seven high-level forums in collaboration with the World Bank and the International Monetary Fund (IMF). The forums discussed policy responses to external shocks, debt sustainability in the CAREC region, and countercyclical fiscal measures for recovery.

In 2021, two high-level forums were planned under the theme of addressing rising inequality caused by the impact of the COVID-19 pandemic. In July 2021, the 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 high-level forum, 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 forums have brought ministers, deputy ministers, and senior officials from central banks, financial regulatory authorities, and finance ministries together with senior representatives from ADB, the IMF, and the World Bank.

The first forum of capital market regulators from member countries, convened in Islamabad, Pakistan in August 2019, brought more than 150 delegates from private and public sector institutions from 11 member countries. They discussed regional cooperation for developing their capital markets, enhancing access to finance, and supporting private sector development. The forum provided a unique platform for learning from the Association of Southeast Asian Nations experience of regional integration of capital markets as well as country experiences from Pakistan and the People’s Republic of China (PRC) on capital market reforms and connectivity. It also sparked conversation and learning on various aspects of capital market integration in CAREC through sessions on derivatives.

market development, financial technology (fintech), shared challenges for debt markets, and issues and prospects for capital market integration in CAREC. The event concluded with a consensus on establishing the capital market regulators forum as a regular event. This event intends to (i) develop knowledge, build capacities, and exchange experience on 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 paper by the CAREC Institute on financial inclusion and fintech in CAREC, and a comprehensive study on CAREC regional capital market development. The study includes an analysis on the 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.

Results. Overall, despite some delays, 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 toward institutionalization of the forum has yet to be defined. A start has been made toward delivering the second output on institutionalizing the CAREC Capital Market Regulators Forum (i.e., 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 2022–2023, and the study, expected to be completed in 2022, will provide further insights on the extent of progress.

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 (high-level forum 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.

Process

In line with the principles of making CAREC 2030 more inclusive, there was a strong intent that the IMF takes the lead in implementing the cluster because of its comparative strength and global role in economic and financial stability sector. Both the IMF and the World Bank are collaborating in defining the scope of the cluster. The 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 organized through close collaboration of ADB, the IMF, and the World Bank. The cluster’s focus and activities were informed by macroeconomic analysis of the region and member countries as reflected in the economic outlook presentations, at the annual ministerial conference. The topics selected for the high-level forum are 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 high-level forums 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 the high-level forum 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 agreed-upon actions.

**Challenges and recommendations**

**Sustainability of the forums.** Whether member countries would be able to sustain these forums 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 institutionalized 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 from developing a strategy or approach for institutionalizing the forum. This could include forming 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 sizable gap between outputs and outcomes defined for this cluster. While the outcome (increased regional macroeconomic 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.

**Trade, Tourism, and Economic Corridors**

CAREC 2030 brought trade, tourism (considered as a service category), and economic corridors under one cluster. The intended outcomes are expanded trade within the region and with the rest of the world, competitive economic corridors, and tourism opportunities in the region. The achievement of this cluster’s objective is 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 in integrating with the global economy and expanding 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.

**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. The CITA also includes a strengthened institutional structure comprising the Regional Trade Group (RTG), the Customs Cooperation Committee (CCC), and the Regional Working Group (RWG) on Sanitary and Phytosanitary Measures (SPS) under the overall strategic direction of the ministerial conference and oversight from the senior officials meeting. CITA aims to assist CAREC members in integrating further into the global economy and improving 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 includes 49 projects and activities (i.e., 10 investment projects, 13 investment project scoping studies, 17 knowledge-sharing products and services, and 9 policy dialogue and cooperation activities).

Summary of Progress

Trade expansion from increased market access. Over the past 3 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 World Trade Organization (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.

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

CAREC also supported its member countries in aligning their national regulations with the WTO sanitary and phytosanitary (SPS) agreement, which is part of the Common Agenda for the Modernization of SPS Measures for Trade (CAST). The study on modernizing SPS 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 study's recommendations, several initiatives are being implemented, one of which is a pilot project in Ferghana Valley. The pilot project aims 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 country's 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 the Kyrgyz Republic, Mongolia, Pakistan, and Tajikistan have seen these countries upgrading their border crossing facilities and modernizing customs and trade systems—all intended to reduce trade costs. Parallel investments have been approved to develop a trade and economic cooperation zone between Mongolia and the PRC, which is expected to facilitate transit between two economic zones along CAREC Corridor 4. 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

---

26 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, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, the PRC, and Tajikistan.

27 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.


areas. Preparatory work to support diversification was carried out through a series of knowledge products and services, including a study on development of services. Along with this study, a proposal has been prepared to develop priority sectors such as telecommunications, information and communication technology (ICT), finance, education, tourism, transport, quality testing and certification, and agriculture-related services. ADB and CAREC Institute also completed two research studies: (i) assessment of the laws, policies and infrastructure for e-commerce development in CAREC; and (ii) 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. This mechanism involves bringing relevant trade agencies from member countries to share experiences and agree on regional priorities that can be included in the CITA 2030’s 3-year RSAP. The RTG, CCC, and RWG SPS—through regional/subregional workshops, meetings, national capacity-building programs, and knowledge sharing—are playing important roles in promoting coordination of sector policies and priorities, evidence-based policy making, capacity-building of government agencies involved in the trade sector, and engaging the private sector. As part of a blended learning approach, ADB and the CAREC Institute developed knowledge-sharing modules on selected aspects of CAREC trade. To support evidence-based policy making, the CAREC Trade Information Portal is being updated. An online portal on CPMM that tracks transport cost and time on the six corridors is also being developed to facilitate wider awareness and use of CPMM by providing access to aggregate CPMM data. The RWG SPS 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 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 countries and with the rest of the world (for both fuels and nonfuels), as a proportion of GDP, increased between 2017 and 2019 (Appendix 3). This indicates some progress on the trade sector outcome of greater 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% in 2017 to 64.9% in 2019, showing a slightly higher degree of concentration—contrary to the objective of diversification (footnote 26). 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 transport and energy infrastructure) and 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 increase higher value-added exports and diversification. Lessons can be learned from the experiences of countries (like Chile, Malaysia, Rwanda, and Ukraine) that have successfully diversified their trade.

As global GDP and output declined in 2020 owing to pandemic-led disruption in economic activity, trade in the CAREC region also suffered. In 2020, world merchandise trade volume fell by 5.3% and value by nearly 8%. For CAREC, merchandise trade

---


33 CITA 2030 RSAP. 2021–2023 is the rolling action plan developed for the next 3 years.

34 The module includes a three-part series: (i) regional improvement of border services (RIBS), (ii) national single window projects, and (iii) 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/.


(both exports and imports), excluding the PRC, declined by 16.5% and 8.3%, respectively in 2020 (Appendix 2, Table A2.1).

Services trade shows an even steeper decline (20% globally) in 2020 compared to merchandise trade, with travel being the most affected sector. Exports and imports of commercial services also dropped by 36.5% and 27.6%, respectively, in 2020 for CAREC countries (excluding the 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 an impressive growth in trade in 2018, growth rates for CAREC (excluding PRC) dropped to around 0% for both merchandise and services in 2019 (Appendix 2, Tables A2.1 and A2.2). The drop in CAREC trade in 2019 follows the global trend as growth in trade volume fell to 0.2% 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% and global output expected to recover by 6.0% in 2021, CAREC merchandise trade is also projected to rebound in 2021 for all countries.

The 2020 survey of training participants indicates that there has been progress in terms of strengthening the capacity of trade institutions—with all respondents reporting improved knowledge of trade. The DEfR noted the small number of respondents which can be increased in the future to make the assessment more robust. Additional indicators can be added to gain more insights on progress under this output, such as the number and type of trade institutions provided with capacity-building support, the number and type of capacity-building services and products delivered, and the number of participants benefiting from capacity-building events.

**Challenge and recommendations**
The challenges faced in accelerating progress in the trade sector are partly reflected in declining growth rate of merchandise and services trade of CAREC members since 2018. On the other hand, trade diversification is yet to be observed. However, this must be viewed in the context of the longer time required for policy reforms to take effect and facilitate positive impact on trade diversification. There are also a 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 or need revision in order to gauge progress of CAREC in the trade sector.

COVID-19 has contributed to the 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 have imposed trade restrictions (export prohibitions, import bans, reduced import tariffs, and value-added tax exemptions) that might be challenging to lift to ensure consistency with WTO measures. On the other hand, some trade facilitating actions that have been implemented as temporary measures could help improve trade in the post-COVID era (e.g., expedited passage and release of goods for relief and other essential supplies, minimum inspection, and simplified and paperless trade procedures). CAREC should take advantage of these positive measures.

**Process**
CAREC followed a consultative and structured approach to design and implement strategies and action plans for the 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 as forward-looking trade priorities. CITA was developed based on extensive consultation that started with a regional consultation workshop in December 2017, followed by a consultation paper with guiding questions circulated for comments of officials of member countries and a series of stakeholder consultations attended by trade-related agencies from member countries, development partners, international organizations 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.
Economic Corridor Development

Economic corridor development (ECD) 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.

Summary of Progress
Since 2017, the program has made progress on the development of the Almaty–Bishkek Economic Corridor (ABEC). Measures agreed upon at the ABEC Committee include implementing the ABEC Tourism Master Plan, establishing a modern agriculture wholesale market, modernizing BCPS and alternative road connections, creating a regional network of medical reference laboratories, and supporting 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, and 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: (i) road and railway transport connectivity, (ii) modernization of BCPS and border management, (iii) development of horticulture value chains, (iv) modernization of sanitary and phytosanitary measures and development of food safety services, (v) regional tourism, and (vi) 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 in 2020—Kazakhstan, the Kyrgyz Republic, Mongolia, the PRC, Pakistan, Tajikistan, and Uzbekistan. 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 (multicountry, multisector, and multilateral government coordination) makes ECD a complex process with no easy efforts to success.

Process
ECD is a complex and long-term process requiring political support, strong institutional capacities, and sustained commitment over a decade or more. Hence, CAREC has sought for the concerned governments to sign a memorandum of understanding, and it has promoted country leadership 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 subcommittee has met five times since its formation and moved ABEC from concept to project design and implementation stage. For STKEC, a memorandum of understanding between the three governments is expected to be signed while CAREC is working simultaneously with key stakeholders from the three governments on the corridor development. Timeline and steps for establishing an institutional setup 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 3 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.

Challenges and recommendations
For ECD initiatives, it is challenging to support countries in aligning and coordinating their rules and regulations at borders as it requires coordination among multiple stakeholders at various levels of government. But sustained and well-targeted efforts over the long-term can help address this challenge.

Tourism

Summary of Progress
Since the introduction of the tourism sector in CAREC 2030 Strategy, the 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 Tourism Strategy aims to increase the direct contribution of tourism to GDP in the region, raise the number of international visitors’ arrival in the CAREC region, and improve the ranking of member countries in 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 toward five pillars: (i) critical infrastructure, (ii) quality and standards, (iii) skills development, (iv) marketing and branding, and (v) market intelligence. The strategy also includes five crosscutting areas: (i) use of ICT; (ii) environmental sustainability; (iii) gender equality; (iv) private sector development; and (v) 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 the seven priority regional tourism clusters. The second phase (2024–2028) 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 onward), expansion toward 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 is at an early stage as implementation of the strategy has just begun. There is some traction on 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). 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 countries have improved their ranking in the global Travel and Tourism Competitiveness Index between 2017 and 2020; however it is too early for CAREC to claim a role in this improvement.

39 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 Turgen Mountain Resort Development (formerly Promoting Sustainable Tourism) approved in April 2021; Georgia: Livable Cities Investment Project for Balanced Development for approval in the fourth quarter of 2021.
40 Two CAREC countries are within the top 70 rank (the PRC improved from 15 to13, while Georgia moved from 70 to 68 between 2017 and 2020). Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, and Tajikistan also improved their rank. See CAREC. 2021. CAREC Tourism Sector Progress Report: July 2020–June 2021 (Table 1).
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 the coming years. The phased implementation approach of the CAREC Tourism Strategy can contribute to recovery of tourism in the region by starting with the promotion of domestic and intra-regional tourism (since international tourists are likely to prefer closer destinations in the near future) and prioritizing health, safety, and security measures.

Process
Like other new sectors, the process for developing CAREC tourism sector started with a scoping study, based on which, a strategy and a regional tourism investment framework was developed through a consultative process. All five pillars and crosscutting 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 to implement joint regional tourism initiatives, is expected to ensure relevance, appropriateness, and timely completion of CAREC’s tourism strategy and plans.

Challenges and recommendations
COVID-19 affected the entire trade, tourism, and ECD cluster. Trade and tourism in the CAREC region declined due to the pandemic-led economic slowdown and travel restrictions. According to the World Tourism Organization, international tourist arrivals decreased by 73% in 2020, with Asia and the Pacific experiencing a steeper decline of tourist arrivals by 84% and a projected decline by 96% in January 2021 compared to the same period in 2020. Much of tourism businesses, such as hotels, restaurants, tour operators, and guide services, have been forced to close and many jobs have been lost. Thus, the CAREC tourism sector faces an unusually challenging situation at its very start. Increased emphasis on domestic and regional tourism, responsible travel, use of digital technologies, online platforms, and social media for promoting domestic and safe travel can help in reinvigorating tourism in the region.

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 focuses on enhancing connectivity, efficiency, and sustainability of regional infrastructure in the two sectors and is fully aligned with the overall objectives of CAREC 2030.

Transport
The sector is guided by the CAREC Transport Strategy 2030. In conjunction with the CAREC Integrated Trade Agenda (CITA) 2030, the strategy aims 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 Ministerial Conference in 2018–2019. The CAREC Transport Sector Strategy 2030 builds on infrastructure development centered along the six CAREC transport corridors—9,964 kilometers (km) of CAREC corridor roads and 1,800 km of rail track—built 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 will intervene 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 toward 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 12 indicators was developed to track progress of the sector. The CPMM system was strengthened to provide data on average traffic speed by corridor and average time and cost incurred to clear a BCP along the six corridors in each country.

**Summary of Progress**

Since the start of CAREC in 2001, slightly over $30 billion was invested up to December 2020 in 137 projects in roads, railways, aviation, and logistics along the six CAREC transport corridor routes to enhance regional connectivity. Though some disruptions and delays were encountered due to the pandemic, overall, the sector continued its momentum over the past 3 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 RIBS projects in the Kyrgyz Republic, Mongolia, Pakistan, and Tajikistan continued adopting a holistic approach to improve BCPs 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 a 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 3 years, and a set of recommendations for the government. This level of disaggregated analysis, especially by BCPs in each country, aims to enable member countries in identifying problematic BCPs and taking unilateral or joint actions to address the underlying causes of delays.

CAREC continued the past work on building support for and adoption of a strategic road asset management approach among member countries through workshops, online courses, webinars, studies, and manuals. They aim to build 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 knowledge products were completed between 2018 and 2020.

---

44 CAREC. CAREC Project Portfolio (accessed 30 September 2021).
A publication on RAMSs and performance-based contracting in the CAREC region was prepared and published last November 2021. This document provides an overview of the development status of RAMS and performance-based contracting (PBC) in CAREC’s 11 member countries and identifies the next steps to be taken in RAMS and PBC development.

The study done for this knowledge product shows that Pakistan and Georgia are the leading countries in RAMS development and integration, followed by the PRC and Azerbaijan. Countries like Kazakhstan, the Kyrgyz Republic, and Tajikistan are also developing RAMS. These activities are moving the process forward. However, development and mainstreaming of RAMS has witnessed a shift in the governments’ focus from capital investment toward sustainability of roads and prioritizing roads with high volume. Such change in focus would also require shifting of mindsets among the governments’ senior-level officials—a process that may take time.

Work on enhancing safety of 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 published in English and Russian alongside a training workshop. The CAREC Institute also produced four accompanying videos for its e-learning platform on road safety. In addition, the 5th Road Safety Engineering Manual, linking road safety audit with iRAP road safety assessment, is expected to be published by 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 resource for identifying implementation gaps, priorities, and required actions, and for supporting 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 3 years to support long-term development of the railway sector in the region. A CAREC transportation model was developed for use in pre-feasibility and feasibility studies to evaluate the competitiveness and investment potential of CAREC rail corridors. Country-specific railway subsector assessments (RSAs) were also carried out. The RSAs describe the railway network, operational and financial performance, and proposals for investments and reform for each CAREC country. Based on individual RSAs, an overarching report that summarizes the main findings and recommendations for CAREC railway sector development is to be completed in 2021. To assist member countries in modernizing their railways, a report on track capacity and timetabling software (TCTS) was prepared and published on CAREC website in May 2020. The report also features the use of TCTS by infrastructure managers and train operators. Training on infrastructure management was also 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. To achieve a more open regional aviation market, the recommendations emphasize the importance of establishing more direct, cost-efficient, and safe aviation links among CAREC member countries. 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 were summarized in the November 2020 ADB blog “Five ways to revitalize aviation and tourism in Central Asia.” This study and a series of webinars conducted 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-19.55

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 railways and two indicators for roads between 2017 and 2019. Moreover, a recent analysis 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.56

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 from 22.2 km/hr to 20.7 km/hr in the same period. But the speed without delay, which discounts the delays at BCP, also dropped, possibly indicating some deterioration of the road condition and road safety. Factors such as condition of vehicles and frequency of security checks along the corridor might have been contributors to slower speed. 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 the baseline.

The pandemic affected 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 roads and railways (Figure 3). Considering that a pandemic hit the year 2020, the review also looked at the data of pre-pandemic years (2017–2019), which shows a trend of improved performance for rail transport. However, a similar trend in road transport is not visible despite the sizable sector interventions devoted to road transport improvement during the last 3 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 will provide a more nuanced understanding of the performance and efficiency of the corridors in the CAREC region. A disaggregated analysis will also assist in determining the causal links between CAREC interventions in the transport sector and performance of the corridors.

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),57 Railway Working Group, National Transport Sector focal officials, national focal points, senior officials’ meeting, and the ministerial conference—is multistakeholder and enables ownership and partnership.

57 The 17th TSCC meeting in April 2018 endorsed the need for a new transport strategy. A draft strategy was developed and reviewed during the 18th TSCC meeting in April 2019 and comments were elicited from member countries. An updated version was reviewed by the Senior Officials’ Meeting in 2019 and approved at the Ministerial Conference in 2019 after incorporating all comments.
**Figure 3: Trade Facilitation Indicator Results 2017–2020**  
(Road and Railway)

**TFI1: Time taken to clear a BCP**

- **Road**
  - 2017: 16.9 hours
  - 2018: 16.6 hours
  - 2019: 15.8 hours
  - 2020: 18.9 hours

- **Railway**
  - 2017: 26.2 hours
  - 2018: 23.2 hours
  - 2019: 20.5 hours
  - 2020: 23.0 hours

**TFI2: Cost incurred at BCP**

- **Road**
  - 2017: $159
  - 2018: $170
  - 2019: $174
  - 2020: $202

- **Railway**
  - 2017: $202
  - 2018: $196
  - 2019: $198
  - 2020: $193

**TFI3: Cost incurred to travel a corridor section**

- **Road**
  - 2017: $947
  - 2018: $953
  - 2019: $901
  - 2020: $918

- **Railway**
  - 2017: $976
  - 2018: $970
  - 2019: $820
  - 2020: $836

**TFI4: Speed to travel on CAREC corridors**

- **Road**
  - 2017: 45.0 km/hour
  - 2018: 46.3 km/hour
  - 2019: 43.6 km/hour
  - 2020: 42.9 km/hour

- **Railway**
  - 2017: 37.6 km/hour
  - 2018: 35.4 km/hour
  - 2019: 45.0 km/hour
  - 2020: 42.2 km/hour

BCP = border crossing point, CAREC = Central Asia Regional Economic Cooperation, CPMM = corridor performance measurement and monitoring, km = kilometer, SWD = speed with delay, SWOD = speed of traffic without delay, TFI = trade facilitation indicator.  
These institutional arrangements continued to guide the development and implementation of the CAREC Transport Strategy 2030 and the subsector strategies (railway and road safety). They also facilitated the 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 on the impact of COVID-19 on CAREC aviation and tourism which informed CAREC plans in the two sectors.58

The TSCC guides the strategic decision-making and planning for all transport-related investment. It also coordinates other sector-wide issues and activities including events and capacity-building activities, identifies transport sector pilot projects, and coordinates 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 supports the CAREC member countries in implementing the CAREC Railway Strategy through technical assistance on country-specific assessment of railways, capacity development, and support for project preparation. The Customs Cooperation Committee (CCC) supports the sector by leading the implementation of border crossing service improvements under RIBS projects. There has been close collaboration with the CAREC Institute on knowledge products 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.59

Taken together, the transport sector strategies, rolling action plans, knowledge products and events, annual reports, and annual meetings of TSCC, Regional Working Group (RWG), senior officials’ meeting, and the ministerial conference act as a platform for CAREC countries in developing understanding, joint vision, and practical solutions for safe and sustainable multimodal corridors that enable flow of goods and people across the CAREC region. The platform has enabled information sharing and coordination with several development partners who are actively involved in transport sector development in the region.

Challenges and recommendations

COVID-19 affected the 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, and increased the time and cost to cross border, resulting in a drop in travel demand and freight transport, and this has created excess capacity in grounded planes, passenger trains, buses, cargo, and cruise ships. Consequently, the overall transport operations and revenues have been reduced. Imposition of lockdown and social distancing in 2020 caused implementation delays 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. However, activities—such as the Aviation Forum, 6th RWG Meeting, and two railway sector studies—that required face-to-face interactions were rescheduled either to the 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 the 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.

There has been a steady yet slow progress in the 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 via CAREC corridors and across the borders. As mentioned above, there were noticeable improvements in 2019 prior to the outbreak of COVID-19. The recent research findings also indicated the 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 analyze the CPMM data for the last 10 years for each corridor and BCP within a country to find out whether performance has improved or not and why.

**Energy**

The long-term vision of CAREC’s energy sector is a reliable, resilient, sustainable, and reformed energy system for the region. Such energy system is considered as the backbone of sustainable economic development and shared prosperity. To achieve this vision, the CAREC program is working on three priority areas: (i) enhancing energy security through regional interconnections, (ii) supporting market-oriented reform to restore the financial health and efficiency of the energy sector in the region, and (iii) 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 are the three cross cutting themes for developing the energy sector.

**Summary of progress**

Over the last 3 years, the CAREC Energy Sector Coordinating Committee has implemented initiatives to support member countries in a long-term transition toward an efficient, green, resilient, and interconnected energy system. Eight priority investment projects with $1.6 billion in financing and eight TA 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 2030.60

The first deliverables of the CAREC Energy Strategy 2030 have been conceptualized, including the holding of the first regionwide Energy Efficiency Awareness Campaign (through jointly developed TV and radio commercials and consumer leaflets). A preliminary concept note for a new regional green financing vehicle has also been prepared. The CAREC members also agreed on the main features of the newly established Central Asia Transmission Cooperation Association and approved the layout and content of a new virtual CAREC Energy Reform Atlas. Moreover, the structure of the first 10-Year CAREC Energy Outlook, to be published in 2022, has been prepared to attract significant investments to the region. A CAREC energy platform (www.carecenergy.org) will be launched in 2021 as a one-stop gateway for energy programming. A tool kit on tariff-setting principles and methods of introducing tariff reform is expected to be released in 2021. These initiatives aim to build awareness and enable policymakers to make informed decisions on market-oriented reforms for the energy sector.

All CAREC members and development partners also fully endorsed a preliminary concept for the region’s first Women-in-Energy Program. This program includes an action plan for improving employability, visibility, and education of women in the energy sector. The Energy Sector Coordinating Committee (ESCC) 2020–2022

---

workplan implementation is underway toward achieving its targets with their respective early drafts developed.

Deliverables that were started before the CAREC Energy Strategy 2030 adoption were also completed during the reporting period. In 2018, a high-technology road map for CAREC countries was prepared to allow for faster integration of new technology. A technical assistance, completed in 2020, 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. The ongoing technical assistance on increasing cross-border energy trading within the Central Asian power system has so far produced several outputs, including a needs assessment for modernizing the coordinating dispatch center, which coordinates power flow between the national electricity grids of the Central Asian power system.

Over the past 3 years, a historic milestone was achieved with the first regionwide Energy Ministers Dialogue wherein a declaration containing concrete commitments in the areas covered by the CAREC Energy Strategy 2030 was signed. Several energy investment forums were also organized with investors, suppliers, financiers, and policymakers to increase private investments in the energy sector. Three flagship cross-border electricity interconnection projects (Turkmenistan–Uzbekistan–Tajikistan–Afghanistan–Pakistan [TUTAP], Turkmenistan–Afghanistan–Pakistan [TAP], and Central Asia–South Asia [CASA]-1000) were scheduled to operate by 2030. The Turkmenistan–Afghanistan–Pakistan–India (TAPI) gas interconnection project was also expected to be operational by 2030. These projects aimed to boost regional energy trade and improve the overall energy security in the region.

The third phase of TUTAP includes a 300-MW power interconnection between Afghanistan and Turkmenistan, which was expected to be completed by end of 2021. A contract was awarded in 2017 for the fourth phase to extend the Afghanistan–Turkmenistan interconnection to northeast Afghanistan where interconnections from Uzbekistan and Tajikistan into Afghanistan meet and converge with the Turkmenistan interconnection. Once the interconnection components are completed, energy trade among four countries is expected to start. Several discussions were held regarding interconnection with Pakistan during this DEfR review period.

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.

The CASA-1000 project led by the World Bank Group aims to develop a cross-border energy market that was expected to 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 were provided. All engineering, procurement, and construction contracts were awarded and contractors initiated infrastructure construction activities on site in all four countries. CASA countries were putting in place the commercial and operational arrangements for full operation by 2023–2024. However, this has been put on hold for the time being given the situation in Afghanistan.

The TAPI gas interconnection project intended to help improve regional energy trade by building and supporting requisite natural gas supply and transportation capacity across the TAPI countries. Over the past 3 years, support was extended to the TAPI Pipeline Company Limited on the project’s

---

The CAREC Program has implemented an impressive array of strategic planning, capacity-building, policy reform, and knowledge-creation activities to enhance regional connectivity and cooperation in trade, transport, and energy.

---

61 New technologies include electric vehicles, battery technology, and solar energy through floating photovoltaic technology.

62 Timeline of all projects, which include Afghanistan, have become uncertain due to the complex situation in the country.
environmental and social safeguards, procurement, and technical and financial workstreams. ADB management approved the TAPI project concept paper and transaction technical assistance report (TRTA) in May 2020. Project preparation was progressing, although it faced delays. Given the political differences among the countries through which the pipeline passes and the security situation in Afghanistan, it is unclear when and whether this project will become operational by 2030.

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

Overall, there has been progress toward 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 regionwide energy efficiency campaign was held at the time of publishing this report and a full draft concept for the green energy financing vehicle is scheduled for endorsement in 2022. The share of renewable energy in CAREC countries also increased significantly from 1% in 2017 to 6% in 2020. This indicates the 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.

Process
The institutional structure for CAREC’s energy sector and the processes for planning, implementation, and progress reviews on sector strategies and action plans 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 ministerial conference in November 2019. Country ownership was confirmed in the First Energy Minister Dialogue held in September 2019, where energy ministers signed a declaration endorsing the strategy and committing to increase the share of renewable energy, improve energy efficiency, launch energy sector reforms, and foster gender equity in the energy sector.

The ESCC meetings held in 2018 and 2019 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 World Bank, Asian Infrastructure Investment Bank (AIIB), European Bank for Reconstruction and Development (EBRD), and United States Agency for International Development (USAID), attended the meetings and presented progress on their respective plans and initiatives. The World Bank gave updates on the CASA-1000 initiative, while USAID shared progress on the Central Asia Regional Electricity Market 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 one or two CAREC members and are responsible for implementing the energy sector strategy and workplans. According to ESCC members, this is improving ownership and accountability.

The energy sector is moving toward 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 the youth. The increased use of ICT by the energy sector is expected to enable greater participation of member countries.

Challenges and recommendations
Overall, the COVID-19 pandemic has not significantly impacted the energy sector program. The sector

---

64 The 2020 meeting was rescheduled to 2021 due to the pandemic. See also CAREC. CAREC Energy Sector Coordinating Committee Meeting.
quickly moved to organize virtual meetings and events that enabled greater participation from member countries. However, one of the TA projects faced a shortfall in funding due to the shifting priority of one of the development partners, but this did not impact the results.

Agriculture and Water

In 2017, CAREC introduced agriculture and water as a new cluster in the CAREC 2030 Strategy and 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. In agriculture, 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.

Summary of Progress

The sector started with a TA project on Strengthening International Food Safety Standards in Agricultural Value Chains in the CAREC Member Countries. The expected outcome of the technical assistance is 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 their legislations and regulations with international norms. Under the project, a new food safety law; national action plans; hygiene, microbiological, and chemical hazard regulations; inspection checklists; and risk categorization have been developed. Training was provided to most CAREC countries on good hygiene, manufacturing practices, 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.

In 2019, CAREC commissioned a study to inform the agriculture sector work. The study reveals the 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, since 2019, CAREC has been implementing a TA project for developing the CAREC water pillar with emphasis on economic aspects and sustainable financing of water resources management. Under the technical assistance, 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. Expanding the project scope to other CAREC countries over time is also being considered. 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. The CAREC Program’s water pillar is expected to be finalized after a series of consultations and endorsement by the Ministerial Conference in 2021 or the following year.

Results. As the water pillar is still in the planning stage, it is premature to expect progress in terms of 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 strengthen capacity of relevant agencies in six countries. However, work related to the proposed CAREC Regional Food Safety Network (TA Output 4) has been on hold.

---

ADB. 2019. Agriculture Development in the Central Asia Regional Economic Cooperation Program Member Countries. Manila.
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 are to be shared following the WTO rules, however, only a few of the CAREC countries fully comply with the WTO requirements. Therefore, the setup and operationalization of the network at this stage is premature.

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, who have had to focus on the COVID-19 pandemic. Securing time with key managers to organize and deliver training online has been a challenge.

The project also finds it challenging to provide training and assistance to all countries involved in the technical assistance due to lack of required resources (technical expertise and/or funding). This issue needs to be resolved to make the technical assistance more effective.

The lack of alignment between contemporary approaches for managing food safety and former Soviet-era approaches and the internationally recommended approaches in food safety all add to the complexity of the task of harmonization of regulations. The technical assistance implementation is expected to end in 2021, but further effort should continue focusing on training of technical staff, advisory, and knowledge sharing.

Human Development

Summary of Progress

The human development cluster is a new operational priority under the CAREC Strategy 2030. Preparatory work on education, 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. The study identified opportunities to harmonize education and skills standards, enhance student and worker mobility, strengthen labor market information and movement, and facilitate knowledge exchange. A regional consultation workshop was held in March 2019 with participants from 11 CAREC countries. Key challenges and opportunities for regional initiatives, collaborative actions in skills development, and higher education in the region were discussed in the workshop.

A scoping study on CAREC health cooperation was completed in 2020 and a regional working group on health 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: (i) regional health security; (ii) strengthening health systems through regional cooperation and information sharing; and (iii) improving access to health services for migrant workers, mobile populations, and border communities. A regional TA project, approved in July 2020, is supporting the development of a health strategy, which is to be endorsed at the CAREC ministerial conference in November 2021. An investment framework for regional health initiatives is expected to be completed in 2022. The technical assistance will also build capacities to respond to COVID-19 and to prevent, prepare for, and respond to regional health threats.

CAREC has broadened the scope of the program by adding new clusters and sectors that enabled the CAREC Program to further enhance its position as a multisector regional cooperation platform.
Challenges and recommendations

COVID-19 has been impacting the progress of almost all sectors globally. Within the region, at least over the next few years, a key priority for CAREC countries is to control the spread of COVID-19 within their populations and shield human lives, health systems, and economies from the harmful effects of the pandemic. This situation has amplified the importance of the health sector and the need to develop and operationalize the CAREC health strategy and investment framework immediately.
CAREC continued to strengthen its position as a unique and valuable source of knowledge, policy influence, and capacity-building for the region. The CAREC Program is using TA projects and the CAREC Institute as two main vehicles for delivering knowledge products and services (though not always mutually exclusive). Between 2018 and 2020, CAREC, in collaboration with ADB Institute and CAREC Institute, produced 54 knowledge products (assessments, strategies, master plan, scoping studies, guides, issue paper, and case study) and organized 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 CAREC Institute has shown impressive growth since its transition under an intergovernmental agreement, enforced in August 2017. It has developed its internal capacities through recruitment of staff, strategy development, and organizational strengthening, and launched an e-learning platform. The Institute also plays an increasing role in supporting CAREC’s capacity-building and influencing agenda on regional connectivity and cooperation. The Institute’s analytical work supports CAREC initiatives and encourages member countries to make the required changes in services and systems at the identified BCPs. One of the analyses produced by the Institute is a country brief, which is based on the CPMM data, summarizing the empirical evidence on bottlenecks in specific BCPs. The CAREC Think Tank Network (CTTN) has the potential to build greater understanding and political commitment on regional cooperation. The CTTN, through think tanks based in member countries, could support regular research and dialogue on specific regional cooperation issues. The CAREC Institute has recently established a quality assurance system for its research and analytical work.

The CAREC Institute 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 countries. The first report on CRII was presented in 2019 and updated in 2021 based on the 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 to connect economic power houses around CAREC. A regular quarterly economic monitor capturing economic data trends has also been started. The Institute also publishes economic and policy briefs that can be further improvised to provide policy options for member countries on issues relevant to the CAREC program. The CAREC Institute may also consider developing a repository of knowledge on key sector-related development indicators of CAREC countries.

---

68 See CAREC. Publications and CAREC. Past Events.
70 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. See CAREC Institute. 2021. CAREC Regional Integration Index. February.
The Institute responded quickly to the COVID-19 challenge by producing three studies—impact of COVID on micro, small, and medium-sized enterprises in the region; harnessing technology for tourism development, and vaccine perception in selected CAREC countries. CAREC countries and development partners have acknowledged the importance of these studies.

The 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 its activities. As CAREC will ramp up its implementation in new clusters in the coming years, the demand on knowledge products and services to support policy or regulatory changes and capacity-building will increase significantly. There is a risk that the CAREC Institute might get overstretched which may compromise the quality of its work. The CAREC Secretariat, in collaboration with the CAREC Institute and sector coordinating committees, can assist in prioritizing the knowledge and capacity-building agenda of the CAREC Institute and those that are best suited for delivery through additional technical assistance.

The long-term role of the Institute will depend on financial sustainability and diversification of resource base through consensus of its intergovernmental agreement members. Subsequently, it can fully support the CAREC Program as an independent, credible, and trusted source of knowledge and capacity building.
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 CAREC Program, evident from gradual 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, single-window operation, e-commerce, smart grid, use of technology for road safety, and CAREC tourism virtual portal). An ADB-supported technical assistance was approved in 2020 to formulate the CAREC technology vision and support CAREC countries in developing a regional startup ecosystem through knowledge sharing and capacity development.\(^7\) The formulation of the CAREC Digital Strategy 2030 was also initiated, and the digital strategy is expected to be endorsed at the CAREC ministerial conference 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 the CAREC PRF. Implementation and integration of gender within CAREC clusters will require sustained efforts by the CAREC Secretariat and the sector coordinating committees. Initial efforts should include 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. One of the first steps proposed in the strategy is the establishment of a regional gender expert group with representatives from member countries and interested development partners. The CAREC PRF also needs to be gender-sensitized to track progress and enable accountability in this area. A new TA project, expected to be approved in 2021, will support the implementation of the CAREC Gender Strategy 2030.

The DEFR noted the need to enhance the role of the 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 encourage the government to implement policy reform, and develop private sector network across the region. The CAREC Program needs to extend private sector participation in the trade and transport sector beyond the CAREC Federation of Carrier and Forwarders Association. To make progress in this area, CAREC may consider leveraging the expertise of EBRD, which is exclusively focused on working with the private sector.

There is strong alignment of CAREC Program design and implementation with the principles and priorities of CAREC 2030 Strategy. Its sector strategies reflect national priorities and are well-aligned with CAREC’s overarching objectives.

As part of its strategic priority to make CAREC an open and inclusive platform, the CAREC Program has been engaging bilateral and multilateral agencies (beyond the six original development partners), including AIIB, USAID, GIZ, and JICA. These agencies could finance projects, provide technical assistance, co-chair working groups, participate in policy dialogues, and share knowledge to enhance regional cooperation. Feedback during DEfR consultations indicates room for improvement, especially in building ownership of CAREC initiative among development partners. There was a suggestion to adopt more frequent exchanges at the operational level among development partners to build ownership. For example, CAREC sector leads can meet virtually with development partner counterparts on a more regular and perhaps informal basis, to stay abreast of CAREC-related initiatives by each partner. The CAREC Program should also take a more proactive approach in identifying opportunities for investment, providing technical assistance, co-hosting events, sharing knowledge, and linking relevant development partners.

Institutional structure. The renewed institutional structure proposed in CAREC 2030 Strategy has worked well since 2017 (Appendix 1). The CAREC ministerial conference functions as a high-level strategy and policy body and continues to meet annually. The ministerial conference reviewed and endorsed the five strategies, helped secure commitment of national governments on CAREC initiatives, and provided guidance on regional and supranational issues. The semiannual senior officials’ meeting monitors progress at cluster and sector levels, recommends operational improvements, and acts as a recommending body to the ministerial conference. Four sector coordinating committees and five working groups, assisted by sub-working groups or subcommittees, support project implementation and initiatives in their respective sectors. The sector committees prepare annual workplans and progress reports and leads strategy development for their respective sectors. The CAREC Institute plays a valuable role in supporting the knowledge cooperation agenda of the CAREC Program. The Institute delivered knowledge products and services in all clusters between 2018 and 2020.

Despite the pandemic, the ministerial conference, senior officials’ meeting, 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 in these bodies, their role as co-chair, and their participation in meetings are enabling ownership of strategies and initiatives by different stakeholders.

The CAREC Secretariat has been the coordinating body for the overall institutional structure. It has facilitated development and endorsement of CAREC strategies, engaged and managed consultants for a variety of tasks, organized Ministerial conference and senior officials’ meetings, followed up with sector committees and national focal persons on pending actions, coordinated engagements with a larger group of development partners, provided the required administrative support, and led the transition to a virtual CAREC platform. The secretariat plays 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 toward full implementation and as strategies for new sectors (agriculture, water, and 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 staffing.

While sector committees, working groups, and senior officials’ meeting saw some transition of government representatives, the overall institutional structure of CAREC continues to function and maintain 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 DEF suggested CAREC meetings can be made more productive by introducing more opportunities for discussions.

**ADB’s role 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 further engage development partners in the CAREC Program. While it has been the single largest financier of investment and TA projects for CAREC, ADB also facilitates the mobilization of funding by member countries and TA projects from other development partners to achieve CAREC objectives. Nearly 40% of the CAREC investment project portfolio is funded by other development partners. ADB plays a major role in creating, consolidating, catalyzing, and disseminating knowledge and information on regional cooperation and integration relevant for CAREC. The bank brought the ADB Institute, which was instrumental in the establishment of CAREC Institute, for knowledge creation and dissemination. ADB also provides and facilitates capacity-building for CAREC countries and brings its institutional expertise in sectors such as transport, trade, energy, and ECD. The goal is to assist member countries in deepening their understanding and building their capacities on complex regional connectivity and cooperation issues and initiatives. At the same time, it creates opportunities for development partners to bring in their expertise in specific sectors to inform CAREC agenda, strategy, and interventions. ADB also provides opportunities for CAREC to learn from its broader regional cooperation and integration work in Asia including the Greater Mekong Subregion program.

**Dushanbe-Kyrgyz Border Road Rehabilitation Project, Phase I & Phase II.** Nurabad District, Tajikistan. Trucks from the Kyrgyz Republic on the way to Dushanbe. Travel is now faster and safer because of the rehabilitation project (photo by Nozim Kalandarov/ADB).
6 Conclusions and Recommendations

CAREC has achieved good progress in implementing the CAREC 2030 agenda during the initial 3 years of its new strategy. It has broadened the scope of the program by adding new clusters and sectors that enabled the CAREC Program to further enhance its position as a multisector regional cooperation platform. This enlarged scope is creating more opportunities for CAREC to bring member countries together, mobilize 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 Based approach, comprehensive strategies and action plans, and a multistakeholder institutional structure linked with strategizing, planning, and implementation processes. Despite the disruptions caused by the pandemic, CAREC managed to make progress and leveraged from the opportunities that the pandemic opened, including transition to CAREC virtual platform and sharpening the focus on digitalization as enabler for regional cooperation and sustainable economic development.

Over the last 3 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). It has also built a good foundation for launching activities in new clusters and sectors (economic and financial stability, tourism, agriculture and water, and health). In the transport sector, there were improvements in services at selected BCPs (e.g., between Pakistan and Afghanistan). 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 and 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 to open new possibilities on regional cooperation for improved health.

CAREC’s strong performance on implementation of the CAREC 2030 Strategy and the 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 the modest gains in results achieved over the last 3 years into more tangible outcome and output results in the remaining 10 years. Delivery of some sector outputs faced challenges, partly 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 maintains 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 confirmation 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 via CAREC corridors improved marginally for rail transport but deteriorated for road transport. In the trade sector, CAREC countries’ fuel and nonfuel trade within the region and with the 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 and imports for both merchandise and services stagnated between 2018 and 2019 and dropped sharply in 2020 (Appendix 2, Tables A2.1 and A2.2). 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 regionwide Energy Efficiency Awareness Campaign, a preliminary concept for a regional green financing vehicle, a draft tool kit on tariff-setting principles and tariff reforms, 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 at this stage, but a good start has been made in the economic and financial stability, tourism, agriculture, water, and health sectors.

CAREC’s progress on delivery of results needs to be contextualized in three main aspects. First, it is early to expect results within 3 years of implementation of the new strategic framework (in effect until 2030).

Strategies of each of the traditional sectors (trade, transport, and energy) were also renewed after 2017 and have seen 3 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 all require a 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 realization is dependent on several factors beyond the ambit of CAREC interventions. DEFR noted that the CITA 2030 plans for a 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 to promote 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 multisector regional cooperation platform. CAREC has mobilized 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 and beyond its direct stakeholders, is limited and it has much work to do in convincing governments on the benefits countries can derive from regional cooperation. Consultations during this review drew attention to the need 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 the CAREC 2030 goals, they may also reflect on the possible trajectory of CAREC beyond 2030 and discuss the pros and cons of various options. For example, beyond 2030, CAREC may continue in its present form as a regional cooperation platform hosted by ADB (or another development partner), or transition into a preferential or free trade agreement among member countries, or it may take 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 a well-defined strategy or concept for all sectors (except education) to take it to 2030. Its aspirations for 2030 and the significant progress in each cluster have firmly established CAREC as a multisector regional cooperation platform, better owned by member countries and attracted greater financing and interest from other development partners. Despite its significant achievements, CAREC still faces some challenges, but opportunities come along with them.

- There is a risk that COVID-19 will continue to strain the 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 prioritize addressing domestic issues including spread of COVID-19 and economic downturn. Countries might also prolong restrictions to cross-border movement of goods and people for health reasons and to protect the local economy especially small and medium-sized enterprises. 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 the 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 for 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 and to 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 the global community, especially the G-7 countries, on curtailing carbon emission and greening the energy system is likely to increase the financing available for renewable energy projects and 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 organize meetings, process information, and follow-up on action plans. Risk of overstretching should be managed as it could dilute efforts.
- Weaknesses in the program results framework of CAREC 2030 will make it challenging to monitor progress and could set CAREC for underperformance when evaluated against the framework.
Recommendations

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

(i) CAREC 2030 strategic framework remains relevant but there is merit in reviewing and adjusting sector 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 regionwide ICT infrastructure development and digitization of services (e.g., e-commerce, paperless trade, and single window operations) and prioritizing initiatives on regional health security and health systems strengthening may help mitigate the negative impact of COVID-19.

(ii) Review and revise the CAREC Program Results Framework (PRF) 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 taken 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. Several output statements in the PRF, which are outcomes, need to be moved up to the results chain; and corresponding outputs that would directly lead to the outcome should 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 the CAREC Program. Review and revise existing indicators once the outcome and output statements are revised. Where appropriate, provide realistic targets for 2030. A supporting theory of change could also be developed.

(iii) 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 heads of states or government as proposed in the CAREC 2030 Strategy. A carefully developed agenda focused on key CAREC priorities and issues that cut across national and regional interests may contribute to attracting the interest of top national leadership and make the summit a useful vehicle to move the CAREC agenda forward.
APPENDIX 1
CAREC 2030 Institutional Framework

Figure A1: CAREC 2030 Institutional Framework

Operational Clusters
- Economic and financial stability
- Trade, tourism, and economic corridors
- Infrastructure and economic connectivity
- Agriculture and water
- Human development

ICT cuts across all clusters

Development Partners
- Technical and financial support

Ministerial Conference
- Policy and strategic dialogue
- Decision body

Senior Officials’ Meeting
- Complex projects/initiatives approval and coordination
- Oversight and progress monitoring

CAREC Institute
- Knowledge support

CAREC Secretariat
- Technical and organizational support

Private Sector
- Financing and public–private dialogue

An Open and Inclusive Platform

CAREC = Central Asia Regional Economic Cooperation, ICT = information and communication technology.
Source: CAREC Secretariat.
### Table A2.1: Merchandise Exports and Imports, 2017–2020

<table>
<thead>
<tr>
<th>Countries</th>
<th>Merchandise Exports ($ million)</th>
<th>Merchandise Imports ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>723</td>
<td>875</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>15,481</td>
<td>20,317</td>
</tr>
<tr>
<td>PRC</td>
<td>2,263,346</td>
<td>2,486,695</td>
</tr>
<tr>
<td>Georgia</td>
<td>2,746</td>
<td>3,380</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>48,304</td>
<td>60,956</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>1,764</td>
<td>1,837</td>
</tr>
<tr>
<td>Mongolia</td>
<td>6,201</td>
<td>7,012</td>
</tr>
<tr>
<td>Pakistan</td>
<td>21,569</td>
<td>23,425</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>1,198</td>
<td>1,073</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>7,458</td>
<td>9,573</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>10,079</td>
<td>10,921</td>
</tr>
<tr>
<td>CAREC-10</td>
<td>115,523</td>
<td>139,369</td>
</tr>
<tr>
<td>% Change CAREC-10</td>
<td>20.6%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

CAREC = Central Asia Regional Economic Cooperation, PRC = People’s Republic of China.

Note: CAREC-10 excludes PRC.


### Table A2.2: Commercial Services, Exports and Imports, 2017–2020

<table>
<thead>
<tr>
<th>Countries</th>
<th>Merchandise Exports ($ million)</th>
<th>Merchandise Imports ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>314</td>
<td>621</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>4,661</td>
<td>4,661</td>
</tr>
<tr>
<td>PRC</td>
<td>226,389</td>
<td>269,697</td>
</tr>
<tr>
<td>Georgia</td>
<td>3,892</td>
<td>4,392</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>6,261</td>
<td>7,070</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>816</td>
<td>813</td>
</tr>
<tr>
<td>Mongolia</td>
<td>964</td>
<td>1,154</td>
</tr>
<tr>
<td>Pakistan</td>
<td>4,499</td>
<td>4,695</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>247</td>
<td>238</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>2,231</td>
<td>2,731</td>
</tr>
<tr>
<td>CAREC-9</td>
<td>23,885</td>
<td>26,375</td>
</tr>
<tr>
<td>% Change CAREC-9</td>
<td>10.4%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

CAREC = Central Asia Regional Economic Cooperation, PRC = People’s Republic of China.

Note: CAREC-9 excludes Turkmenistan (no data) and the PRC.

### APPENDIX 3

**CAREC Program Results Framework (Baseline and Actual)**

<table>
<thead>
<tr>
<th>Outcome/Output</th>
<th>Indicator</th>
<th>2017 Baseline</th>
<th>2019 Progress</th>
<th>2020 Target</th>
<th>2020 Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cluster 1: Economic and Financial Stability (EFS)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EFS Outcome (OCI)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased regional macroeconomic stability, improved investment, and financial integration</td>
<td>EFS OC 1</td>
<td>Zero high-level participation in CAREC meetings on economic and financial stability issues</td>
<td>Four high-level policy dialogues with high-level participation organized between 2018 and 2020 (two in 2018, two in 2019)</td>
<td>At least 30% of participants in annual high-level forum on economic and financial stability are at minister/central bank governor level</td>
<td>Seven high-level policy dialogue with high-level participation organized between 2018 and 2020 (two in 2018, two in 2019, and three in 2020)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regional average growth rate of X%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Current account deficit at Y% of GDP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Public debt-to-GDP ratio of Z% of GDP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EFS Output 1 (OP1)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy dialogue on economic and financial stability issues institutionalized</td>
<td>EFS OP 1</td>
<td>In 2018, no high-level economic and financial stability forums organized</td>
<td>High-level policy dialogue held in 2018 and 2019 with high-level participation</td>
<td>At least one high-level economic and financial stability forum organized annually</td>
<td>Target met as high-level policy dialogues held in 2018, 2019, and 2020 have 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</td>
</tr>
</tbody>
</table>

**continued on next page**
## Cluster 2: Trade (TRD), Tourism (TSM), and Economic Corridors (ECD)

### Trade (TRD)

<table>
<thead>
<tr>
<th>Outcome/Output</th>
<th>Indicator</th>
<th>2017 Baseline</th>
<th>2019 Progress</th>
<th>2020 Target</th>
<th>2020 Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EFS Output 2 (OP2)</strong>&lt;br&gt;CAREC Capital Markets Forum institutionalized</td>
<td>EFS OP 2&lt;br&gt;CAREC capital market regulators meet regularly to discuss capacity-building and legal and regulatory harmonization issues</td>
<td>Zero meetings of CAREC capital market regulators</td>
<td>First Capital Market Regulators Forum held in 2019</td>
<td>CAREC capital markets forum meets every # years</td>
<td>At least one report on capital market regulatory gaps and cooperation potential finalized</td>
</tr>
</tbody>
</table>

First Capital Market Regulators Forum held in 2019. The 2nd 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 completed in 2022.

<table>
<thead>
<tr>
<th>TRD Outcome</th>
<th>TRD OC 1&lt;br&gt;Trade in fuels and nonfuels within CAREC and with the rest of the world as % of GDP</th>
<th>2016 Baseline as per CITA 2030</th>
<th>Fuels: Within region: 0.43 With the rest of the world: 9.59</th>
<th>Fuels: Within region: 0.71 With the rest of the world: 13.65</th>
<th>No targets for 2020.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAREC countries are more integrated into the global economy</td>
<td>Nonfuels: Within region: 1.83 With the rest of the world: 24.03</td>
<td>Nonfuels: Within region: 2.5 With the rest of the world: 29.07</td>
<td>Nonfuels: Within region: 4.17 With the rest of the world: 31.52</td>
<td>2020 data yet to be available from UN COMTRADE</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Fuels</th>
<th>Nonfuels</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0.43</td>
<td>1.83</td>
</tr>
<tr>
<td>2017</td>
<td>0.48</td>
<td>1.65</td>
</tr>
<tr>
<td>2018</td>
<td>0.50</td>
<td>1.70</td>
</tr>
<tr>
<td>2019</td>
<td>0.52</td>
<td>1.72</td>
</tr>
</tbody>
</table>

Table A3 continued
<table>
<thead>
<tr>
<th>Outcome/Output</th>
<th>Indicator</th>
<th>2017 Baseline</th>
<th>2019 Progress</th>
<th>2020 Target</th>
<th>2020 Progress</th>
</tr>
</thead>
</table>
| **TRD Output 1**  
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  
Trade in services at 10.0% of GDP | 2017 Baseline (SOM sector report)  
Trade-in services as % of GDP: 10.56%  
Share of top five exports in total exports: 61.66% | **2023 Targets**  
Trade-in services as % of GDP: 11%  
Share of top five exports in total exports: 64.85% | 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% | **2023 Targets**  
95% | 100% |
| **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 moved up | Two of CAREC countries within the top 70 rank  
(the PRC 15, Georgia 70) | At least # CAREC countries within the top 70 ranks | Two CAREC countries within the top 70 rank  
(the PRC 13, Georgia 68), five CAREC countries have improved their rank (Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, and Tajikistan) |  

*continued on next page*
<table>
<thead>
<tr>
<th>Outcome/Output</th>
<th>Indicator</th>
<th>2017 Baseline</th>
<th>2019 Progress</th>
<th>2020 Target</th>
<th>2020 Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TSM Output 2</strong>&lt;br&gt;Institutional mechanism for implementing joint regional tourism initiatives established</td>
<td>TSM OP 2:&lt;br&gt;Expert groups and regional tourism agency established and operationalized</td>
<td>CAREC tourism focal points group established in 2018. Two meetings of this group held (Oct 2018, Dec 2019)</td>
<td>2020 Targets: N/A&lt;br&gt;2023 Targets&lt;br&gt;At least # expert groups meetings held&lt;br&gt;Institutional framework in the Tourism Strategy 2030 endorsed by CAREC countries</td>
<td>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 investment framework developed. CAREC Tourism Virtual Portal is under development</td>
<td></td>
</tr>
</tbody>
</table>

*continued on next page*
<table>
<thead>
<tr>
<th>Outcome/Output</th>
<th>Indicator</th>
<th>2017 Baseline</th>
<th>2019 Progress</th>
<th>2020 Target</th>
<th>2020 Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ECD Outcome 1 (OC1)</strong>&lt;br/&gt;Land and air economic corridors applied by CAREC countries to strengthen economic links and drive trade and development of cross-border regions</td>
<td>ECD OC 1&lt;br/&gt;Cross-border economic corridor concepts</td>
<td>Four countries (the PRC, Kazakhstan, the Kyrgyz Republic, Pakistan) (SOM report)</td>
<td>One country with economic corridor concept included in national development strategies of CAREC countries&lt;br/&gt;3-year average increase in trade turnover along designated corridors: X%</td>
<td>Seven CAREC countries (the PRC, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Uzbekistan) included ECD concepts in national development strategies.</td>
<td>Too early to report on this indicator</td>
</tr>
<tr>
<td><strong>ECD Output 1 (OP1)</strong>&lt;br/&gt;Economic corridors successfully developed</td>
<td>ECD OP 1&lt;br/&gt;ECD-related sector development concepts included in national development strategies of CAREC countries</td>
<td>Four countries (the PRC, Kazakhstan, the Kyrgyz Republic, Pakistan)</td>
<td>At least # ECD-related sector (tourism) development concepts included in national development strategies of CAREC countries</td>
<td>Seven CAREC countries (the PRC, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Uzbekistan) have included sectors such as tourism, cross-border transport, agriculture value chain, and health in ECD</td>
<td></td>
</tr>
<tr>
<td><strong>ECD Output 2 (OP2)</strong>&lt;br/&gt;ECD-related projects developed and implemented</td>
<td>ECD OP 2&lt;br/&gt;Projects supporting priority sectors for ECD developed and implemented</td>
<td>1 TA ($1.75 million) (ABEC support)&lt;br/&gt;Zero project concepts approved</td>
<td>Number of project concepts approved under ABEC&lt;br/&gt;Number of TAs approved (ABEC+STKEC)</td>
<td>One additional financing ($0.75 million) for ABEC TA;&lt;br/&gt;One TRTA ($2 million) supporting the preparation of modern agriculture wholesale market development project for ABEC;&lt;br/&gt;One TA and one additional financing ($1.8 million) on assessing potential of STKEC;&lt;br/&gt;One TA (£2 million) for Pakistan on economic corridor planning nearing completion;&lt;br/&gt;SSTA on New Operational Economic Corridor Development Framework for Central Asia and Beyond</td>
<td>continued on next page</td>
</tr>
<tr>
<td>Outcome/Output</td>
<td>Indicator</td>
<td>2017 Baseline</td>
<td>2019 Progress</td>
<td>2020 Target</td>
<td>2020 Progress</td>
</tr>
<tr>
<td>---------------</td>
<td>-----------</td>
<td>---------------</td>
<td>---------------</td>
<td>-------------</td>
<td>---------------</td>
</tr>
<tr>
<td><strong>Cluster 3: Infrastructure and Economic Connectivity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transport (TRP)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TRP Outcome 1</strong></td>
<td>Enhanced economic connectivity and sustainability of regional transport infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TRP OC 1</strong></td>
<td>Average speed by corridors by speed with delay (SWD) and by speed without delay (SWOD)</td>
<td>Road SWD = 22.2 kph</td>
<td>Road SWOD = 45.0 kph</td>
<td>Railway SWD = 14.8 kph</td>
<td>Railway SWOD = 37.6 kph</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Average speed by corridors (kph):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Road</td>
<td>SWD Overall: 21.4 SWOD Overall: 43.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Railway</td>
<td>SWD Overall: 19.0 SWOD Overall: 45.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TRP Output 1</strong></td>
<td>Efficiency improvements in border crossing points (BCPs), customs clearance, immigration procedures, and cross-border logistics</td>
<td>Average</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TRP OP 1</strong></td>
<td>Time to clear a border crossing point (BCP), by corridor, country, and BCP</td>
<td>Road: Overall: 15.8 hrs</td>
<td>Cor 1: 22.5 hrs</td>
<td>Cor 2: 15.0 hrs</td>
<td>Cor 3: 4.6 hrs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Railway: Overall: 26.2 hrs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TRP Output 2</strong></td>
<td>Improved service level and operation efficiency of railways</td>
<td>Overall: 14.8/37.6 kph</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TRP OP 2</strong></td>
<td>CPMM average commercial speed, by CAREC corridor, SWD/SWOD</td>
<td>Cor 1: 18.1/50.4 kph</td>
<td>Cor 2: NA</td>
<td>Cor 3: NA</td>
<td>Cor 4: 10.0/20.6 kph</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Overall: 19.0/45.0 kph</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cor 1: 21.6/64.4 kph</td>
<td>Cor 2: 7.4/8.4 kph</td>
<td>Cor 3: 28.1/33.8 kph</td>
<td>Cor 4: 15.1/20.6 kph</td>
</tr>
</tbody>
</table>

*continued on next page*
<table>
<thead>
<tr>
<th>Outcome/Output</th>
<th>Indicator</th>
<th>2017 Baseline</th>
<th>2019 Progress</th>
<th>2020 Target</th>
<th>2020 Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENG Outcome 1</strong>&lt;br&gt;Enhanced regional energy security and deployment of green energy in the energy sector of CAREC countries</td>
<td>ENG OC1 % Renewable energy in CAREC countries</td>
<td>&lt; 1% renewable energy in CAREC countries</td>
<td># % renewable energy in CAREC countries</td>
<td>6% renewable energy in CAREC countries*</td>
<td></td>
</tr>
<tr>
<td><strong>ENG Output 1</strong>&lt;br&gt;Increased regional energy trade through implementation of the TUTAP, TAP, and CASA-1000 electricity interconnection projects and the TAPI gas pipeline project</td>
<td>ENG OP 1 TUTAP, TAP, and CASA-1000 electricity interconnection projects and the TAPI gas pipeline project operational</td>
<td>Zero project operational</td>
<td>Zero project operational</td>
<td>One project (TUTAP) partially operational Significant progress on TAPI yet to be observed</td>
<td></td>
</tr>
<tr>
<td><strong>ENG Output 2</strong>&lt;br&gt;Financing vehicle for green energy projects developed and consumer awareness for energy efficiency strengthened</td>
<td>ENG OP 2 Number of donor organizations providing finance to new CAREC green energy alliance&lt;br&gt;Number of regional energy efficiency consumer campaigns held throughout the region</td>
<td>Zero donor organizations providing finance to new CAREC green energy alliance&lt;br&gt;Zero regional energy efficiency consumer campaigns held</td>
<td>Number of donor organizations providing finance to new CAREC green energy alliance&lt;br&gt;Number of regional energy efficiency consumer campaigns held</td>
<td>Zero donor organizations providing finance to new CAREC green energy alliance&lt;br&gt;One energy efficiency campaign designed in 2020 and has been launched in 2021</td>
<td></td>
</tr>
</tbody>
</table>

### Cluster 4: Agriculture (AGR) and Water (WTR)

| AGR Outcome 1<br>Enhanced institutional capacity in adopting international sanitary and phytosanitary measures | AGR OC 1 National food safety regulations in compliance with the international sanitary and phytosanitary (SPS) measures developed/revised | Very limited compliance | Adoption of international standard commenced (Yes/No) | Too early to report |

continued on next page
Table A3 continued

<table>
<thead>
<tr>
<th>Outcome/Output</th>
<th>Indicator</th>
<th>2017 Baseline</th>
<th>2019 Progress</th>
<th>2020 Target</th>
<th>2020 Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGR Output 1</td>
<td>AGR OP 1</td>
<td>Zero developed</td>
<td></td>
<td>Number of strategies and guidelines developed/revised in # countries (plus technical advice to all member countries on need basis)</td>
<td>Advice on harmonization of legislation and regulations with international norms given in Azerbaijan, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan</td>
</tr>
<tr>
<td>National regulations harmonized with international sanitary and phytosanitary measures</td>
<td>Key strategies and guidelines for SPS measures developed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGR Output 2</td>
<td>AGR OP 2</td>
<td>Zero training workshops and on-the-job training on sanitary and phytosanitary measures conducted for food safety inspectors</td>
<td>Number of training workshops and on-the-job training on SPS measures conducted</td>
<td>Number of training workshops and on-the-job training on SPS measures conducted</td>
<td>Training in Good Hygiene and Manufacturing Practices and Hazard Analysis Critical Control Point System inspection in Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan</td>
</tr>
<tr>
<td>Strengthened capacity of value chain actors in implementing measures to achieve international sanitary and phytosanitary measures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGR Output 3</td>
<td>AGR OP 3</td>
<td>Zero network setup and Zero administration meetings conducted</td>
<td>Network setup (Yes/No) and number of administration meetings conducted. (plus, technical advice to all member countries on need basis)</td>
<td>This is on hold due to reluctance of countries to share anything meaningful 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 fully comply with WTO requirements, hence setting up the network at this stage is premature.</td>
<td></td>
</tr>
<tr>
<td>CAREC food safety network initiated</td>
<td>Network setup and administration meetings conducted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Water (WTR)

<table>
<thead>
<tr>
<th>Outcome/Output</th>
<th>Indicator</th>
<th>2017 Baseline</th>
<th>2019 Progress</th>
<th>2020 Target</th>
<th>2020 Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTR Output 1</td>
<td>WTR OP 1</td>
<td>Zero sector-specific frameworks</td>
<td>A TA project was initiated to develop the CAREC Water Pillar</td>
<td>Number of sector-specific frameworks</td>
<td>A TA project is under implementation since 2019 to develop 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</td>
</tr>
<tr>
<td>Water resources developed</td>
<td>Number of sector-specific frameworks for water resources infrastructure investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WTR Output 1</td>
<td>WTR OC 1</td>
<td>Zero countries with an outlined road map</td>
<td>Number of countries with an outlined road map</td>
<td>Too early to report progress</td>
<td></td>
</tr>
<tr>
<td>Water (WTR)</td>
<td>Number of countries with an outlined road map of national water resources development interventions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

continued on next page
### Table A3 continued

<table>
<thead>
<tr>
<th>Outcome/Output</th>
<th>Indicator</th>
<th>2017 Baseline</th>
<th>2019 Progress</th>
<th>2020 Target</th>
<th>2020 Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTR Output 2</td>
<td>WTR OP 2</td>
<td>Zero country-specific recommendations</td>
<td>Number of country-specific recommendations</td>
<td>Too early to report</td>
<td></td>
</tr>
</tbody>
</table>

**Cluster 5: Human Development**

**Education (EDC)**

<table>
<thead>
<tr>
<th>EDC Outcome 1</th>
<th>EDC OC 1</th>
<th>Zero bilateral and/or multilateral agreements signed</th>
<th>Zero bilateral and/or multilateral agreements signed</th>
<th>Too early to report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved access to and quality of secondary and tertiary skills education and better skills mobility to meet national and international labor market demands</td>
<td>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</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EDC Output 1</th>
<th>EDC OP 1</th>
<th>N/A</th>
<th>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</th>
<th>(Baseline) At least # countries sign collaboration framework agreement</th>
<th>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</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardization and harmonization in higher education strengthened</td>
<td>Agreement framework for collaboration established</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EDC Output 2</th>
<th>EDC OP 2</th>
<th>N/A</th>
<th>Number of bilateral and/or multilateral agreements signed for # occupation(s)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Standardization and harmonization in TVET improved</td>
<td>Bilateral and/or multilateral agreements signed and established for at least one occupation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*continued on next page*
Table A3 continued

<table>
<thead>
<tr>
<th>Outcome/Output</th>
<th>Indicator</th>
<th>2017 Baseline</th>
<th>2019 Progress</th>
<th>2020 Target</th>
<th>2020 Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HLT Outcome 1</strong>&lt;br&gt;Increased regional cooperation in health</td>
<td>HLT OC 1&lt;br&gt;Number of CAREC countries that incorporate joint regional approaches and cross-sector activities in their UHC and/or health sector strategies or plans</td>
<td>N/A</td>
<td></td>
<td>N/A</td>
<td>Too early to report</td>
</tr>
<tr>
<td><strong>HLT Output 1</strong>&lt;br&gt;Institutional platform for regional health cooperation established</td>
<td>HLT OP 1&lt;br&gt;Number of joint regional health solutions developed under CAREC</td>
<td>N/A</td>
<td></td>
<td>At least two joint regional health solutions developed</td>
<td>A scoping study on CAREC health cooperation was completed in 2020.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>A regional working group on health was established to guide the formulation of CAREC health strategy and related investment framework for 2022–2026.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>A TA project, approved in July 2020, is supporting the development of health strategy and investment framework to be endorsed at CAREC ministerial conference in November 2021.</td>
<td></td>
</tr>
<tr>
<td><strong>HLT Output 2</strong>&lt;br&gt;CAREC countries' capacity to jointly respond to regional health threats enhanced</td>
<td>HLT OP 2&lt;br&gt;Number of CAREC government officials trained on regional health security&lt;br&gt;Number of countries that share info on human infectious diseases with other countries of cross border surveillance</td>
<td>N/A</td>
<td></td>
<td>N/A</td>
<td>Too early to report</td>
</tr>
</tbody>
</table>

ABEC = Almaty–Bishkek Economic Corridor, CAREC = Central Asia Regional Economic Cooperation, CASA = Central Asia–South Asia, CITA = CAREC Integrated Trade Agenda, CPMM = corridor performance measurement and monitoring, ECD = economic corridor, EDC = education, GDP = gross domestic product, HLT = health, hrs = hours, KAZ = Kazakhstan, MC = ministerial conference, kph = kilometers per hour, N/A = not applicable, OP = output, PRC = People’s Republic of China, PRF = program results framework, PV = photovoltaic, Q4 = fourth quarter, REG = regional, SOM = senior officials’ meeting, SPS = sanitary and phytosanitary, SSTA = small scale technical assistance, STKEC = Shymkent–Tashkent–Khujand Economic Corridor, TA = technical assistance, TAP = Turkmenistan–Afghanistan–Pakistan, TAPI = Turkmenistan–Afghanistan–Pakistan–India, TRTA = transaction technical assistance, TUTAP = Turkmenistan–Uzbekistan–Tajikistan–Afghanistan–Pakistan, TVET = technical and vocational education and training, UHC = universal health coverage, WTO = World Trade Organization.


DEfR Objectives

This first Development Effectiveness Review (DEfR) covers the period 2017–2020. The DeFR aims to assess progress achieved during this period using 2017 data as the baseline. It highlights the CAREC Program’s achievements, identifies challenges and areas for improvements, and proposes recommendations to meet current and emerging challenges in order to assist in strategic decision-making. More specifically, the CAREC DEfR reports on progress against the CAREC Program Results Framework (PRF) endorsed at the 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.

Scope of DEfR

The DEfR reviews progress on 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. Information and communication technology, gender mainstreaming, and climate change mitigation as cross cutting priorities are also reviewed.

In addition to identifying the results achieved against the PRF, the review also revisits the various preparatory work undertaken by each cluster. As a whole, the DeFR reviews the progress made by the program in terms of creating an open and inclusive regional cooperation platform (e.g., dialogues among members and development partners, and knowledge services), which is a strategic direction and mission of CAREC 2030.

DEfR Criteria and Areas of Examination

The DEfR assessed each of the five clusters through three broad lenses: (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 development partners and agencies and sustainability of processes, outputs, and outcomes catalyzed by the CAREC Program. Table A4.1 presents the areas examined under each criterion.

Methodology

Multiple data collection methods are used for the DEfR to allow for triangulation of findings and to inform conclusions and recommendations. The methods used are as follows:

- Literature review—analyses conducted by ADB, World Bank, International Monetary Fund, United Nations Development Programme, and other agencies on development trends in the world and the CAREC region over the past 3 years with a special focus on the impact of COVID-19.
• Review of CAREC documents—sector progress reports, sector strategies, scoping studies, meeting and workshop reports, CPMM reports, data on program results framework, previous DEfR and midterm review reports, and other relevant documents.

• Review of data on CAREC Program results—data on output and outcome indicators for each sector drawn from CAREC progress reports, PRF, and CPMM reports.

• Key informant interviews with 18 individuals to obtain in-depth information on DEfR questions (including 11 ADB staff, 4 national focal persons from CAREC member countries, 1 representative from development partners, and 2 officials from the CAREC Institute).

• Structured questionnaires sent to ADB sector leads and government agencies to elicit responses on the three criteria.

---

### Table A4.1: Development Effectiveness Review Criteria

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Areas Examined</th>
</tr>
</thead>
</table>
| RELEVANCE (Strategy)                  | 1. Consistency with higher objectives and principles of CAREC 2030 Strategy  
2. Whether the program is generating knowledge and lessons learned to ensure the continued relevance toward its stated objectives  
3. Comparative advantage of ADB–CAREC as Secretariat                                                                                                                                                                                                                                              |
| PROGRESS (Effectiveness)              | 1. How much progress has been made in terms of “indicators” of outputs and outcomes?  
2. How much progress is likely to be made toward 2030 goals?  
3. How effective is the CAREC Program as a regional cooperation platform?                                                                                                                                                                                                                       |
| PROCESS (Coherence and Sustainability)| 1. Appropriateness of the design process for CAREC development strategies including needs assessment, consultation, and approval  
2. Appropriateness of the implementation process of CAREC development strategies in terms of transparency and monitoring mechanism  
3. Engagement and effectiveness of harmonization with development partners                                                                                                                                                                                                                     |

CAREC = Central Asia Regional Economic Cooperation.

Source: Author.

---

### Table A4.2: Development Effectiveness Review Methodological Challenges

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>COVID-19 pandemic prevented travel for in-person data collection.</td>
<td>The CAREC Secretariat provided excellent support in connecting the reviewer to potential interviewees within ADB, member country governments, development partners, and the CAREC Institute. All stakeholders, except for a few, were quick to agree to participate via video communication despite the increased workload from the pandemic fallout.</td>
</tr>
</tbody>
</table>

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.

The DEfR noted three weaknesses in the PRF. First, the results chain for sectors has gaps between the identified outputs and outcomes; and impact statements that align with outcomes are absent. 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. There are also outputs (i.e., in trade and transport sectors) that 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 national focal points.

continued on next page
Appendix 4

Identifying the right metrics to assess progress of CAREC has been an issue.

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 development partners 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 identified in the PRF, such as proportion of renewable energy in CAREC countries or average speed by transport corridors, implicitly make CAREC accountable for their outcome. Whether and to what extent CAREC should be held accountable for the outcome of these projects on which it has no control of is an issue that needs to be resolved and reflected in the results framework.

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 between using the existing PRF and assessing the effectiveness of CAREC as a regional cooperation platform.

Table A4.2 continued

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying the right metrics to assess progress of CAREC has been an issue.</td>
<td>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 development partners 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 identified in the PRF, such as proportion of renewable energy in CAREC countries or average speed by transport corridors, implicitly make CAREC accountable for their outcome. Whether and to what extent CAREC should be held accountable for the outcome of these projects on which it has no control of is an issue that needs to be resolved and reflected in the results framework. 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 between using the existing PRF and assessing the effectiveness of CAREC as a regional cooperation platform.</td>
</tr>
</tbody>
</table>

CAREC 2030 Development Effectiveness Review (2017–2020)

This report reviews the accomplishments made toward achieving the Central Asia Regional Economic Cooperation (CAREC) 2030 objectives. It also highlights the achievements of the CAREC program’s five operational clusters and identifies areas for improvement. Achievements over 2017–2020 were assessed based on the CAREC Program Results Framework. 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. However, significant efforts in each sector would be required to transform the modest gains achieved over the last 3 years into more tangible results in the remaining 10 years.

About the Central Asia Regional Economic Cooperation Program

The Central Asia Regional Economic Cooperation (CAREC) Program is a partnership of 11 member countries and development partners working together to promote development through cooperation, leading to accelerated economic growth and poverty reduction. It is guided by the overarching vision of “Good Neighbors, Good Partners, and Good Prospects.” CAREC countries include Afghanistan, Azerbaijan, the People’s Republic of China, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.