



Central Asia Regional Economic Cooperation Program

Reference Document
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Review of the CAREC DEfR Methodology: Update

**Senior Officials' Meeting
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Review of the CAREC DEfR Methodology: Update

I. Introduction

1. The Central Asia Regional Economic Cooperation (CAREC) Program agreed to review its methodology for the Development Effectiveness Review (DEfR), which is used to monitor the Program and its results. In addition to the flexibility needed as the Program evolves and matures, the review also provides an opportunity to better incorporate new or revised strategies and action plans at sector level since 2011 when the CAREC 2020 framework was endorsed.

2. Findings of an initial review of the DEfR methodology were endorsed at the Senior Officials' Meeting (SOM) in October 2013 in Astana, Kazakhstan. Prior to the methodology review, the DEfR was organized into 3 levels: Level 1 was for indicators of development outcomes; Level 2 for sector outputs; and Level 3 for tracking financial and knowledge-based inputs into the Program. The methodological review endorsed by the SOM resulted in the following substantive changes in the DEfR, to be reflected in the Program's results monitoring going forward:

- a. Only four of the 16 indicators at Level 1 were to be retained, namely, trade openness, intraregional energy trade, foreign direct investment as a percentage of the gross domestic product, and share of intraregional trade in CAREC's total trade (see Table 1). One indicator, Logistics Performance Index, was to be retained but at an appropriate level of results monitoring, while the rest of the indicators used earlier were not to be used for monitoring the Program though they could be drawn upon as needed to provide the broad context and environment surrounding the Program's activities.

Table 1: Recommendations for DEfR Level 1 Indicators

| Retain | Remove |
|---|--|
| Trade openness | Population living on less than \$2 a day |
| Intraregional energy trade | Human development index |
| Foreign direct investment (% of GDP) | Gender inequality index |
| Intraregional trade in total CAREC trade | GDP, GDP per capita |
| | Real GDP growth rate |
| <i>Logistics Performance Index (change Level)</i> | Labor force participation rate |
| | Women employed in non-agricultural sector |
| | Real growth in trade of goods and services |
| | GDP per unit of energy use |
| | Time required to start a business |
| | Cost of business start up |

Source: 2012 DEfR and ADB.

- b. Level 2 outputs were re-examined in terms of the extent to which the CAREC Program interventions have a direct effect into the relevant indicators and all Level 2 indicators were suggested to be retained (see Table 2). Given these are sector outputs (in the context of the previous DEfR methodology), it was also noted for the sectors to review the indicators, particularly in the case of the energy sector and trade policy (the new Trade Policy Strategic Action Plan was endorsed during the 12th CAREC Ministerial Conference in October 2013). The retained list will be further modified based on the review by the sector coordinating committees; only

the indicators retained at the sector level by the relevant coordinating committees will be reflected in the finalized DEfR.

Table 2: Recommendations for DEfR Level 2 Indicators

| |
|---|
| <i>Transport and Trade Facilitation Sector</i> |
| Expressways or national highways built or improved |
| Proportion of total CAREC road corridor built or improved |
| Time taken to clear a border crossing |
| Costs incurred at a border crossing clearance |
| Speed to travel 500km on CAREC corridor section |
| Costs incurred to travel corridor section |
| <i>Trade Policy Sector</i> |
| CAREC Trade Liberalization Index |
| Institutional Quality Index (under review) |
| <i>Energy Sector</i> |
| Transmission lines installed or upgraded |
| Increased energy generation capacity |

Source: 2012 DEfR and ADB.

- c. At Level 3, looking at operational and organizational effectiveness, the methodology review resulted in recommending dropping of three out of eight indicators, while retaining the others along with a suggestion to review if they could be further refined.

Table 3: Recommendations for DEfR Level 3 Indicators

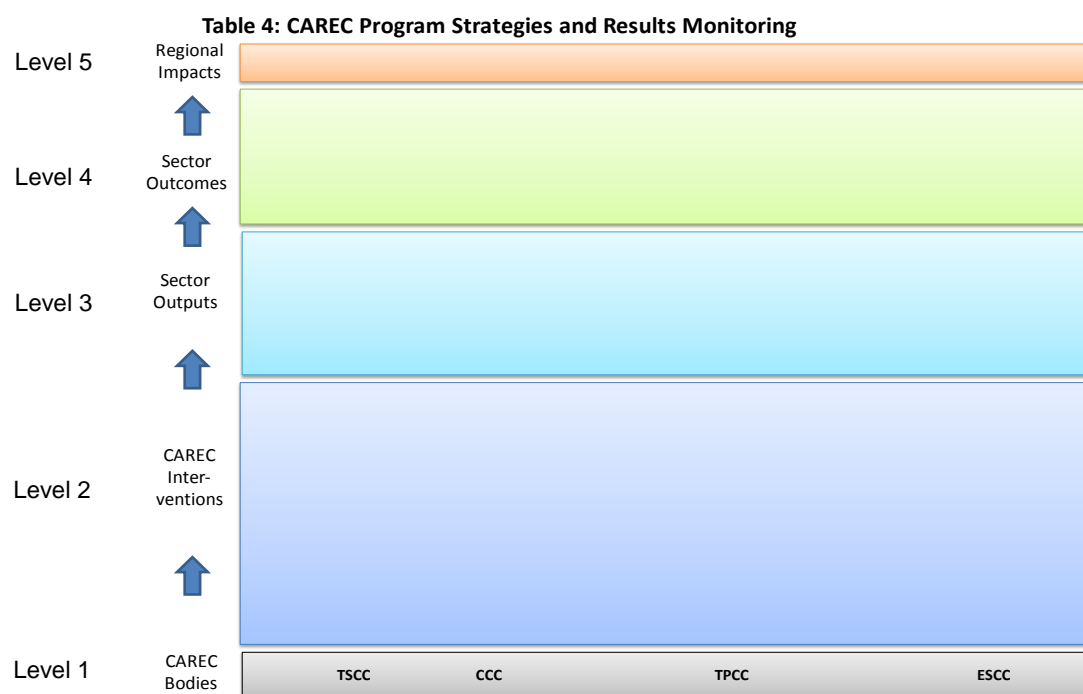
| Retain | Remove |
|--|---|
| Operations Growth | |
| Volume of approved investment projects, cumulative | Number of completed investment projects (cumulative since |
| Number of approved investment projects, cumulative | |
| Finance Mobilization | |
| Annual average volume of new approved investment projects, 3-year moving average | CAREC technical assistance financing gap (\$'000) |
| Knowledge Management | |
| Ratings of CAREC-related technical assistance projects completed | Knowledge production and dissemination |
| Participants in CAREC-supported training programs | |

Source: 2012 DEfR and ADB.

II. Revised framework for results monitoring

3. The methodology review showed that using 3 levels (impact, outputs, and inputs) did not allow adequate distinction between outcomes and outputs at the sector level. A 5-level structure, introduced in the methodology review reported to the SOM in October 2013, is proposed to address this constraint. The levels cover inputs and interventions, outputs, outcomes and impact, along with a level showing the list of CAREC institutions and bodies (see Table 4). This structure provides an overview of the full program in one single place, showing who are involved, what is being done (interventions), what is being delivered (outputs, e.g. road infrastructure and systems), how the infrastructure is being used by beneficiaries (outcomes) and what this contributes to in terms of regional impact.¹

4. Based on further review and consultations, the CAREC secretariat recommends the adoption of this 5-level structure to describe the Program and monitor its results. Separately, monitoring at the sector would provide information only at 3 of these 5 levels – sector outcomes, outputs and interventions. The sector monitoring would typically have more details, particularly on interventions. The Program-level framework will be a summary of the detailed outcome, output and interventions specified at the sector levels since not all of the details can be included without making the higher-level framework unwieldy.² The annual DEfR exercise will focus only on the Program-level framework though references could be made to sector-level findings if appropriate.



¹ More details are provided in the review document submitted to the 12th CAREC Ministerial Conference.

² The structure also allows additional flexibility at the Program level. For example, since sectors are an input into the overall Program, it is also conceivable that some sector outcomes may be outputs at the (higher) Program level, particularly if the Program reaches a stage over time where it is cumulatively much more than merely the sum of its components.

III. Sector consultations and next steps

5. The recommended format for program-level above will be formalized based on sector-level results monitoring of outcome, outputs and interventions. Each result statement of the framework in Table 4 and its corresponding indicators will be determined through consultation with the member countries and partners, including during the sector coordination committee meetings. At the sector level, the respective coordination committees will need to agree on (i) the outcome, output and interventions statements at the sector level; (ii) specific indicators for each – outcome, outputs, interventions; (iii) base year or benchmarks to use for each indicator; and (iv) weights for indicators in case uniform weights are not deemed appropriate.

6. Based on the consultations to date, it is expected that the first of the four items above will be completed in time for the 13th CAREC Ministerial Conference, which may be expected to be requested to endorse the overall structure at program and sector levels, as well as the agreed upon statements at different levels. It is expected that substantial progress will be made on the remaining items, but that a realistic target for fully completed results framework, with specific indicators and baseline values will be ready in time for the preparation of the 2014 DEfR next year. The deliverable for the 13th Ministerial Conference would thus be the revised DEfR framework without the specific indicators. It would include the proposed 5-level structure along with the key results statements at Program and each sector level. The complete list of corresponding indicators may be finalized by the first meeting of coordination committees during 2015.

7. The revised Transport and Trade Facilitation Strategy 2020 (TTFS) endorsed at the 12th CAREC Ministerial Conference in 2013 already incorporates a results framework at the sector level. This results framework will be reviewed/reconfirmed by the Transport Sector Coordination Committee to see whether any updates or further refinements are to be recommended. The exercise would also need to confirm whether appropriate indicators are available for the objectives specified in the TTFS results framework. Appendix 1 presents the TTFS structure adapted to the monitoring framework proposed here: the outcomes and outputs are from the TTFS, as are the interventions.

8. The Program-level framework was discussed at the Energy Sector Coordinating Committee (ESCC) meeting on 1–3 April 2014 in Bishkek. The countries accepted the rationale for the review and the structure of "Outcome-Output-Sector Interventions", at the sector level. They also agreed upon general definitions of the "statements" of the 3 levels (i.e. outcome statement, output statements, activities). Going forward, the countries expressed their wish to comment on the methodology of compiling the baseline data, indicators/targets plus the figures which come out of this compilation exercise. Currently, the Secretariat at ADB is in the process of collecting data towards that end. Progress could be discussed at the second ESCC meeting planned for later in 2014. Appendix 2 provides the agreed statements for sector-level monitoring at the ESCC.

9. A monitoring framework along the lines proposed here has also been prepared for the Trade Policy Coordinating Committee (TPCC), drawing upon the Trade Policy Strategic Action Plan 2013–2017 endorsed at the 12th Ministerial Conference. This will be discussed at the TPCC in June in Manila, and feedback incorporated.

IV. Approach to 2013 DEfR

10. Given the transition to revised framework will be completed in 2015, the DEfR in 2014 may be done on an interim basis, incorporating the methodology revisions that were already endorsed in 2013. This would imply the 2013 DEfR will drop the indicators recommended for removal, and use only the remaining indicators for monitoring. A draft of the 2013 DEfR will be circulated to the countries, for consideration before the special meeting of the national focal points in September 2014.

Sector Level Results Framework

Transport and Trade Facilitation

Sector Outcomes

1. Competitive corridors established
2. Efficient movement of goods and people through CAREC corridors and across borders
3. Sustainable, safe, and user-friendly transport and trade networks developed in the CAREC region

Sector Outputs

1. Multimodal corridor network developed
2. Trade and border crossing services improved
3. Enhanced operational and institutional effectiveness

Sector Interventions

1. IP1: Road Infrastructure
2. IP2: Rail Infrastructure
3. IP3: Inland Waterways and Ports
4. IP4: Airports and Air Transport
5. IP5: Border Crossing Points
6. IP6: Logistics Mode
7. TA1: Designated Railway Corridors
8. TA2: Public-Private Initiatives
9. TA3: Corridor Management
10. TA4: Trade Facilitation
11. TA5: Transport Facilitation
12. TA6: Road Safety and Maintenance
13. TA7: Other Infrastructure
14. TA8: Other Infrastructure Related

CAREC Bodies

1. Transport Sector Coordinating Committee
2. CAREC Federation of Forwarder and Carriers Associations
3. Customs Cooperation Committee

Sector Level Results Framework

Energy

Sector Outcomes

The impact of uneven distribution of energy resources among CAREC countries is overcome, and existing energy interrelationships are optimized.

Source: CAREC Energy Strategy (2008)

"The regional energy cooperation is driven by the need to (i) overcome, through increasing integration of the energy markets, the impact of uneven distribution of energy resources among the CAREC countries; (ii) optimize existing energy interrelationships".

Sector Outputs

1. Domestic and cross-border energy projects reached the targeted levels by 2020.
2. Central Asia-South Asia Energy Corridor is developed.

Sector Interventions

1. Programs to enhance regional energy trade and cooperation are implemented.
(Indicator: At least two multi-year programs are completed by 2017)
2. Analytical works on the linkages between energy and water resources are undertaken.
(Indicator: At least two studies are published by 2018)
3. Financing roadmap is produced and funds are mobilized.
4. Institutional capacity of CAREC member countries is strengthened and knowledge is shared.

CAREC Bodies

Energy Sector Coordinating Committee

Sector Level Results Framework

Trade Policy

Sector Outcomes

1. Trade and business environment improved
2. Cross-border service trade increased
3. Backbone service trade increased
4. Temporary movement of labor within CAREC increased

Sector Outputs

1. Negotiations for World Trade Organization (WTO) accession conducted
2. WTO membership achieved
3. WTO commitments implemented
4. Value-added tax (VAT) and excise taxes on domestic production and imports of goods in the same category uniformly applied
5. Average tariff reduced to 10% or less and maximum capped at 20%
6. Export quotas that are not WTO compliant abolished and import quotas and licenses that are not WTO-compliant abolished or tariffed
7. Consistency of technical regulations on industrial goods and sanitary and phytosanitary (SPS) measures with WTO technical barriers to trade (TBT) and SPS agreements improved
8. Key bottlenecks identified by the national studies addressed (with the assistance of donors and International Financial Institutions)
9. Service Quality Restrictiveness Index questionnaire commissioned and scored for all CAREC countries
10. Key regulatory changes from the national studies implemented on a voluntary basis
11. Backbone services development and expansion of services exports streamlined into the national government's plan and technical assistance for implementation of the CAREC 2020 goals delivered
12. Market access promoted and national treatment for foreign companies that would provide financial services, telecommunications, and transportation services applied
13. Services regulations sustainably reviewed
14. Bilateral Labor Agreement for some of the temporary movement of labor within CAREC used by interested parties
15. Capacity and knowledge to address WTO accession and trade policy issues enhanced
16. Capacity to further modernize SPS measures; to align custom procedures with the Revised Kyoto Convention, and to joint control the animal diseases in People's Republic of China and Mongolia strengthened
17. Knowledge to streamline the services development goals into the national development plans acquired

Sector Interventions

1. Plan for gap analysis and intended changes for WTO membership in place
2. WTO commitments implementation scheduled

3. Implementation plan for addressing remaining discrepancies between domestic taxes and imports that are not WTO compliant scheduled
4. Further tariff reduction schedule in place
5. Timeframe developed to abolish or tariffy the quantitative restraints
6. Action plan developed to adopt international standards on SPS measures and technical regulations on industrial goods;
7. Work plan scheduled to promote mutual recognition of certification of accredited conformity bodies in trade partners;
8. A comprehensive SPS strategy and action plan prepared to guide the gradual transition to WTO compliant system based on international standards
9. Sustained review of new non-tariff measures and evaluation of transition to international standards planed
10. National studies conducted to assess key bottlenecks to expansion of trade in services
11. Schedules developed to apply the Services Trade Restrictiveness questionnaire in the four countries where it has not been implemented and every two years subsequently for all CAREC members;
12. Action plan developed to improve the quality of institutions, including addressing corruption, complexity in export procedures and labor market flexibility;
13. Key regulatory policy steps planned to liberalize telecommunications and other important sectors to encourage services exports
14. Key regulatory reforms planned to encourage investment in backbone services such as telecommunications, transportation services, banking, insurance and professional services;
15. A technical team dedicated to carry out substantial analysis formulated to lead the dialogue into policy action
16. Bilateral Labor Agreement in place on a voluntary basis;
17. Mutual recognition agreement of professional qualifications for some profession in place with at least one country
18. A training seminar on WTO accession and trade policy for development organized;
19. A Knowledge Sharing Workshop on WTO membership issues and commitment implementation among CAREC member countries conducted;
20. A seminar on expansion of trade in services organized
21. Technical assistance for trade facilitation implemented
22. Technical assistance for services development implemented

CAREC Bodies

Trade Policy Coordinating Committee