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# Mid-Term Review of CAREC 2020

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Tashkent, Almaty, Astana, Bishkek, Bangkok  
Islamabad and Beijing



# Outline

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- CAREC 2020 Overview
- MTR Objectives and Scope
- Central Asia in the Post-Crisis Period
- Regional and Global Developments Affecting Central Asia
- The Way Forward for CAREC: Key Questions for Discussion
- Next Steps

# CAREC 2020: An Overview

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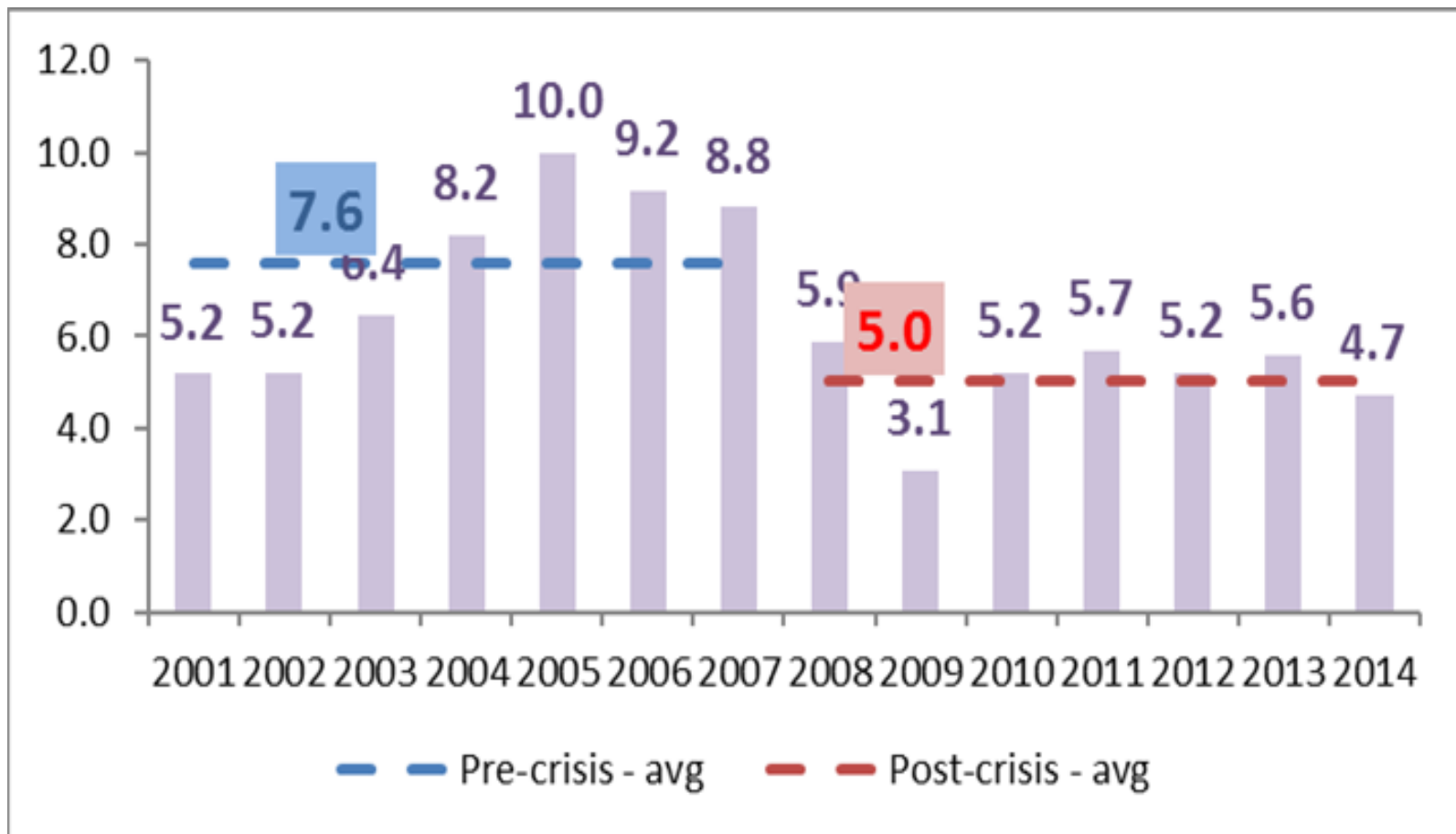
- A ten year strategy -- 2011-2020
- Confirms the CAREC vision
- Two strategic objectives ---(i) expanded trade; (ii) increased competitiveness
- Seven operational priorities:
  - transport (investments in infrastructure)
  - trade facilitation (measures to facilitate the movement of goods and people)
  - trade policy (promoting trade openness)
  - energy (securing reliable, secure and stable energy supply)
  - *economic corridors (promoting investment, production and trade linkages)*
  - *the CAREC Institute (developing knowledge support); and*
  - *second-tier areas (social impacts of trade expansion, agriculture and the environment, among others)*

# MTR Objectives

- Endorsed by the CAREC SOM, September June 2015
- Review of strategies at program and sector level
  - Results
  - Relevance
  - Responsiveness
  - Refinements
  - Implementation performance
  - Effectiveness of CAREC institutions
  - Lessons learned
  - Strategies moving forward
- A mid-term review, not an evaluation

# CAREC GDP Growth: Pre- and Post Crisis

The economies of Central Asia registered robust growth averaging 7.6 % from 2001 to the 2008 financial crisis when growth plummeted. Growth has remained stable and positive after 2008, but has not recovered to pre-crisis levels. Moreover, the current global outlook is volatile.



# Regional and Global Developments (1)

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**1. Weak and volatile global economy.** Key factors in the current slowdown include:

- Weak oil and commodity prices
- Recession in the Russian Federation
- Decline in remittances, and large-scale return of migrant workers

• Key economic challenges include:

- Structural transformation and economic diversification
- Fiscal stress
- Limited scale of production, and low productivity
- Skill shortages and rising unemployment
- Infrastructure deficits

# Regional and Global Developments (2)

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## 2. Massive resource mobilization for infrastructure

- Expansion of ADB's lending capacity – USD 20 billion per annum
  - Japan-ADB Partnership - USD 16 billion
  - Asian Infrastructure Investment Bank – USD 100 billion (capital)
  - New Development Bank (BRICS Bank) – USD 50 billion (capital)
  - Silk Road Fund – USD 40 billion
  - Japan (through JBIC and JICA) - USD 110 billion
- Resources being mobilized, though significant, pale in comparison to the estimated \$8 trillion required for investment in infrastructure in Asia over ten years.
  - Striking a balance between mobilizing resources for viable projects and debt management and sustainability

# **Regional and Global Developments (3)**

## **3. The emergence of mega frameworks for regional cooperation and integration**

- Eurasian Economic Union
- One Belt One Road (PRC)
- New Silk Road (US)
- Eurasia Initiative (South Korea)
- OBOR-SCO-EAEU (Ufa Summit)





# Regional and Global Developments (4)

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## 4. Changing regional cooperation landscape in Central Asia

- Over the past decade and more, the CAREC Program has been one of the largest, if not the largest, regional cooperation initiatives in Central Asia.
- The institutional mechanisms for the mega frameworks have yet to take shape.
- Challenges to effectiveness of coordinating mechanisms for regional cooperation could emerge.



# Implications?

- What do these challenges and issues imply for the CAREC strategy?
- Is the logic of the CAREC strategy consistent with what is happening in the pattern of trade flows as the Central Asian economies integrate more with the global markets?
- Given that most Central Asian countries have now joined or are about to join WTO, what do these imply for trade policy cooperation in CAREC moving forward?
- Are the CAREC 2020 priorities helping countries to accelerate and sustain growth?
- How should CAREC position itself to address new and future challenges effectively?



# The CAREC Program: A Quick Look Back

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- A snapshot of accomplishments:
  - From six transport projects worth \$247 million in 2001, to 166 projects with a total cost of about \$28 billion in 2015
  - Quality roads and railways built to connect communities with markets.
  - Trade facilitation measures implemented: reduced time and cost to trade.
  - Power generation and interconnection are promoting reliability and security.
  - Promotion of WTO accession and post –accession adaptation.



# The Way Forward: Key Questions

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- Looking ahead, to 2017-2020 and beyond ,we would like to seek your guidance, recommendations and suggestions on four key questions

# Question 1: Transport and Infrastructure Initiatives

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- CAREC has a successful track record of supporting
  - road and railway infrastructure
  - trade facilitation
- With numerous large-scale initiatives in infrastructure development (OBOR, AIIB, Japan, Korea, etc.), how should CAREC position itself? What steps should CAREC take?

## Question 1: Transport and Infrastructure Initiatives

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- Can CAREC move from infrastructure corridors to economic corridors providing a wider range of support?
- The Almaty-Bishkek Corridor Initiative provides a model for leveraging connectivity with highly productive economic activities. But does such a model have wider applicability in the region?

## Question 2: Broadening the CAREC Agenda

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- The current volatile global and regional economic environment highlights the importance of economic diversification
- Transport infrastructure, connectivity and trade facilitation may not be the only priorities
- Lessons from the Greater Mekong Subregion also highlight the importance of going beyond transport corridors and trade
- Do the twin objectives of increased trade and enhanced competitiveness remain relevant? Are there complementary objectives that should be pursued, or even prioritized?

## Question 2: Broadening the CAREC Agenda

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- How can the CAREC agenda be broadened to address current and future needs?
- Does the strategy need to go beyond promoting infrastructure and connectivity?
- How can CAREC support economic diversification?
- Can CAREC play a role in supporting education, skill development, job creation and strengthening of regional labor markets?
- Are there other areas in which CAREC could play a role?



## Question 3: Institutional Challenges (External)

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- The new financial and infrastructure initiatives bring new players into regional cooperation in Central Asia
- How should CAREC respond to the new initiatives? Should it collaborate, or adapt its product portfolio (to be complementary)?
- Should CAREC position itself as coordinator for the new initiatives?
- What changes in the CAREC institutional framework are needed to adapt to these new developments?
- Can CAREC develop a framework to coordinate bilateral and multilateral initiatives with national development plans?

## Question 3: Institutional Challenges (Internal)

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- CAREC also faces internal institutional challenges. How can CAREC enhance the effectiveness of its institutions?
- How can the role of the working groups, SOM and Ministerial Conference be improved?
- What next steps should be taken with the CAREC Institute?
- And how can the role of the CAREC Secretariat be strengthened?

## Question 4: Beyond CAREC 2020?

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- CAREC 2020 covers the period 2011-2020
- The MTR will make recommendations for the remainder of the Strategy period (2017-2020)
- Now is also the time to think ahead, beyond the current strategy, and lay the groundwork for CAREC 2030
- The current crisis calls for mitigation, but in the longer run structural vulnerability is the key issue
- Looking ahead, what strategic work should CAREC carry out in 2017-2020 to pave the way for the future, beyond 2020?

# Next Steps

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Activity	Timeframe
Brainstorming workshop	Dec 2015
Review/inputs of Sector Committees	Q1 2016
Institutional Review (CAREC Secretariat)	Q1 2016
Country Consultations	April-June 2016
CAREC Senior Officials Meeting	July 2016
Special NFP Meeting	Sept 2016
15 <sup>th</sup> CAREC Ministerial Meeting	Q4 2016

# THANK YOU

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