



Central Asia Regional Economic Cooperation Program

DEVELOPMENT EFFECTIVENESS REVIEW **2015**



The CAREC Program

Established in 2001, the Central Asia Regional Economic Cooperation (CAREC) Program is a committed partnership of 10 countries:

- Afghanistan
- Azerbaijan
- People's Republic of China
- Kazakhstan
- Kyrgyz Republic
- Mongolia
- Pakistan
- Tajikistan
- Turkmenistan
- Uzbekistan.

It is supported by six multilateral institutions:

- Asian Development Bank (ADB)
- European Bank for Reconstruction and Development
- International Monetary Fund
- Islamic Development Bank
- United Nations Development Programme
- World Bank.

The CAREC program works to create a dynamic network of multimodal transport corridors that open up economic opportunities and intercontinental trade, building a global future for Eurasia. CAREC builds transport infrastructure, and moves people, goods, and vehicles across borders faster and at less cost by modernizing customs procedures, removing bottlenecks at borders, and simplifying trade. It also works to ensure energy security and efficiency and to promote energy trade. *CAREC 2020: A Strategic Framework for the Central Asia Regional Economic Cooperation Program 2011–2020* is guiding the partnership through its second decade of project implementation, with the primary goal of increasing trade and competitiveness.

The development effectiveness review (DEfR) monitors and reports on progress made each year toward achieving the goals originally defined in the Central Asia Region Economic Cooperation Comprehensive Action Plan from 2006, which were recast into a more focused set of objectives in CAREC 2020. The DEfR gauges the program’s accomplishments by using quantitative indicators and qualitative information. It also describes the challenges faced and highlights opportunities for complementary work among sectors.

This brochure summarizes CAREC’s achievements from 2015 and its priorities for 2016 and beyond. The sector reports contain detailed information on results based on what has been done (interventions), what has been delivered (outputs), how the beneficiaries have used the outputs (outcomes), and what all of these elements have contributed to the region (impacts).

CAREC Portfolio Up to 2015

CAREC operations, represented by the volume of loans and grants that were approved from 2001 to 2015, grew to \$27.7 billion covering 166 projects (Table 1).

Table 1: Growth in CAREC Operations, 2006–2015

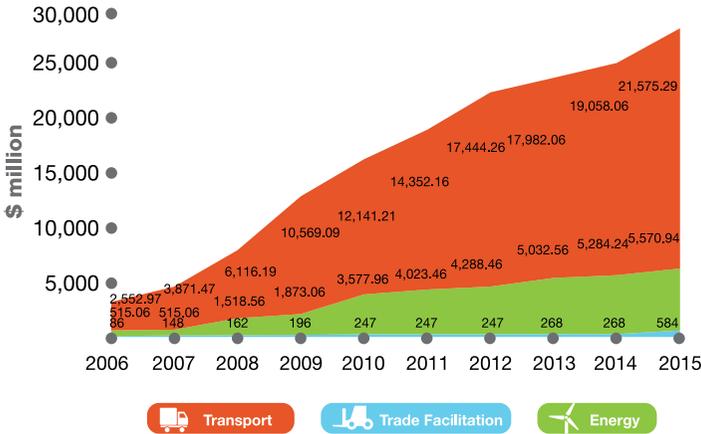
Indicator	2006 (Baseline Value)	2012	2013	2014	2015
Volume of approved investment projects, cumulative since 2001 (\$ million)	3,153	21,980	23,283	24,610	27,730
Number of approved investment projects, cumulative since 2001	41	136	147	156	166

Source: CAREC Program Portfolio

The bulk of CAREC investments was in transport, where this reached \$21.6 billion (78%), followed by energy, which received \$5.6 billion (20%). Trade facilitation or trade policy projects, which do not typically require substantial capital outlays, totaled \$584 million (2%). This distribution is depicted in Figure 1, while the number of projects is shown in Figure 2.



Figure 1: Sectors of Engagement in CAREC Operations
(cumulative volume)



Source: CAREC Program Portfolio

Figure 2: Sectors of Engagement in CAREC Operations
(cumulative number of projects)



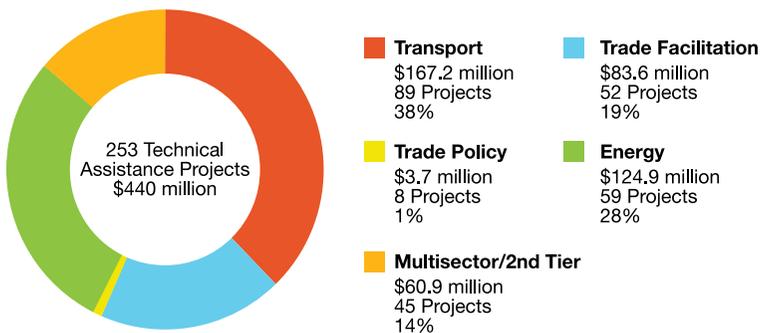
Source: CAREC Program Portfolio.

Of the \$27.7 billion investment, the 10 CAREC member countries financed \$6.9 billion (25.1%); ADB, \$9.8 billion (35.5%); World Bank, \$5.9 billion (21.5%); European Bank for Reconstruction and Development, \$1.6 billion (5.8%); and Islamic Development Bank, \$1.4 billion (5.0%). Other development partners provided \$1.9 billion (7.0%).

Of the 166 CAREC investment projects, by the end of 2015, 69 were completed, with a combined value of \$5.5 billion or 20% of the total committed resources. In the transport sector, 43 projects were completed out of 112; in energy, 16 out of 39; and in trade facilitation, 10 out of 15. Three ADB-supported projects were closed in 2015. Afghanistan, Azerbaijan, Kazakhstan, and Uzbekistan together received 78% of CAREC investments over the 15-year period.

From 2001 to 2015, CAREC implemented 253 technical assistance projects worth \$440 million (Figure 3) in priority and second-tier sectors. Of the total amount, CAREC member countries provided 23%; ADB, 32%; CAREC multilateral partners, 8%; and other development partners, 37%.

Figure 3: Technical Assistance Activities, 2001–2015



Note: Priority areas are transport, energy, and trade. Indicative second-tier areas are communicable disease control, agriculture, disaster risk management, and climate change adaptation and mitigation, which relate to the social impacts of trade expansion and improved competitiveness.

Source: CAREC Program Portfolio.

CAREC Results in 2015

Transport and Trade Facilitation

The goals of the CAREC Transport and Trade Facilitation Strategy 2020 (TTFS 2020) are competitive corridors across the CAREC region; efficient movement of people and goods; and sustainable, safe, user-friendly transport and trade networks.¹

To achieve these, TTFS 2020 seeks to develop a multimodal corridor network comprising roads, railways, multimodal logistics hubs, and border crossings; improve trade and border-crossing services through customs reforms and modernization, coordinated border management, development of national single windows (i.e., that allow traders to submit information just once via a single portal to fulfill import- and export-related regulatory requirements), and integrated trade facilitation; and improve operational and institutional effectiveness to support better road maintenance, road safety, and seamless rail connections through improved policies and institutions.

In 2015, the multimodal corridor network continued to be developed with 13 transport subsector projects in progress, consisting of 2 ports, 2 logistics centers, 3 border-crossing points, and 6 related to civil aviation. Through these projects

- 809 kilometers (km) of expressways or national highways were built or improved, bringing the cumulative progress to 7,229 km, 93% of the total 7,800 km corridor length targeted under TTFS 2020;
- 140 km of railways were improved; and
- 77% of the cumulative proportions of total CAREC road corridors were in good condition.²

¹ The CAREC Program and ADB. 2014. *CAREC Transport and Trade Facilitation Strategy 2020*. <http://www.adb.org/documents/carec-transport-and-trade-facilitation-strategy-2020>

² The total road corridor network will be an estimated 29,350 km by 2020. TTFS 2020 aims for at least 70% of this to be built or improved by 2020. This may overstate overall road conditions due to ongoing deterioration on some road sections that were rated to be in good condition as of 31 December 2007.

Completed North–South Corridor Links Mongolia with Trading Partners

An underdeveloped road network characterized transport in Mongolia in 2004, confining movements to the north–south railway line between the northern border with the Russian Federation at Sukhbaatar and the southern border with the People’s Republic of China near Zamyn-Uud, with access to international markets only through a port at Tianjin. Previous Asian Development Bank support had paved road sections along the north–south corridor linking Altanbulag at the Russian Federation border with Ulaanbaatar, and extending the corridor south to the border with the People’s Republic of China. The Regional Road Development Project sought to further raise transport efficiency and safety on the north–south corridor by completing the first modern road between Mongolia’s economic centers and its trading partners, complementing the earlier improvement.

Formulated in accordance with Mongolia’s road sector strategy, the project constructed a 427-kilometer paved road between Choir and the border with the People’s Republic of China near Zamyn-Uud. The Government of Mongolia also introduced the Transit Mongolia National Program, under which a transit traffic framework agreement with the People’s Republic of China and Russian Federation was drafted, regulations for cross-border vehicles were established, greater access of Mongolian vehicles to the People’s Republic of China was negotiated, vehicle fees were collected for road maintenance, and vehicle weight control was enforced. To enhance road safety, the project installed safety features on the Ulaanbaatar–Altanbulag section, conducted a road safety audit, and procured patrol vehicles equipped with breath analyzers for alcohol and speed monitors. To develop the area, four access roads were built at Erdene, Orgon, and Sainshand, and local laborers were trained on road construction and maintenance. Technical assistance was also provided to mitigate the risks of HIV/AIDS transmission and human trafficking on the corridor.



The project was Mongolia's highest-priority transport project. The paved road replaced earth tracks, reducing travel time by 60% and vehicle operating costs by 45%. Vehicles increased by more than 40% within 4 months alone. It enabled access to markets and other socioeconomic activity centers; cross-border trade through Zamyn-Uud increased from \$143 million in 2007 to \$1.4 billion in 2013; and better connectivity increased herd numbers in the area, contributing to overall socioeconomic development. Revenue of Dornogovi Province grew from MNT2 billion (about \$979,000) in 2005 to MNT34 billion (about \$16.6 million) in 2013. At the same time, road deterioration was minimized by restrictions on overloaded vehicles, and the equipment procured made traffic police more capable and responsive. The project also provided direct employment equivalent to 6,000 labor-months.

Source: Asian Development Bank. 2015. *Completion Report: Regional Road Development Project in Mongolia*. Manila.

Furthermore, the CAREC Transport Sector Work Plan 2015–2017, endorsed by CAREC member countries at the 14th Transport Sector Coordinating Committee (TSCC) Meeting in April 2015, detailed aspects of TTFS 2020 implementation in the areas of road safety, road asset management, transport facilitation, and railways.³

- Toward road safety, CAREC member countries delivered the Commitment to Road Safety at the 14th CAREC Ministerial Conference in September 2015, signifying strong high-level political support for making CAREC corridors safer. The CAREC Road Safety Strategy is now being prepared based on in-country consultations and regional workshops.
- For road asset management, a dedicated workshop was conducted in April 2015, where CAREC member countries reconfirmed the importance of high-level political support for road asset management, and good practice on road asset management was shared. Building on this meaningful exchange, the TSCC endorsed producing a compendium of good practices on road asset management. The production of this compendium is now underway, together with a more specialized knowledge product that offers practical guidance to CAREC member countries on how performance-based road management contracts can be utilized to support sound road asset management.

³ The CAREC Program. 2015. *CAREC Transport Sector Work Plan 2015–2017*. http://www.carecprogram.org/uploads/events/2015/025-NFP-Meeting-Mongolia/Key-Documents/02%20Transport%20Draft%20Work%20Plan%202015_2017.pdf

- For railways, CAREC member countries decided to develop a strategy that will serve as a blueprint for addressing challenges and maximizing the contribution of railways to sustained economic growth. Following decisions at the TSCC, the Railway Working Group was formed to guide the development of this strategy. The first meeting of the working group took place in Tokyo in November 2015, which shared the main issues facing railways in the CAREC region, reviewed progress toward development of the CAREC railway strategy, and agreed on priority actions moving forward for the full development of the strategy.
- Cross-border transport facilitation received a significant boost with the accession of Pakistan to the *Transports Internationaux Routiers* (TIR) Convention, making it the ninth CAREC member country to participate in the arrangement. Pakistan is currently preparing its TIR customs transit guarantee system for full operation.
- The contracting parties of the Quadrilateral Traffic in Transit Agreement (QTTA)—the People’s Republic of China, Kazakhstan, Kyrgyz Republic, and Pakistan—agreed to resume operations under the QTTA during workshops organized by CAREC. The completed new alignment of Karakoram Highway in Pakistan reopened the corridor for transit operations. Accession of Pakistan to the TIR Convention and the expected accession of the People’s Republic of China in 2016 will attract additional traffic volumes to the corridor.

Trade facilitation results, which improved in 2015, are analyzed in the 2015 CAREC Corridor Performance Measurement and Monitoring Annual Report.

- Time taken to clear a border-crossing point shortened to 13.1 hours in 2015 from 14.1 hours in 2014. The drop in travel time by rail was significant, from 32.6 hours in 2014 to 27.4 hours in 2015 on average, compared to that by road, which fell from 9.9 hours to 9.3 hours. Train delays were mainly due to waiting for reloading, while customs inspection was the main reason cited for truck delays.
- Cost of border-crossing clearance dropped to \$161 in 2015 from \$172 in 2014. Clearance of road transport became cheaper by 16%, from \$177 to \$149, in contrast to costs for rail, which rose by 40%, from \$148 to \$208. The former was due to automation and border cooperation, while the latter arose from fees associated with the transfer of goods due to a gauge change.



- Speed of travel on a 500 km CAREC corridor section rose from 20.8 km per hour in 2014 to 21.1 km per hour in 2015. Train travel speed improved by 23% from 11.4 km per hour to 14.0 km per hour. Trucks only gained 1.3% in speed from 22.9 km per hour to 23.2 km per hour, largely due to border-crossing delays.
- Costs incurred in traveling a corridor section (\$500 per km per 20-ton load) dropped for both transport modes from \$1,360 in 2014 to \$1,323 in 2015. Costs by truck fell slightly from \$1,359 in 2014 to \$1,341 in 2015. Costs by train were reduced from \$1,364 in 2014 to \$1,250 in 2015 on average.

Border-crossing services improved under the CAREC Regional Improvement of Border Services Project, with the modernization of the national single window in the Kyrgyz Republic and test operations of its Tajikistan counterpart. The border-crossing point in Dusti, Tajikistan was physically upgraded as part of the CAREC Corridor 3 Improvement Project, while enhancements to five others are being completed.

The CAREC Common Agenda for Sanitary and Phytosanitary Measures was adopted to advance reforms and make these measures consistent with international standards, and to identify priority investment needs. Modernized sanitary and phytosanitary measures are crucial to ensuring food quality, thereby facilitating trade in agro-food products. A related investment for Mongolia was approved to aid implementation of the common agenda.

CAREC member countries that have yet to accede to the revised Kyoto Convention are completing the requirements with self-assessment tools, while countries that have acceded are preparing gap analyses and action plans to improve compliance. Country workshops on the Authorised Economic Operator program of the World Customs Organization identified steps toward full implementation, and frameworks for customs information exchange and readiness assessment were also developed. These were completed under a regional technical assistance activity on Aligning Customs Trade Facilitation Measures with Best Practice in CAREC.

To prepare for the conduct of time-release studies at selected border-crossing points, customs officials were trained, and national action plans were drafted. Joint customs control at two border-crossing points was piloted, and successful factors were documented. A complementary study to determine the readiness to move from joint customs control to coordinated border management was also completed under a regional technical assistance activity on Coordinated Border Management for Results in CAREC.

Initial steps were taken to facilitate regional transit, with an implementation plan and questionnaires circulated to relevant agencies in CAREC member countries, and a report on transit flows, routes, and composition of transit trade among member countries authored. A risk-based guarantee mechanism is being studied that could support a CAREC regional transit system, the need for which is indicated by current arrangements that include the TIR Convention and bilateral transit agreements. These activities were done under the regional technical assistance activity on Facilitation of Regional Transit Trade in CAREC.

The CAREC Federation of Carrier and Forwarder Associations (CFCFA) continued to be proactive in customs cooperation committee private–public sector initiatives. Deliberations about a CAREC regional transit system, and in particular the CAREC market for cargo insurance, confirmed the critical need for liability insurance.

Energy

The long-term vision for the region’s energy sector is to achieve energy security, integrated energy markets, and energy trade-driven growth. The CAREC energy strategy and work plan, 2016–2020, which was adopted in 2015, sets thematic priorities to develop and invest in priority projects; develop sustainable energy resources; develop capacity, knowledge, and demonstration of technology; establish robust legal and regulatory frameworks for private investments; and support cross-border energy trade.⁴

These priority areas have been translated into six elements of action: developing the East Central Asia–South Asia Regional Energy Market (E-CASAREM), promoting regional electricity trade and harmonization, managing energy–water linkages, mobilizing financing for priority projects, building capacity and knowledge management, and promoting and prioritizing clean energy technologies.

⁴ The CAREC Program. 2015. *Strategy and Work Plan (2016–2020) for Regional Cooperation in the Energy Sector of CAREC Countries*. <http://www.carecprogram.org/uploads/events/2015/027-SOM-September/Key-Documents/2015-SOM-September-Energy-Strategy-Draft.pdf>. This was approved at the CAREC Senior Officials’ Meeting in September 2015. It maintains the three components of the 2008 strategy, with stronger links with the work plan and focus on policy measures that are relevant to current country challenges and priorities.



In 2015, the CAREC Energy Sector Coordinating Committee undertook initiatives to align the strategies of the region's energy sector with global megatrends, reduction in renewable energy prices, and international commitments to take action on climate change. Key outcomes include

- establishing the need to diversify from fossil fuel dependency and consider options to integrate renewable energy, energy efficiency, and other new technologies in country development plans;
- enhancing the capacity of committee members to engage in climate change and related technology discussions through specific training on regulation, forecasting, off-grid DC solar systems, and storage;
- obtaining value-added findings from studies on climate change vulnerability and a financing road map; and
- making significant progress on energy projects to expand the regional energy market and contribute to economic diversification.

Based on data received from Azerbaijan, Mongolia, and Uzbekistan, the completed projects contributed to the long-term vision of the regional energy sector by delivering

- 923.1 km of installed or upgraded transmission lines,
- 136.3 megawatts of increased energy generation capacity,
- 65 megawatts of rehabilitated generation capacity,
- 429.1 megavolt amperes of installed new substations, and
- 351.1 megavolt amperes of upgraded substations.

Initiatives to develop the E-CASAREM also progressed. Contracts were awarded for the Turkmenistan–Afghanistan interconnection under the Turkmenistan–Uzbekistan–Tajikistan–Afghanistan–Pakistan (TUTAP) electricity project. Progress was made on planning for a natural gas pipeline in Turkmenistan, Afghanistan, Pakistan, and India, for which ADB has served as the secretariat since 2003 and transaction advisor since 2013.

The CAREC Power Sector Financing Road Map, which is under preparation, includes an assessment of regional power sector investment and development plans, legal and institutional frameworks, financing sources for power projects, and potential public–private partnership projects. The list of priority investments is still, however, being finalized.

Studies, training, and workshops were undertaken as part of capacity development and knowledge-sharing activities. Regional power trade development in Central Asia is being studied to evaluate power market models, pricing rules, and tariff regulation mechanisms in the power sector and to analyze existing power sector agreements in the region, including infrastructure projects, transboundary trade arrangements, and good practice for establishing power markets.

An energy vulnerability to climate change study was also initiated, which will help CAREC member countries understand and build resilience to energy sector vulnerabilities due to climate change. Using hydrologic and economic models, it will consolidate a vulnerability assessment of the impact, risks, and adaptive capacity of the energy sector. The results will guide investments in power sector assets and regional coordination for effective climate change adaptation.

In addition, energy–water modeling training was conducted, and a Central Asia energy–water knowledge data portal and network was established.

Finally, a workshop and training sessions on new technologies for energy efficiency in Tokyo and participation in an international exhibition in Kuala Lumpur led to the formulation of proposed pilot projects for new technology in off-grid solar kits, public lighting, and electric vehicles.

Trade Policy

The CAREC Program has adopted an open economy model of growth to achieve its strategic objectives. The Trade Policy Strategic Action Plan, 2013–2017 aims for accession to the World Trade Organization (WTO), greater trade openness with simplified trade taxes and eliminated quantitative restrictions, reducing the trade-impeding impact of technical regulations and sanitary and phytosanitary measures, expanded trade in services, and capacity building and knowledge sharing on trade issues.⁵

⁵ The CAREC Program. 2013. *Trade Policy Strategic Action Plan for 2013–2017*. http://www.carecprogram.org/uploads/events/2013/SOM-Oct-KAZ/002_107_212_Trade-Policy-Strategic-Action-Plan.pdf



Indeed, at least eight CAREC member countries have eliminated or incorporated all import taxes and fees into tariffs,⁶ reduced average tariffs to 10% or less, capped tariffs at 20%, eliminated or converted quantitative import restrictions into tariffs, and formally acknowledged the importance of the WTO sanitary and phytosanitary and technical barriers to trade agreements. Five member countries eliminated all remaining discrepancies between taxes applied to domestic production and imports.

Kazakhstan became a member of the WTO in November 2015, while the Kyrgyz Republic joined the Eurasian Economic Union in August 2015. Afghanistan's WTO membership terms were approved at a special ceremony in December 2015 at the WTO Tenth Ministerial Conference; while its Parliament ratified the Protocol of Accession on 18 June 2016. The People's Republic of China also ratified the WTO Trade Facilitation Agreement on 4 September 2015.

Knowledge sharing and capacity building deepened during the TPCC meetings as well. The World Bank presented an analysis of trade in services in Kazakhstan, showing that the success of the country's services exports lies in its high quality and low cost, and that the quality of human capital, infrastructure, and regulations and institutions are key to the strength of these exports. ADB presented the Common Agenda for Modernizing Sanitary and Phytosanitary Measures. Roundtable discussions dealt with the challenges of implementing the Trade Policy Strategic Action Plan and the role of development partners, while several international institutions provided a list of their capacity-building activities in the region.

Economic Corridor Development

The Almaty–Bishkek Corridor Initiative (ABCI) has progressed since the memorandum of understanding was signed by both city administrations in November 2014 to develop the economic corridor and to increase economic activity aimed at creating jobs, diversifying the economy, and promoting sustainable development. Technical and economic analyses were completed in the priority areas of education, health, agriculture and agribusiness, tourism, and disaster risk management for corridor development, use of information and communications technology across these sectors, and how these could contribute to corridor development.

⁶ The CAREC Program. 2015. Trade Policy Sector Progress Report and Work Plan. <http://www.carecprogram.org/uploads/events/2015/027-SOM-September/Reports/2015-SOM-September-Reports-TRADE-POLICY.pdf>

Two ABCI joint working group meetings were conducted in 2015. A meeting in Bengaluru focused the scope of future work on special economic zones and industrial parks, and the use of information and communications technology across all ABCI sectors. At the meeting in Madrid, participants looked at urban transformation; discussed sector reports on education, agriculture and agribusiness, tourism, and disaster risk management; and noted the need to look more deeply into initiating spatial planning techniques into the ABCI.

CAREC Institute

The physical base of the CAREC Institute was inaugurated in March 2015 in Urumqi, Xinjiang Uygur Autonomous Region, People's Republic of China, and a full management team was brought on board. The CAREC Institute provides knowledge support to CAREC member countries and sector coordinating committees as they build up capacity toward enhanced economic and trade cooperation in the region. In conjunction with the launching of its physical base, the institute co-organized, with the ADB Institute, a training workshop for government officials on global value chain and economic corridor development. It also conducted workshops on its program and partnerships, small and medium-sized enterprise development and economic growth, a regional economic cooperation database, and computable general equilibrium modeling. With ADB, it organized a workshop on sanitary and phytosanitary modernization, as well as the second technical consultation on the QTTA.

Contributions to Knowledge

The CAREC Program continues to generate knowledge through research and analyses, and provide knowledge services such as training and capacity-building workshops, exchange of information, electronic platforms, and other means.

Knowledge Generation: Analyses

- *CAREC Development Effectiveness Review 2014 (January 2016)*. This publication describes CAREC operations and achievements in 2014 in pursuit of CAREC 2020, as well as priorities for 2015 and beyond that will improve the program's effectiveness.



- *CAREC Corridor Performance Measurement and Monitoring Annual Report* (May 2015). This report records and analyzes time and cost data of actual commercial shipments from origin to destination, including border-crossing point performance. A total of 2,784 samples were collected in 2015, with the support of 12 partners in 8 countries (Afghanistan, People's Republic of China, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan).
- *Climate Proofing ADB Investment in the Transport Sector: Initial Experience* (January 2015). This document demonstrates experiences gained in transport investments, including in Uzbekistan and Inner Mongolia in the People's Republic of China, that integrate climate resilience, and identifies opportunities to mainstream climate risk management in such projects.
- *Together We Deliver 2014: From Knowledge and Partnerships to Results* (April 2015). This document illustrates how innovation and partnerships can solve development challenges by examining the impact of ADB projects on people's lives in several countries including Mongolia, Pakistan, and Tajikistan.
- *Kazakhstan Trade Report: Improving the Trade Policy Framework* (June 2015). In this document, the World Bank examines Kazakhstan's trade performance since 2011, the consequences of adopting the Russian WTO accession tariff schedule, sources of intermediate imports, and whether to pursue free trade agreements after WTO accession.
- *Reforming the Financing System for the Road Sector in the People's Republic of China* (August 2015). This report provides policy recommendations to enhance the sustainability of road sector financing and delivery of programs for ordinary roads, in relation to the 2009 Fuel Tax Reform that has been effective in centralizing revenue collection and enhancing the ability of the central government to influence road planning and policy due to its new role as the main source of funding for ordinary roads.
- *Improving Energy Efficiency and Reducing Emissions through Intelligent Railway Station Buildings* (September 2015). This document supports the national carbon emission reduction plan in railway stations in the People's Republic of China by analyzing energy-saving measures used by international railway buildings, proposing feasible energy-saving solutions for domestic railway stations, and recommending carbon emission-reduction measures and an action plan based on market mechanisms that enables further research and practice.

- *From Landlocked to Linked In: The Central Asian Regional Economic Cooperation Program* (September 2015). This is the third edition of the monograph that describes the CAREC Program and how its various initiatives in transport, trade facilitation, trade policy, and energy have affected the lives of people in the region.

Knowledge Services: Training

A total of 897 persons (1,832 person-days) took part in 22 CAREC-supported workshops and other knowledge-sharing events in 2015 (Figure 4).

Figure 4: Training Programs and Total Training Days, 2009–2015



Source: CAREC Program Portfolio.

Knowledge Management: Outreach

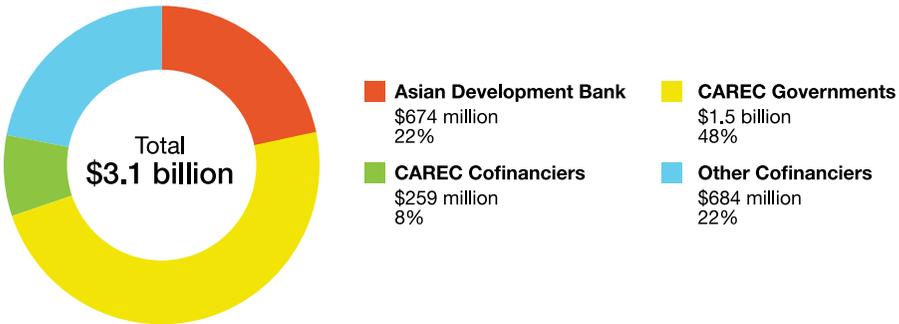
News about CAREC was circulated electronically in 39 weekly updates through the CAREC e-Alert newsletter. CAREC events and projects were also reported 342 times in various English-language periodicals covering the region, a considerable increase from 272 times in 2014. About 75 media organizations produced the reports, including business newspapers such as *Islamic Finance News*, news agencies such as ASIA-Plus, ENP Newswire, ForeignAffairs.co.nz, M2 PressWIRE, Pakistan Press International, Xinhua, various national dailies, and assorted regional media groups. Sixteen short videos and three photographic essays were produced in 2015, describing CAREC in member countries, sector work, or special projects such as railroads in Azerbaijan, Caspian Sea energy resources, or urban heating options in the Kyrgyz Republic. The CAREC website (<http://www.carecprogram.org>) continued to be the repository of all information about the program.



Resource Mobilization

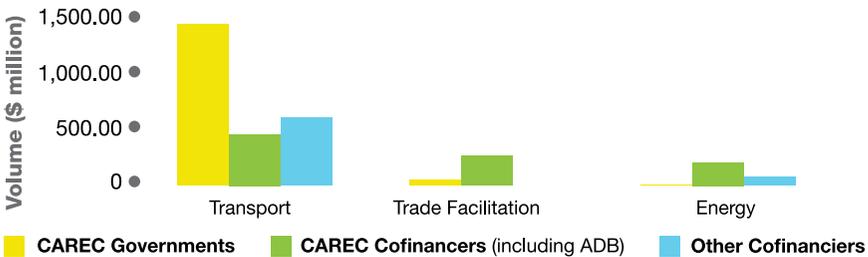
Financing sources for newly approved investments in 2015 are shown in Figures 5 and 6. Uzbekistan contributed \$1.1 billion, or one-third of the total, for railways alone. ADB and other cofinanciers provided similar volumes of funding, the former supporting all three sectors with \$674 million, and the latter’s \$684 million going mainly toward transport.

Figure 5: Loans and Grants Approved in 2015, by Financing Source



Source: CAREC Program Portfolio

Figure 6: Loans and Grants Approved in 2015 by Sector

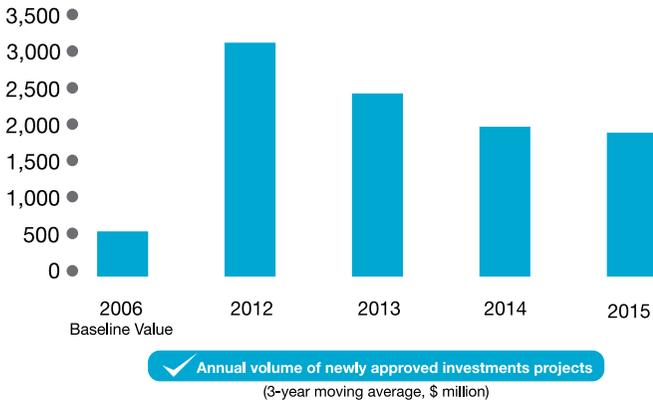


Source: CAREC Program Portfolio.

Technical assistance in support of CAREC operations grew by 46% from the previous year’s total, with 10 projects equivalent to \$22.6 million approved in 2015. Seven were in transport (\$21.6 million), and one each in trade facilitation, energy (\$0.8 million), and multisector/second tier (\$0.2 million).

The amount of funds mobilized annually for investments is monitored using the 3-year moving average in Figure 7. This figure enables CAREC partners to analyze trends relative to financing opportunities and priorities. The indicator tapered further in 2015, despite the expansion in annual volume between 2014 and 2015.

Figure 7: Finance Mobilization, 3-Year Moving Average



Note: Figures that appeared in previous development effectiveness reviews have been adjusted to reflect updated project information. The figure for 2006 reflects data for 2004–2006, 2012 for 2010–2012, and so on.

Source: CAREC Program Portfolio.

CAREC Priorities for 2016

A summary of the priority actions in each sector to expand trade and improve competitiveness follows.

Transport and Trade Facilitation

- Continue implementing the transport sector work plan, 2015–2017 and mainstreaming priority projects into national development plans of CAREC member countries.
- Fully implement two technical assistance projects that support TTFS 2020, Knowledge Sharing and Services in Transport and Transport Facilitation (TA 8789-REG) and Enhancing Road Safety for CAREC Member Countries (TA 8804-REG). Process follow-up technical



assistance and regional investment projects, especially in road safety, road asset management, regional transit facilitation. Continue development of the geographic information systems (GIS) database to track implementation.

- Continue addressing key nonphysical barriers to cross-border transport and implementing the endorsed approach to corridor-based transport facilitation arrangements. Ensure that regional projects, such as for cross-border facilities, are developed in a collaborative manner. Strengthen cross-country dialogue and coordination among CAREC bodies and among stakeholders to support transport and trade facilitation. Commence implementation of the Regional Improvement in Border Services projects in Mongolia and Pakistan.
- Discuss the CAREC 2020 midterm review, and determine further necessary actions to fully implement TTFS 2020.
- Launch the Common Agenda for Sanitary and Phytosanitary Measures, and develop regional technical assistance projects with agriculture sector experts to support its execution. Implement the Mongolia Regional Upgrading of Sanitary and Phytosanitary Measures for Trade (RUST) project.
- Continue implementation of three regional technical assistance projects on aligning customs trade facilitation measures with best practice, coordinated border management for results, and regional transit trade, including customs guarantee mechanism.
- Expand corridor performance measurement and monitoring to cover rail transport; logistics services provision; and corridor segments in Azerbaijan, Kazakhstan, Pakistan, and Turkmenistan. Disseminate the data analysis more broadly, and widen its use as a policy-development and decision-making tool.
- Conduct further consultations on the financing of projects, with increased focus on private sector participation, and intensify efforts to mobilize more resources from cofinanciers.
- Formulate and deliver training workshops to implement TTFS 2020. Conduct capacity-building programs designed with the CAREC Institute and ADB Institute on time-release studies, accession to and compliance with the revised Kyoto Convention, and risk management.

Energy

- Implement the energy work plan, 2016–2020, and identify new areas in existing elements that will support the achievement of the region's energy sector vision and address the threats of climate change.

- Introduce new technology areas to encourage diversification and support energy security complemented by capacity-building initiatives.
- Develop and implement projects to encourage regional energy trade.
- Establish aggregated markets through the demonstration of sustainable new technology projects and standards to support technology leapfrogging.

Trade Policy

- Deepen implementation of the updated trade policy strategic action plan to ensure sufficient progress in trade liberalization, including improvements in the institutional environment for trade. Periodically monitor and report on progress made under the updated strategic action plan to reflect actions made by CAREC member countries in line with the targeted implementation date.
- Continue promoting the WTO Accession Knowledge Sharing Program. Closely collaborate with WTO's Institute for Training and Technical Cooperation to ensure its active participation in CAREC's capacity-development activities and CAREC member countries' participation in such training activities.

Economic Corridor Development

- Undertake further analytical work in logistics and trade-related infrastructure, coordinated spatial planning for urban development, and technical and vocational education and training for the ABCI.
- Develop the ABCI framework, which will be presented at the 15th CAREC Ministerial Conference in October 2016, to comprise investment and nonlending projects for economic corridor development, emphasizing public and private investments and public-private partnerships.

CAREC Institute

- Conduct demand-driven learning programs, and initiate a research program with policy and program recommendations.
- Formulate a capacity development program with operational details for 2017–2018.



CAREC Results Framework, January–December 2015

Strategic Objectives		Expanded Trade and Improved Competitiveness		
Regional Impact		<p>Investments reached a cumulative total of \$27.7 billion, an increase of 12.7% over the 2014 total. The number of projects grew to 166, or 6% more than in 2014. These and other interventions contributed to the strategic objectives, which are assessed through evidence on five indicators at the regional level. Intraregional trade as a proportion of total CAREC trade rose to 7.92% (2015) from 6.49% (2014) primarily due to a drop in exports and imports to the world in 2015, although trade across CAREC member countries remained more or less at the same levels compared to earlier years. Trade openness or trade as a proportion of gross domestic product (GDP), declined to 60.6% in 2014 from 66.7% in 2013. Logistics Performance Index, which assesses six dimensions (efficiency of customs, quality of transport infrastructure, ease of arranging competitively priced international shipments, logistics competence, ability to track and trace consignments, and timeliness of shipments) every 2 years, was reduced to 2.39 (2016) from 2.43 (2014) on a scale of 1–5 (does not include Azerbaijan). Foreign direct investments as a percentage of GDP fluctuated downward, settling at 3.6% in 2014.</p>		
Sector Outcomes	Transport and Trade Facilitation	Energy	Trade Policy	
<p>Competitive corridors established across CAREC region.</p> <p>By 2020, intraregional trade value should increase five times over the 2005 baseline of \$8.0 billion. In 2015, the figure was \$20.4 billion.</p> <p>By 2020, speed with delay to travel 500 kilometers (km) on a CAREC corridor section should increase by 30% to 30.0 km per hour</p>	<p>Efficient movement of people and goods facilitated through CAREC corridors.</p> <p>Time taken to clear a border crossing: 13.1 hours in 2015 (14.1 hours in 2014).</p> <p>Costs to clear border crossing: \$161 in 2015 (\$172 in 2014).</p> <p>Speed of travel on a 500 km CAREC corridor section: 21.1 km per</p>	<p>Effects of uneven distribution of energy resources among CAREC member countries overcome.</p> <p>Work to develop the East-Central Asia-South Asia Regional Energy Market continued.</p> <p>Existing energy interrelationships optimized.</p> <p>Analysis to promote power trade</p>	<p>Trade and business environment improved.</p> <p>As of 2015, a majority of CAREC member countries had reduced tariffs, and eliminated or tariffed quantitative restrictions and miscellaneous taxes on imports.</p>	

	Transport and Trade Facilitation	Energy	Trade Policy
<p>Sector Outcomes</p>	<p>over the 2010 baseline of 23.5 km per hour. In 2015, the figure was 21.9 km per hour.</p> <p>hour in 2015 (20.8 km per hour in 2014).</p> <p>Costs of traveling a corridor section (per 500 km, per 20-ton load): \$1,323 in 2015 (\$1,360 in 2014).</p> <p>Costs by truck: \$1,359 in 2014 (\$1,341 in 2015).</p> <p>Costs by train: \$1,250 in 2014 (\$1,364 in 2014) on average.</p>	<p>was undertaken.</p>	
<p>Sector Outputs</p>	<p>Multimodal corridor network developed.</p> <p>Expressways or national highways built or improved annually: 809 km in 2015 (1,450 km in 2014).</p> <p>Cumulative proportion of total CAREC corridors in good condition: 77% in 2015 (74% in 2014).</p>	<p>Operational and institutional effectiveness enhanced.</p> <p>Pakistan acceded to the <i>Transports Internationaux Routiers</i> (TIR) Convention, and is preparing its customs transit guarantee system.</p> <p>The Quadrilateral Traffic in Transit Agreement among four CAREC</p>	<p>There are seven World Trade Organization (WTO) members and two observers.</p> <p>Five CAREC member countries eliminated discrepancies between taxes on domestic goods and imports.</p> <p>Eight CAREC member countries eliminated or incorporated import taxes and fees.</p>

Sector Outputs	Transport and Trade Facilitation	Energy	Trade Policy
<p>Railways built annually: 0 km in 2015 (1,036 km in 2014).</p> <p>Railways improved annually: 140 km in 2015 (317 km in 2014).</p>	<p>member countries (People's Republic of China, Kazakhstan, Kyrgyz Republic, and Pakistan) resumed operations.</p> <p>The CAREC Railway Strategy 2030 is being prepared.</p> <p>A workshop on road asset management was held, and a compendium of good practices produced.</p> <p>A geographic information systems (GIS) database on investment projects is in progress.</p>	<p>were rehabilitated, 429.1 megavolt amperes of new substations were installed, and 351.1 megavolt amperes of substations were upgraded.</p> <p>The Central Asia–South Asia Regional Energy Market continued.</p> <p>The use of clean technology energy increased.</p>	<p>Eight CAREC member countries reduced average tariffs to 10%.</p> <p>Eight CAREC member countries capped tariffs at 20%.</p> <p>Nine CAREC member countries eliminated or tariffed quantitative import restrictions.</p> <p>Ten CAREC member countries acknowledged the importance of WTO sanitary and phytosanitary standards and technical barriers to trade agreements.</p> <p>Ten CAREC member countries participated in training and technical assistance for accession, compliance, and alignment of customs procedures with the revised Kyoto Convention.</p>

Sector Investments and Interventions	Transport and Trade Facilitation	Trade Facilitation	Energy	Trade Policy
<p>Forty-three projects for roads and railways and 10 for trade facilitation were completed, and 69 projects for roads and railways and 5 for trade facilitation are ongoing.</p> <p>Thirteen other transport subsector projects are in progress: two ports, two logistics centers, three border-crossing points, and six related to civil aviation.</p>	<p>Knowledge Sharing and Services in Transport and Transport Facilitation (TA 8789-REG), which is developing the CAREC Railway Strategy 2030, exchanging knowledge on road asset management, and developing a GIS database on investment projects.</p> <p>Enhancing Road Safety for CAREC Member Countries (TA 8804-REG) will develop the CAREC road safety strategy, strengthen road management capacities, and integrate road safety evaluation in CAREC road projects.</p> <p>Facilitating Cross-Border Transport in the CAREC Region (TA 8147-REG) was recently completed, supporting the Regional</p>	<p>The CAREC Common Agenda for Sanitary and Phytosanitary Measures was adopted.</p> <p>The Regional Workshop on Strategic Initiatives for Trade Facilitation of the World Customs Organization discussed the implementation of the WTO Trade Facilitation Agreement and its synergy with the revised Kyoto Convention.</p> <p>The CAREC Federation of Carrier and Forwarder Associations (CFCFA) deliberated on a regional transit system and the CAREC market for cargo insurance.</p>	<p>Sixteen energy projects were completed, with 23 projects ongoing.</p> <p>Analyses and databases include the Regional Power Trade Development in Central Asia, to help promote power trade; Energy Vulnerability to Climate Change, to build resilience to vulnerabilities through coordinated adaptation policies; Central Asia energy-water knowledge data portal and network; and technical assistance to develop the CAREC Power Sector Financing Road Map.</p> <p>Capacity building and training on new technologies, energy forecasting, regulation, and off-grid electrification kits were implemented.</p>	<p>Knowledge sharing through training included Strengthening Tajikistan's Trade and Investment Regime (TA 8380-TAJ), and produced policy research and analysis of organizational reforms of the Tajikistan Standards Agency (Tajikstandart), executive training on quality infrastructure reforms, and an international trade and investment conference.</p> <p>Knowledge sharing during Trade Policy Coordinating Committee meetings included analysis of trade in services in Kazakhstan, the CAREC Common Agenda for Sanitary and Phytosanitary Measures, and challenges faced in implementing the strategic action plan.</p>

Sector Investments and Interventions		Transport and Trade Facilitation		Energy		Trade Policy	
		<p>Improvement of Border Services project in the Kyrgyz Republic and Tajikistan.</p> <p>Aligning Customs Trade Facilitation Measures with Best Practice (TA 8585-REG), Coordinated Border Management for Results (TA 8584-REG), and Facilitation of Regional Transit (TA 8586-REG) are also ongoing.</p>					

Implementing Bodies	Transport and Trade Facilitation		Energy	Trade Policy
<p>The CAREC Transport Sector Coordinating Committee and Customs Cooperation Committee jointly implement the CAREC Transport and Trade Facilitation Strategy 2020, which prioritizes multimodal corridor network development, trade and border-crossing improvements, and operational and institutional strengthening. The transport sector work plan, 2015–2017 translated this into a program that focuses on road safety, road asset management, railways, and transport facilitation.</p>	<p>Activities are implemented through cooperation among CAREC member countries, the CAREC Secretariat, and development partners. CAREC member countries are engaged through national focal points. The Customs Cooperation Committee is composed of heads of customs authorities of CAREC member countries.</p>	<p>The Energy Sector Coordinating Committee implements the energy work plan, 2016–2020, which has six elements: develop the East Central Asia–South Asia regional energy market (E-CASAREM), promote regional electricity trade and harmonization, manage energy–water linkages, mobilize financing for priority projects, capacity development and knowledge management, and promote and prioritize clean energy technologies.</p>	<p>The Trade Policy Coordinating Committee oversees the activities under the trade policy strategic action plan, 2013–2017, which aims for accession to WTO, greater trade openness with simplified trade taxes and eliminated quantitative restrictions, reducing the trade-impeding impact of technical regulations and sanitary and phytosanitary measures, expanded trade in services, and capacity building and knowledge sharing on trade issues.</p>	

Central Asia Regional Economic Cooperation Program Development Effectiveness Review 2015

This Central Asia Regional Economic Cooperation (CAREC) Program Development Effectiveness Review is the sixth annual consolidated picture of progress made by country and multilateral institution partners of CAREC toward economic development through regional cooperation. It measures the performance of CAREC projects and initiatives in transport, trade, and energy during 2015; highlights achievements; identifies areas for improvement; and proposes actions to meet emerging challenges and assist in strategic decision making.

About the Central Asia Regional Economic Cooperation Program

The CAREC Program is a practical, project-based, and results-oriented partnership that promotes and facilitates regional cooperation in transport, trade, energy, and other key sectors of mutual interest. CAREC has 10 member countries: Afghanistan, Azerbaijan, the People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. Six multilateral institutions support CAREC's work: the Asian Development Bank (ADB), the European Bank for Reconstruction and Development, the International Monetary Fund, the Islamic Development Bank, the United Nations Development Programme, and the World Bank. ADB serves as the CAREC Secretariat.

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