

**NEEDS AND BENEFITS OF
INFRASTRUCTURE INVESTMENTS IN
CAREC REGION: 2016-2030- AN
OVERVIEW**

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RATIONALE OF THE STUDY

- World is witnessing very slow growth in advanced economies such as US, Japan and Europe as well as in emerging economies;
- For sustainable growth & resilience against external shocks, CAREC region needs to rebalance their export-oriented (mostly to advanced economies)/commodity-driven production and growth towards CAREC/Asian markets & regional demand, & trade-driven growth through increased intraregional infrastructure connectivity.



RATIONALE CONT....

- Large national/regional infrastructure projects involving several CAREC countries for enhanced connectivity can:
 - (i) Act as new engines for inclusive and sustainable growth;
 - (ii) Create large employment opportunities and increased investment, not only in the projects itself, but can also have multiplier effects on secondary and supporting industries and supply chains;
 - (iii) Enhance national/regional competitiveness and productivity.



Country	Estimated Investment Needs (US \$ Million)	Total Investment Per Year	Total Investment Per Capita (US \$)	New Capacity (investment as % of total)
Afghanistan	26142	2377	901	57
Azerbaijan	28317	2574	3262	64
People's Republic of China	4, 367, 642	397058	3297	72
Kazakhstan	69538	6322	4436	61
Kyrgyz Republic	8789	799	1655	38
Mongolia	10,069	915	3812	37
Pakistan	178558	16233	1075	53
Tajikistan	11468	1043	1678	47
Turkmenistan	Not Available			
Uzbekistan	41764	3797	1529	48
CAREC Region	4,742,287			

OBJECTIVES OF THE STUDY

- **Infrastructure financing needs for CAREC economies are available until 2020 (Bhattacharyay, 2012). For long-term planning, these are required for a longer period up to 2030;**
- **CAREC institute is undertaking a study on “Needs and Benefits of Infrastructure Investments in the CAREC Region: 2016-2030;**
- **Objectives of the study are as follows:**
 - (i) To update financing needs for infrastructure of the CAREC region (by country) for 2016-2030;**



OBJECTIVES OF THE STUDY CONT...

- (i) To estimate potential benefits of such investments for CAREC region in terms of income;**
- (ii) To measure potential benefits of the implementation of trade facilitation in existing CAREC infrastructure (transport corridors);**
- (iii) To provide policy recommendation to develop quality & efficient infrastructure and enhance connectivity in the CAREC region.**



SCOPE OF THE STUDY

- **Update infrastructure investment needs of CAREC countries for 2016 – 2030 based on the estimation by the paper of Bhattacharyay (2012);**
- **Use “The standard Global Trade Analysis Project” (GTAP) models to estimate potential benefits of such investments by country, neighboring countries and the global economy;**



SCOPE OF THE STUDY CONT...

- Use GTAP model to estimate impact or benefits trade facilitation, by incorporating time & monetary costs reduction parameters computed from existing data of ADB and WB.
- The study will include 10 countries: PRC, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, Uzbekistan, Afghanistan and Azerbaijan;



METHODOLOGY

- At the 1st stage, financing needs of CAREC region countries are estimated by a simple model using findings of the paper of Bhattacharyay (2012) & the forecast of key economic parameters, namely GDP & inflation;
- The model will assume a fixed relationship between infrastructure need and key economic parameters such as GDP and inflation— consistent with results of ISA study.



METHODOLOGY CONT....

- At the 2nd stage, following the methodology of the ISA study, these estimated financing needs at the first stage will be fed into a GTAP CGE model to find the impact of these investments on the economy; and
- For estimating the impact of trade facilitation, the study may use ADB's "corridor performance measurement and monitoring" (CPMM) results or WB Logistics Indicators as parameters in the GTAP models.



EXPECTED CONTRIBUTIONS OF THE STUDY

- **Updating existing information and knowledge of CAREC region, in terms of infrastructure investment needs, and the potential benefits of such investments.**
- **Facilitate the government decision-making and planning in effective and quality infrastructure investment in national/regional infrastructure projects;**



EXPECTED CONTRIBUTIONS OF THE STUDY CONT...

- Providing further economic arguments in support of enhancing national/regional connectivity through improved transport, ITC, energy and water connectivity and “soft infrastructure” such as trade facilitation, and other business supporting policies and measures;
- Providing evidence to benefits of, and adding support to more and effective CAREC infrastructure projects; and
- Strengthening advocacy for infrastructure investments in general public debate & public opinion at local, national & regional levels.



Thank You

