

CAREC Program Overview

The Central Asia Regional Economic Cooperation (CAREC) Program is a partnership of eight countries and six multilateral institutions working to promote development through cooperation and support accelerated economic growth and poverty reduction. By promoting and facilitating regional cooperation in the priority areas of transport, trade facilitation, trade policy, and energy, CAREC seeks to help Central Asian and neighboring countries realize their significant potential in an increasingly integrated Eurasia.

The eight CAREC countries are Afghanistan, Azerbaijan, People's Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. The Program's six multilateral institution partners are the Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), International Monetary Fund (IMF), Islamic Development Bank (IsDB), United Nations Development Programme (UNDP), and the World Bank.

In 2008, the Program mobilized more than \$2.4 billion in support of projects in the transport, trade, and energy sectors.

As the reintegration of the Eurasian continent gathers speed, the CAREC countries are poised to reap substantial benefits. With the economic expansion of the People's Republic of China and Japan to the east, Russia to the north, and India and Pakistan to the south, there is growing demand for efficient connections between Europe and Asia.

Meeting these needs will require significant improvement in the subregion's physical infrastructure such as roads and rail systems; in the way the region manages its shared resources to support efficient and rational use of energy and water; in progress toward harmonizing, automating, and modernizing its customs administrations; and in efforts to streamline the rules and procedures that govern the countries' international trade relationships.

Improved connectivity, efficient sharing of natural resources, shorter transit times, and clear, consistent trade regimes will return large dividends. Asian Development Bank research suggests that increased regional cooperation, along with key economic reforms, could help double per capita incomes in the CAREC region within a decade. As a result, poverty could fall from more than 40% to 25% or less by 2015¹. This is a powerful motivator for greater regional cooperation, and for the CAREC Program.

The Program is guided by a Comprehensive Action Plan. The Action Plan was adopted in 2006 and presents the themes that now frame the work of the Program, namely:

- Strategic direction and ownership by the participating countries.
- Mainstreaming of regional cooperation by CAREC countries and multilateral institution partners.

¹ Dowling, Malcolm, and Wignaraja, Ganeshan, *Central Asia: Mapping Future Prospects to 2015*. ADB. Manila, 2006.

- Connectivity to enable business enterprises to access regional and global markets.
- Knowledge and capacity building to facilitate consensus and deal making.
- New approaches to development through cooperation by including greater emphasis on policy initiatives, new sectors, and new concepts.

Work in each of the four priority areas is led by a committee consisting of country and multilateral institution representatives. These groups feed their outputs to regular Senior Officials' Meetings, which assess opportunities from a regional perspective and determine options for the future directions of the Program. An annual Ministerial Conference provides overall guidance to the Program and determines policy and strategic directions and goals. ADB is the Program secretariat.

The CAREC **Transport and Trade Facilitation Strategy** presents a shared vision of transport and trade facilitation development in the region to 2017. The Strategy identifies three goals:

- establish competitive transport corridors across the CAREC region;
- facilitate efficient movement of people and goods across borders; and
- develop safe, people-friendly transport systems.

The Implementation Action Plan for the Strategy outlines a coordinated program of 62 projects and 65 technical assistance activities to improve the region's competitiveness, and to expand trade among CAREC economies and with the rest of the world. Investments will focus on development of six transport corridors that connect the CAREC countries to each other, and to key Eurasian markets.

Enabling trade along these corridors is a key aim of the Strategy, which seeks to improve administrative efficiency and

simplify, standardize, and harmonize trade procedures to significantly reduce transaction costs and time.

CAREC's **Trade Policy Strategic Action Plan** seeks to achieve the goal of trade expansion through regional cooperation. The main goals are:

- increasing trade openness to stimulate stronger growth and development, contributing to poverty reduction;
- achieving WTO membership for all countries; and
- capacity building in the area of trade and trade policy.

The Action Plan will enable trade and improve the investment climate across Central Asia by simplifying and liberalizing national trade regimes within a reasonable timeframe. Specific initiatives include uniform application of VAT and excise taxes on domestically produced and imported goods; cutting tariffs; abolishing quantitative restrictions; and reducing barriers to transit and border trade.

In energy, regional cooperation is driven by the opportunities for integration of markets to overcome the impact of uneven distribution of energy resources; efforts to optimize existing energy interrelationships; and efforts to develop least-cost solutions to energy constraints. Energy cooperation is stimulated by the availability of attractive markets in eastern and southern PRC, Pakistan, India and Iran, along with new strategic transit opportunities for oil and gas through Turkey, Georgia, and Russia.

CAREC's **Strategy for Regional Cooperation in the Energy Sector** seeks to enable energy security through the balanced development of the region's energy infrastructure and institutions, and to support economic growth through expanded energy trade.