



# The Central Asia Regional Economic Cooperation Program Focus on Mongolia

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# Overview of CAREC Program

- An **open and inclusive platform** to promote shared and sustainable development
  - 11 member countries: Afghanistan,<sup>1</sup> Azerbaijan, PRC, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan
  - Development partners: ADB, AIIB, EBRD, IMF, IsDB, UNDP, the World Bank, and expanding
  - ADB serves as CAREC Secretariat
- Promotes regional cooperation through policy dialogue, investment projects, knowledge solutions, capacity–building, and South-South cooperation
- Rotating chairmanship with Kazakhstan as the chair country in 2024, **Mongolia** to chair in **2026** when CAREC Program is at its 25<sup>th</sup> year
- **CAREC Institute** serves as regional knowledge hub, undertaking research and capacity building on key issues affecting the region

<sup>1</sup> ADB placed its regular assistance to Afghanistan on hold effective 15 August 2021.

# CAREC 2030 Strategy



**Economic and Financial Stability**



**Trade, Tourism and Economic Corridors**



**Infrastructure and Economic Connectivity**

## Operational Clusters



**Agriculture and Water**



**Human Development**



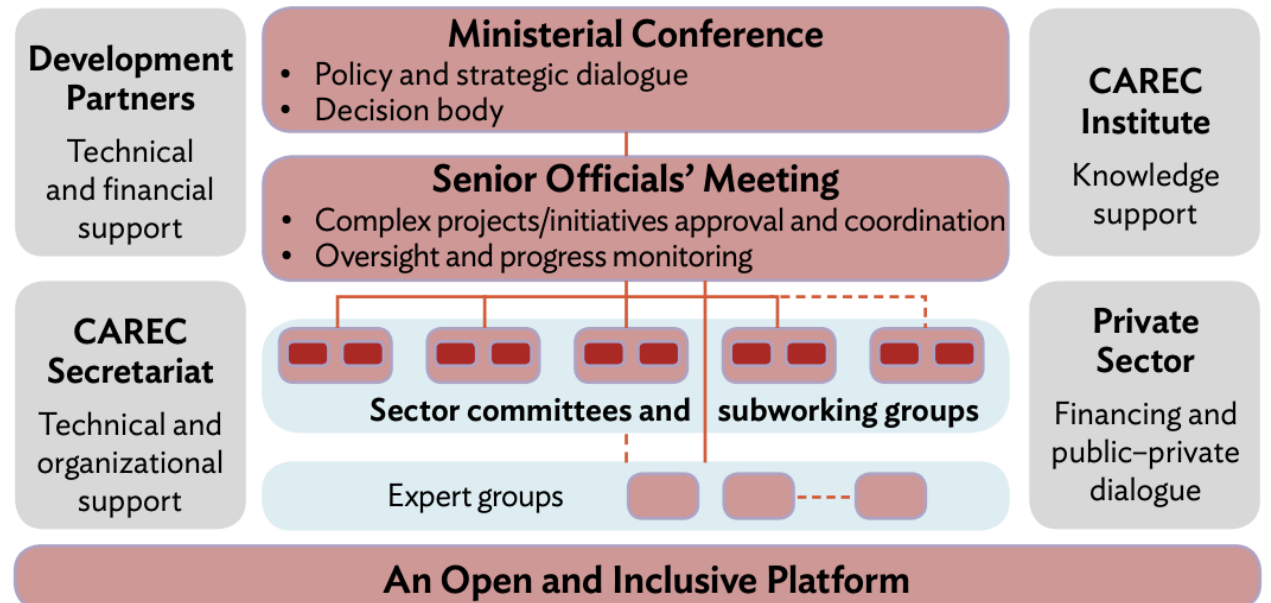
**Cross-cutting Themes**

- Climate Change
- Digital/ICT
- Gender

Anchored on **Good Neighbors, Good Partners, and Good Prospects** vision

Aligns with national strategies and supports new global agenda—UN Sustainable Development Goals (**SDGs**) and UN Framework Convention on Climate Change (**COP**)

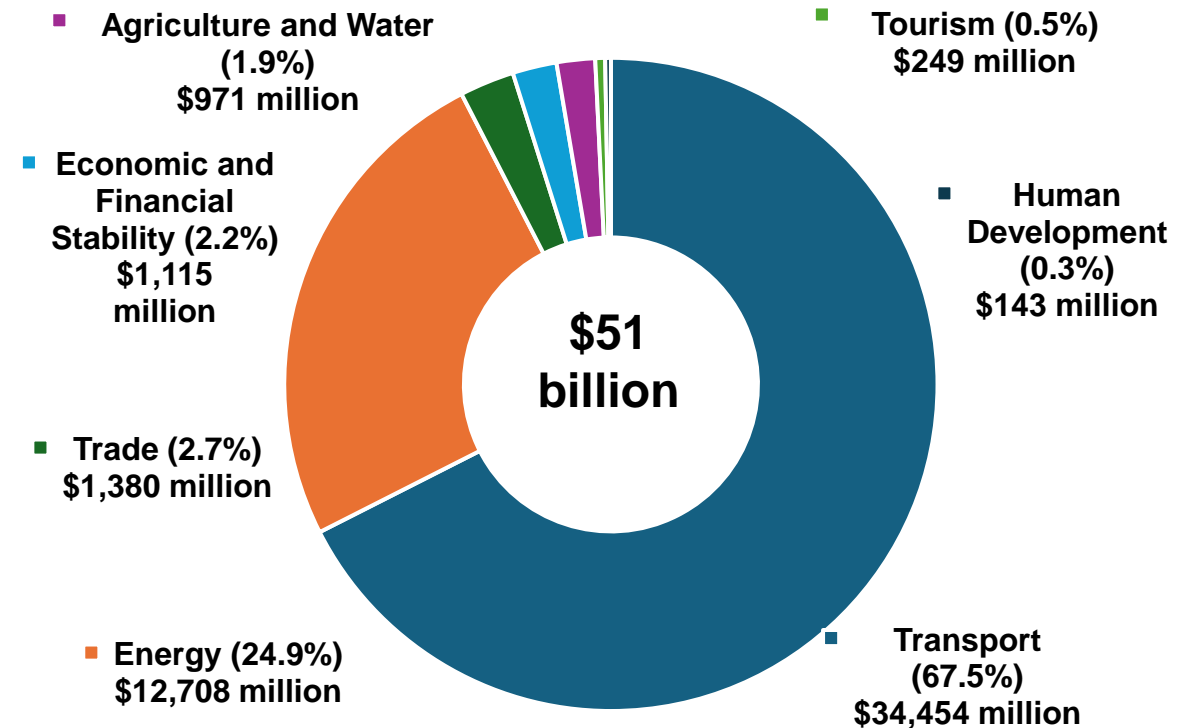
## Institutional Framework



# CAREC Investment Portfolio

- **\$51 billion** CAREC cumulative investment projects (2001–2023)
- **103** ongoing projects mostly in transport, energy and trade sectors, but diversifying into new areas
- Over **\$17.6 billion** financed by ADB, **\$23.4 billion** by other development partners, and **\$10 billion** from CAREC governments
- In addition, **29** ADB-supported active CAREC TAs (total of \$58 million)

## CAREC Investment Projects By sector, 2001-2023



\*The amount of CAREC investments may still change following the ongoing review of the CAREC portfolio database in consultation with development partners.

# Context and Operating Environment

## CAREC 2030 Strategy Driving Principles

- **Alignment** with national strategies and global agenda (SDGs and Paris Agreement)
- **Dual-track approach**, deepening cooperation in traditional sectors (transport, energy, trade and economic corridor development) and selective expansion to new areas of cooperation
- Deepening **policy dialogue**
- Integrating the role of the **private sector** and civil society
- Building an **open and inclusive** platform

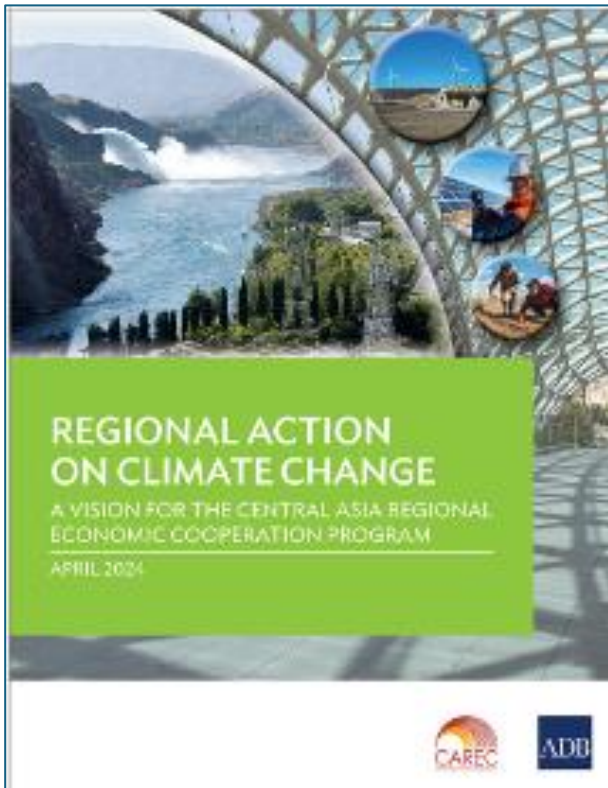
## CAREC Program Evolution

- **Membership**: from 5 countries to 11 countries (comprising 1.7 billion people)
- **Expanded coverage**: from 3 sectors to 5 clusters [9+ sectors] and 3 cross-cutting themes
- **Increased and more inclusive participation in CAREC events**: For example, from 900 (2017) to 1,700 (2023) with small traders, women entrepreneurs, startups, university students, border communities



# CAREC Climate Change Vision

## CAREC Climate Change Vision\*



## CAREC Working Group on Climate Change

- Established in April 2024
- Climate Change Action Plan for Ministerial endorsement

## Proposed CAREC Session in COP29 (Nov, Baku)

- Present CAREC Climate Change Action Plan, declaration, initiatives
- Mobilize financing and generate pipeline for the CAREC Climate and Sustainability Project Preparatory Fund (**CSPPF**)

High-level CAREC Session on Financing Greener Value Chains in the CAREC Region at the ADB Annual Meeting (May 2024, Tbilisi)



\* Endorsed at 22nd CAREC Ministerial Conference (November 2023, Tbilisi)

# CAREC Climate Change Action Plan

## Proposed Key Areas

### Climate Risk, Preparedness, and Health

01

Climate risk assessment and infrastructure, regional early warning platform and heatwave preparedness, disaster risk management and financing, air pollution

### Water-Energy-Food Security Nexus

02

Glacier melting impact assessment  
Water forecasting  
Climate smart agriculture



Focus on  
Adaptation  
NDCs – NAPs  
alignment

03

### Low-carbon growth

Decarbonization of transport corridors and trade, grid readiness and renewable energy integration

04

### CAREC Climate Platform

Regional information sharing, climate finance, capacity development, and COP



# CAREC Climate and Sustainability Project Preparatory Fund (CSPPF)

## **Objective**

Address and narrow CAREC countries' financing gaps in achieving climate change actions and SDGs through preparation of bankable climate- and SDG-related regional projects.

## **Priority**

Regional projects guided by 7 priority sectors/areas of CAREC Climate Change Vision

## **Use of Funds**

Support sovereign operations through TA, grants, and direct charges.

## **Modality and Governance**

- A multi-trust fund to be administered by ADB
- Contributions from Financing Partners (bilateral, multilateral and other sources, including Member Countries and Development Partners)
- Steering Committee chaired by DG, Central and West Asia Department of ADB. Regional Cooperation and Integration Unit (CWRC) as the Fund Manager

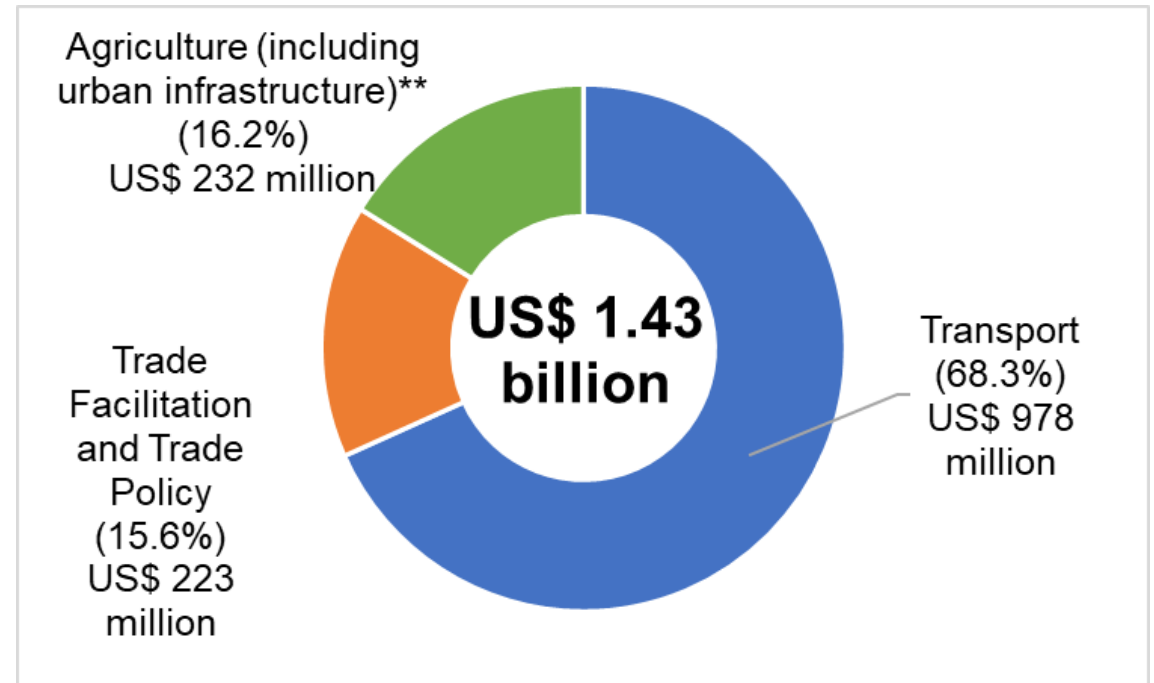


# CAREC in Mongolia

# CAREC Investments in Mongolia

- **\$1.43 billion** CAREC-related cumulative investments in Mongolia from 2001 to 2023 (18 projects)
  - Of which, **67%** or **\$962 million** is financed by ADB
  - Of which, **68.3%** or **\$978 million** is in the transport sector (11 projects)

## CAREC Investments Projects in Mongolia by Sector (as of December 2023)



\*The amount of CAREC investments may still change following the ongoing review of the CAREC portfolio database in consultation with development partners.

\*Numbers may not add up due to rounding

\*\* Inclusive of [ADB program](#) that aims to improve urban infrastructure in aimags and soums, and construct agro-industrial parks dedicated to low-carbon and climate-resilient livestock and agrobusiness value chain



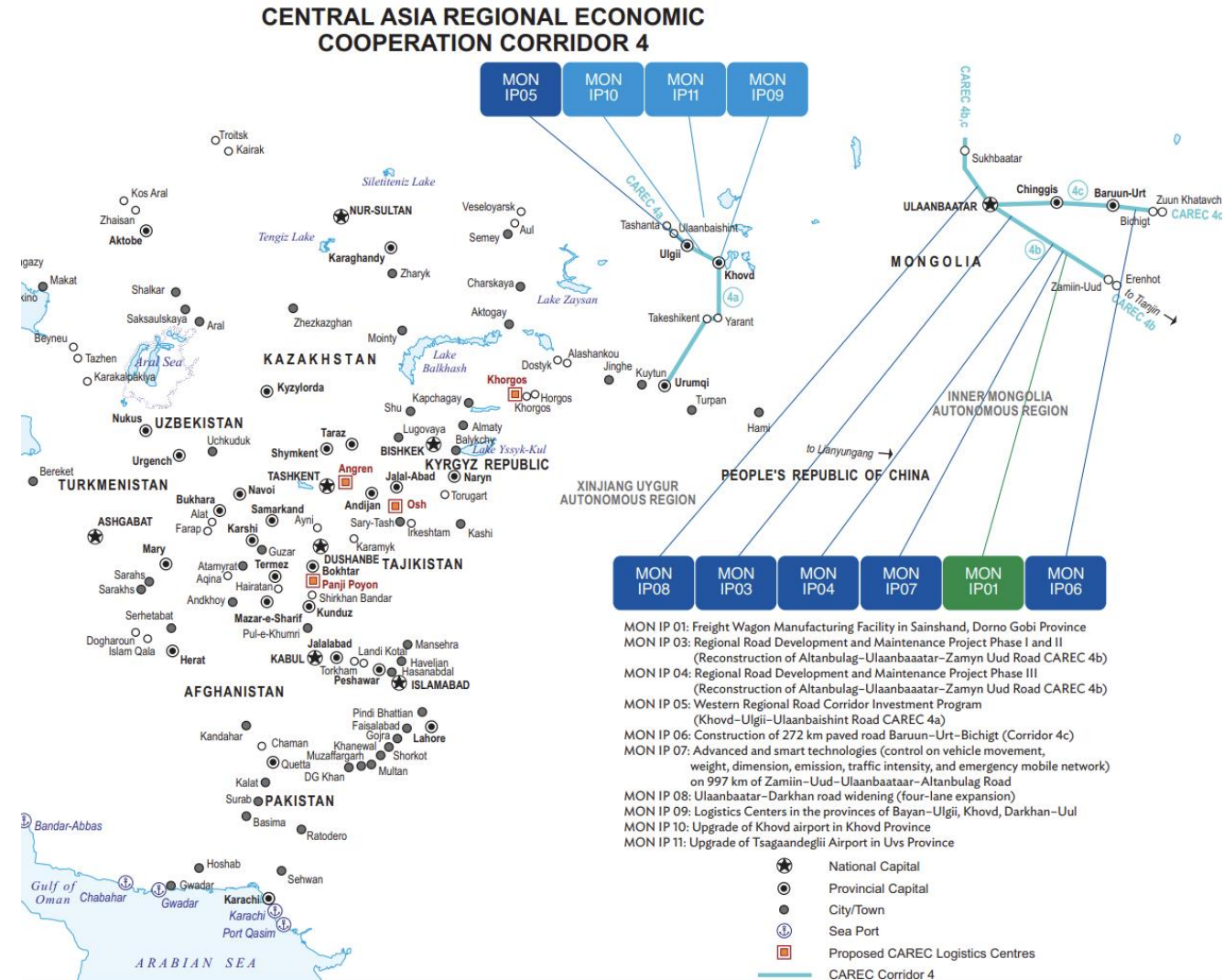
# Ongoing CAREC Projects in Mongolia

DP/IFI	Project	Year Approved	Amount (\$ Million)	Sector
ADB	<u>Border Efficiency for Sustainable Trade Project</u>	2023	100.00	Trade
ADB	<u>Regional Road Development and Maintenance Project (Phase 3)</u>	2023	158.00	Transport
ADB	<u>Aimags and Soums Green Regional Dev't Investment Program (Tranche 1)</u>	2023	270.00	Agriculture
ADB	<u>Developing the Economic Cooperation Zone Project</u>	2020	35.76	Trade
EBRD	<u>Ulaanbaatar Darkhan Road</u>	2019	157.00	Transport
ADB	<u>Regional Road Development and Maintenance Project-Additional Financing</u>	2019	61.20	Transport
ADB	<u>Regional Improvement of Border Services Project (Additional Financing)</u>	2019	29.78	Trade
ADB	<u>Regional Road Development and Maintenance Project</u>	2018	60.60	Transport
ADB	<u>Regional Improvement of Border Services</u>	2016	29.07	Trade
ADB	<u>Regional Upgrades of Sanitary and Phytosanitary Measures for Trade Project</u>	2015	16.25	Trade
ADB	<u>Western Regional Road Corridor Investment Program (Tranche 2)</u>	2014	125.00	Transport

# Enhancing Regional Connectivity (1)

Under the framework of the **CAREC Transport Strategy 2030**, Mongolia is connected with regional transport networks through **CAREC Corridor 4**.

- Corridor 4B from Altanbulag–Ulaanbaatar-Zamiin-Uud toward Tianjin Port in the PRC
- Corridor 4A from Ulaanbaishint–Ulgii–Khovd–Yarant toward Urumqi in the PRC.





# Enhancing Regional Connectivity (2)

**Improved road conditions** substantially increased traffic speed, boosting economic activity and people's mobility.

- **Western Regional Road Corridor Investment Program (Tranche 2).** *Enhancing local and regional connectivity in the remote western region of Mongolia*
- **Regional Road Development and Maintenance Project.** *Enhancing the safety of road corridor along Ulaanbaatar–Darkhan and Darkhan–Altanbulag*
- **Regional Road Development and Maintenance Project (Phase 3).** *Incorporating climate adaptation and mitigation principles in Western Mongolia: Altai (Gobi-Altai) to Uliastai (Zavkhan) and Khovd (Khovd) to Ulaangom (Uvs)*





# Expanding and Facilitating Trade (1)

## **Border Efficiency for Sustainable Trade Project**

Upgrading selected border crossing points (BCPs); establishing One-Health coordination mechanisms and facilities at selected BCPs; and supporting national single window.

## **Developing the Economic Cooperation Zone Project**

Developing physical infrastructure in Mongolia's Zamyn-Uud free zone and facilitating seamless transit to and from the PRC's Erenhot zone in the Inner Mongolia Autonomous Region.

## **Regional Improvement of Border Services Project**

Modernizing customs facilities and infrastructure in Sukhbaatar, Borshoo, Bichigt, and Altanbulag BCPs and upgrading Customs Automated Information System.

## **Regional Upgrades of Sanitary and Phytosanitary Measures (SPS) for Trade Project**

Modernizing inspection facilities and aligning with WTO SPS agreement.



# Expanding and Facilitating Trade (2)

## National Workshop on the Enhancement and Sustainability of the Authorized Economic Operators (AEO) Program in CAREC: Training of Trainers, Mongolia (April 2024)



- Co-organized by ADB and the Mongolia Customs (MCGA), over 50 officials from Mongolian customs, trade regulatory agencies, and private sector representatives participated
- ADB identified several ways forward for Mongolian Customs to support the effective implementation of the AEO Program, including the continuous development of an integrated risk management system, coordinated border management, cross-border exchange of AEO codification using the Single Window, and a business continuity plan and disaster recovery system

# Developing Economic Corridor through Parallel Investments in the PRC and Mongolia



## PRC IMAR Program Projects



### Tranche 1

- Inspection Area Construction in Erenhot-Zamiin Uud Economic Cooperation Zone (ECZ)
- Upgrading Medical Equipment and Facilities for the PRC-Mongolia Intl Hospital
- Ecological Restoration for the Erenhot-Zamiin Uud ECZ
- Waste Collection and Transfer Station in Erenhot-Zamiin Uud ECZ, and Sanitation Intelligent Cloud Platform in Erenhot
- Mandula Port Infrastructure Project
- Mandula Port Quarantine and Breeding Sheep Base Project



### Tranche 2

- Uliji Port Ecological and Environmental Protection Project
- Uliji Port Infrastructure Project
- Ganqi Maodu Port Expansion Project
- PRC-Mongolian Arxan Mutual Trade Zone Project

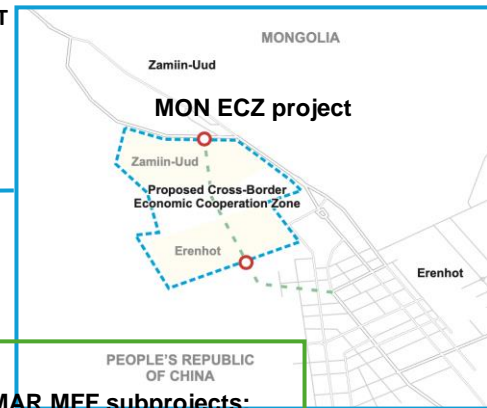


### Tranche 3

- Urban Infrastructure Improvement Project
- Erenhot PRC-Mongolia Ecological Environmental Improvement Project (Phase III)
- Arxan Port International Logistics Construction Project

## PRC IMAR MFF subprojects:

- Inspection Area Construction in Erenhot ECZ
- PRC-MON International Hospital upgrading
- Ecological Restoration for ECZ





# Promoting Regional Energy Security and Sustainability

## TA 6540-REG: Fostering Expanded Regional Electricity and Gas Interconnection and Trade under the CAREC Energy Strategy 2030

- Improving regional energy connectivity, scaling-up investments and achieving higher sustainability and inclusiveness in CAREC's energy sector
- In April 2024, at the [34th CAREC Energy Sector Coordinating Committee \(ESCC\)](#), Mongolia Ministry of Energy (MOE) representatives suggested wind and solar energy as focus areas to help modernize the national power system
- In June 2024, Mongolia MOE participated at the [CAREC Energy Study Tour](#) in Oslo and Copenhagen and along with other CAREC, met with industry experts, policy makers, and technology leaders in the Nordic region and learned innovative solutions for integrating energy systems and efficient power trading.
- In Q4 2024, an energy connectivity and transmission workshop is planned in Tashkent, to boost the overall efficiency and stability of the region's power systems.

# ADB's Ongoing Work on Critical Minerals

Regional approach

## Study on Critical Minerals and Clean Energy Technology (CET) Supply Chain (led by CWRD, ADB)

- Assessment of reserves; challenges, and opportunities for regional cooperation in CET value chain

## TA on Advance Sustainable Clean Energy Network for Development (led by CCSD, ADB)

- Preparation of **strategic guidance on upstream and midstream engagement** in critical minerals and CET supply chains
- Regional advisory group to discuss strategic issues, craft policy recommendations, and identify **potential regional and national projects**
- Technical help to produce a list of potential regional projects
- **Capacity building support for the preparation of project concepts**

National

## TA 10273-MON: Climate-Smart Mining for a New Climate Economy (led by EARD, ADB)

- Climate-Smart Mining Strategy for MON and Policy on Rare Earth Minerals

## Potential Regional Projects



Regional Economic Corridor Development



Regional harmonized standards in governance, decarbonization of mining industry



CET Manufacturing Regional Value Chain development



Promotion of domestic value addition in critical minerals and CET supply chains in CAREC



Capacity development for policymakers in CAREC to develop upstream and midstream engagement



Ensuring compatibility with global environmental regulations and ESG principles, which will give access to innovative financial instruments



# Harnessing Digital Economy

## CAREC TA

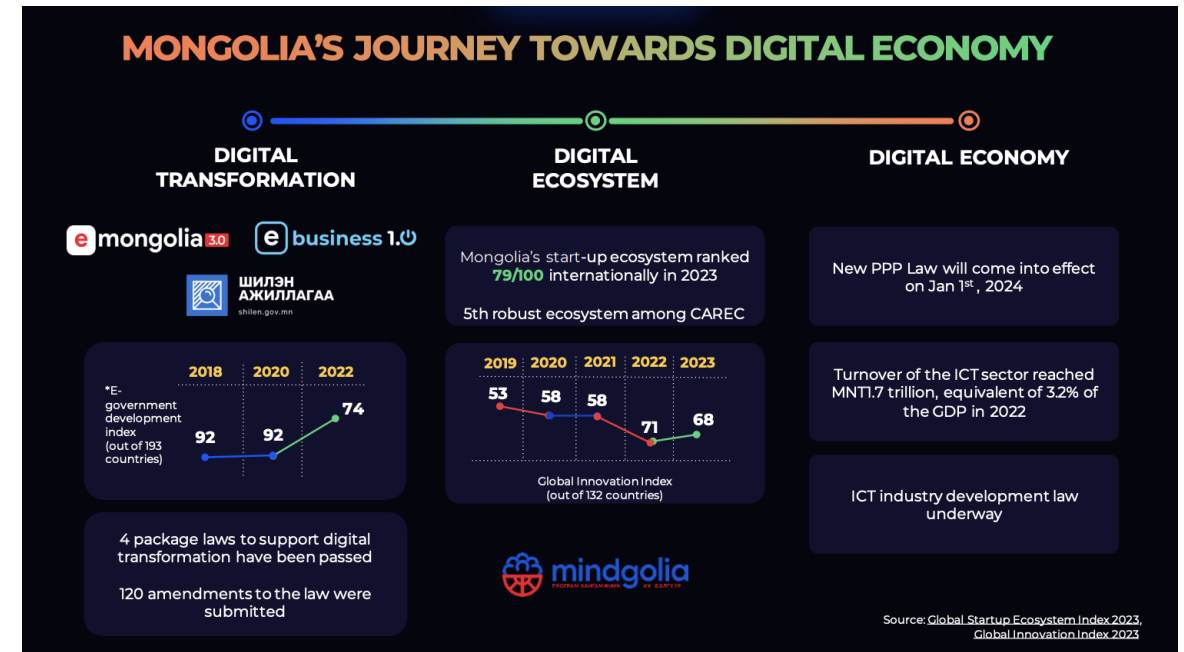
### Supporting Startup Ecosystem in the CAREC Region to Mitigate Impact of COVID-19 and Support Economic Revival

#### *Upcoming activities*

- CAREC Digital Trade Event at the sideline of 3rd Global Digital Trade Expo (September 2024, Hangzhou)
- Mongolian startups' participation at AIXADB event and SWITCH Singapore (November 2024)
- Training for Mongolian SMEs at Alibaba's Main Campus

## Mongolia TA

### E-government and Digital Transformation: Developing Strategic Blueprint for Mongolia's ICT Future. (Ministry of Digital Development and Communications as EA)



# Promoting Regional Public Goods (1)

## Aimags and Soums Green Regional Development Investment Program

Aimag (province) and soum (subunit of aimag) centers – as anchors of green agribusinesses that promote sustainable, resilient, and high-carbon sequestration rangeland management.

Supports **CAREC 2030 and its Common Agenda for Modernization of Sanitary and Phytosanitary Measures (SPS) for Trade** by contributing to agricultural trade and **regional public goods**, mitigating desertification and climate change and containing transboundary animal health problems.



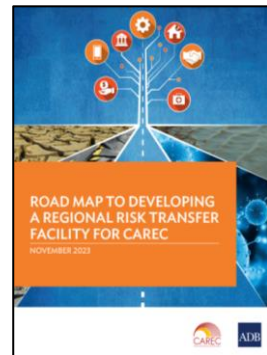
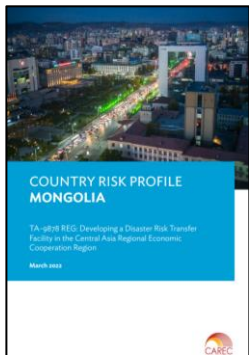


# Promoting Regional Public Goods (2)

## Disaster Risk Management and Financing

- ADB-funded TA on “**Developing a Disaster Risk Transfer Facility in the CAREC Region**” (\$2.75 million, Nov 2020–Feb 2024)

- ❑ Country Disaster Risk Profile
- ❑ Disaster Risk Modeling Interface
- ❑ Protection Gap Assessment
- ❑ Road Map to Developing a Disaster Risk Transfer Facility for CAREC



Developing a Disaster and Climate Risk Transfer Facility for the CAREC Region (Phase 2)	
Coverage	All CAREC countries*
Outputs	<ol style="list-style-type: none"> <li>1. Advancing the <b>implementation of the road map</b> to developing a CAREC disaster risk transfer facility</li> <li>2. <b>Piloting</b> an ADB-issued <b>disaster relief bond</b> for selected CAREC countries</li> <li>3. Providing <b>capacity building and knowledge support</b> on disaster risk management and financing on a <b>demand-driven basis</b></li> </ol>
TA processing timeline	Q3-Q4 2024
Estimated funding	\$2–\$2.5 million

\* ADB placed its regular assistance to Afghanistan on hold effective 15 August 2021. The initial focus of the pilot disaster relief bond will be selected countries (most likely group A countries eligible to receive Asian Development Fund support), although all CAREC countries will be observers to the pilot issuance process.

# Developing Regional Green Skills

## TA 6806: Strengthening Green Skills Development under the CAREC Program

- Senior officials from 10 CAREC countries met in Tashkent from 29 February to 1 March 2024 for the inaugural CAREC Working Group on Skills Development.
- Focusing on climate-smart agriculture university education, engaging agriculture universities in the CAREC region for capacity building, joint research, and student exchange programs
- **CAREC Agriculture Accelerator Program:** A competitive program is underway to select regional university programs and an international partner institution to share expertise, particularly in climate-smart agriculture. There is an ongoing call for expression of interest for an international agricultural research university to take the lead role in facilitating and supporting agricultural universities.



# Recent ADB–Approved CAREC TAs that support Mongolia

Project Title	Year Approved	Amount (\$ Million)	Sector
<u>Implementing the CAREC 2030 Strategy for Sustainable Regional Development (Phase 2)</u>	2024	1.75	Umbrella TA
<u>Strengthening Green Skills Development under the CAREC Program (Change in Scope)</u>	2021	2.00	Education/ Skills
<u>Resilient and Inclusive Agricultural Development and Food Security in the CAREC Member Countries</u>	2023	3.00	Agriculture
<u>Supporting Regional Actions To Address Climate Change under CAREC Program</u>	2023	0.75	Climate Change
<u>Supporting CAREC Regional Capital Markets' Forum</u>	2022	0.70	Finance



# Recent CAREC Events in Mongolia

Date	Event Title	Sector
16 May 2024	National Workshop on Potential CAREC-wide Trade Agreement (virtual)	Trade
29-30 April 2024	National Workshop on the Enhancement and Sustainability of the Authorized Economic Operators: Training of Trainers	Trade
26 June 2023	World Export Development Forum 2023 Session: Landlocked Developing Country Business Talks (CAREC Session)	Trade
20-23 March 2023	CAREC Training on International Trade in Services and Digital Economy Statistics for Mongolia	Trade
6-7 March 2023	Crash Investigation Training	Transport
15 September 2022	Roundtable Series on Emerging Regional Trade, Transportation, and Logistics Landscape: Supply Chain Connectivity and Resilient Border Operations in the CAREC Region	Trade
13-14 September 2022	Forum on Developing Sustainable Economic Zones in the CAREC Region	Trade
16-18 June 2022	Webinar Series on Customs and Sanitary and Phytosanitary Measures for Mongolia	Trade