



# **CAREC 2030 STRATEGY MIDTERM REVIEW**

## **Summary of Initial Findings and Recommendations**

**MAY 2024**

### **FOR DISCUSSION**

Senior Officials' Meeting  
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# CAREC 2030 Strategy Midterm Review

## Summary of Initial Findings and Recommendations

### A. Introduction

1. The Central Asia Regional Economic Cooperation (CAREC) Program has served as a cornerstone for fostering regional integration and development in Central Asia since its inception in 2001. Building on the solid foundation of progress made under CAREC 2020, the Ministers endorsed the **CAREC 2030: Connecting the Region for Shared and Sustainable Development** (*CAREC 2030 Strategy*) at the 16th CAREC Ministerial Conference in 2017. The *CAREC 2030 Strategy* updated the CAREC Program's strategic directions to respond more effectively and efficiently to the region's long-term development challenges.

2. The *CAREC 2030 Strategy* expanded the CAREC Program's priorities from *three traditional sectors*—transport, energy, and trade—to *five operational clusters*: (i) economic and financial stability; (ii) trade, tourism, and economic corridors; (iii) infrastructure and economic connectivity; (iv) agriculture and water; and (v) human development; as well as three cross-cutting themes of climate change mitigation and adaptation, digital connectivity and gender equality.<sup>1</sup> As of December 2023, cumulative investments since 2001 under the CAREC Program amounted to more than \$51 billion, undertaken by countries, CAREC development partners, and ADB. Over \$17 billion and 90 projects were approved since 2017, when the *CAREC 2030 Strategy* was endorsed.

3. The rapidly evolving global and regional landscape necessitates continuous adaptation to ensure CAREC's continued relevance, effectiveness, and responsiveness to needs and priorities of CAREC member countries. Initiated in early 2004, the **Midterm Review** (MTR) serves this critical purpose, offering an assessment of the program's progress and identifying areas for improvement focusing on the *CAREC 2030 Strategy* implementation. While the process is ongoing, this summary presents the MTR's key findings so far and preliminary forward-looking options to revitalizing regional cooperation, ultimately aiming to secure a more prosperous, secure, and climate-resilient future for the CAREC region and beyond.

### B. CAREC's Achievements and Ongoing Value

4. Despite the emergence of other regional cooperation initiatives, the MTR emphasizes the enduring value proposition of the CAREC platform. CAREC has successfully focused on fostering inclusive economic development through its unwavering commitment to:

- **Regional Connectivity:** CAREC cumulative investments in transport sector—around \$34.5 billion—has demonstrably improved regional connectivity. From 2008 to 2019, ADB funded projects built or improved a network of over 10,462 kilometers of roads and more than 6,000 kilometers of railway tracks. This enhanced connectivity bolsters stability, promotes trade, and facilitates the movement of people and goods throughout the region, with increasing focus on safety and sustainability.

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<sup>1</sup> From 4 sector coordinating committees, the CAREC Program has established additional 14 sector/sub-sector working or expert groups (of which, some are inactive at the moment), and 3 thematic working groups. Importantly, since the program's inception, CAREC membership expanded from 5 Central Asian countries to 11 countries in Central Asia, South Caucasus, South Asia, and East Asia regions.

- **Trade Facilitation:** CAREC has upgraded border services, established national single windows, and supported alignment of trade measures with international agreements and best practices to expand and facilitate safe trade. Initiative to promote digital trade, customs processes harmonization and other relevant trade facilitation measures are underway. This has helped countries in accelerating paperless trade and adopt modern risk management, which were especially crucial in ensuring supply chain continuity at the onset of COVID-19 pandemic.
- **Economic Diversification:** By piloting initiatives such as economic corridor development, enhancing competitiveness, developing opportunities for renewable energy, and promoting innovation, CAREC is accelerating economic diversification, thereby fostering a more robust and resilient regional economy.
- **Multilateralism:** CAREC's continued commitment to multilateralism fosters trust and collaboration among member countries, while creating a platform for constructive dialogue and identifying regional solutions.
- **Alignment with SDGs:** CAREC's alignment with the Sustainable Development Goals (SDGs) and the 21st Conference of Parties to the United Nations Framework Convention on Climate Change (COP21) ensures holistic approach to addressing global issues like climate change, supply chain disruptions, food security, and access to digital connectivity, which have strong impact in the CAREC region.
- **Delivering Tangible Benefits to More People:** With its broadened scope, the CAREC Program has reached to more beneficiaries, including women-led entrepreneurs, border communities, start-ups, SMEs, small traders and service providers.
- **ADB Commitment:** The ADB's leadership role—as the CAREC Secretariat and honest broker of regional cooperation—strengthens the Program's effectiveness by promoting efficient resource allocation and delivering results. By complementing, rather than competing with, other initiatives, CAREC maximizes its impact and leverages synergies for the greater good of the region.

### C. The Need to Adapt to the Shifting Landscape

5. The MTR acknowledges the significant achievements of CAREC but also underscores the need to evolve to address emerging and persistent challenges. Key areas requiring attention include:

- **Diversity Amid Common Challenges:** The CAREC's diverse membership [see footnote 1] with varied interests and priorities has impacted the program's focus and ownership.
- **Post-Pandemic Recovery:** The COVID-19 pandemic has had a profound impact on the region, disrupting trade, investment, and tourism. Robust health and economic resilience mechanisms are crucial to navigate future crises and in promoting a more inclusive and equitable recovery process.
- **Geopolitical Developments:** The developments in Afghanistan in August 2021 and the Russian-Ukrainian war have introduced new complexities to regional dynamics, affecting reliability of supply chains, trade and transit routes, and economic stability. CAREC must remain adaptable to help countries navigate the economic implications of the evolving geopolitical landscapes.
- **Climate Change Impacts:** The recent years witnessed severe impacts of climate change in the region. The devastating floods, excessive heat and droughts, and scarce water resources in the region are resulting in dire socioeconomic consequences.<sup>2</sup> This calls for urgent regional action across a wide range of CAREC sectors and policy areas, including a just energy transition, climate-smart water use and agriculture, resilient cities, and

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<sup>2</sup> From declining agricultural productivity, low economic growth, and even loss of lives.

disaster risk management. While CAREC countries heavily rely on fossil fuels, which contribute to greenhouse gas emissions and environmental degradation, there is an opportunity for CAREC to diversify and benefit from new markets amid the energy transition (e.g., critical minerals for renewable energy and clean technology).

- **Proliferation of regional initiatives with overlapping membership.** There is an increasing competition from various regional initiatives and arrangements with often overlapping membership, with claims to government officials' time and resources.

#### D. MTR Preliminary Recommendations

6. The MTR offers a set of preliminary recommendations to adapt to the evolving context and strengthen CAREC 2030 implementation in achieving its goals. These recommendations will be further refined and developed after the ongoing consultation process, including the discussion with CAREC National Focal Points (NFPs) during the Senior Officials Meeting (SOM) on 30-31 May 2024 in Astana, Kazakhstan. The preliminary MTR recommendations are broadly grouped into two categories:

##### Reinvigorating Regional Cooperation in CAREC:

- **Empowering Ownership and Effectiveness:** Better articulation of CAREC's goals will promote transparency and foster alignment among all stakeholders so they can effectively contribute to achievement of these goals.<sup>3</sup>
- **Prioritizing Initiatives with Regional Impact:** Prioritizing initiatives with the greatest potential for regional integration is crucial.<sup>4</sup> Focusing on impactful projects with a strong regional dimension ensures that CAREC's efforts directly contribute to a more integrated and prosperous CAREC region. Examples of potential regional projects currently considered by countries include those related to the development of the Middle Corridor, or large hydro-energy and electricity trading projects, or digital connectivity projects.
- **Country-Driven Needs:** Tailoring interventions to address specific country needs, while simultaneously tackling *regional challenges* such as through the 2+X principle, ensures a more effective and impactful intervention.
- **Sub-regional Cooperation:** Fostering targeted collaboration on shared priorities within a subregional grouping strengthens ownership over regional initiatives while learning from their successes. Offering flexible partnership options that cater to the specific needs and capacities of different countries is crucial. This can include emphasizing cross-border projects that address shared challenges and generate mutual benefits, along with joint implementation of initiatives to foster a sense of shared responsibility and ownership.
- **Optimizing Operational Clusters or Sectors:** Streamlining or restructuring operational clusters or sectors, with a clear value proposition, can optimize resource allocation and enhance program impact. However, achieving a balance between the Program's focus on one hand, and comprehensiveness and diversification on the other, is crucial. While streamlining might improve efficiency, maintaining a broader scope allows for inclusivity and adaptability to address emerging challenges. A data-driven approach [see below] can inform the optimization process, considering project performance within each cluster and potential synergies between clusters. The Program can deepen cross-sectoral coordination (e.g., One-Health, Agriculture and Climate nexus) for resource efficiency and

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<sup>3</sup> Pakistan's CAREC NFP suggested the adoption of a foundational document outlining CAREC's Vision, mission, values, strategic goals, operational clusters, and stakeholder roles.

<sup>4</sup> A cost-benefit analysis can be conducted to assess the potential of various initiatives for fostering regional connectivity and economic growth.

better coordination. While CAREC intervention already complement physical infrastructure with soft components, further regulatory work, as well as policy dialogue, knowledge and innovation (through project++ approach) can help achieve greater impact.

- **Multi-Year Regional Project Pipeline:** Developing a multi-year rolling pipeline (e.g., three years) for regional programs, projects, and technical assistance can improve long-term planning and project prioritization. This allows for a more strategic approach to addressing regional needs by considering long-term objectives and potential synergies. Leveraging various sector and thematic strategies, *CAREC 2030* implementation must move towards actively identifying and developing new generation of regional projects, particularly with strong regional dimension and climate-smart solutions. A proposed *CAREC Infrastructure Investment Forum* will provide a venue to identify such new projects or solutions and at the same time, mobilize financing.
- **Stronger Partnerships:** Building strong partnerships with development institutions and the private sector unlocks a wealth of expertise, financing, and innovation that can accelerate progress and participation in country programming efforts that have regional dimensions, exemplify deeper collaboration. For instance, a joint task force between CAREC, international financial institutions [e.g., the World Bank], and private sector construction companies to develop a climate-resilient transportation corridor can bring together the technical expertise of [the World Bank], the financial resources of the private sector, and CAREC's regional coordination experience.
- **Innovative Financing Models:** Exploring innovative financing models, such as public-private partnerships (PPPs) and blended finance, can attract private sector investment and bridge potential funding gaps. Blended finance combines public and private resources to support projects with a social or environmental purpose, while PPPs involve collaboration between the public and private sectors for infrastructure and other development projects. By utilizing these models, CAREC can leverage private sector resources for impactful regional projects.
- **Climate-Smart Development:** Integrating climate-smart development principles across all sectors is essential for long-term sustainability. This involves promoting practices that reduce greenhouse gas emissions, increase climate resilience, and ensure efficient resource use. Examples include regional investments in renewable energy projects and sustainable water management practices. Establishing strong environmental governance frameworks is crucial to ensure responsible environmental management in the region.
- **Potential CAREC Summit.** The MTR explores the potential benefits and challenges of convening a CAREC Summit in 2026. Careful preparation is necessary to ensure a successful Summit that revitalizes regional commitment to CAREC Program, attracts new partners, and provides a platform for high-level strategic discussions.

### Continuous Operational Improvement:

- **Robust Monitoring and Evaluation (M&E) Framework:** A robust M&E framework, including a CAREC operational dashboard, is essential for effective program management. By tracking progress, identifying bottlenecks, and informing evidence-based decisions, CAREC can adapt to changing circumstances and ensure program transparency and effectiveness. The M&E framework would be like a real-time map, showing CAREC where it's making progress and where there are roadblocks. This allows for course correction and ensures the program remains responsive and effective.
- **Corridor Performance Measurement and Monitoring (CPMM) and other data-driven decision making:** Utilizing data-driven decision-making processes such as the CAREC CPMM ensures that interventions are targeted and address the most pressing regional

needs. Standardizing data collection methods and establishing transparent reporting guidelines are essential for reliable data analysis.

- **Enhancing Capacity for Bankable Regional Projects:** Projects with regional implications require a high level of cooperation and collaboration among participating countries. Technical and financial support, including through the proposed *CAREC Climate and Sustainability Project Preparatory Fund (CSPPF)*, can ensure effective preparation and funding arrangements for regional projects. By addressing financing gaps with innovative funding mechanisms, CAREC can unlock investment in key regional initiatives. In addition, investing in national and regional capacity-building initiatives including knowledge-sharing platforms equips stakeholders with the necessary skills and knowledge for effective program engagement.
- **CAREC Label Guidelines:** Strengthening guidelines for use of the CAREC label ensures that programs, projects, and technical assistance delivered by development partners align with CAREC's vision and mission (including stronger private sector engagement). This ultimately enhances program effectiveness and ensures regional projects are consistent with the priorities and needs of CAREC countries. Additionally, the CAREC label would signal endorsement by participating countries, fostering greater buy-in and ownership.
- **Improving Visibility:** Consider highlighting CAREC's accomplishments at existing high-level events, such as on the sidelines of the IMF–World Bank Annual Meetings, COPs, etc. and ensuring availability of information on the CAREC Program and potentially flagship projects, to wider stakeholders and via various communication tools.

## E. The MTR Process

7. Leveraging on the [Evaluation of ADB Support for the CAREC Program \(2011–2022\)](#), the MTR process was initiated in 2024, with a survey among NFPs on the governance and implementation of the CAREC Program (January 2024), virtual consultations with the CAREC Sector Focals in ADB and Regional Cooperation Specialists and Advisors to NFPs in 8 countries (April 2024), virtual interviews with two NFPs (Pakistan and Tajikistan), and with ADB management. Further stakeholder consultations and desk research will be undertaken after the CAREC SOM, with the objective of submitting the outcomes of the Midterm Review and its recommendations to the 23rd CAREC Ministerial Conference on 8 November 2024.

## F. Conclusion: A Roadmap for a More Integrated and Resilient CAREC Region

8. It is timely and crucial for CAREC to solidify its role as a driving force for positive change in the region. The outcomes of the MTR will feed into a roadmap for revitalizing CAREC and ensuring its continued success in promoting regional cooperation and shared development. Key preliminary building blocks for a more effective CAREC, include:

- **Country-Driven, Regionally Focused:** Tailoring initiatives to address **both** specific country needs, and shared regional challenges ensures a targeted and impactful approach to development across CAREC countries.
- **Focus on Regional Impact and Innovation:** Prioritizing initiatives with the greatest potential for regional integration, and embracing innovative financing models can unlock new opportunities for impactful regional projects.
- **Multi-Year Regional Project Pipeline:** Developing a multi-year rolling pipeline (e.g., three-year plan) for regional programs, projects, and technical assistance strengthens long-term planning and project prioritization. This fosters a more strategic approach by considering long-term objectives and potential synergies across initiatives.

- **Enhanced M&E Framework:** An M&E framework including a transparent and accessible stakeholder operational dashboard, allows for continuous program improvement and ensures data-driven decision-making by a wider range of stakeholders. This dashboard could provide real-time data and progress updates on CAREC initiatives, fostering informed decision-making, collaboration, and accountability among all participants.
- **Enhanced Collaboration and Knowledge Sharing:** Forge stronger partnerships with development institutions, the private sector, and other stakeholders to leverage expertise, resources, and innovative solutions. This includes renewed efforts to foster closer ties with development partners and the private investors regarding their possible support for CAREC activities.

9. ADB is committed to the implementation of these recommendations, together with CAREC member countries and development partners, and a focus on achieving measurable results. Through a collaborative effort, CAREC can play a pivotal role in unlocking the CAREC region's vast potential for a more integrated, prosperous, and climate-resilient future.