



# CAREC Capital Market Development Forum

Concept Note

## I. Executive Summary

1. The Central Asia Regional Economic Cooperation (CAREC) Program has long served as a platform to promote regional cooperation and economic integration across its member countries. Under the CAREC 2030 Strategy, there is an increasing emphasis on strengthening financial market development, mobilizing private capital, and advancing sustainable and green finance.<sup>1</sup> While CAREC countries have made notable progress in developing their financial sectors, these systems remain heavily bank-dominated, with capital markets still at an early stage of development.

2. The demand for diversified and resilient sources of financing in CAREC countries is growing rapidly. Significant investment is required to support economic diversification, regional connectivity, and the transition to low-carbon and climate-resilient economies. Reliance on bank financing alone is insufficient to meet these needs and may increase systemic vulnerabilities. Well-functioning capital markets can play a critical role in mobilizing domestic savings, attracting foreign investment, and supporting innovation and private sector growth.

3. Across the CAREC region, capital market development remains uneven and fragmented. While some economies have relatively more advanced market structures, many others face significant structural challenges, including underdeveloped corporate bond markets, weak institutional investor bases, and limited market activity. Regulatory frameworks and supervisory capacities also vary widely, and in many cases remain in early stages of development. Sustainable finance ecosystems are still nascent, with limited policy frameworks, insufficient standardization, and weak institutional capacity.

4. In response to these challenges and opportunities, the CAREC Capital Market Development Forum (CMDf) is proposed as a dedicated regional platform to institutionalize dialogue, coordination, and cooperation among CAREC capital market regulators and stakeholders. CMDf aims to support the development of deep, efficient, and resilient capital markets across the region through enhanced regional collaboration. It will provide a structured mechanism for policy dialogue, peer learning, and capacity building, while also supporting the development of regional initiatives such as a CAREC Sustainable Capital Market Development Roadmap and a regional sustainable finance taxonomy.

5. CMDf will operate under an inclusive, regulator-led governance model, with capital market authorities across CAREC countries participating on an equal and collaborative footing. The governance structure will include a rotating chairmanship aligned with the CAREC Chair cycle, a Secretariat to support coordination and implementation, and thematic working groups focusing on key areas of capital market development. This institutional design aims to ensure both strong country ownership and operational flexibility.

6. The Asian Development Bank (ADB) will play a central role in institutionalizing the CMDf, drawing on its extensive experience in regional capital market development. Through its technical assistance program, ADB will support CMDf to strengthen regional cooperation, enhance policy alignment, and support the development of robust capital market ecosystems across CAREC countries. Support to the Secretariat can also be provided depending on the needs of each regulator acting as Chair of CMDf.

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<sup>1</sup> CAREC. 2017. [CAREC 2030: Connecting the Region for Shared and Sustainable Development](#).

## II. Background and Rationale

7. CAREC aims to promote economic growth and shared prosperity through regional cooperation and integration among member countries. CAREC focuses on strengthening connectivity across transport, energy, trade, and economic and financial cooperation. CAREC 2030 Strategy places greater emphasis on supporting financial market development, mobilizing private capital, and advancing sustainable and green finance (footnote 1). It also promotes regional collaboration through knowledge sharing, harmonization of standards, and capacity building among member countries, with a growing focus on institutional development and enabling environments that attract long-term private capital and support resilient and inclusive economic development.

8. The CAREC countries have made important progress in strengthening their financial systems over the past two decades, with banking sectors generally serving as the dominant source of financing. However, capital markets across the region remain at an early stage of development, characterized by limited depth, low liquidity, and a narrow investor base. Capital markets are critical for intermediating long-term domestic savings into productive investment, complementing bank lending and mitigating maturity, concentration, and currency risks inherent in bank-dominated systems. In many CAREC countries, weak institutional investor bases further reinforce reliance on bank credit, slowing capital-market deepening despite regulatory reforms. This structural imbalance constrains the availability of long-term financing in local currency, particularly for infrastructure, climate investments, and private sector development.

9. The financial sectors in CAREC countries, despite varying sizes and development stages, share key similarities, including bank dominance and underdeveloped non-banking sectors, particularly capital markets. State-owned institutions and government interference are common in transitional economies. While most countries have stock exchanges with some modern infrastructure, these markets are not very active, with few companies listed and minimal trading activity. Bond markets feature treasury securities, with limited corporate options, and money markets remain underdeveloped, often relying on central bank liquidity. Additionally, capital market regulators are typically newer and have more limited institutional capacity and regulatory autonomy compared to banking regulators, with some still operating within finance ministries.

10. Capital markets across the CAREC region remain uneven in depth, liquidity, and sophistication, constraining their ability to mobilize long-term private capital for sustainable and inclusive development. Aside from the People's Republic of China (PRC), there are fewer listed companies, and trading activity on stock exchanges in CAREC countries is considerably lower. In Azerbaijan, the focus on government securities and central bank notes indicates a reliance on public sector financing, although corporate market activity is gradually increasing. Georgia's long-established exchange struggles with limited listings, highlighting potential inefficiencies. In contrast, Kazakhstan shows a more robust market with significant listings and the additional presence of an offshore exchange. Kyrgyzstan and Mongolia illustrate modest trading activity. Pakistan's recent stock exchange merger indicates a consolidation effort aimed at enhancing market efficiency, while PRC's exchanges, among the largest globally by market capitalization, dominate the region. Tajikistan and Turkmenistan's newer exchanges represent emerging markets with potential for growth, while Uzbekistan's modest market cap

reflects ongoing developmental challenges. Overall, the region's exchanges showcase a spectrum from underdeveloped to more established markets, influenced by local economic conditions.

11. The bond markets across CAREC countries present a complex picture, with varying degrees of development and reliance on different financial mechanisms. The money markets in the region are largely inactive due to underdeveloped bond markets, poor liquidity management, inadequate monetary policy transmission, and reliance on direct controls by central banks. However, there is a collective effort to improve these markets at different paces. The capital market infrastructure in various CAREC countries is embarking on a modernization process with demonstrable advancements although challenges remain. Commodity and futures exchanges in CAREC countries are becoming increasingly vital due to their dependence on primary commodity production and exports. These exchanges utilize commodity forward, futures, and options contracts as essential risk management tools to help producers and exporters manage price volatility and stabilize economic cycles. The PRC leads the region with multiple dedicated commodity futures exchanges, including those for financial futures.

12. The diversity of legal frameworks governing financial markets in various CAREC countries reflects varying levels of legal sophistication and regulatory focus across the region. The supervisory systems of capital markets in CAREC countries are still in early development stages and have not fully evaluated the benefits of segregated versus consolidated supervisory approaches. Most countries have regulatory frameworks shaped by historical developments, where central banks typically oversee banking and sometimes nonbank financial institutions, while securities market regulation is handled by various agencies such as finance ministries or dedicated regulators.

13. Green finance in CAREC remains underdeveloped due to weak policy frameworks, regulatory gaps, weak capital markets, and limited institutional capacity. Banking sectors dominate, with less than 10% of loans supporting sustainable projects. The region faces critical hurdles in scaling green, social and sustainable finance, including deficient policies, misaligned regulations, and fragmented regional cooperation. Weak project preparation, high perceived risks, and greenwashing and impact washing further deter investment. PRC is leading in green and climate financing thanks to its supportive policies, large finance portfolio, comprehensive methodologies, and strong institutional capacity. To accelerate green, social and sustainable finance in the region, CAREC countries must strengthen policies, encourage private investment, and develop regionally aligned frameworks that can serve as common reference standards while allowing for national adaptation. CAREC can achieve resilient, low-carbon growth and meet global climate commitments by integrating climate risks and leveraging international partnerships. Debt distress in CAREC countries presents an opportunity to use sustainable finance solutions, such as "debt for nature" and "debt for climate" swaps, to leverage sovereign debt for green development.

14. At the same time, the need for diversified and resilient sources of finance has become more urgent. CAREC countries face significant investment requirements to support economic diversification, regional connectivity, and the transition to low-carbon and climate-resilient economies, including growing needs for renewable energy investments to enhance energy security and affordability. Reliance on bank financing alone is insufficient to meet these needs and may expose economies to systemic risks. Deep and well-functioning capital markets can

play a critical role in mobilizing domestic savings, attracting foreign investment, and channeling resources into productive sectors, including green and sustainable investments.

15. For more advanced economies like PRC and Kazakhstan, well-developed financial markets play an important role in supporting economic diversification beyond energy and commodities, while promoting innovation and strengthening private sector investment. Expanding capital markets and financial products such as bonds, equities, and insurance can channel resources to productive sectors, reducing over-reliance on oil and gas and mitigating the risks of volatile global commodity prices. For middle-income and smaller economies like Mongolia, Uzbekistan, and the Kyrgyz Republic, developing financial markets can attract foreign direct investment, create new investment opportunities for regional and international investors, and mobilize domestic savings for long-term investment in infrastructure and industry. These countries, which rely heavily on agriculture, minerals, and remittances, can benefit from financial instruments that manage commodity risk and increase access to credit for small and medium-sized enterprises (SMEs). This will also support economic diversification, boosting resilience against external shocks.

16. Although several CAREC countries have advanced domestic capital market reforms, progress has largely been country-specific and undertaken in isolation. The absence of a structured regional platform for dialogue and cooperation limits opportunities for peer learning, convergence of standards, and development of regional public goods such as common taxonomies, disclosure approaches, and shared knowledge infrastructure. These constraints prevent CAREC countries from attracting sustainable investment flows and developing resilient capital markets capable of supporting the green transition and inclusive growth.

17. There is a strong case for establishing a structured and sustained regional mechanism to support capital market development across CAREC countries. Such a platform would provide a forum for dialogue among policymakers, regulators, and market participants, while also serving as a vehicle for technical assistance, capacity building, and coordination of reform efforts. ADB aims to lay the foundation for a regional capital market ecosystem in CAREC. While initial efforts began with a meeting of capital market regulators in 2019, the coronavirus disease (COVID-19) pandemic disrupted progress, delaying the institutionalization and formal launch of the forum. To address this gap and reinvigorate regional collaboration, the CAREC CMDF is now proposed as a dedicated regional platform to institutionalize dialogue, coordination, and cooperation among CAREC capital market authorities and key stakeholders.

18. CMDF would leverage the convening power and technical expertise of ADB and other multilateral development banks to provide sustained support for capital market development in the region. ADB would also help facilitate linkages with relevant regional initiatives and platforms, including the Association of Southeast Asian Nations (ASEAN) Capital Markets Forum (ACMF) and the ASEAN Taxonomy Board, to promote knowledge sharing and exchange of good practices, where appropriate. Through a combination of technical assistance, policy dialogue, and stakeholder engagement, CMDF can act as a catalyst for reform and innovation. It would not only strengthen institutional capacity at the national level but also foster a sense of regional ownership and collaboration, which is essential for achieving long-term and sustainable progress in capital market development across CAREC countries.

### III. Objectives

19. The overarching objective of CMDF is to support the development of deep, efficient, and resilient capital markets across CAREC countries through enhanced regional cooperation. At the strategic level, CMDF seeks to promote greater alignment of capital market development priorities among CAREC countries, while respecting national circumstances and varying levels of market maturity. This includes fostering a shared vision for capital market development, encouraging the adoption of sound regulatory and supervisory practices, and supporting the gradual convergence of national standards. Over time, such convergence may enable the development of regionally agreed common reference standards that can serve as a shared benchmark, while allowing for continued national adaptation where needed.

20. CMDF will pursue several operational objectives. First, it will serve as a platform for policy dialogue and peer learning, enabling policymakers, regulators, and market participants to exchange knowledge, share experiences, and disseminate good practices. Second, it will support capacity building and institutional strengthening through targeted training programs, technical workshops, and advisory support. Third, it will facilitate the development of regional and country-level capital market roadmaps, helping to prioritize reforms and sequence policy actions in a coherent manner.

21. In addition, CMDF will aim to advance key thematic areas that are critical for the future of capital markets in the CAREC region. These include the development of local currency bond markets, promotion of green, social and sustainable finance, strengthening of market infrastructure, and exploration of digital innovations in capital markets, supported by improvements in regulatory implementation and enforcement capacity. By focusing on these priority areas, the CMDF can help countries address common challenges, positioning the region to respond to emerging global trends and deepen market credibility and investor confidence.

22. Specifically, CMDF can help to:

- Provide a regular and structured platform for dialogue among CAREC capital market regulators and policymakers.
- Promote greater alignment of capital market regulations and disclosure practices with international standards, including International Organization of Securities Commissions (IOSCO) principles and the International Sustainability Standards Board (ISSB) sustainability disclosure standards.
- Support the development of enabling sustainable finance ecosystems in CAREC, drawing on the experience of ASEAN and other platforms. This includes strengthening foundational elements such as policy and regulatory frameworks, sustainable finance taxonomies, transition finance guidance, disclosures, sustainability reporting practices and guidelines such as those for green, social, sustainability, and sustainability-linked instruments.
- Facilitate knowledge sharing, peer learning, and capacity building within CAREC and with other regional groupings, particularly the ACMF.
- Contribute to the development of regional public goods, including a CAREC Sustainable Capital Market Roadmap and a regional green taxonomy.

23. In 2026, it is envisaged that the Financial Regulatory Commission of Mongolia will serve as Chair of the CMDF, with Pakistan serving as Vice Chair, reflecting their active engagement and leadership in advancing regional capital market cooperation under CAREC.

#### **IV. CMDF Governance Structure**

24. CMDF will be established as a multi-stakeholder regional platform with a governance structure. It will operate under a cooperative, regulator-led governance model. It will be composed of capital market regulatory authorities from CAREC member states, each participating on an equal footing. CMDF will adopt a non-legally binding institutional arrangement, whereby decisions are implemented at the national level through domestic regulatory processes. An “opt-in” approach will be adopted, allowing members to participate in specific initiatives based on their readiness and capacity.

25. CMDF will adopt a rotating chairmanship, aligned with the CAREC Chair cycle. The CMDF Chair is held by the capital market regulator of the CAREC Chair country for a defined term (one year). A Vice-Chair supports continuity and typically assumes the chairmanship in the subsequent cycle.

26. At the strategic level, CMDF will be guided by a Chair’s meeting (CMDF core members) comprising the heads of CAREC capital market regulatory authorities. It sets the strategic vision, policy direction, and regional priorities, including action plans and key initiatives on market integration, sustainability, and regulatory harmonization. CMDF Strategic Partners, composed of senior officials from member regulators, relevant ministries, and private sector, supports the Chairs by ensuring operational coordination, technical oversight, and implementation follow-up.

27. The day-to-day coordination and implementation of CMDF activities will be supported by a Secretariat. The Secretariat will be responsible for organizing meetings and events, coordinating technical assistance and capacity building, managing knowledge products, and monitoring progress against agreed work plans. It will also serve as the main liaison among participating countries, development partners, and other stakeholders.

28. To support technical work and deepen engagement on priority areas, CMDF will establish working groups focusing on key aspects of capital market development, such as local currency bond markets, sustainable finance, market infrastructure, and digital innovation. These working groups will bring together technical experts from member countries and relevant institutions to discuss specific challenges, develop recommendations, and support the implementation of targeted initiatives. The outputs of these groups will feed into the broader CMDF agenda and inform policy discussions.

29. CMDF will adopt an inclusive approach to stakeholder participation by engaging a wide range of market participants, including stock exchanges, institutional investors, industry associations, and private sector representatives. Development partners and international organizations will also be invited to contribute to CMDF activities, leveraging their expertise and resources. This collaborative governance structure will help ensure that CMDF remains responsive to market needs and delivers practical outcomes for capital market development across the CAREC region.

## V. ADB's Support to ASEAN Region

30. ADB brings extensive experience in supporting capital market development across Asia and the Pacific, both at the national and regional levels. Initiatives such as the ASEAN+3 Asian Bond Markets Initiative and the development of the AsianBondsOnline platform demonstrate ADB's ability to convene stakeholders, provide high-quality analytical work, and support the implementation of regional reform agendas. In particular, ADB has been a long-standing partner to ASEAN, including through its support to ACMF, where it has contributed to advancing capital market integration through sustained regional technical assistance, policy dialogue, and institutional capacity building. ADB's engagement has focused on strengthening the effectiveness of ACMF as a regional cooperation mechanism, including support for strategic planning, coordination across regulators, and the implementation of agreed regional priorities through targeted technical assistance, most recently under TA 9924REG.<sup>2</sup> ADB also provides ongoing support to associated ASEAN regional institutions, including the ASEAN Taxonomy Board, to help ensure the effective development and implementation of regional frameworks.

31. Since its establishment in 2004, ACMF ([www.theacmf.org](http://www.theacmf.org)) has served as a regional platform for cooperation among ASEAN capital market regulators, with a focus on practical market-development outcomes. ACMF has developed regional frameworks aimed at reducing regulatory fragmentation and facilitating cross-border capital flows, while allowing countries to progress at different stages of market development. These include common approaches to sustainable finance taxonomies (specifically the ASEAN Taxonomy), green, social, sustainability, and sustainability-linked (GSS+) bond standards, transition finance guidance, and tools on corporate governance and disclosure. ADB has supported ACMF throughout this process through technical assistance, policy dialogue, and transaction-level advisory work.

32. For participating countries, these frameworks have contributed to tangible market outcomes. ASEAN-aligned bond standards have helped issuers access a broader pool of institutional investors, supported the development of local-currency bond markets, and facilitated issuance for sustainable infrastructure and climate-related investments. To date, over \$100 billion in GSS+ bonds have been issued in ASEAN markets under ACMF-aligned GSS+ standards. In parallel, the ASEAN Taxonomy for Sustainable Finance, co-developed with support of ACMF, has gained international recognition and has been referenced by other taxonomies and frameworks globally, positioning it as among the most influential sustainable finance taxonomies worldwide. At the same time, ACMF has supported regulatory capacity building and institutional coordination, helping create the conditions for scaling up capital-market-based financing alongside bank lending. These experiences offer relevant lessons for CAREC economies seeking to deepen domestic capital markets, attract long-term investors, and link national reforms to regional investment opportunities.

## VI. ADB Technical Assistance Support

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<sup>2</sup> ADB. 2019. [\*Promoting an Interconnected, Inclusive, and Resilient Association of Southeast Asian Nations Capital Market\*](#). (TA 9924-REG)

33. The establishment of CMDF will be implemented through ADB's technical assistance TA 6716: Supporting Capital Market Development and Reform in Developing Asia (Phase 1).<sup>3</sup> The technical assistance will play an important role in translating the CMDF concept into a fully functional regional mechanism by supporting its design, initial rollout, and early-stage activities. ADB will also provide support to CAREC Secretariat. Activities will be implemented through the technical assistance over the period 2026–2030, in close coordination with CAREC member countries, development partners, and relevant international organizations.

34. The technical assistance supported activities are organized around three focus areas: (i) the first output of the technical assistance will focus on institutional setup and operationalization of the CMDF; (ii) the second area of support will be the development of a regional capital market development initiative; and (iii) the third area of support is knowledge generation, capacity building, and peer learning activities under CMDF. Key activities are:

35. **Component 1. Institutionalization of the CAREC CMDF**

- Establish CMDF as a regular regional forum with an agreed governance and operational framework.
- Establish a governance arrangement for the CMDF, including chairmanship and secretariat structure, to provide strategic guidance and continuity of engagement.
- Establish working groups to focus on capital markets regulatory frameworks, market infrastructure, and other key topics.
- Convene periodic CMDF meetings, aligned with CAREC-related events.

36. **Component 2. Regional Initiatives**

- Prepare a CAREC Sustainable Capital Market Roadmap outlining diagnostic assessments, regional priorities, reform sequencing, and capacity-building needs.
- Conduct a regional mapping and comparative assessment of existing national taxonomies in CAREC countries.
- Develop a draft CAREC regional sustainable finance taxonomy aligned with international best practices and interoperable with major global taxonomies.
- Support convergence of securities regulation and sustainability disclosure frameworks across CAREC markets.
- Identify or support an online platform to consolidate and disseminate CAREC capital market data and knowledge.

37. **Component 3. Knowledge Sharing and Capacity Building**

- Organize regional forums, seminars, and workshops on capital market development and sustainable finance.
- Launch an ACMF–CMDF Knowledge Series to enable structured exchange with the ACMF, drawing on ASEAN experience with green bond standards, taxonomies, and disclosure frameworks.
- Facilitate targeted engagements with international standard setters and organizations, including IOSCO and the ISSB, to enhance awareness and implementation of global regulatory and sustainability standards.
- Prepare analytical reports, policy briefs, and comparative studies on key capital market development topics.

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<sup>3</sup> ADB. 2020. [Technical Assistance for Supporting Capital Market Development and Reform in Developing Asia \(Phase 1\)](#). (TA 6716-REG)

## VII. Implementation Timeline of Key Activities

Key Activities	2026	2027	2028	2029	2030	Outputs
<b>Component 1: Institutionalization of CMDF</b>						
1.1. Establish CMDF governance and operational framework	Design and launch		Full functioning			CMDF governance framework endorsed
1.2. Establish Secretariat arrangements	Design and operationalize		Full functioning			Secretariat operationalized
1.3. Establish thematic working groups	Design	Launch	Full functioning			Working groups established and active
1.4. Convene CMDF meetings (aligned with CAREC events)	Inaugural meeting	Second meeting	Regular meetings			Regular CMDF meetings held annually/biannually
<b>Component 2: Regional Initiatives</b>						
2.1. CAREC Sustainable Capital Market Roadmap	Diagnostics initiated	Draft roadmap	Finalization	Implementation		Roadmap completed and endorsed
2.2. Regional taxonomy mapping (CAREC countries)		Data collection	Validation			Comparative taxonomy assessment completed
2.3. Draft CAREC sustainable finance taxonomy		Consultation	Initial drafting	Finalization	Updates	Draft and final CAREC taxonomy produced
2.4. Convergence of disclosure and securities frameworks		Technical work initiated	Policy dialogue	Pilot alignment	Scaling	Policy recommendations on harmonization developed
2.5. Online platform for data and knowledge		Concept design	Development	Launch	Expansion	Online platform operational
<b>Component 3: Knowledge Sharing and Capacity Building</b>						
3.1. Regional forums, seminars, workshop	Planning	Launch of events	Regular program			Regular regional knowledge events conducted
3.2. ACMF-CMDF Knowledge Series		Launch	Ongoing exchanges			Knowledge series institutionalized
3.3. Engagement with IOSCO, ISSB		Structured engagement	Deepened cooperation			Structured engagement program established
3.4. Analytical reports, policy briefs, studies	Scoping	Initial outputs	Regular production			Regular publication of knowledge products