



Central Asia Regional  
Economic Cooperation Program

# Development Effectiveness Review 2014

# 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
- European Bank for Reconstruction and Development
- International Monetary Fund
- Islamic Development Bank
- United Nations Development Programme
- World Bank

The CAREC partnership 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 and goods 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*<sup>1</sup> guides the partnership through its second decade of project implementation, with the primary goal of increasing trade and competitiveness.

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<sup>1</sup> <http://www.carecprogram.org/uploads/docs/CAREC-Publications/2012/CAREC-2020-Strategic-Framework.pdf>

The Development Effectiveness Review (DEfR) monitors and reports on progress made over the year by all the components of the CAREC Program toward achieving the goals originally defined in the Comprehensive Action Plan. These goals 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 between sectors.

This brochure summarizes what CAREC achieved during 2014 and what its priorities are for 2015 and beyond. The sector reports<sup>2</sup> have more 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 these elements have contributed to the region (impacts).

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<sup>2</sup> **Transport**

[http://www.carecprogram.org/uploads/events/2014/SOM-Oct/Key-Documents/002\\_102\\_206\\_Transport-Sector-Progress-Report.pdf](http://www.carecprogram.org/uploads/events/2014/SOM-Oct/Key-Documents/002_102_206_Transport-Sector-Progress-Report.pdf)

**Trade Facilitation**

[http://www.carecprogram.org/uploads/events/2014/SOM-Oct/Key-Documents/002\\_103\\_206\\_Trade-Facilitation-Sector-Progress-Report-and-Work-Plan.pdf](http://www.carecprogram.org/uploads/events/2014/SOM-Oct/Key-Documents/002_103_206_Trade-Facilitation-Sector-Progress-Report-and-Work-Plan.pdf)

**Energy**

[http://www.carecprogram.org/uploads/events/2014/SOM-Oct/Key-Documents/002\\_104\\_206\\_Energy-Sector-Progress-Report-and-Work-Plan.pdf](http://www.carecprogram.org/uploads/events/2014/SOM-Oct/Key-Documents/002_104_206_Energy-Sector-Progress-Report-and-Work-Plan.pdf)

**Trade Policy**

[http://www.carecprogram.org/uploads/events/2014/SOM-Oct/Key-Documents/002\\_105\\_206\\_Trade-Policy-Sector-Progress-Report-and-Work-Plan.pdf](http://www.carecprogram.org/uploads/events/2014/SOM-Oct/Key-Documents/002_105_206_Trade-Policy-Sector-Progress-Report-and-Work-Plan.pdf)



# CAREC Portfolio Up to 2014


CAREC's operations growth is represented by the cumulative number and volume of loans and grants approved from 2001 to 2014, which show the size of CAREC investments in completed and ongoing projects. Investments reached a cumulative total of \$24.6 billion in 156 projects by the end of 2014 (Table 1).

**Table 1: Growth in CAREC Operations**

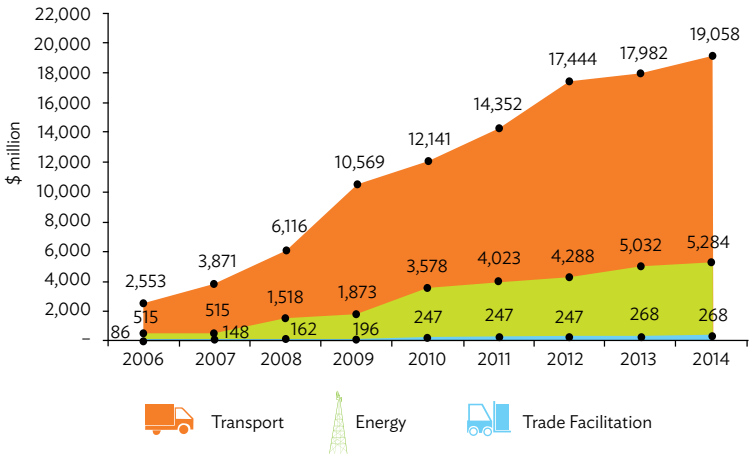
Indicator	2006 Baseline Value	2011	2012	2013	2014
Volume of approved investment projects, cumulative since 2001 (\$ million)	3,153	18,622	21,979	23,282	24,610
Number of approved investment projects, cumulative since 2001	41	125	136	147	156

Source: CAREC Program Portfolio.

Investments are mainly in transport and energy: trade policy or trade facilitation interventions do not often require substantial capital outlays. Total investments in transport reached \$19.1 billion (77%), energy \$5.3 billion (22%), and trade facilitation \$268 million (1%). The cumulative investments and number of projects in core sectors of CAREC up to 2014 are shown in Figures 1 and 2.



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

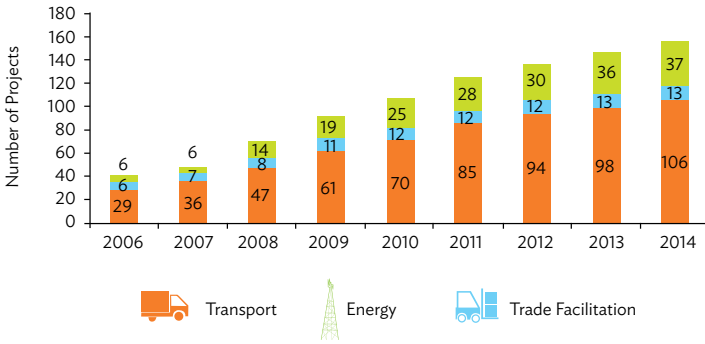


Source: CAREC Program Portfolio.

Of the total investment of \$24.6 billion, the 10 CAREC member countries financed \$5.4 billion (22.2%), Asian Development Bank (ADB) \$9.2 billion (37.3%), World Bank \$5.8 billion (23.5%), European Bank for Reconstruction and Development \$1.6 billion (6.3%), and Islamic Development Bank \$1.4 billion (5.6%). Other development partners provided \$1.2 billion (5.1%).

The program had 156 CAREC investment projects by the end of 2014, of which 67 were completed, with a combined value of \$5.4 billion, about 22% of the total resource envelope. Of the 106 transport projects, 41 were completed; of 37 energy projects, 16; and of 13 trade facilitation projects, 10. In 2014, 12 projects were financially closed—9 in transport (\$1.4 billion) and 3 in energy (\$307 million). Kazakhstan, Azerbaijan, Uzbekistan, and Afghanistan were the top four beneficiary countries, receiving 78% of CAREC resources through investment projects.

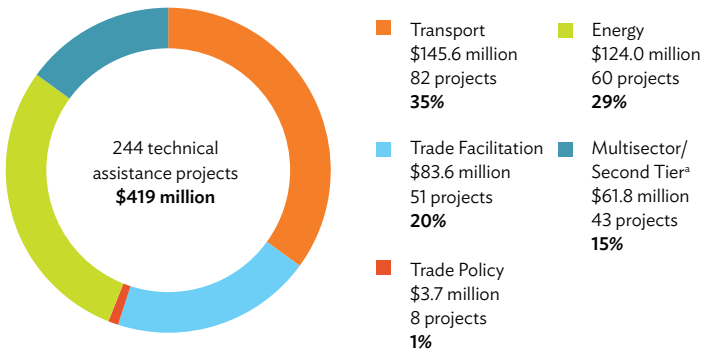
**Figure 2: Sectors of Engagement in CAREC Operations**  
(number of projects)



Source: CAREC Program Portfolio.

From 2001 to 2014, the CAREC Program implemented 244 technical assistance projects worth \$419 million (Figure 3) in priority and second-tier sectors. Of the total amount, CAREC countries provided 24%, ADB 32%, CAREC multilateral partners 9%, and other development partners 35%.

**Figure 3: Technical Assistance Activities, 2001–2014**



<sup>a</sup> 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. [http://www.carecprogram.org/uploads/events/2007/SOM-Mar/002\\_101\\_210\\_CAREC-Second-Tier-Activities-Update.pdf](http://www.carecprogram.org/uploads/events/2007/SOM-Mar/002_101_210_CAREC-Second-Tier-Activities-Update.pdf)

Source: CAREC Program Portfolio.

# CAREC Results in 2014

## Transport and Trade Facilitation

The CAREC Transport and Trade Facilitation Strategy (TTFS)<sup>3</sup> envisions (i) competitive corridors across the CAREC region; (ii) efficient movement of people and goods through CAREC corridors and across borders; and (iii) sustainable, safe, user-friendly transport and trade networks. TTFS 2020<sup>4</sup> refined the strategy and defined three priorities:

- supporting corridor extensions, developing roads and railway network and multimodal logistics hubs, and improving border-crossing points;
- reforming and modernizing customs and sanitary and phytosanitary systems, coordinating border management, and developing national single windows;<sup>5</sup> and
- improving the planning, financing, and management of roads and railways; managing road safety; and increasing the private sector's role.

**Transport results in 2014**, especially investments in physical infrastructure, exceeded targets:<sup>6</sup>

- **Expressways or national highways built or improved** (kilometers [km]). About 1,450 km of expressways or national highways were constructed or improved.

<sup>3</sup> The CAREC Transport and Trade Facilitation Strategy for 2008–2017 was endorsed at the Sixth CAREC Ministerial Conference in Dushanbe, Tajikistan, in 2007. The implementation plan was endorsed at the Seventh CAREC Ministerial Conference, in 2008. [http://www.carecprogram.org/uploads/events/2007/6th-MC/001\\_101\\_201\\_CAREC-Transport-Trade-Facilitation-Strategy.pdf](http://www.carecprogram.org/uploads/events/2007/6th-MC/001_101_201_CAREC-Transport-Trade-Facilitation-Strategy.pdf)

<sup>4</sup> The new strategy has an implementation action plan for 2014–2020. <http://www.carecprogram.org/uploads/docs/CAREC-Publications/CAREC-Transport-TradeFacilitation-Strategy.pdf>

<sup>5</sup> Single-window facilities allow traders to lodge information just one time via a single portal to fulfill import- and export-related regulatory requirements. National single windows will exchange information regionally, expediting transnational journeys on CAREC corridors. <http://www.carecprogram.org/index.php?page=trade-facilitation>

<sup>6</sup> Refer to CAREC Results Framework (January–December 2014) on pp. 20–23.

- **Cumulative proportion of total CAREC road corridors in good condition (%).** The cumulative proportion of total CAREC road corridors in good condition stood at 74%.<sup>7</sup>
- **Railways built (km).** About 1,036 km of new railways were built.
- **Railways improved (km).** About 317 km of railways were improved.

### Better Connectivity and Efficiency in CAREC Corridor 2, Uzbekistan

The Government of Uzbekistan signed an agreement in March 2010 to rehabilitate sections of CAREC Corridor 2 that pass through the Republic of Karakalpakstan and the provinces of Khorezm and Bukhara to connect the northwest with the southeast parts of the country. The corridor connects Uzbekistan to Afghanistan, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Turkmenistan.

The CAREC Corridor 2 Road Investment Program aggregating \$455 million was approved in April 2010 to rehabilitate and upgrade 175 kilometers (km) of the A380 highway. This highway serves as an important international corridor connecting Uzbekistan with neighboring countries. Besides forming an integral part of CAREC Corridor 2, the A380 highway is also part of the Asian Highway, the Transport Corridor Europe Caucasus Asia Corridor, and the European Highway Network. The investment program also includes several components for improving sustainability: expanded road asset management system, x-ray scanners for vehicle inspections at the international border crossing at Daut-ata, and community development.

In addition, ADB approved the Second CAREC Corridor 2 Road Investment Program aggregating \$500 million in August 2011 to rehabilitate and upgrade 220 km of highways in Uzbekistan comprising 58 km of the A373 highway in Kamchik Pass, 75 km of regional roads in Namangan province, and 87 km of the A380 highway in Bukhara province. All these projects are ongoing. The program includes assistance for road safety improvement and continues the development of road asset management systems. Altogether, the two investment programs will improve Uzbekistan's transport connectivity within Central Asia and further enhance sustainability of the outcomes.

Source: Asian Development Bank, Central and West Asia Department.

<sup>7</sup> The total road corridor network as a result of extensions is estimated to reach 29,350 km by 2020. The target is to have at least 70% of it built or improved by 2020.



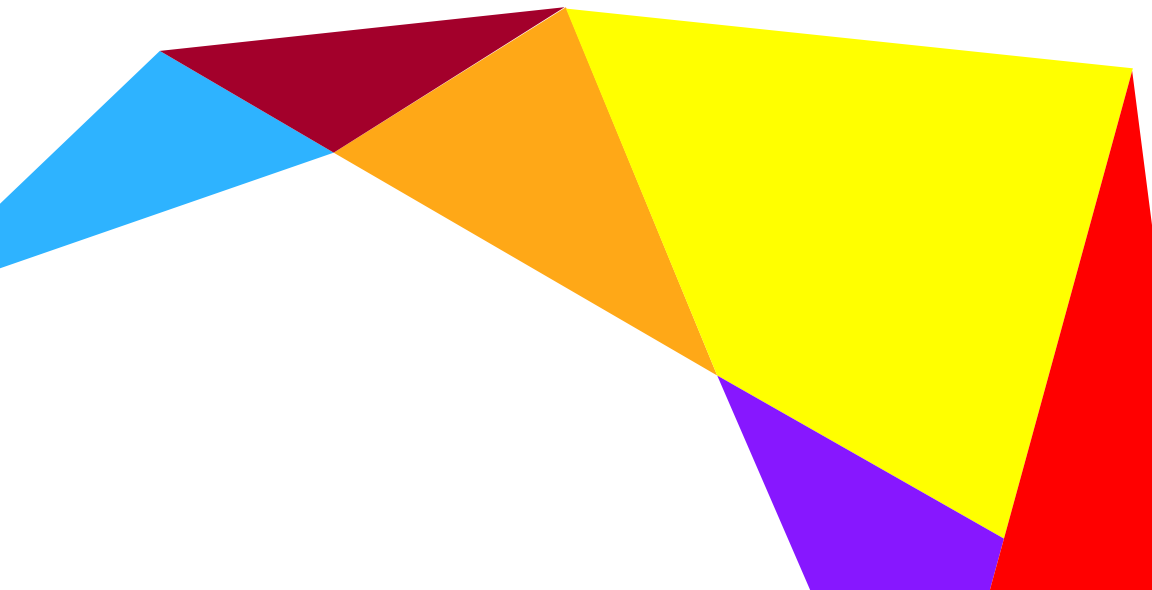
Thirteen physical infrastructure projects were ongoing in other transport subsectors that contribute to the multimodal corridor network: two port and shipping projects, two logistics centers, three border-crossing points, and six civil aviation projects.

CAREC took steps to become more effective operationally and institutionally as it

- piloted the application of a geographic information system (GIS) to track TTFS 2020 progress starting with priority investment projects in Afghanistan and Pakistan;
- studied options for financing through tolling in Azerbaijan, the results of which will inform further action in other countries;
- initiated technical assistance to facilitate knowledge sharing among CAREC countries (\$1.4 million from ADB and \$0.4 million from the People's Republic of China Regional Cooperation and Poverty Reduction Fund); and
- started preparing the CAREC road safety strategy and helping CAREC countries improve data collection and road-collision research, engineering, education, enforcement, and road safety evaluation.

**Trade facilitation results in 2014** did not uniformly improve, as reflected in the 2014 CAREC Corridor Performance Measurement and Monitoring Annual Report:

- **Time taken to clear a border-crossing point.** Continued to be a challenge, and the addition of new border-crossing-point samples raised the average time from 10 hours (2013) to 14.1 hours (2014).



Border-crossing time for railways rose from 29.9 hours to 32.6 hours on average.

- **Cost of border-crossing clearance.** Fell by 27% from \$235 (2013) to \$172 (2014) because border-crossing fees were reduced by 25% for road and 35% for rail.
- **Speed of travel on a 500 km CAREC corridor section.** Rose marginally from 20 km/hour (2013) to 20.8 km/hour (2014). For trains, border crossing continued to take long, leading to slower overall speed.
- **Costs incurred in traveling a corridor section (\$/500 km/ 20-ton load).** Went down by about 7% from \$1,467 (2013) to \$1,360 (2014), primarily because of lower road transport costs.

The three technical assistance projects, funded by Japan's Trade Facilitation Mechanism through the Japan Fund for Poverty Reduction, focusing on at the border, behind the border, and regional transit facilitation, proceeded on schedule. Agreement on country-specific implementation plans was reached during a special customs cooperation committee meeting in April 2014.

### Improved Customs Services in the Kyrgyz Republic

The Regional Customs Modernization and Infrastructure Development Project made customs services more efficient and transparent, simplified procedures, and boosted regional customs cooperation by modernizing customs. The project developed the core unified automated information system (UAIS), corresponding application and operational support systems, and the communications infrastructure to support the UAIS and strengthen links between customs units.

Fully operational at all 37 border-crossing points, UAIS software and hardware have automated customs declarations, simplified procedures, and improved risk management. Supported by satellite-based communications, the UAIS enhances functionality of the single window for foreign trade. The State Customs Service estimated that 70% of customs declarations were processed by the UAIS in 2012, and 100% by 2014. Processing time dropped from 60 minutes in 2005 to 5–15 minutes in 2012.

Source: ADB. 2014. *Completion Report: Regional Customs Modernization and Infrastructure Development Project in the Kyrgyz Republic*. June. <http://www.adb.org/sites/default/files/project-document/81223/38177-013-pcr.pdf>

# Energy

Energy sector work in 2014 focused on solving the uneven distribution of energy resources in the region. CAREC countries were urged to be more involved in regional energy initiatives. The Strategy for Regional Cooperation in the Energy Sector of CAREC Countries<sup>8</sup> targets energy security, integrated energy markets, and energy trade-driven growth for CAREC countries. The Energy Work Plan<sup>9</sup> for 2013–2015 translated the goals articulated in the Energy Action Plan Framework into programs and projects that lead to regional integration and trade, and establish national generation facilities, which will enable the export of energy to countries outside the region.

**Energy results in 2014** are being consolidated. Data received in 2014 from Afghanistan, Kazakhstan, Mongolia, Pakistan, and Uzbekistan showed the following:

- Installed or upgraded transmission lines (km): 1,150 km
- Increased energy-generation capacity (MW): 600 MW
- Rehabilitated generation capacity (MW): 520 MW
- Installed new substations (megavolt-ampere [MVA]): 4,200 MVA
- Upgraded substations (MVA): 5,200 MVA

Progress was achieved to enhance the Central Asia–South Asia energy corridor. Under the Turkmenistan–Uzbekistan–Tajikistan–Afghanistan–Pakistan (TUTAP) Project initiative supported by ADB, the Tajikistan–Afghanistan and Uzbekistan–Afghanistan 220-kilovolt interconnections were operational, supplying the Afghanistan network with 650 gigawatt-hours (GWh) of electricity from Tajikistan and 1,500 GWh from Uzbekistan. Technical support activities assessing methodological and technical barriers facing regional power trade in Central Asia were implemented. Work on climate change–induced energy sector vulnerabilities continued, in addition to capacity-development activities for energy efficiency and regional energy trade.

<sup>8</sup> Strategy for Regional Cooperation in the Energy Sector of CAREC Countries. Endorsed at the Seventh CAREC Ministerial Conference in 2008. <http://www.carecprogram.org/uploads/docs/CAREC-Regional-Cooperation-Strategy-in-Energy.pdf>

<sup>9</sup> CAREC. 2012. Energy Sector Coordinating Committee Work Plan 2013–2015. October. <http://www.carecprogram.org/uploads/docs/CAREC-Energy-Sector-Coordinating-Committee-Work-Plan-2013-2015.pdf>

## Connecting Afghanistan and Tajikistan

In Afghanistan, the Regional Power Transmission Interconnection Project constructed and commissioned a 220-kilovolt transmission line that stretches from the border with Tajikistan to Pul-e-Khumri substation, and upgraded substations, installing major equipment. In Tajikistan, the project built a 116.5-kilometer (km) transmission line from Sangtuda to the Pyanj River crossing for electricity export. These changes resulted in transmission capacity of 600 megawatts (MW). Power supply was restored in Afghanistan, where per capita consumption rose from 21 kilowatt-hours (kWh) per year in 2006 to 106 kWh in 2011, above the targeted 35 kWh. Retail electricity sales rose by 70% from 2009 to 2011. Grid-connected diesel generators were stopped, substantially lowering electricity costs. Tajikistan's market access and export capability were improved: export capacity reached 200 MW, and 791 gigawatt-hours (GWh) of electricity worth \$28.8 million were exported to Afghanistan in 2013.

The power purchase agreement between the two countries showed that regional cooperation in power trade can work. After electricity trade began in 2011, Tajikistan earned foreign exchange from its summer electricity surplus; Afghanistan's electricity supply sources diversified; and expensive thermal generation was displaced, increasing energy security. Since 2013, Kabul, Afghanistan has had power almost all day compared with only 4 hours a day in 2002, and 760,000 households have electricity, of which 225,000 are newly connected. There are 15,000 new nondomestic consumers with an increase in commercial and/or industrial users.

Source: ADB. 2014. *Completion Report: Regional Power Transmission Interconnection Project in Afghanistan and Tajikistan*. Manila. <http://www.adb.org/sites/default/files/PVR-338.pdf>

## Trade Policy

The Trade Policy Strategic Action Plan<sup>10</sup> (TPSAP) for 2013–2017 was expanded to cover (i) accession to the World Trade Organization (WTO) and post-accession adaptation, (ii) tariff reduction and elimination of nontariff barriers, and (iii) trade in goods and services. Capacity building and knowledge sharing continued to support the TPSAP.

Progress in achieving the updated TPSAP outputs was measured nominally, i.e., in terms of the number of member countries that

<sup>10</sup> CAREC. 2013. Trade Policy Strategic Action Plan for 2013–2017, tabled at the Senior Officials' Meeting, Central Asia Regional Economic Cooperation, 23–24 October 2013, Astana, Kazakhstan. [http://www.carecprogram.org/uploads/events/2013/SOM-Oct-KAZ/002\\_107\\_212\\_Trade-Policy-Strategic-Action-Plan.pdf](http://www.carecprogram.org/uploads/events/2013/SOM-Oct-KAZ/002_107_212_Trade-Policy-Strategic-Action-Plan.pdf)

completed particular actions in relation to the targeted dates of implementation.<sup>11</sup> At least half of the member countries reduced their average tariffs, capped them at 20%, tariffied quotas and licenses, eliminated discrepancies between taxes applied to domestic products and to imports, or converted taxes on imports to tariffs, while three countries nearly completed each action.<sup>12</sup>

ADB supported technical assistance on Strengthening Tajikistan's Trade and Investment Regime and studied the organizational reform of Tajikstandart, the country's standards agency. The research explored alternative organizational forms that would minimize conflicts of interest that arise from the agency's multiple functions. It also determined the building blocks of reform and the missing links and a realistic time horizon for implementing reform.

The Trade Policy Coordinating Committee (TPCC) continued to deepen knowledge sharing and capacity building. At the 20th TPCC meeting, the World Bank presented the latest developments and analytical tools in services trade and nontariff measures. At the 21st TPCC meeting, the WTO briefed the committee on its capacity-building programs that are of interest to the CAREC countries. Member countries reviewed progress in implementing the updated TPSAP and remaining challenges.

## Economic Corridor Development

ADB completed *Operationalizing Economic Corridors in Central Asia: A Case Study of the Almaty–Bishkek Corridor*,<sup>13</sup> which customized the economic corridor development concept to the context of the CAREC region. A memorandum of understanding was signed between Almaty City and Almaty Oblast to further develop the economic corridor.

During the technical forum on the Almaty–Bishkek Corridor Initiative, national and city government representatives formulated an intercity memorandum of understanding to develop the corridor as an economic corridor. The first meeting of the joint working group took up agglomeration and urban-planning approaches in each city and complementarities between the two, and strategies in agriculture, tourism, finance, education,

<sup>11</sup> Each member country prepares an annual implementation status report on the policy action matrix, which covers activities to be completed by the end of every year. The responses received are consolidated into a progress report and discussed at the subsequent Trade Policy Coordinating Committee meeting. Member countries highlight areas where they need targeted support from partners.

<sup>12</sup> All CAREC members recognize the importance of the WTO agreements on sanitary and phytosanitary measures and technical barriers to trade. It is noteworthy that non-WTO member countries have accomplished many of these crucial actions prior to accession, given that five countries are still completing preparations for WTO membership and four still need to form their National Joint Transport and Trade Facilitation Committee permanent secretariats.

<sup>13</sup> <http://www.carecprogram.org/uploads/docs/CAREC-Publications/CAREC-ECD-study.pdf>

health, and infrastructure. A work plan was drafted, and terms of reference for knowledge studies outlined.

## CAREC Institute

The physical establishment of the CAREC Institute in Urumqi, Xinjiang Uygur Autonomous Region, People's Republic of China, was officially announced during the 13th Ministerial Conference in November.

CAREC ministers endorsed the institute's guiding principles, purpose, and organization and establishment of the Governing Council of the CAREC Institute.

## Contributions to Knowledge

Knowledge management and capacity development are crucial to CAREC operations. CAREC's key pursuits are generating knowledge through research and analysis; turning them into publications and databases; and sharing and exchanging information through training courses, workshops, electronic platforms, or other means.

### Knowledge Generation: Analyses

- *“At the Border” and “Behind the Border”: Integrated Trade Facilitation—Reforms and Implementation*<sup>14</sup> (March 2014) compiles proceedings of the inaugural CAREC Trade Facilitation Learning Opportunity in Tbilisi, Georgia, April 2013. It covers border management, joint customs control, and the role of automation.
- *Managing for Development Results: Rail Infrastructure Tariffs—Enabling Private Sector Development in Mongolia’s Railway Sector*<sup>15</sup> (March 2014) examines the system of tariffs for the use of railway infrastructure to enable liberalization of the freight market in Mongolia.
- *Analysis of Informal Obstacles to Cross-Border Economic Activity in Kazakhstan and Uzbekistan*<sup>16</sup> (May 2014). With a survey of 108 companies in manufacturing, transport, agriculture, and focus group discussions, it examines informal trade barriers and ways to overcome them.
- *Climate Change and Sustainable Water Management in Central Asia*<sup>17</sup> (May 2014). Using field observations, satellite-based data, and created models, it demonstrates the impact of climate change on the hydrology of the Aral Sea Basin, and provides possible solutions.

<sup>14</sup> <http://www.carecprogram.org/uploads/docs/CAREC-Publications/At-the-Border.pdf>

<sup>15</sup> <http://adb.org/sites/default/files/pub/2014/rail-infrastructure-tariffs-mongolia.pdf>

<sup>16</sup> <http://www.adb.org/publications/analysis-informal-obstacles-cross-border-economic-activity-kazakhstan-and-uzbekistan>

<sup>17</sup> <http://adb.org/sites/default/files/pub/2014/cwa-wp-005.pdf>

- *The Eurasian Connection: Supply Chain Efficiency along the Modern Silk Route through Central Asia*<sup>18</sup> (June 2014) explains how supply chain fragmentation remains an obstacle to economic development in Central Asia and to Eurasian integration more generally.
- *Energy Security in Asia: Prospects for Regional Cooperation*<sup>19</sup> (September 2014). It examines the role of a sound evidence base for policies, agreements, and the development of electricity and gas markets in the subregion.
- *Price of Electricity Transit in Transition Countries*,<sup>20</sup> by the Energy Charter Secretariat (October 2014), presents a new transit methodology that incorporates global practices. It reviews existing and proposed approaches to electricity transit and presents the most appropriate option for the Unified Power System of Central Asia.
- *CAREC Corridor Performance Measurement and Monitoring Annual Report 2013*<sup>21</sup> (June 2014) provides time and cost estimates of transporting goods across Central Asia.
- *CAREC Corridor Performance Measurement and Monitoring: A Forward-Looking Retrospective*<sup>22</sup> (October 2014) traces the evolution of corridor performance measurement and monitoring, and examines and suggests ways to increase its value and analysis and to capture rail transport information.

### Knowledge Services: Training

A total of 626 participants (2,081 person-days) attended 13 CAREC-supported workshops and training events in 2014 (Table 2).

**Table 2: Training Programs and Total Training Days, 2009–2014**

Indicator	2009	2010	2011	2012	2013	2014
	Baseline Value					
Participants in CAREC-supported training programs (person-days)	1,825	1,349	1,582	1,328	953	2,081

<sup>18</sup> <http://documents.worldbank.org/curated/en/2014/06/19705552/eurasian-connection-supply-chain-efficiency-along-modern-silk-route-through-central-asia>

<sup>19</sup> <http://www.adb.org/publications/energy-security-asia-prospects-regional-cooperation>

<sup>20</sup> <http://www.energycharter.org/what-we-do/trade-and-transit/trade-and-transit-thematic-reports/price-of-electricity-transit-in-transition-countries-2014/>

<sup>21</sup> <http://www.carecprogram.org/uploads/docs/CAREC-CPMM-Reports/CAREC-CPMM-Annual-Report-2013.pdf>

<sup>22</sup> <http://www.adb.org/publications/carec-corridor-performance-measurement-and-monitoring-forward-looking-retrospective>

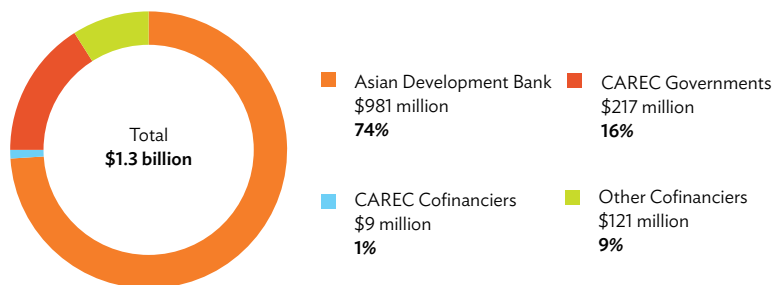
## Knowledge Management: Outreach

Nine monthly and 10 weekly issues of the CAREC electronic newsletter, *CAREC e-Alert*, were circulated. CAREC-related articles appeared 272 times, 265 of which were unique—an increase from 194 times in 2013. CAREC was covered by 87 media organizations, including business newspapers such as the *Mena Report*; news agencies such as Interfax, AKIpress, Times of Central Asia, Central Asia News, Asia-PLUS, and Trend News Agency; and other national dailies and regional media organizations. Video films were produced in 2014 about CAREC developments such as ADB partnerships with Kazakhstan and Azerbaijan and the role of the Afghanistan Infrastructure Development Fund. The CAREC website features the latest information on program events, publications, and projects.

## Resource Mobilization

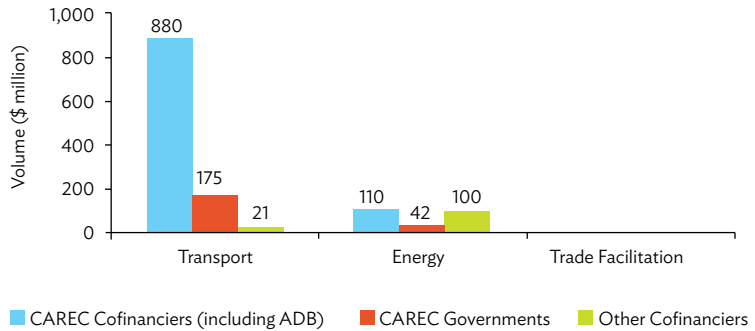
Financing sources for the newly approved investments in 2014 are presented in Figures 4 and 5. ADB provided \$110 million for energy rehabilitation and \$871 million for multimodal CAREC corridors. Four CAREC governments invested \$217 million in seven approved projects in 2014 in Afghanistan (\$16 million), Azerbaijan (\$95 million), the Kyrgyz Republic (\$44.9 million), and Pakistan (\$61 million). These were mainly counterpart resources for road network development as well as energy rehabilitation.

**Figure 4: Loans and Grants Approved in 2014, by Financing Source**



Source: CAREC Program Portfolio.



**Figure 5: Loans and Grants Approved in 2014, by Sector**

Source: CAREC Program Portfolio.

Technical assistance in support of CAREC operations proceeded at a tempered pace. Thirteen technical assistance projects equivalent to about \$15.4 million were approved in 2014, 13% less than in the previous year, and at the lower end of the range for 2001–2014. Six were in transport (\$7.2 million), three in energy (\$3 million), two in trade policy (around \$1.2 million), one each in trade facilitation (\$1.5 million) and second-tier areas (\$2.5 million). The amount of funds mobilized annually for investments is monitored using a 3-year moving average (Table 3). The indicator enables CAREC partners to analyze year-on-year trends relative to financing opportunities and priorities. The tapering of the overall 3-year average started in 2011 and could be the result of factors such as the cyclical nature of investments and possible changes in country priorities.

**Table 3: Finance Mobilization—3-Year Rolling Average**

Indicator	2006 Baseline Value	2011	2012	2013	2014
Annual volume of newly approved investment projects (3-year moving average, \$ million)	603	3,609	3,114	2,439	1,996

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; 2011 for 2009–2011, 2012 for 2010–2012, 2013 for 2011–2013, and 2014 for 2012–2014.

Source: CAREC Program Portfolio.

# CAREC Priorities for 2015

The CAREC Development Effectiveness Review is a mechanism for monitoring past actions as well as a guide for the next priority interventions. The following section summarizes upcoming priorities to attain the twin goals of expanding trade and improving competitiveness.

## Transport and Trade Facilitation

- Mainstream priority projects into national development plans of CAREC countries. Formulate a transport and trade facilitation work program starting in 2015.
- Harmonize work programs with Transport and Trade Facilitation Strategy (TTFS) 2020 and process new technical assistance to support implementation of the TTFS 2020, especially in road safety, road asset management, regional transit facilitation, and continued development of a GIS database to track implementation.
- Maximize the benefits for CAREC corridors by addressing key nonphysical barriers to cross-border transport and implementing the endorsed approach to corridor-based transport facilitation arrangements.
- Increase coordination between CAREC bodies on trade facilitation and trade policy, including the regional upgrade of Sanitary and Phytosanitary Measures for Trade, and plan a second phase of Regional Improvement of Border Services.
- To sustain operations growth, monitor financing requirements and implementation of medium-term priority projects.



## Energy

- Formulate a strategic approach through a CAREC Energy Strategy 2020, backed with an energy sector program through the CAREC Energy Work Plan 2016–2020. The strategic plan could include new areas in existing elements of the current approach.

## Trade Policy

- Deepen implementation of the updated Trade Policy Strategic Action Plan (TPSAP) 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 TPSAP, to reflect actions made by CAREC members in line with the targeted implementation date.
- Promote the World Trade Organization (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 countries' participation in such training activities.

## Economic Corridor Development

- Continue implementation of the Almaty–Bishkek Corridor Initiative and explore development of a domestic economic corridor. Prepare a results framework for the program.

## CAREC Institute

- Commence operations with its management team on board in 2015. A work plan for 2015–2016 will be prepared and endorsed by the Governing Council.

## CAREC Results Framework (January–December 2014)

### Strategic Objectives

#### Expanded Trade and Improved Competitiveness

##### Regional Impact

Investments reached a cumulative total of \$24.6 billion, an increase of 6% over the 2013 total. The number of projects grew to 156, about 6% more than in 2013. Contributions to regional impacts on expanded trade and improved competitiveness are assessed through preponderance of evidence on five indicators. **Intraregional trade** as a proportion to total CAREC trade (%) rose to 6.5% in 2014 from 6.2% in 2013. **Trade openness**, the average trade-to-gross domestic product (GDP) ratio, remained at about 66% during 2012 and 2013 at levels higher than corresponding estimates in South Asia. **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), remained at 2.43 on a scale of 1 to 5, similar to 2013 levels. **Intraregional energy trade** (gigawatt-hours [GWh]) and **foreign direct investments** as a percentage of GDP did not have consistent trends during 2010–2013.

#### Transport and Trade Facilitation

##### Sector Outcomes

Competitive corridors established across CAREC.

- By 2020, interregional trade value increases by five times (over the 2005 baseline: \$8.0 billion). In 2014, the figure stood at \$19.5 billion.
- Speed with delay to travel 500 kilometers (km) on a CAREC corridor section increases by 30% to 30 km per hour by 2020 (over the 2010 baseline: 23.5 km per hour). In 2014, the outcome indicator was 20.8 km.

Sustainable, safe, and user-friendly transport and trade networks developed in the CAREC region.

- A regional road safety strategy prepared by 2017 and its targets achieved by the CAREC countries by 2020. In 2014, work started with cofinancing from the People's Republic of China Regional Cooperation and Poverty Reduction Fund.

#### Energy

Effects of uneven distribution of energy resources among CAREC countries overcome.

- Progress was achieved to enhance the Central Asia–South Asia energy corridor.

#### Trade Policy

Increased coordination and collaboration between the Trade Policy Coordinating Committee and development partners to improve trade openness in CAREC member countries.

As of 2014, the majority of member countries completed six of the nine policy action items that apply to all member countries. Where actions were stipulated for specific countries, progress was less visible.

A stocktaking exercise assessed (i) existing sanitary and phytosanitary and technical barriers to trade measures in place across member countries; and (ii) existing bottlenecks hindering expansion of trade in services.

	Transport and Trade Facilitation	Energy	Trade Policy	
Sector Outputs	<p>Multimodal corridor established.</p> <ul style="list-style-type: none"> <li>Expressways or national highways built or improved annually: 1,450 km in 2014 (1,312 in 2013)</li> <li>Cumulative proportion of total CAREC road corridors in good condition: 74% in 2014 (85% in 2013)</li> <li>Railways built annually: 1,036 km in 2014 (0 in 2013)</li> <li>Railways improved annually: 317 km in 2014 (0 in 2013)</li> </ul>	<p>Trade and border-crossing services improved.</p> <p>In September 2014, five CAREC member countries (People's Republic of China, Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan) and the Russian Federation signed the Shanghai Cooperation Organization (SCO) agreement on facilitation of cross-border road transport among SCO members.</p>	<p>Targeted levels for domestic and cross-border energy projects reached by 2020. Data received in 2014 from Afghanistan, Kazakhstan, Mongolia, Pakistan, and Uzbekistan showed the following:</p> <ul style="list-style-type: none"> <li>Installed or upgraded transmission lines (kilometers): 1,150</li> <li>Increased energy-generation capacity (megawatts [MW]): 600</li> <li>Rehabilitated generation capacity (MW): 520</li> <li>Installed new substations (megavolt-amperes [MVA]): 4,200</li> <li>Upgraded substations (MVA) 5,200</li> </ul>	<p>The World Trade Organization (WTO) collaborated with the International Monetary Fund and the Asian Development Bank (ADB) in capacity development and agreed to assist in accession and post-accession work.</p> <p>Preliminary tabulations of updated Trade Policy Strategic Action Plan (TPSAP) implementation in 2014 were presented at the 21st Trade Policy Coordinating Committee meeting in Bishkek, Kyrgyz Republic in November 2014. Six out of the ten countries submitted information for the preliminary tabulations of TPSAP implementation progress in 2014, so the overall tabulation was deemed partial.</p> <p>ADB support for Strengthening Tajikistan's Trade and Investment Regime continued work on organizational reforms of Tajikistan Standards Agency (Tajikstandart) and assessment of post-WTO accession.</p>

	Transport and Trade Facilitation	Energy	Trade Policy
Sector Investments and Interventions	<p>11 projects for roads and railways completed during January–December 2014. 65 projects for roads and railways ongoing in 2014.</p> <p>13 physical infrastructure projects being implemented in other transport subsectors (two port and shipping projects, two logistics centers, three border-crossing points, six civil aviation projects).</p> <p>Work undertaken to complement physical investments and support CAREC countries in operational and institutional strengthening:</p> <ul style="list-style-type: none"> <li>• Support knowledge sharing and services. Regional technical assistance 8789: Knowledge Sharing and Services in Transport and Transport Facilitation approved in December 2014, with funding from the Asian Development Bank (ADB) (\$1.4 million) and the People's Republic of China Regional Cooperation and Poverty Reduction Fund (\$0.4 million). Focus areas based on Transport and Trade Facilitation Strategy (TTFS) 2020 operational priorities in transport and transport facilitation.</li> <li>• Enhance road safety. Regional technical assistance 8804: Enhancing Road Safety for CAREC Member Countries approved in December 2014. Outputs are a CAREC road safety strategy, strengthened capacity of CAREC member countries to manage and coordinate road safety activities, including improved data collection and road–collision research.</li> <li>• Use of geographic information system to track progress on TTFS 2020.</li> </ul> <p>ADB regional technical assistance 8147: Facilitating Cross-Border Transport in the CAREC Region (Phase 1) supports CAREC's initiative to improve cross-border transport in the CAREC region.</p>	<p>3 projects completed during January–December in 2014. 21 projects for energy ongoing in 2014.</p> <p>ADB technical assistance for CAREC Power Sector Financing Roadmap was approved in September 2014. A list of energy sector priority projects consolidated by the Energy Sector Coordinating Committee with inputs from CAREC members' national investment plans.</p> <p>United States Agency for International Development (USAID) through its Regional Energy Security, Efficiency and Trade (RESET) Program, commissioned a study of conditions of parallel operation of power systems of southern Kazakhstan, the Kyrgyz Republic, and Tajikistan in relation to the proposed construction of new transmission facilities.</p> <p>Work on energy–water linkages continued. A World Bank study plan (it was in the inception stage) for Energy Vulnerability to Climate Change was presented in September 2014. It sought to increase understanding of climate change–induced energy sector vulnerabilities and build resilience through coordinated adaptation policies.</p> <p>Activities continued under the energy sector capacity–building and knowledge framework for 2013–2015.</p>	<p>Four sets of activities undertaken. First, advance the World Trade Organization Accession Knowledge-Sharing Program and supplement the regional program with country–specific technical assistance.</p> <p>Second, initiate implementation of the updated Trade Policy Strategic Action Plan (TPSAP) by each CAREC member country.</p> <p>Third, build capacity of and share knowledge among CAREC member countries on trade policy issues. Two roundtable discussions covered progress made and challenges faced in implementing the updated TPSAP, and role of developments partners.</p>

	Transport and Trade Facilitation	Energy	Trade Policy
Implementing Bodies	<p>The CAREC Transport Sector Coordinating Committee and Customs Cooperation Committee jointly implement the CAREC Transport and Trade Facilitation Strategy (TTFS). The TTFS 2020 refined the strategy and classified the sector outputs into three operational priority areas: (i) multimodal corridor network development, (ii) trade and border-crossing service improvements, and (iii) operational and institutional strengthening.</p>	<ul style="list-style-type: none"> <li>In May 2014, about 50 participants from CAREC member countries and Armenia and Georgia attended the Energy Efficiency Training Seminar: Central and West Asia Region in Kuala Lumpur, Malaysia.</li> <li>In September 2014, the Regional Energy Trade Workshop, organized by ADB in Manila in September 2014 drew lessons from regional energy trade arrangements.</li> </ul>	<p>Fourth, analytical inputs for policy makers' workshops. At the 21st Trade Policy Coordinating Committee meeting in November 2014, the World Bank presented the latest developments and tools in trade in services and nontariff measures.</p>
	<p>The Energy Sector Coordinating Committee implements the 2013–2015 work plan, which prioritized six elements:</p> <ul style="list-style-type: none"> <li>develop a Central Asia–South Asia corridor,</li> <li>resolve energy dispatch and trade issues,</li> <li>manage energy–water linkages,</li> <li>mobilize funds to build energy assets,</li> <li>implement energy priority projects, and</li> <li>build capacity and manage knowledge.</li> </ul>	<p>The Trade Policy Coordinating Committee coordinates activities under the updated Trade Policy Strategic Action Plan (TPSAP) for 2013–2017, which covers (i) reducing and rationalizing the trade-impeding impact of sanitary and phytosanitary and technical barriers to trade measures, and (ii) expanding trade in services. The updated plan retains the original three objectives of the 2008–2012 plan: (i) achieve WTO accession, (ii) independent of WTO accession, and (iii) develop capacity on trade issues.</p>	<p>The Trade Policy Coordinating Committee coordinates activities under the updated Trade Policy Strategic Action Plan (TPSAP) for 2013–2017, which covers (i) reducing and rationalizing the trade-impeding impact of sanitary and phytosanitary and technical barriers to trade measures, and (ii) expanding trade in services. The updated plan retains the original three objectives of the 2008–2012 plan: (i) achieve WTO accession, (ii) independent of WTO accession, and (iii) develop capacity on trade issues.</p>

Source: CAREC Program Portfolio, Sector Progress Reports.

# Central Asia Regional Economic Cooperation Program Development Effectiveness Review 2014

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 2014; 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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