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Q1: Respondent details

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Q2: Country or Customs territory

- MULTILATERAL OR REGIONAL DEVELOPMENT BANK

Q3: Organization

Other (please specify) Regional Development Bank

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Q4: Title of case story

CAREC Transport and Trade Facilitation: Partnership for Prosperity

Q5: Case story focus

Trade Facilitation.

Q6: Case story abstract

The Strategy aims to improve the region's competitiveness and expand trade among CAREC economies and the rest of the world. Key elements of the Strategy are coordinated improvements of transport infrastructure and trade facilitation, including harmonized cross-border regulations, procedures, and standards along priority transport corridors. These improvements will result in significant and measurable reductions in transport costs and time for local, cross-border, and transit traffic, and trade along the corridors.

Source: <https://www.adb.org/sites/default/files/publication/27534/carec-transpo-trade-facilitation.pdf>

Q7: Who provided funding?

Other (please specify)
Asian Development Bank, and other international organizations

Q8: Project/Programme type

Regional

Q9: Your text case story

More than a decade has passed since the launching of the Central Asia Regional Economic Cooperation (CAREC) Program. Over this period, CAREC countries achieved high economic and trade growth. This has put pressure on the transport and trade system. About 36%—8,640 kilometers (km)—of arterial roads needs reconstruction or rehabilitation. Although the CAREC countries have increased budgetary resources and introduced cost-effective maintenance contracts, road maintenance remains inadequate. Train speeds on some rail lines are about 30 km per hour. The railway system needs rehabilitation, new rolling stock, and new traffic management equipment and systems. Ports at Baku, Azerbaijan and Aktau, Kazakhstan need more capacity to cope with increasing transport volumes. A number of international airports need to expand. Trucks spend too long at border points along major transport routes. Logistics centers and services have limited capacity. Distances between import and export markets are substantial—frequently more than 3,000 km—leading high costs. The majority of the road network traverses mountainous terrain, and altitudes frequently exceed 1,000 meters above sea level. Steep gradients, deep cuttings, and high embankments are common, and landslides occur frequently. In addition, severe weather hampers accessibility and makes it difficult to maintain transport infrastructure.

The Strategy will guide and strengthen the work of the CAREC Program in transport and trade facilitation for the next 10 years. The Strategy builds on the substantial work completed by the Transport Sector Coordinating Committee (TSCC) and the Customs Cooperation Committee (CCC) of CAREC in recent years. The Strategy has three overarching goals:

- establish competitive corridors across the CAREC region;
- facilitate efficient movement of people and goods through CAREC corridors and across borders; and
- develop sustainable, safe, user-friendly transport and trade networks.

The Strategy emphasizes a selective transport corridor approach, concentrating resources for both investment and operational management, and focusing on balanced improvement of infrastructure, management, and technology. The corridors reflect current and potential trade flow patterns. The selection of corridors is based on the inclusion rule of at least two CAREC countries and the following five criteria: current traffic volume; prospects for economic and traffic growth; ability to increase connectivity between regional economic and population centers; prospects of mitigating delays and other hindrances such as the number of cross-border points and the number of gauge changes; and economic and financial sustainability of infrastructure, management, and technology improvements.

Six CAREC corridors have been identified: CAREC 1: Europe–East Asia; CAREC 2: Mediterranean–East Asia CAREC; 3: Russian Federation–Middle East and South Asia; CAREC 4: Russian Federation–East Asia; CAREC 5: East Asia–Middle East and South Asia; and CAREC 6: Europe–Middle East and South Asia. The following actions have been identified to achieve the three goals of the strategy:

- Establish competitive transport corridors across the CAREC region. The selected CAREC corridors will be physically developed and improved to link production centers and markets within CAREC countries and to enhance access to neighboring regions and markets. Technologies will be improved to integrate with modern global value chains. This will generate higher intermodal traffic volume in the CAREC region and in Eurasian transit trades. Sustained results require maintenance of the assets deployed. Corridor investments must be economically and financially sustainable, without relying on excessive government financing. This will require innovative financing mechanisms based on fair and balanced user-pay principles.
- Facilitate movements of people and goods across borders. Border-crossing delays will be reduced by improved infrastructure, equipment, procedures, and working conditions, encompassing adequate, well-equipped, and efficient facilities; simplified and standardized cross-border procedures and documentation; use of electronic information in control and inspection and sharing information; trained and motivated staff; and elimination of high transaction costs. Actions in this area will be coordinated with the trade facilitation component of the Strategy. Transport regulations will also be harmonized among CAREC countries to create a level playing field for transport operators and promote efficiency and better services.
- Develop sustainable, safe, people-friendly transport systems. The CAREC transport network will be sustainable and people friendly, complying with the best standards of safety and comfort. Border crossings and visa requirements will be simplified. The transport system will be developed in an environment-friendly manner, with minimal adverse impacts on the environment in CAREC countries.

Q10: Lessons learnt

The transport and trade facilitation strategy entails a time-bound and detailed implementation action plan (the Action Plan) that was prepared in consultation with and endorsed by Central Asia Regional Economic Cooperation (CAREC) countries and external aid agencies in 2008. The Action Plan specifies the key results, prioritizes investments and technical assistance (TA) projects, provides measurable performance indicators, and defines overall institutional arrangements for implementation. The Action Plan will focus on the following: about 24,000 kilometers (km) of roads, 20,000 km of railways, and 28 border crossing points along CAREC corridors; two ports (Aktau in Kazakhstan and Baku in Azerbaijan) and a shipping route (400 km between Aktau and Baku); and 41 airports with international air services.

The key results of the Action Plan are the following: about 75% of the CAREC corridors improved by 2012 and 100% by 2017, compared with 64% in 2007; increased transit trade volume via the CAREC corridors to 2% of trade between Europe and East Asia by 2012 and 5% by 2017, from less than 1% (about 34 million tons) in 2005; increased intra-regional trade volume by 25% by 2012 and by 50% by 2017, from the 2005 level (about 32 million tons); reduced time for border crossing along the CAREC corridors by 50% by 2012 and by an additional 30% by 2017, compared with 2007; and effective functioning of the national joint transport and trade facilitation committee or a similar organization in each CAREC country for managing the CAREC corridors by 2012.

The Action Plan includes the priority investment and TA projects to develop infrastructure, upgrade technology, and improve management through policy reforms and capacity strengthening. There are 62 investment projects with an estimated cost of \$21.1 billion. The investment projects comprise 40 new projects with an estimated cost of \$15.8 billion and 22 ongoing projects with an estimated cost of \$5.3 billion. Sixty-five TA projects with an estimated cost of \$68.5 million will undertake feasibility studies for potential investments or provide advisory support for planning, technical knowledge transfer, and institutional capacity development.
