



Reference Document
For Session 1 of the Senior Officials' Meeting
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Trade Facilitation Sector Progress Report and Work Plan (November 2014–September 2015)

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I. SECTOR OUTCOME AND OUTPUTS

1. The Central Asia Regional Economic Cooperation (CAREC) Transport Sector Coordinating Committee (TSCC) and Customs Cooperation Committee (CCC) have been jointly implementing the CAREC Transport and Trade Facilitation Strategy (TTFS).¹ This strategy targets three sector outcomes: (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 2020² refined the strategy and classified the sector outputs into three operational priority areas to realize the CAREC 2020 objectives of expanded trade and improved competitiveness. These three priority areas are:

- (i) multimodal corridor network development, consisting of support for corridor extensions; railway network and multimodal logistics hub development; and border crossing point (BCP) improvements;
- (ii) trade and border crossing service improvements, consisting of customs reform and modernization; coordinated border management; national single window development; and sanitary and phytosanitary (SPS) reform and modernization;
- (iii) operational and institutional strengthening, consisting of improvements in planning, financing, and management of road and railway assets; road safety management; and increasing private sector participation.

2. TTFS 2020 continues to prioritize completion of the six strategic multimodal transport corridors, and introduces extensions to these. The rationale for these corridor extensions were either connectivity with select seaports, introduction of alternate routes to shorten distances along existing corridors, close missing links to increase coverage and interconnectivity, develop a rail network to serve the corridors or establish intermodal hubs to support efficient distribution and collection of goods. As a result of these extensions, the road corridor network will reach 29,350 km by 2020 instead of 24,000 km by 2017. The Implementation Action Plan for TTFS 2020 accordingly set the physical infrastructure targets as: (i) 7,800 km of road construction or rehabilitation, (ii) 1,800 km of newly constructed railway track, and (iii) 2,000 km of renovated, electrified, or signalized railway tracks. Table 1 presents the transport and trade facilitation sector results framework.

¹ CAREC Transport and Trade Facilitation Strategy 2020 TTFS for 2008–2017 was endorsed at the Sixth CAREC Ministerial Conference in Dushanbe Tajikistan during 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).

² CAREC Transport and Trade Facilitation Strategy 2020. The TTFS 2020 contains an implementation action plan for 2014-2020. (<http://www.carecprogram.org/uploads/docs/CAREC-Publications/CAREC-Transport-TradeFacilitation-Strategy.pdf>).

Table 1: Transport and Trade Facilitation Sector Results Framework

Implementing Bodies	Interventions	Sector Outputs	Sector Outcomes
TSCC, CCC, CFCFA	Road development	Multimodal corridor network developed	Competitive corridors established; Efficient movement of people and goods facilitated; Sustainable, safe, user-friendly transport and trade networks developed
	Rail development		
	Logistics center development		
	Border-crossing point development		
	Coordinated border management	Trade and border-crossing services improved	
	Customs modernization		
	Beyond-customs integrated trade facilitation		
	Single-window system development	Operational and institutional effectiveness enhanced	
	Road maintenance		
	Road safety		
	Policy reform, industrial restructuring, privatization, and institutional development		

CCC = Customs Cooperation Committee, CFCFA = CAREC Federation of Carrier and Forwarder Associations, TSCC = Transport Sector Coordinating Committee.

Source: ADB. 2014. *CAREC Transport and Trade Facilitation Strategy 2020*. Manila.

3. The transport and trade facilitation sectors are represented by eight indicators. Progress in physical infrastructure for the multimodal corridor network is now gauged through four indicators for transport connectivity: (i) expressways or national highways built or improved (kms), (ii) the proportion of total CAREC corridors built or improved (%), (iii) new railways built (kms), and (iv) railways improved (kms). Trade and border crossing service improvements are examined through four indicators from the CAREC Corridor Performance Measurement and Monitoring (CPMM) Annual Report, which represent the ease of movement along corridors and across borders: (i) time taken to clear a border crossing (hours), (ii) costs incurred at a border-crossing clearance (\$), (iii) speed of travel on a 500-km CAREC corridor section (km per hour) and (iv) costs incurred in travelling a corridor section (\$).

i. Trade Facilitation Outcome Indicators

4. Performance indicators from the 2014 CAREC CPMM Annual Report moved in the same direction (see Table 2). Compared to 2013, the average costs of crossing a border or travelling along a corridor section reduced, the average time to cross a border lengthened while speed of travel was relatively constant. As many factors intertwine in areas of trade facilitation in the Central Asian region, it is not possible to attribute an improvement or deterioration in performance directly or solely to a particular intervention. Despite this, CAREC countries and partners have made good contribution towards (a) improved facilities at BCPs, (b) adoption of new and/or amended customs codes, (c) investments in the modernization and automation of customs information systems, (d) efforts to establish national single windows and upgrade border control risk management systems.

5. The average border crossing time increased from 10 hours to 14 hours in 2014. Two BCPs, newly included in CPMM, which increased the average, were the Peshawar-Torkham and Chaman-Spin Buldak, both located at the Pakistan-Afghanistan border. Their inclusion is a result of the formal realignment of CAREC corridors to include Pakistan, following the adoption of TTFS 2020 in late 2013. Prior to 2014, data from Pakistan were reported separately.³ Trucks took an average of 36 hours to pass through either of these two BCPs. Despite the Afghanistan-Pakistan Transit Trade Agreement (APTTA 2010), drivers continued to report difficulties in these BCPs. Time was spent waiting in queue and trans-loading cargo. The 55-km stretch separating Peshawar and Torkham was cited in particular, due to numerous border security and police checkpoints that presented hurdles to be solved through unofficial payments.

6. Border crossing time for railways rose from 29.9 hours to 32.6 hours. CPMM data samples collected for Corridors 1 and 4 revealed different reasons for the delay. In Alashankou, the People's Republic of China (PRC), trains were restricted from entering the customs control zone; while capacity-related constraints such as re-loading within the train station and the lack of wagons, were the main reasons in Dostyk, Kazakhstan. At the Erenhot-Zamyn Uud BCP linking PRC and Mongolia, cargo needs to be transloaded from trucks to rail wagons; the high volume of such transfers at Erenhot and limited material handling equipment in Zamyn-Uud contributed to slower movement. Table 2 presents the trade facilitation outcome indicators for 2014.

Table 2: Trade Facilitation Outcome Indicators

Indicator	Indicative Target	2010 Base-line Year	2012	2013	2014 ^a	Progress
Time taken to clear a border crossing (hours)	-	8.7	10.9	10.0	14.1	
Costs incurred at a border-crossing clearance (\$)	-	186	157	235	172	
Speed of travel on a 500 km CAREC corridor section (km per hour)	-	24	23	20	21	
Costs incurred in traveling a corridor section (\$, per 500 km, per 20-ton load)	-	674 ^b	941 ^b	1,467 ^b	1,360	

CAREC = Central Asia Regional Economic Cooperation, km = kilometer.

Note: Speed is measured "with delays" for a 20-ton truck or a 20-foot equivalent unit container.

^a In 2014, data on Pakistan was formally included following the official approval of corridor realignments and extensions in Pakistan. Further, speed of travel on a 500 km CAREC corridor section was adjusted to remove the effect of seaports.

^b Historical figures were revised resulting from adjustments in measurement.

Sources: CAREC Corridor Performance Measurement and Monitoring Annual Report, 2014.

7. The cost of crossing a BCP dropped by 27% in 2014. This improvement is due to reductions in average border crossing fees for both modes of transport, i.e., 25% for road and 35% for rail. Across corridors, the improvement is attributed to Corridor 1 and 4, where road transport costs peaked in 2013 then tapered off in 2014.⁴

³ If Pakistan data were included in 2012 and 2013 CPMM estimates, an improvement would be shown for 2014.

⁴ For rail transport, costs incurred at the break in gauge declined substantially. This cost constituted 50% of border-crossing costs at Dostyk, so that any decrease had a noticeable impact on the overall indicator.

8. Average travelling speed, which takes into account border-crossing delays, along corridor sections was almost unchanged in 2014. Trucks moving on Pakistan's roads tend to be fast, but problems occurred at border-crossings. For trains, border-crossing times continued to consume a great deal of time, leading to slower overall speed; this was seen particularly at Alashankou-Dostyk on the border between PRC and Kazakhstan.

9. The average cost of travelling a corridor section declined by 7%, primarily due to lower road transport costs. All corridors showed reduced costs except for Corridor 3, in particular Corridor 3b, which was the costliest for truckers; the section in Tajikistan was noticeably expensive. In contrast, Corridor 4 showed notable improvements, as for instance the completion of the road connecting Choyr to Zamyn Uud became highly instrumental in reducing vehicle operating costs. [In fact, the indicator dropped by 22% in 2014.] Transit cargo that could only previously be transported on trains can now use trucks, as the paved road offers a good alternative. The cost of railway travel increased in Corridors 1 and 4, at 35% and 61%, respectively. The falling price of oil is likely to have been a mitigating factor in the second half of 2014 and into early 2015.

ii. Contribution of Trade Facilitation Sector Outcomes

10. Specific project assessments convey the connection between sector outputs and sector outcomes. Project completion reports provide qualitative evaluations about a project's effects in a particular location. Box 1 describes a trade facilitation project from reports available in 2014.

Box 1: Results from selected ADB financed trade facilitation projects

The Regional Customs Modernization and Infrastructure Development Project in the Kyrgyz Republic (approved 26 November 2004) sought to (a) improve efficiency and transparency of customs services, in order to reinforce ongoing customs legal reforms and simplification of customs procedures, and (b) promote regional customs cooperation through concerted customs reforms and modernization in East and Central Asia. There were two components: (i) develop a unified automated information system (UAIS), and (ii) develop BCP infrastructure. Under the first component, the project developed the core UAIS application systems and operation support systems, and communications infrastructure to support UAIS and strengthen links between customs units. Fully operational in all 37 BCPs, UAIS includes software and hardware that automates customs declarations, incorporates modern customs techniques such as simplified procedures and risk management. Appropriate UAIS functionality was achieved as per technical specifications, and is adequately supported by satellite-based communications infrastructure. UAIS is essential for the success of the single window for foreign trade. Under the second component, two BCPs were modernized with hardware and anti-smuggling equipment, while another was rehabilitated and equipment was installed in 21 BCPs.

The State Customs Service (SCS) estimated that 70% of customs declarations were processed by UAIS in 2012, and by 2014, a full 100% was reached. Processing time dropped from 60 minutes in 2005 to 5–15 minutes in 2012. With reduced bureaucratic procedures and less face-to-face transactions, SCS reported that corruption levels reduced as the number of irregularities fell to 3,076 cases from 4,488 cases in 2005. Customs revenue was \$639 million in 2012, five times the \$114 million in 2003. Automation, improved BCP facilities, and simplified customs procedures have led to more efficient and transparent customs and contributed to create an enabling environment for trade.

Sources: ADB. Kyrgyz Republic: Regional Customs Modernization and Infrastructure Development Project. Completion Report, June 2014.

II. OPERATIONAL AND ORGANIZATIONAL EFFECTIVENESS

A. Operations Growth, Finance Mobilization, and Knowledge Management

11. Implementation of the three regional technical assistance (RETA) projects funded by Japan Fund for Poverty Reduction (JFPR) for priority areas of customs cooperation is well underway. CPMM is entering its seventh year in 2015. ADB published the “Central Asia Regional Economic Cooperation Corridor Performance Measurement and Monitoring: A Forward-Looking Retrospective”⁵ in November 2014, which describes how CPMM helps monitoring progresses and identify bottle-necks in order to achieve the objectives of the CAREC TTFS. It presented operational data collected by CPMM since 2009 and corresponding analysis as sound basis for policy formulation and investment decision-making.

12. Emanating from the RETA on promoting cooperation in sanitary and phytosanitary (SPS) measures in CAREC, a Common Agenda (CA) for the modernization of SPS has been developed. The objectives of the Common Agenda are to (i) promote concerted reforms and modernization in the SPS area consistent with international standards such that trade is facilitated; and (ii) identify and prioritize investment needs. ADB anticipates funding investments in CAREC to address SPS identified needs regionally, and in this regard, a loan to Mongolia to upgrade SPS measures for trade facilitation is being processed. The proposed SPS Common Agenda was presented at the Senior Officials’ Meeting (SOM) in June 2015 in Bangkok, Thailand where it was decided that further discussions will be held during the National Focal Points’ (NFP) Meeting in August on whether the SPS CA will be initiated at the 14th Ministerial Conference (MC) will be decided on. Recognizing the importance of SPS measures in facilitating trade in agri-food products and for ensuring food quality and safety, the NFP Meeting in August 2015 agreed to initiate the proposed common agenda on SPS measures at the 14th MC to be followed by further consultations on its implementation taking into account specific country contexts.

13. Recognizing the significance of the World Trade Organization (WTO) Trade Facilitation Agreement (TFA), CAREC participants from Pakistan, PRC, and Mongolia recently took part in a World Customs Organization (WCO) Regional Workshop on Strategic Initiatives for Trade Facilitation. They discussed ways and measures to implement the TFA and recognized the need for better synergy with WCO’s Revised Kyoto Convention (RKC), to which five CAREC countries have already acceded.

1. Institutional Support

14. **The Customs Cooperation Committee (CCC)** composed of heads of customs authorities of CAREC member countries, conducts annual meetings, and workshops and seminars specific technical discussions that allow members to update each other on reforms introduced, issues encountered, and solutions implemented. The CCC also cooperates with multilateral and bilateral organizations such as WCO, UNECE, ESACP, and Japan Customs. The WCO provides technical assistance in the design and implementation of customs training programs along CCC’s 5 priority areas.⁶ The August 2015 CCC annual meeting acknowledged

⁵ <http://www.adb.org/publications/carec-corridor-performance-measurement-and-monitoring-forward-looking-retrospective>.

⁶ Five priority areas of CCC: simplification of customs procedures; risk management, joint customs control, ICT for customs, and regional transit.

a need to become more familiar with and make better use of CPMM to improve CAREC corridor performance.

15. The RETA on Aligning Customs Trade Facilitation Measures with Best Practices supports (i) RKC accession and compliance, (ii) modernization of risk management systems, and (iii) development of an electronic customs information exchange mechanism. ADB is working closely with the five countries that have yet to accede to RKC in completing the requirements for accession. A regional workshop on Sharing RKC Accession Experiences for CAREC Countries was held in November 2014 in Shanghai, PRC to help participants better understand the accession requirements and train them on how to use WCO self-assessments tools. Action plans to facilitate accession and improve RKC compliance were prepared. A follow-through workshop on RKC Situation/Gap Analysis was held in Uzbekistan in February 2015 where WCO experts assisted Uzbekistan Customs to develop an initial road map for RKC accession. Assessment of customs risk management systems of Kazakhstan, Uzbekistan and Tajikistan were undertaken with the help of WCO experts to identify gaps in risk assessment, profiling and targeting methodologies and procedures. Workshops on the implementation of Authorized Economic Operator (AEO) program were held in Azerbaijan in October 2014, Mongolia in May 2015, and Kazakhstan in July 2015; further steps to be taken to implement the program fully, including legislative reforms, have been identified. An initial report on designing a framework for a customs information exchange mechanism for CAREC has been prepared by an international consultant and an Initial Readiness and Maturity Assessment framework has been developed. The assessments will be undertaken in the 3rd quarter of 2015 and based on results, a proposal to pilot the information exchange mechanism will also be developed. A draft final report and recommendations is expected to be presented to customs information officials in late November 2015 and pilot plans preparation in January 2016.

16. The RETA on Coordinated Border Management (CBM) for Results supports (i) Time Release Studies (TRS), (ii) Joint Customs Control (JCC), and (iii) improved interagency coordination. TRS national planning workshops were conducted in Kazakhstan and the Kyrgyz Republic in November 2014 to train customs officials on conducting TRS using the WCO TRS software. National action plans were prepared with detailed activities that will be followed in the conduct of TRS in selected border crossing points (BCPs). A case study has been developed on the Mongolia–PRC JCC pilot project in Zamyn Uud–Erlan and Gashuunsukhait–Ganqimaodao BCPs. The case study documents success factors and provides guidelines for JCC operations based on the pilot experience. The JCC international consultant visited the BCPs from November to December 2014 and a draft report was submitted in January 2015. The final draft of the case study was presented at the JCC Technical Working Group meeting in July 2015 in Beijing, PRC and the report is being finalized. To move JCC forward towards a Coordinated Border Management (CBM) approach, a complementary study to determine the readiness of immigration authorities at the Zamyn Uud–Erlan border to adopt CBM was also conducted in January 2015.

17. Under the RETA on Facilitation of Regional Transit, an Inception Workshop conducted in Almaty in January 2015 discussed and agreed on an implementation plan, and questionnaires have been circulated to all relevant agencies in the CAREC countries. Based on field studies and consultations with CAREC Customs officials and members of the Executive Board of the CAREC Federation of Carrier and Forwarder Associations (CFCA), findings of the first report on transit flows, routes and composition of transit trade between and amongst the 10 CAREC countries was presented at the CCC annual meeting in August 2015. The recent accession of PAK to TIR and PRC's accession to TIR expected before end of 2015 are significant progresses signifying all 10 CAREC countries are now part of TIR. The current landscape of customs transit

comprises TIR and a series of bilateral transit agreements. However, TIR is not a risk-based system and the cost can be high for low value bulk good transited within the region. Generally particular bilateral transit agreement does not extend to third country due to different specific requirements. There is a clear need to Introduce CAREC regional transit system supported by risk based affordable guarantee/insurance mechanism is to improving trade facilitation in the region. In this regard, further consultations are going to be undertaken with CAREC members to finalize the second report on a proposed guarantee mechanism.

18. The August 2015 CCC meeting confirmed the relevance of and the need to continue to focus reform efforts on the five priority areas. To move the trade facilitation program forward, the CCC resolved to

- (i) support new initiatives in strengthening customs risk management systems particularly in dealing with border security issues including adopting the SAFE framework of standards;
- (ii) continue to support efforts to expand joint customs control to other CAREC BCPs and to move forward to Phase 2 based on lessons learned from the JCC case study results to expand JCC to more pairs BCPs in other countries and to apply to customs procedures such as joint inspection and exchange of scan images;
- (iii) further pursue options based on the analysis on formulating a customs information exchange mechanism, and move to pilot stage;
- (iv) design a regional transit regime for CAREC based on the result of the assessment and support implementation through pilots on specific CAREC corridors;
- (v) moving forward the RKC accession process of CAREC countries by assisting the regulatory reforms in compliance with RKC provision;
- (vi) make better use of CPMM and TRS results- to identify key bottleneck BCPs and design targeted investments and key policy reform measures in selected countries;
- (vii) Improve coordination with other border management agencies and the private sector;
- (viii) undertake joint capacity building activities to strengthen cooperation between CAREC Federation of Carrier and Forwarder Associations (CFCFA) and CCC, and build communication channels.

19. Since its establishment in 2009, the CFCFA has steadily grown into a noticeable group in promoting trade facilitation regionally and nationally. Initiatives implemented by WGs in the past included capacity building workshops and business networking forums. CFCFA is taking an active role in examining the merits of an intra-CAREC regional transit regime. As follow-up to the September 2014 CFCFA annual meeting, ADB commissioned a study of the CAREC market for cargo insurance. A review meeting between carriers, freight forwarders, and insurers was organized by a founding member of CFCFA in Almaty in January 2015. The meeting revealed that there is a significant need for liability insurance for carriers and forwarders and that both insurers and their potential carrier and forwarder clients need to work together and benefit mutually from one another's business. The study benefited from previous work by ADB in Uzbekistan and complements related technical assistance being delivered by ADB to Kazakhstan.

20. At its August 2015 Annual Meeting, members resolved to maintain CFCFA's status as a legal entity and fund its secretariat and website through a combination of website-generated revenues and membership dues. CFCFA also took part in a joint public-private sector session of the CCC, sharing its concerns about the lack of regular public-private engagement in many CAREC countries. CFCFA would like to take bigger part in CCC's trade facilitation effort,

including to (i) participate in the AEO implementation as they can provide detailed risk data on traders, carriers and forwarders, (ii) be a partner with customs in standardizing trade and transport forms and trade control procedures, (iii) encouraging carriers and forwarders to participate in regional transit regime and introduce financial services to better mitigate risks, (iv) establish an adequate grievance channel for private sector operators to bring their cases to customs authorities, and (v) joining force with customs in capacity building activities and conducting research in common areas of interest.

21. Discussions at the joint CCC/CFCFA meeting allowed private and public sector representatives to share experiences and common concerns that can benefit both sides and possibly reach some resolution on issues. One critical issues touched upon the need to ensure that new border-crossing facilities at Khorgos are being developed and are somehow linked to the international cross-border economic zone developed by PRC and Kazakhstan a few km north of the BCP, and the impact of the Kyrgyz Republic's accession to the Eurasian Economic Union on the classification of the Karamyk BCP (on corridors 3 and 5) with Tajikistan.

2. Training and Capacity Building

22. Specialized training programs for CAREC customs officers were conducted on 17–22 November 2014 in cooperation with the Shanghai Customs College and with technical support from the WCO. CFCFA training programs are being developed based on materials and experience generated by the CAREC Institute-sponsored pilot training programs conducted in August 2013. These training programs will be designed and conducted by CFCFA for the benefit of members and other interested parties. ADB supported the conduct of a Regional Logistics Training program in the Kyrgyz Republic in December 2014 and conducted a well-received short course in trade logistics for the benefit of Turkmenistan carriers and forwarders in June 2015. Discussions with CAREC Institute aim to strengthen partnership for capacity building in the future.

3. Corridor Performance Measurement and Monitoring

23. CPMM collects and analyzes time and cost data on transporting cargo along CAREC corridors, providing intermediate outcome indicators to monitor and evaluate the TTFS implementation, and contributing the trade facilitation indicators (TFIs) for the CAREC Development Effectiveness Review (DEfR) as presented in paras. 4–9 above.

24. Table 3 compares CAREC corridor performance in first half of 2015 with the same period in 2014. In the first six months of 2015, all indicators showed improvement except for TFI4 (speed to travel 500 km on CAREC corridor). This is due largely to the substantial decline in transit speed of trucks along Corridors 3 and 6 and trains along Corridor 4, despite shorter overall border crossing duration.

Table 3: Trade Facilitation Indicators for DEfR (2014H1 and 2015H1)

Indicators	2014 H1	2015 H1	YoY
<u>TFI1</u> Time taken to clear a border crossing (hours)	14.7	13.8	-7%
<u>TFI2</u> Costs incurred at a border crossing point (\$)	182	167	-8%
<u>TFI3</u> Costs incurred to travel corridor section (\$)	1,403	1,306	-7%
<u>TFI4</u> Speed to travel 500 km on CAREC corridor section (kph)	21	18	-14%

DEfR = Development Effectiveness Review, kph = kilometers per hour, TFI = trade facilitation indicator, YoY = year on year.

25. **TFI1: Time taken to clear a border crossing (hours).** After the inclusion of AFG-PAK BCPs in the CAREC corridors, border crossing delays substantially increased and set an entirely different benchmark for the CAREC region. In the first half of 2015, the overall average border crossing time gradually declined to 13.8 hours, 7% lower compared to the same period last year. This is largely attributed to significantly shorter delays observed in BCPs along Corridors 4. The Joint Customs Control pilot program between PRC and Mongolia appears to have successfully reduced customs clearance duration particularly of goods from PRC to MON resulting in an improvement in the indicator. This pilot adopts the use of a harmonized cargo manifest which aims to reduce errors and shortens the time for clearing the goods at the border. The use of an electronic cargo manifest has also been launched.⁷ Similarly, border crossing at rail BCPs also exhibited an improvement particularly at Dostyk and Alashankou for west-bound trains from PRC. Waiting times due to restriction on entry and for re-loading were significantly reduced. However, the situation at AFG-PAK BCPs remains the same which leaves the indicator substantially off the earlier benchmark set in 2010.

26. **TFI2: Costs incurred at a border crossing point (\$).** For the first half of 2015, average costs incurred at a BCP decreased by 8% to \$167 compared to the same period in 2014. The steady decline it experienced after 2013 has come to a gradual improvement over the last quarters. In this period, lower border-crossing costs were only observed on road BCPs, notably observed among BCPs Corridor 4. This is primarily driven by a sizable decline of customs clearance fees of MON imports at Zhamyn Uud and Altanbulag. On the other hand, the cost of change of railway gauge at Dostyk for westbound trains along Corridor 1 has surged in the first six months of 2015 with no signs of stability. Notwithstanding rail cost increase, the overall indicator improved.

27. **TFI3: Costs incurred to travel corridor section.** Similarly, TFI3 exhibited a modest 7% decline in nominal terms. This improvement was observed in both road shipments, particularly along Corridor 3, and rail, along Corridor 1. Data from freight forwarders reveal lower, albeit slightly, transit cost for road shipments via Tajikistan and for westbound rail shipments from PRC. Overall transit cost has been on a slow decline since the spike in 2013 due to high oil prices.

28. **TFI4: Average Travelling Speed kilometer per hour (kph).** Despite the various levels of improvement observed in the rest of the indicators, TFI4 suffered from a sizable decline of 14% from 21 kph to 18 kph for the first of 2015. This is largely attributed to the deterioration of speed of both road and rail transport by 5% and 40%, respectively. This resulted in an overall speed deterioration of 27% from 41 kph to 30 kph. Rail shipments along Corridor 4 have always been an underperformer in terms of speed which worsened in the second quarter of 2015 (registering an average of 16 kph). This is more pronounced in shipments via Erenhot-Tianjin within PRC in spite above average train speed in other parts of the country. Overall, amidst various improvements in border crossing duration (TFI1), Speed with Delay registered a lower average resulting from low transit speed average in the region.

B. Addressing Actions Proposed in the 2013 CAREC Development Effectiveness Review and Ongoing Key Issues

29. Table 4 provides the latest updates for priority actions proposed in the 2013 CAREC DEfR. Table 5 provides updates on actions identified in the Wuhan Action Plan.

⁷ Reference to CAREC website (http://www.carecprogram.org/uploads/events/2014/SOM-Oct/Key-Documents/002_103_206_Trade-Facilitation-Sector-Progress-Report-and-Work-Plan.pdf).

Table 4: Priority Actions Proposed in the 2013 CAREC DEfR

Priority Action Required	Action Initiated / Completed	Next Step
Harmonize work programs with the TTFS 2020. Process new technical assistance programs to support the refined strategy.	<ul style="list-style-type: none"> Regional TA projects (8386, 8584, 8585 and 8586) are being implemented to support the refined TTFS, particularly with regard to promoting SPS cooperation, coordinated border management, further aligning with RKC, and developing regional transit scheme. 	<ul style="list-style-type: none"> Process follow-up technical assistance and regional investment projects
Modernize SPS measures through regional capacity development technical assistance. Conduct needs assessment.	<ul style="list-style-type: none"> Regional TA 8386 is under implementation. SPS needs assessment has been completed. A workshop was held in Kyrgyz Republic in January 2015. A CAREC Common Agenda for SPS measures is being finalized. It was introduced to Turkmenistan SPS officials at a workshop in Ashgabat 29–30 June 2015. Mongolia Regional Upgrading of SPS Measures (MUST) Project is under preparation. 	<ul style="list-style-type: none"> Launching of the SPS Common Agenda at the 2015 Ministerial Conference in September, for endorsement MUST Project scheduled for ADB approval in November 2015 Develop regional TA together with agriculture sector experts to support implementation of Common Agenda
Prepare the Regional Improvement of Border Services (RIBS) Project for Mongolia. Review funding proposals for investments in border-crossing points in Pakistan.	<ul style="list-style-type: none"> RIBS project for Mongolia is under preparation. Delays were encountered due to difficulty in identifying an executing agency. Investment project for improving Pakistan's border-crossing points is under preparation. 	<ul style="list-style-type: none"> Accelerate project preparation Submit projects for approval by ADB's Board of Directors
Commence work on three regional technical assistance projects on (i) aligning customs trade facilitation measures with best practices, (ii) coordinated border management for results, and (iii) regional transit trade. Develop customs guarantee mechanism for trade flows.	<ul style="list-style-type: none"> Implementation of the three RETAs is on schedule and making good progress. A workshop was organized to share experience of accession to RKC among CAREC countries; assessment of customs risk management was done for Kazakhstan, Uzbekistan, and Tajikistan; and workshops on authorized economic operators have been organized (and planned) for Azerbaijan (and Mongolia and Kazakhstan). 	<ul style="list-style-type: none"> Finalize consultant reports and organize final workshops Process follow-up regional technical and investment projects

Priority Action Required	Action Initiated / Completed	Next Step
	<ul style="list-style-type: none"> • Review of joint customs control pilots is underway, and the report is being finalized. • Studies on CAREC cross-border traffic flows and customs guarantee are in progress. 	
Reconvene the national joint transport and trade facilitation committees.	<ul style="list-style-type: none"> • Pakistan's NJC is fully functional. 	<ul style="list-style-type: none"> • Support other CAREC countries, especially WTO members, to establish/improve NJCs (or Trade Facilitation Committees)
Expand Corridor Performance Measurement and Monitoring to cover rail transport, logistics services providers, and corridor segments in Pakistan and Turkmenistan.	<ul style="list-style-type: none"> • CPMM funding for 2015–2017 has been secured. Data submissions from partner associations continue to enrich the CPMM database. • “Central Asia Regional Economic Cooperation Corridor Performance Measurement and Monitoring: A Forward-Looking Retrospective” was published in November 2014. • Data on rail transport is being collected by CFCFA members in the PRC and Mongolia. • Corridor segments in Pakistan have been included in CPMM, and a MOU with CFCFA member in Turkmenistan is in place. 	<ul style="list-style-type: none"> • Train and support CFCFA member associations to conduct in-depth analysis of CPMM data and recommend improvement measures
Monitor the financing requirements and implementation of medium-term priority projects, which are integrated into the TTFS 2020. Measure progress for projects with confirmed financing. Review list to include new proposals.	<ul style="list-style-type: none"> • The April 2015 CAREC Transport Sector Coordinating Committee reviewed the list of medium-term priority projects. CCC annual meeting in August 2015 discussed issues related to RIBS project phase 2. New project proposals have been submitted and are under review. 	<ul style="list-style-type: none"> • Discuss project proposals and concepts with CAREC country Ministries of Finance (or other agencies responsible for managing external sovereign borrowings)
Ensure that regional projects, such as for cross-border facilities, are developed in a collaborative manner.	<ul style="list-style-type: none"> • Transport and trade facilitation teams have further improved coordination and information sharing. 	<ul style="list-style-type: none"> • Include regional project proposals in national programs and development plans

Priority Action Required	Action Initiated / Completed	Next Step
<p>Conduct further consultations similar to the development partners' forum on the financing of projects, with increased focus on private sector participation.</p>	<ul style="list-style-type: none"> • Funding from ADB's RCIF and the PRC's PRCF has been secured to support additional integrated trade facilitation initiatives. • Discussions are underway with potential co-financiers to gauge their interest in supporting regional projects that aim to modernize and harmonize SPS measures across CAREC. 	<ul style="list-style-type: none"> • Strengthen cross-country dialogues to make concerted efforts in improving cross-border facilities • Step up efforts to mobilize more resources from co-financiers, including the Asian Infrastructure Investment Bank and the PRC's Silk Road Fund
<p>Pursue capacity-building programs designed with the CAREC Institute and the ADB Institute, on conducting time release studies, accession to and compliance with the Revised Kyoto Convention, and risk management.</p>	<ul style="list-style-type: none"> • The CAREC trade facilitation team is coordinating closely with CAREC Institute colleagues to ensure that joint initiatives continue to be delivered. • The proceedings of the second CAREC Trade Facilitation Learning Opportunity are being prepared for publication. • A third annual Trade Facilitation Learning Opportunity (focusing on cross-border ecommerce) is being organized. 	<ul style="list-style-type: none"> • Organize and deliver the third annual Trade Facilitation Learning Opportunity • Disseminate more broadly CPMM data analysis and improve/increase its use as a policy development and decision-making tool

AEO = Authorized Economic Operator, CAREC = Central Asia Regional Economic Cooperation, CCC = Customs Cooperation Committee, CFCFA = CAREC Federation of Carrier and Forwarder Associations, CPMM = Corridor Performance Measurement and Monitoring, JFPR = Japan Fund for Poverty Reduction, PRCF = Poverty Reduction and Regional Cooperation Fund, RCIF = Regional Cooperation and Integration Fund, RKC = Revised Kyoto Convention, SPS = Sanitary and Phytosanitary, TA = technical assistance, TTFS = Transport and Trade Facilitation Strategy, WCO = World Customs Organization.

Table 5: Actions Identified in the Wuhan Action Plan

Priority Action Required	Action Initiated / Completed	Next Step
Renovation of border crossing points (BCPs)	<ul style="list-style-type: none"> • Problematic road and rail BCPs with reported delays ranging from 6 to 60 hours have been identified under the CPMM. • The Regional Improvement of Border Services (RIBS) project is improving physical infrastructure at selected BCPs along priority CAREC corridors. 	<ul style="list-style-type: none"> • A RIBS Phase 2 can be planned given the new CAREC corridor alignments in Pakistan and Turkmenistan, changing trade patterns, increased trade volumes, evolving country priorities, and construction of new roads.
Adoption of new/amended customs codes	<ul style="list-style-type: none"> • Some CAREC countries have enacted or amended customs codes compliant with the RKC. • Five CAREC countries have acceded to the RKC; five others are at various stages of the accession process. • ADB regional TA is helping CAREC customs authorities align their policies and procedures with the RKC. A training event on sharing RKC accession experience was conducted in November 2014 at the Shanghai Customs College. 	<ul style="list-style-type: none"> • RKC situation/gap analyses for countries contemplating accession will be conducted. • Technical/advisory services to support final accession processes for countries in advanced stage will be provided.
Investing in automated Customs information systems	<ul style="list-style-type: none"> • ADB has completed projects for development of automated information systems for the customs services of KGZ, MON, and TAJ. • The World Bank is making similar investments in AFG and KAZ. PAK in 2013 introduced its Web-Based One Customs. 	<ul style="list-style-type: none"> • PAK–AFG customs have initiated an electronic data interchange project • Design of a regional framework for a customs information exchange mechanism will start in 2016.
Moving toward establishment of national single windows (NSWs)	<ul style="list-style-type: none"> • The RIBS project in KGZ and TAJ includes NSW development. • AZE has introduced its NSW and expanded the number of agencies providing trade-related services via the NSW. • RIBS project for MON is under preparation. • The World Bank's Customs Modernization Project for KAZ includes an NSW component. • The Republic of Korea's International Cooperation Agency is investing in an NSW for UZB. 	<ul style="list-style-type: none"> • The next critical steps will be to initiate information sharing protocols among CAREC countries' NSWs inter alia to augment risk management efforts, support the expansion of AEO programs, enable mutual recognition of laboratory test results for goods subject to SPS measures, etc. on a regional basis.

Priority Action Required	Action Initiated / Completed	Next Step
Upgrading border control risk management systems	<ul style="list-style-type: none"> • Training courses on risk management and customs modernization for CAREC Customs officials have been conducted. A Risk management workshop and assessment was conducted for UZB and KAZ in October 2014. A workshop on introduction of AEO program was organized in AZE in October 2014 and in MON in May 2015. • ADB is working with OSCE to identify opportunities for collaboration in supporting KGZ to implement risk management best practices. 	<ul style="list-style-type: none"> • Risk management assessment missions will help identify major impediments to implementing risk management best practices.

AEO = Authorized Economic Operator, BCP = border crossing points, CAREC = Central Asia Regional Economic Cooperation, CPMM = Corridor Performance Measurement and Monitoring, NSW = national single window, OSCE = Organization for Security and Cooperation in Europe, RIBS = Regional Improvement of Border Services, RKC = Revised Kyoto Convention.

III. KEY ISSUES FOR GUIDANCE BY THE SOM

30. A large number of CAREC initiatives have focused on physical connectivity. The Midterm Review of ADB's Strategy 2020 calls for greater attention to trade facilitation, expanding connectivity and extending value chains for productivity-led growth. CAREC policy makers are recognizing the significant contribution of trade facilitation and encourage stakeholders both from private and public sectors to work together to achieve greater goals.

31. Overall, there are many segments of CAREC corridors and pairs of BCPs that have seen improvements of performance, thanks to efforts of CAREC member authorities and stakeholders. Based on the results of more detailed analyses from CPMM and additional data collected, public investments can be supported by ADB through regional projects such as phase 2 of the Regional Improvement of Border Services (RIBS) and Regional Upgrade of SPS Measures for Trade (RUST). Guidance is sought on how to encourage more CAREC countries to participate in planning additional RIBS and RUST projects.

32. Establishment and strengthening of interagency coordination through national joint transport and trade facilitation committees (NJC) or trade facilitation committees (TFC) has been promoted as good international practice, and the June 2013 SOM acknowledged a need for greater cross-sector coordination and private sector participation in trade facilitation. At the moment, Pakistan is the only CAREC country with a functioning NJC. The Kyrgyz Republic is in the process of establishing a trade facilitation committee with support of USAID. CAREC countries are urged to give greater priority to improving inter-agency coordination by establishing and/or strengthening their NJCs/TFCs. WTO member countries are obliged to establish TFCs.

33. An efficient regional transit system is critical to expanding trade in CAREC and it is necessary to have a common understanding of the concepts and principles by all the stakeholders; to have a regional guarantee system and a comprehensive insurance backup that will be recognized across borders; and a regulatory framework to support the regional arrangements. This is challenging and yet offers great opportunities, and it is only possible if CAREC governments strongly support it. CAREC policy makers' commitment and support will be appreciated.

34. Trade measures should be implemented in better coordination with trade policy reforms. The revised Trade Policy Strategic Action Plan (TPSAP) 2013–2017 approved by CAREC ministers in October 2013 considers SPS, other technical barriers to trade, and trade in services. Trade facilitation measures to address these issues will be undertaken to complement trade policy reform initiatives. The TPCC can work towards ensuring accession to international conventions and compliance of with international standards as trade facilitation focuses on implementation. SOM concurrence is sought to put in place a better and effective coordination mechanism between CAREC trade facilitation bodies and TPSAP.

35. SPS reform and modernization constitute part of the ongoing CAREC integrated trade facilitation program. The CAREC TTFS 2020 advocates a regional initiative to harmonize and upgrade SPS measures and their application to facilitate trade in agricultural products within and beyond the CAREC region. A proposed CAREC SPS Common Agenda will promote concerted reforms and effect modernization in the SPS area consistent with international standards.

IV. CHANGES TO SECTOR ACTION PLAN

36. The Trade Facilitation Work Plan has been updated following formal adoption of the refined TTFS. Action to implement the new initiative on SPS is underway and capacity building activities for customs (training on TRS, risk management, customs modernization, and RKC accession and compliance) continue. Further updates will be introduced and reported to the SOM as implementation of TTFS 2020 warrants.

37. To complement the operationalization of Designated Rail Corridors, CPMM is being expanded to capture more (and more accurate) data on railways. CPMM will also be modified to capture data on the performance of trade logistics services. To communicate better with policy makers nationally and regionally, CFCFA will provide customized CPMM results analyses combined with actual stories behind these data. More training will be conducted in collaboration with CAREC Institute to train national CPMM coordinators to conduct their own analyses of CPMM data for their countries. ADB will seek additional resources to improve CPMM dissemination by conducting national workshops for the benefit of key stakeholders and to continue involving the private sector in work of the CCC.