



FORGING LINKS, DRIVING IMPACT

CAREC and MONGOLIA



WHAT IS THE CAREC PROGRAM?

The Central Asia Regional Economic Cooperation (CAREC) Program brings together 11 countries^a and multiple development partners to accelerate economic growth and reduce poverty. It is guided by the overarching vision of Good Neighbors, Good Partners, and Good Prospects. The Asian Development Bank (ADB) serves as the CAREC Secretariat.

For more than 2 decades, the program has been a unique platform helping develop and implement regional projects, support policy reforms, and pilot multisector initiatives critical to sustainable economic growth.

From 2001 to 2024, CAREC mobilized \$52.5^b billion in investments with a focus on establishing multimodal transport networks, increasing energy trade and security, facilitating the safer movement of people and goods, and developing economic corridors.

CAREC 2030 Strategy is the long-term strategic framework for the program, anchored in a mission to connect people, policies, and projects for shared and sustainable development. Through practical, action-oriented projects and a collaborative approach, the program fosters inclusive economic growth and yields tangible economic benefits for its member countries and their people.

^a ADB placed its regular assistance to Afghanistan on hold effective 15 August 2021 and has been supporting the Afghan people through a special financing arrangement with the United Nations since 2022.

^b “\$” refers to United States dollars.



CAREC AND MONGOLIA

Mongolia joined CAREC in 2003, just as the program began to implement a seamless transport corridor network.

Mongolia stretches across 1.5 million square kilometers (km) of the Central Asian plateau, lodged between the Russian Federation and the People's Republic of China (PRC). Much of its land is covered by steppes, with high mountains and valleys to the north and west, and the Gobi Desert to the south.

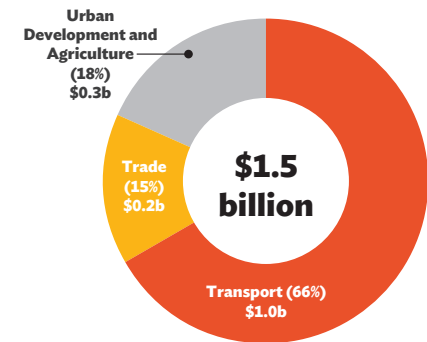
CAREC is integral to Mongolia's efforts to capitalize on the significant opportunities offered by the country's vast natural resources. For example, the program is turning barren land into a major gateway for trade by developing an international transport route connecting the Russian Federation with the PRC.

The construction of a logistics center in Zamyn-Uud, a crossing point on the PRC border, has enabled the efficient handling of growing volumes of exports and reduced transit bottlenecks. Modernized border-crossing points (BCPs) and upgraded roads are delivering further economic benefits.

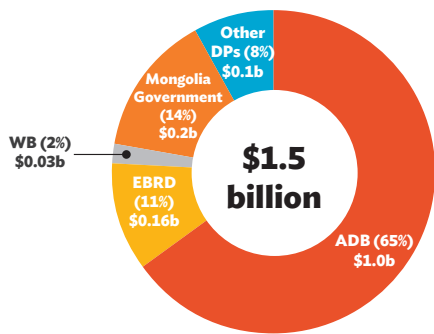


CUMULATIVE INVESTMENTS

As of December 2024, more than \$1.4 billion was invested across 19 CAREC-related projects in Mongolia. More than \$978 million (66%) is in 12 transport projects, 9 of which were financed by ADB. ADB is the biggest financier for CAREC-related investments.



Investment by Sector



Investment by Funding Source

ADB = Asian Development Bank, b = billion, DP = development partner, EBRD = European Bank for Reconstruction and Development, WB = World Bank.
Note: Investment by funding source includes cofinancing. Other development partners include the European Investment Bank, the Nordic Development Fund, the Republic of Korea, Japan, and the People's Republic of China.





WESTERN REGIONAL ROAD CORRIDOR DEVELOPMENT PROJECT AND INVESTMENT PROGRAM

The Western Regional Road Corridor (WRRC) runs north to south from Mongolia's border with the Russian Federation at Ulaanbaishint to the border with the PRC at Yarant, covering a total of 743 km. The corridor is part of Asian Highway 4 and is designated as CAREC Corridor 4a. In the long term, it will serve as a transit route connecting the Kyrgyz Republic, Tajikistan, and Uzbekistan with Siberia. The flagship WRRC Development Project Phase 1, financed by a \$37.6 million ADB grant, strengthened regional connectivity in Mongolia's remote western region. Completed in 2016, it built 110.8 km of roads, two road maintenance centers, and a weigh station near Bulgan soum (county), enhancing transport links through Khovd and Bayan-Ulgii aimag (provinces).

The subsequent WRRC Investment Program was financed by \$170 million from ADB through a series of tranches. The first tranche, completed in 2020, constructed 103.3 km from Baga Ulaan Davaa to Mankhan, rehabilitated 20 km of local roads between district centers and the regional road, established two road maintenance centers, and built agencies' capacity to manage roads.





The improved roads under the flagship WRRC Development Project eased the movement of freight and passengers.

- Average travel speed rose to 80 km per hour (kph) by 2019 from 40 kph in 2010.
- Travel time from Yarant to Khovd dropped by 3 hours in 2019.
- Traffic volume at the Yarant border increased by 64% in 2014–2018.
- The Xinjiang Uygur Logistics Association reported that travel time shortened by 12 hours on the Takeshiken–Yarant–Khovd route.
- Lighter, more fuel-efficient trucks capable of reaching speeds of 100 kph are now in use, boosting tourism and increasing exports of coal and minerals. The new and rehabilitated roads completed under the first tranche of the WRRC Investment Program have helped improve transport and connectivity:
- Traffic at the Tsagaannuur border with Russia increased to 14,561 vehicles per year, approaching the target of 17,000 by 2023.
- Traffic at the Bulgan crossing point with the PRC rose to 21,440 vehicles per year, surpassing the target of 20,000.
- Travel time between Bulgan and Khovd was halved, from 10 to 5 hours.
- Operating costs of passenger and freight vehicles between Bulgan and Khovd decreased by 40%, exceeding the 30% target.

The improved road network eased access to social services and supported the economic well-being of local communities.

- Local herder households accessed health and social services much more frequently. By 2021, the share of those receiving services four to eight times a year rose from 7% to 58%, while those receiving services more than eight times a year grew from 0% to 12%.
- Income per capita in Western Mongolia increased to 93% of the national average by 2020.

The program's second tranche, underway since 2014, is constructing 189.7 km of paved road between Khovd and Ulaanbaishint and rehabilitating three bridges along with 14.9 km of urban roads in the towns of Khovd and Ulgi.

Sources: Independent Evaluation Department. 2022. [Validation Report: Western Regional Road Corridor Investment Program in Mongolia \(Tranche 1\)](#). ADB; and ADB. 2021. [Completion Report: Western Regional Road Corridor Investment Program in Mongolia \(Tranche 1\)](#).



MONGOLIA REGIONAL LOGISTICS DEVELOPMENT PROJECT

Zamyn-Uud, a desert area bordering the PRC, struggles with inadequate transport services and high costs, which hinder its economic growth. This project, financed by ADB through a \$40 million loan and \$5 million grant, was designed to establish a multimodal logistics facility to support the area's growth. Implemented in 2011–2020, the project completed a rail-to-rail transshipment facility and installed two gantry cranes along with other communication and administrative equipment. The initiative has stimulated regional integration and international, regional, and domestic trade:

- Trade value increased by 120% in 2009–2020.
- PRC–Mongolia trade increased by 180% in 2009–2020.
- Overall freight traffic increased by 180% from 6 metric tons in 2009 to 16.6 metric tons in 2018.
- Container traffic volume increased by 120% in 2009–2020.

Source: ADB, 2022. *Completion Report: Regional Logistics Development Project in Mongolia.*



BORDER EFFICIENCY FOR SUSTAINABLE TRADE PROJECT

In December 2023, ADB approved a \$100 million loan to support Mongolia's economic recovery, diversification, and resilience by (i) upgrading selected BCPs, (ii) establishing One Health coordination mechanisms and facilities at selected BCPs, and (iii) implementing key modules in the national single window for risk management and paperless trade. The project will benefit remote border communities in eastern and western Mongolia, providing access to crucial imports and expanding income and livelihood opportunities from transport, tourism, and trade. The project is expected to be implemented through 2030.

Sources: ADB. 2023. [Report and Recommendation of the President to the Board of Directors: Proposed Loans, Grant, and Technical Assistance Grant to Mongolia for the Border Efficiency for Sustainable Trade Project](#); and ADB. 2023. [ADB Projects to Spur Agriculture, Improve Transport and Trade Sectors in Mongolia](#). News release. 11 December.

REGIONAL IMPROVEMENT OF BORDER SERVICES

ADB approved a \$27 million loan in 2016, with additional financing of \$27 million in 2019, to tackle the core problem of inefficient trade processes in Mongolia. The project aims to rehabilitate facilities and provide modern equipment at three major BCPs, upgrade the Customs Automated Information System, and conduct preparatory work for establishing a single-window system for trade-related regulatory requirements. The project is expected to be completed by 2025.

Sources: ADB. 2016. [Report and Recommendation of the President to the Board of Directors: Proposed Loan to Mongolia for the Regional Improvement of Border Services Project](#); and ADB. 2016. [ADB Border Crossing Loan to Help Boost PRC, Russian Federation Trade](#). News release. 25 April.





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