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D P

Bringing down the barriers: Regional cooperation for human development and human security in Central Asia

Summary of the **Central Asia Human Development Report**

for the CAREC Ministerial Meeting in Bishkek
November 5, 2005

UNDP Regional Bureau for Europe and CIS

Purpose of the Report

- **Analyze** the human development/security impacts of regional cooperation and integration
- **Inform national policy makers** and promote **dialogue among stakeholders**
- Assist **regional institutions**
- Create common platform for the **international community**

Scope

- The report is “*people centered*”
 - human development and human security defined in terms of broad goals and measures of human welfare
“*freedom from want, freedom from fear*”
 - linked to Millennium Declaration, MDGs
- Addresses cooperation among the *five Central Asian CIS countries*
 - Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan
- And integration with the *rest of the world*
 - especially *neighbors* (Afghanistan, China, Iran, Russia) and other *partners*

Approach

- Our approach is *comprehensive*
- We *measure benefits* (and costs)
- Bring in *people's voices*
 - surveys, case studies, interviews
- Consider *obstacles*
 - including political interests and governance constraints
- Draw on *national analytical and institutional expertise*
 - Country Background Studies
- Cooperated with *international partners*
 - esp. multilateral institutions (including ADB and WB)

Overall Findings

- Central Asia is a pivotal region in Eurasia (Slide 6)
- Disintegration of Soviet Union left legacy of difficult human development and human security challenges for Central Asian Republics (CARs), incl. new borders (Slide 7)
- CARs are highly differentiated in terms of size, resource endowment, human development, political orientation, readiness to cooperate and integrate
- There have been important efforts and some progress towards regional cooperation

Central Asia at Core of Eurasia

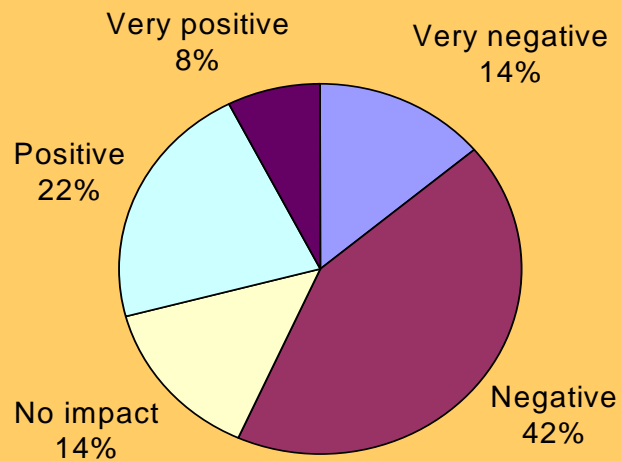


Overall Findings (continued)

- Surveys and case studies: people are much affected by and care deeply about the barriers created by borders (Slide 9)
- It's important to move forward with regional cooperation agenda to achieve a key goal:
“Borders with a human face!”
- Regional cooperation and integration – with each other, neighbors and rest of world – are key for CAR's success
- ***Intensive cooperation could double regional GDP over 10 years, esp. for the poor and for border communities***

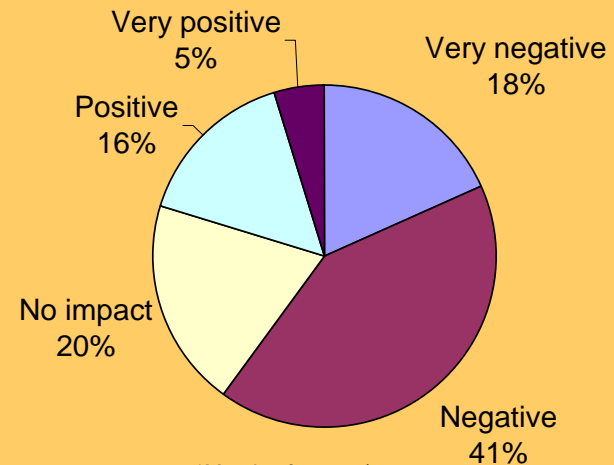
Survey Results on Borders

What Impact have Borders had in Trade, Transport, Transit?*



*Margin of error +/- 3%

What Impact have Borders had on Access to Families, Friends and Business Associates?*



*Margin of error +/- 3%

Overall Recommendations

- Priorities for action to bringing down barriers and create “borders with a human face”:
 - Biggest gains come from improved *trade, transport and transit* and improved *water/energy* development and use
 - Biggest potential threats from *natural disasters, communicable diseases and regional conflict*
- But cooperation should be promoted also in other areas, using opportunities as they occur
- Domestic reforms are an essential complement to regional cooperation
 - especially *good governance, trade and investment climate, and social and environmental policies*

Overall Recommendations (ctd)

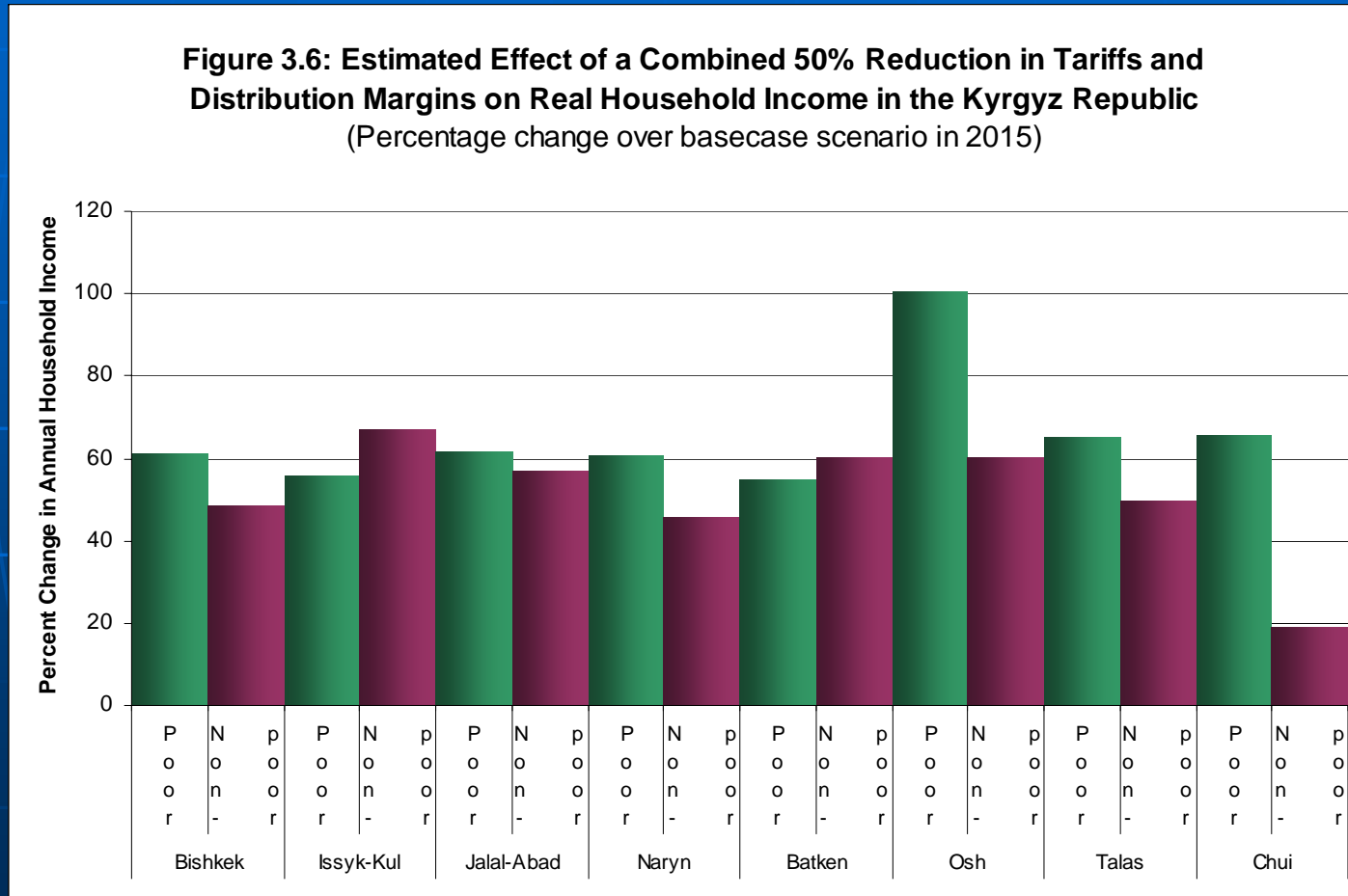
- All countries to participate, for maximum benefit
 - and if they don't want to risk being left behind
- All actors to (be allowed to) network across borders
 - governments, business, academia, civil society
- Incorporate regional dimensions in national strategies, PRSPs, etc.
- Key regional institutions to be strengthened, with clear mandates (SCO, CACO – with CAREC support)
- Neighbors and international organizations to support regional cooperation and integration
- UN Secretary General to appoint a Special UN Envoy of Central Asia

1. Trade, Transport and Transit

- Trade of CARs could be much expanded despite land-locked location
- Trade barriers/costs are high in Central Asia
 - opaque trading rules
 - high border and behind-border transit costs
 - poor transport networks and services
 - distances to markets
- Lowering trade costs significantly increases incomes, employment and consumption in the region (conservative estimate: 20-55%), esp. for the poor (Slide 13)
- Domestic supply response is weakened by poor investment climate and lack of financial services
- Trade integration will bypass closed countries.

Estimated benefits of reduced trading costs in Kyrgyz Republic

Figure 3.6: Estimated Effect of a Combined 50% Reduction in Tariffs and Distribution Margins on Real Household Income in the Kyrgyz Republic
(Percentage change over basecase scenario in 2015)

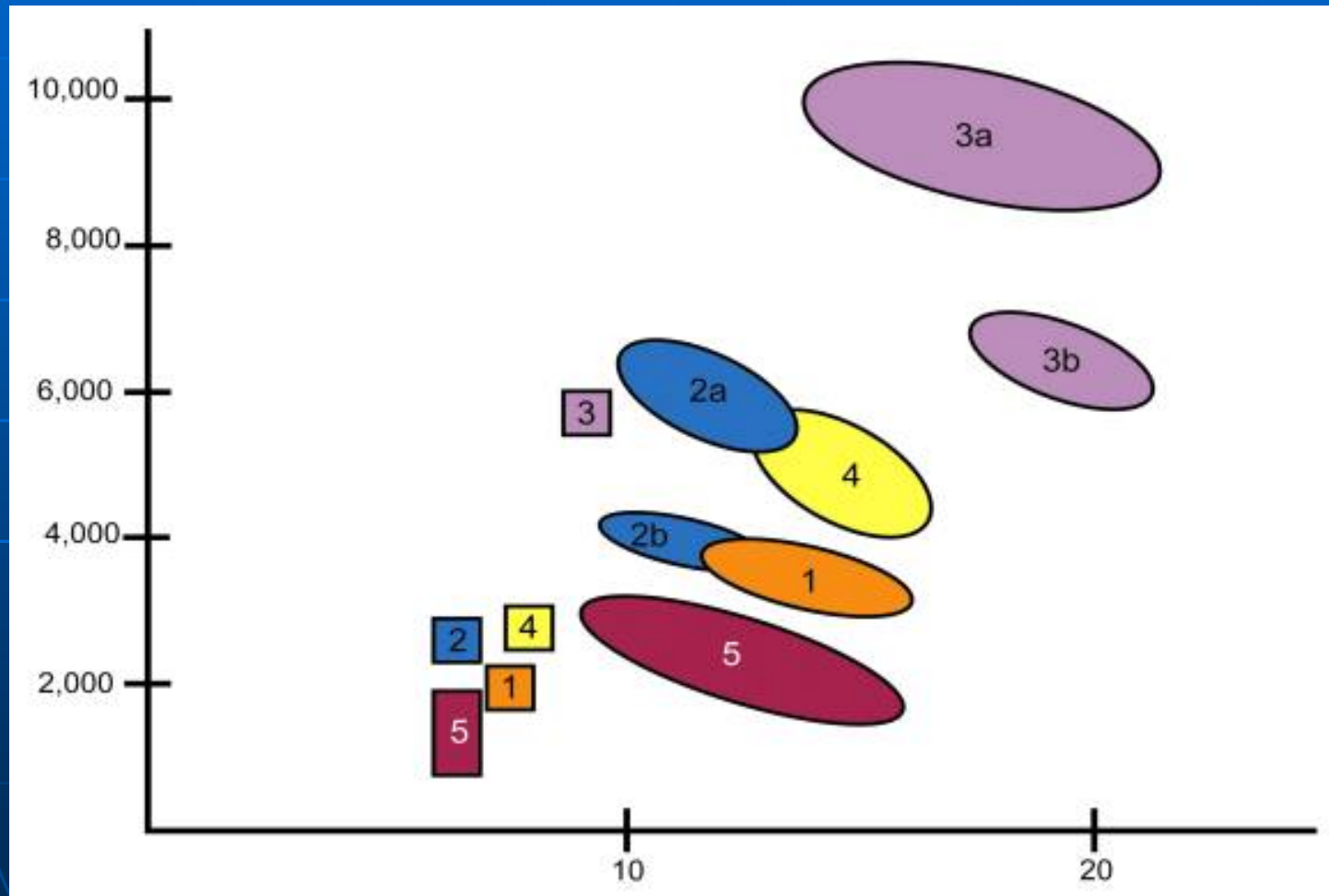


Trade, Transport and Transit: Special Issues

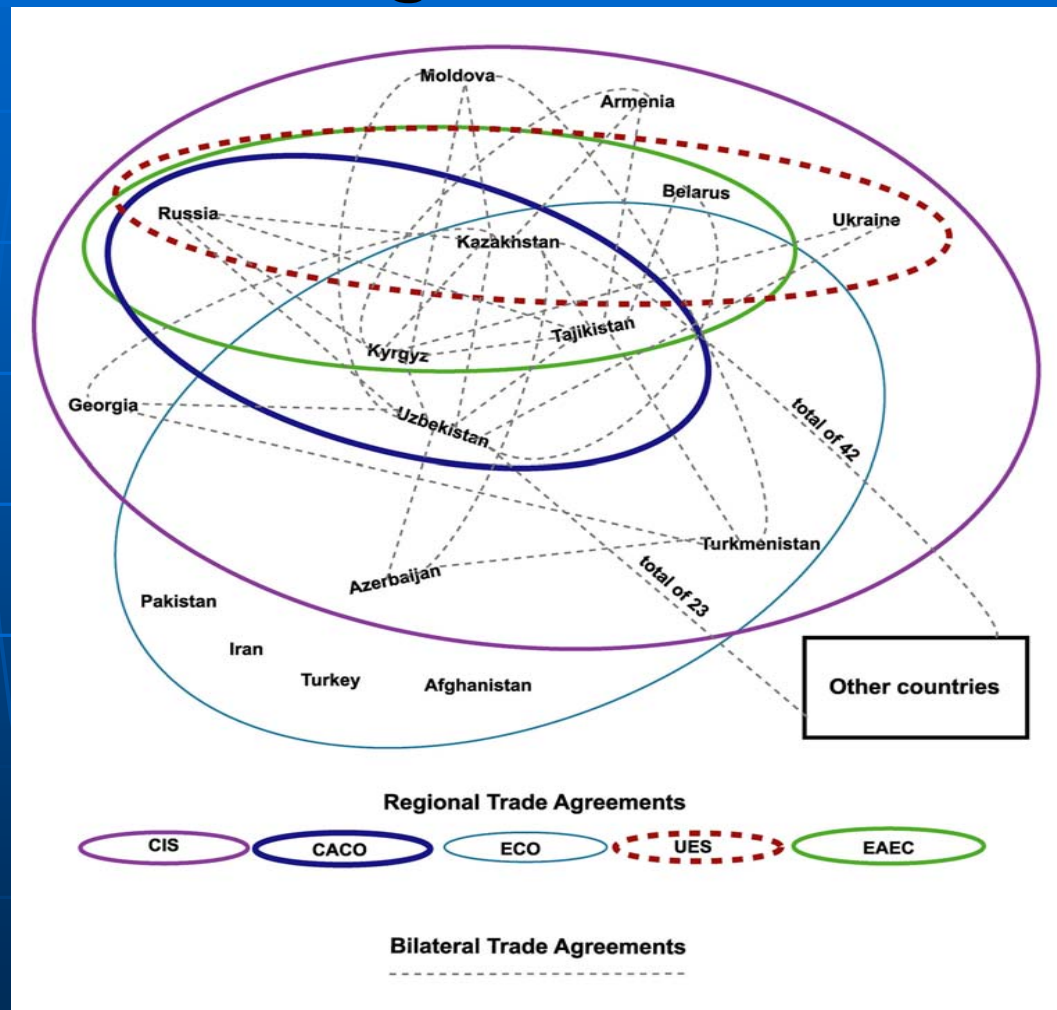
- Borders are difficult/expensive/time consuming/dangerous (Slide 15)
 - for trucks, cars, carts, people
 - visa requirements are burdensome
 - customs are often arbitrary and corrupt
- Regional trade agreements are overlapping, complex “spaghetti bowls” (Slide 16)
- Substantial investment and maintenance costs from road and rail projects to circumvent borders
- Air transport is underdeveloped, within region and with rest of world

Cost of Freight and Transit Time for Shipment from/to Central Asia 2004: Actual v. Potential

US\$



Spaghetti Bowl of Regional Trade Agreements



Trade, Transport and Transit: Special Issues (ctd)

- Shuttle traders (esp. women) face restrictions
“If there were no such obstacles and additional expenses, the goods would have been way cheaper. We wouldn’t have seen the sad eyes of the parents, who cannot afford an expensive piece of clothing for their child.” (Interview with shuttle trader)
- Reforms of trade, transit, business climate require “good governance” reforms
 - anti-corruption, civil service, transparency, accountability
- BOMCA/CADAP program an example of what can be done to create borders with a more “human face”

Recommendations: Trade, Transport and Transit

For Governments of Central Asia:

- Pursue multilateral trade liberalization with WTO membership
- Bilateral and regional trade cooperation agreements should focus on facilitating transit (customs, police, visas)
- Avoid costly investments in detours
- Liberalize air traffic/access for air lines
- Reduce interference with shuttle trade
- Pursue “good governance” reforms

Recommendations: Trade, Transport and Transit

For Regional Organizations (esp. CACO, SCO, CAREC):

- Clear mandate for the trade agenda
- Focus on transit facilitation
- Create benchmarks/monitoring and enforcement/arbitration mechanisms
- Create regional forums for business/NGOs/communities to raise concerns
- Develop long-term regional transport/transit strategies linked with big neighbors and Afghanistan

Recommendations: Trade, Transport and Transit

For the International Community:

- Support CARs in pursuing WTO membership
- Support/finance initiatives of regional organizations
- Link support for transport with improvements in transit
- Support investment climate, financial sector and “good governance” reforms
- Support research, surveys, documentation of economic and human impact of reform

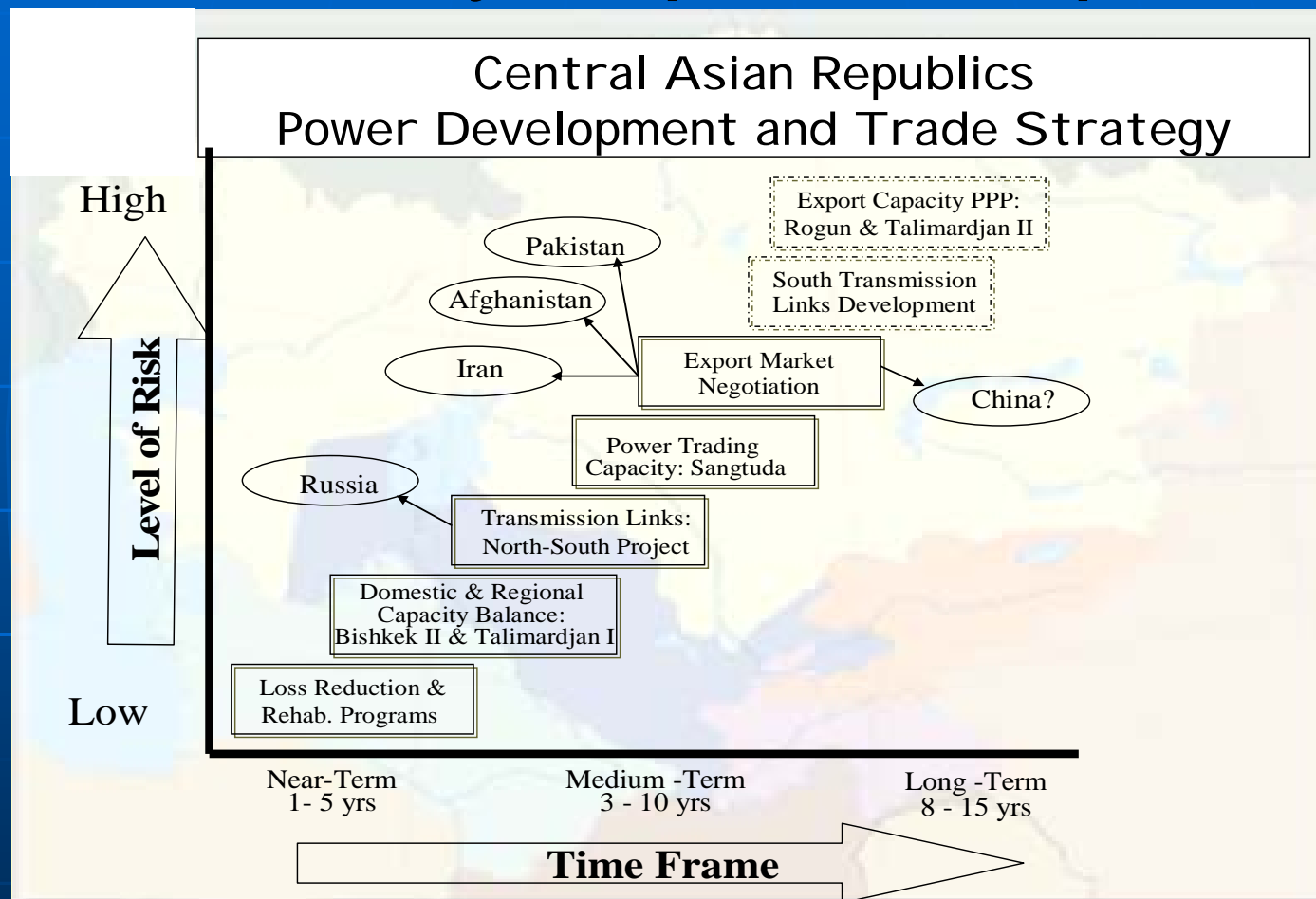
2. Water, Energy, Environment

- Central Asia has large natural resources and export potential (incl. electricity) (Slide 23)
- Water, energy, environment are tightly linked in Central Asia
- Countries are inseparably connected with each other through water, energy and environmental links
- But goal of self-sufficiency in water and energy resources for national security drives many of the policies of non-cooperation

Water, Energy, Environment (ctd.)

- Uncoordinated and inefficient water use wastes water and causes
 - suboptimal investments (e.g., water storage)
 - downstream environmental problems (e.g., Aral Sea)
 - potential for conflict at community and regional levels
- Many “hot spots” need urgent resolution (Slide 24)
- Regional solutions produce large common benefits
 - e.g., more efficient resource use could save \$1.7 billion lost in agricultural yields due to inefficient water use
 - but require compromise on principles and priorities and mutual trust among countries

Electricity Export Prospects



Source: World Bank

Radioactive, Chemical and Biological Hazards in Central Asia



Recommendations: Water, Energy, Environment

At the national level:

- Improve management of natural resources
- Look for region-wide cooperative solutions, but accept bi- or trilateral ones if need be
- Support communities to solve cross-border water/energy/environmental problems
- Support civil society in its work on these issues

At the regional level:

- Give regional organizations clear mandates
- Support the development of Water-Energy Consortium
- Support regional academic and CSO networks
- Focus on cooperative solutions for hot-spots

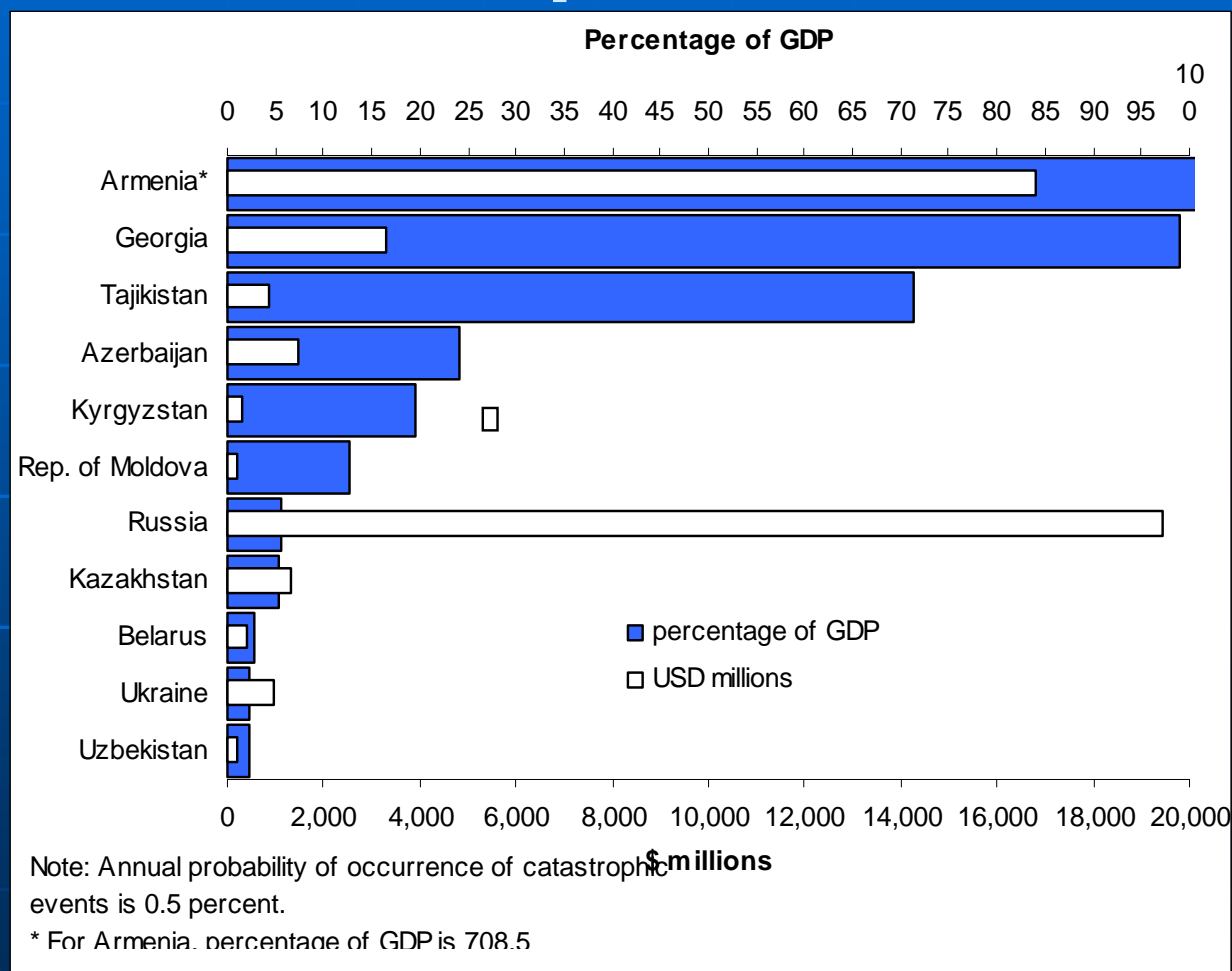
At the international level:

- Intensify regional perspective in supporting national programs
- Provide support for regional cooperative programs (incl. WEC)
- Support research on long-term natural resource issues

3. Natural Disasters

- High economic and human risks (Slide 27)
 - esp. earthquakes (Slide 28)
 - other risks: floods, landslides, radio-active tailings, etc.
- National and regional institutions exist for disaster preparedness and response
 - but they lack adequate capacity/budget for risk assessment, management, prevention, preparedness and response
- Community involvement critical (e.g., Lake Sarez)
- Examples elsewhere show that risks can be reduced and regional response is essential

Economic Loss Potential from Catastrophic Events



Source:
World Bank

Seismic Hazard Areas in Central Asia



Source: Global Seismic Hazard Assessment Program

Recommendations: Natural Disasters

At national level:

- Legislation and capacity building
- Involvement of CSOs and communities
- Adequate finance

At regional level:

- Assign clear mandate to regional entity
- Prepare regional disaster vulnerability assessment and disaster preparedness plan
- Set up regional early warning center

At international level:

- Coordinated support from donors not only for relief, but for preparedness

4. Illicit Drugs

- Central Asia a major transit corridor for illicit drugs from Afghanistan
 - with growing risk of national production and use
- Links to HIV/AIDs, crime and terrorism
 - with great human costs
- Two-way link to weak institutions and poor governance
 - including border management
- Solutions to drug problems largely outside Central Asia

Recommendations: Drugs

At national level:

- Acknowledge gravity and difficulty of problems
- look for developmental solution, not purely control
- link to governance reform
- involve communities, civil society

At regional level:

- Build cooperation on mutual interest in greater security
- allocate clear responsibility to regional organization
- work for "borders with a human face"

At international level:

- Recognize need to control/manage drug supply and demand in principal hubs
- coordinate and fund assistance to CARs better

5. Education and Health

A regional agenda:

- Allocate clear mandate to regional organizations
- Promote regional project(s) for HIV/AIDS, TB and possibly other communicable diseases
- Support regional civil society networks
- Foster regional diploma recognition, cross-border support for minority education, maintenance of Russian as lingua franca
- Foster cross-border access to health and education services for border communities
- Improve regional health and education statistics

Political and Institutional Constraints

- Not all political and economic interests benefit from cooperation
- Even if there is interest in cooperation at the top, implementation may be blocked by those who would lose
- Corruption, poor administrative capacity, lack of accountability hinder reforms, better administration, and development of borders with a human face
- More participation by communities, giving voice to those who suffer from poor border management and related restrictions would help
- Region-wide, comprehensive and intensive cooperation may not occur in Central Asia for some time to come, due to political and institutional constraints
- But: progress on many selected issues is nonetheless possible and desirable

Neighbors and International Partners

- A strong, shared interest in a stable, prosperous Central Asia among all partners
- Growing engagement by neighbors in regional issues and bodies (e.g., in CACO, SCO, CAREC)
- More focus on regional issues and programs by international donors
- But some differing interests among partners, potentially confusing messages, and fragmented support
- Neighbors and other international partners need to find common ground in their support for political and economic development and need to coordinate their programs

Concluding Remarks

- Regional links in Central Asia are pervasive and critical
- Regional cooperation in any of the areas should be supported for its own benefits and to build trust for others
- The key regional institutions (CACO, SCO, CAREC) deserve clear mandates and strengthened capacities
- National policies, and especially good governance, are essential for effective regional cooperation
- The neighbors and international community should support Central Asian regional cooperation