



Central Asia Regional Economic Cooperation Program

Reference Document
For Session 4 of the Senior Officials' Meeting
June 2012

SYNOPSIS

2011 Central Asia Regional Economic Cooperation Program Development Effectiveness Review: CAREC 2020—Focus, Action, Results

**Senior Officials' Meeting on
Central Asia Regional Economic Cooperation
6–7 June 2012
Hohhot, Inner Mongolia Autonomous Region,
People's Republic of China**

EXECUTIVE SUMMARY

The 2011 Central Asia Regional Economic Cooperation Program Development Effectiveness Review: CAREC 2020—Focus, Action, Results (2011 CAREC DEfR) is the third annual performance assessment of the overall Central Asia Regional Economic Cooperation (CAREC) Program. The DEfR process presents a consolidated picture of progress in all major components of the program toward the goals and objectives of CAREC’s 2006 strategic framework the *Comprehensive Action Plan*. Through analysis of indicator data and trends, it aims to highlight achievements made over the past calendar year, yet also flag emerging issues and challenges. As the only mechanism to provide an aggregate performance assessment across all CAREC implementing sectors, it also helps identify and enhance complementarities between the diverse activities.

2011 Performance Snapshot	
Level 1: CAREC Region Development Outcomes	
Poverty and human development outcomes	G
Gross domestic product, trade, and business environment	G
Level 2: CAREC Priority Sector Outputs	
Transport sector	G
Trade facilitation sector	A
Trade policy sector	G
Energy sector	G
Level 3: Operational and Organizational Effectiveness	
Operations growth	G
Finance mobilization	A
Knowledge management	G
G	Over 50% of indicators in this group have made progress against indicative targets and improved over the value reflected in the previous DEfR cycle. This group is “on track.”
A	Equal numbers of indicators in this group have (i) made progress, or (ii) deteriorated over the previous DEfR cycle. This indicator has “stalled” and necessary action should be identified to prevent further deterioration.
R	Indicator values for this group have stalled and/or deteriorated for two consecutive years. This group is “off track” and immediate attention is required.

The snapshot of national-level development outcomes at Level 1 of the 2011 CAREC DEfR included data for Pakistan and Turkmenistan for the first time since these two countries joined the CAREC partnership in November 2010. Revised data indicate that income poverty and human development is improving, though slowly and not at the same rate across the CAREC countries. Indicators tracking gross domestic product, trade, and the business environment in 2011 showed only a slight deterioration over results for 2010, although a lack of updated figures limited analysis of trends. The aggregate growth rate of real GDP rebounded slightly, according to the latest available data, and the indicator for trade openness also picked up in 2011.

Tangible progress was seen in 2011 in Level 2 indicators with the transport sector building or improving 1,022 kilometers (km) of road, significantly exceeding its 2011 target of 880 km and continuing this sector's strong performance of 1,025 km in 2010 and 1,288 km in 2009. Of the 24,000 km total length of the six CAREC road corridors, 79% was in good condition by end-2011, which also exceeds both the 2011 and 2012 targets for completion. The intermediate outcome indicators chosen to represent annual progress in the trade facilitation sector saw a good reduction in time and cost to clear border crossings in 2011—on average almost one full hour was shaved off border crossing times and costs decreased by an average 16%. However, these gains are set against deterioration in the speed and cost to travel sections of the CAREC corridors. Trade policy recorded positive movement in the trade liberalization index, which reflects the growing openness and simplification of CAREC country trade regimes. Almost all countries achieved the 2011 targets in the trade liberalization index and one has already exceeded the 2012 target score. With more comprehensive results becoming available in 2011, data for the energy sector confirms a higher 2009 baseline of 850 km of transmission line installed or upgraded, together with an additional 1,150 km installed or upgraded in 2011.

Operations growth and finance mobilization continued steadily in 2011, with almost \$3.5 billion of new funding, in support of 15 new loan and grant investments in transport and energy. Since 2001, a total of 122 CAREC-related projects cumulatively accounted for \$17.7 billion by end-2011. However, year-on-year breakdowns confirm a slowing trend in terms of financing for CAREC-related investments. Finalization of CAREC's list of medium-term prioritized projects (MTPP), including identification of projects with firm financing, will allow more precise estimation of potential financing gaps.

Updated information on CAREC-related technical assistance activities presented a broader spectrum of CAREC partner activities, including technical assistance projects that led to investment in CAREC priority sectors, as well as in second tier areas such as disaster risk management and climate change initiatives. Training and capacity building improved over 2010, although more effort should be made to coordinate relevant training and capacity building activities between the implementing sectors and the CAREC Institute. Re-structuring of the CAREC Institute and development of effective knowledge exchange and dissemination mechanisms through CAREC continued throughout 2011.

The 10th Ministerial Conference held in Baku, Azerbaijan, in 2011, endorsed CAREC's new strategic framework that will guide the program through its second decade of implementation—*CAREC 2020: A Strategic Framework for the Central Asia Regional Economic Cooperation Program* (CAREC 2020). Underpinned by CAREC's MTPP in the implementing sectors, CAREC 2020 aims to increase alignment of national development priorities and agendas with the goals and objectives of the CAREC Program. It also identifies two new strategic objectives: expanded trade and increased competitiveness. The 2012 DEfR process will start assessing progress of CAREC operations against the objectives of CAREC 2020 and the MTPP, adjusting the results framework as required.

The DEfR is an action-oriented report and as such proposes a set of priority actions to enhance the effectiveness of the program across all component parts. These actions are for the consideration of the midterm Senior Officials' Meeting, and progress made in resolving actions and issues will be reported by the senior officials to the annual CAREC Ministerial Conference. Proposed actions aim to:

Accelerate implementation of CAREC 2020:

- Implement on a timely basis the midterm review of the Transport and Trade Facilitation Strategy and Action Plan;
- Maximize the benefits of CAREC corridors by identifying key nonphysical barriers to cross-border transport and feasible approaches to implementing transport facilitation agreements in the CAREC corridors;
- Accelerate finalization of the CAREC Energy Work Plan 2013-2015;
- Continue implementation of the Trade Liberalization Index and develop Institutional Quality Index;
- To sustain operations growth, endorse medium-term priority project list at the Ministerial Conference of 2012, and commence mainstreaming priority projects into national development plans of the CAREC countries;
- To counter the drop in finance mobilization, step up efforts to explore cofinancing opportunities among CAREC governments, multi- and bilateral institutions, other development partners, and the private sector;
- Ensure relevant sector-focused training and capacity building activities are implemented through the CAREC Institute;
- Expand dissemination of relevant knowledge products to all CAREC members, especially through the CAREC web portal;
- Build and expand web-based data repository functions for each priority sector, CAREC partners, and the CAREC Institute;
- Coordinate closely with National Focal Point Advisers to promote consistent messaging and information about the CAREC Program in all member countries; and

Enhance CAREC Program results orientation:

- To better identify linkage between CAREC sector outputs and national development outcomes, identify intermediate outcome indicators to monitor progress toward the two new objectives of CAREC 2020—expanded trade and improved competitiveness.

CAREC PROGRAM RESULTS FRAMEWORK 2011

Table 2: Level 1—CAREC Region Development Outcomes

Indicator	Indicative Target	Baseline Year	Baseline Value	2008	2009	2010/ Latest Value	2011 Progress
1. Population living on less than \$2 a day (%)	↓	2002	65.3 ^a	52.1 ^{a,b}	50.1	...	G
2. Human Development Index	↑	2000	0.524	0.573	0.599 ^c	0.612 ^d	G
3. Gender Inequality Index	↓	2010	0.614 ^e	...	...	0.436 ^{d,e}	G
4. GDP per capita PPP (constant 2005 intl. \$)	↑	2006	2,643	2,884	2,964	3,072	G
5. GDP PPP (constant 2005 international \$ billion)	↑	2006	242.8	262.6	272.7	284.7	G
6. Real GDP growth rate (%)	↑	2006	11.1 ^a	8.1	4.1 ^a	5.4	G
7. Labor force participation rate (%)	↑	2006	57.7	57.7	58.2	...	G
8. Women employed in nonagricultural sector (%)	↑	2006	38.6 ^{a,f}	38.0 ^{a,f,g}	37.9 ^h	...	R
9. Real growth in trade of goods and services (%)	↑	2006 ^h	12.5 ^h	7.2	(3.9) ^{g,i}	...	R
10. Trade openness (%) ^f	↑	2006	0.547 ^j	0.561 ^j	0.509 ^j	0.514 ^j	G
11. Intraregional energy trade (GWh)	↑	2006	5,061	4,227	4,435	...	G
12. GDP per unit of energy use (2005 PPP \$ per kilogram of oil equivalent)	↑	2006	3.0 ^a	3.6 ^a	4.0 ^a	...	G
13. Foreign direct investment (% GDP)	↑	2006	2.5	4.2	4.9	4.2	A
14. Time required to start a business (days)	↓	2006	31 ^k	17 ^k	15 ^k	15 ^{d,k}	A
15. Cost of business start-up procedures (% GNI per capita)	↓	2006	26.6 ^k	10.9 ^k	12.2 ^k	10.8 ^{d,k}	G

... = data not available; () = negative; GDP = gross domestic product; GNI = gross domestic income; GWh = gigawatt hour; PPP = purchasing power parity.

^a No data for Afghanistan.

^b 2005 data.

^c 2010 data.

^d 2011 data.

^e No data for Turkmenistan or Uzbekistan.

^f No data for Uzbekistan.

^g Includes 2007 data.

^h 2008 data.

ⁱ No data for Mongolia.













^j No data for Afghanistan, Mongolia, or Turkmenistan.

^k For indicators 14 and 15, 2009 data is shown under the year 2008; 2010 data is under the year 2009; and 2011 data is under the year 2010/Latest Value column. No data for Turkmenistan.

Notes: Comparable subnational data for Xinjiang Uygur Autonomous Region and Inner Mongolia Autonomous Region are not available.

Sources: World Bank. PovcalNet Online Database for indicator 1; United Nations Development Programme. 2011. *Human Development Report, 2011*, New York, for indicators 2 and 3. World Development Indicators Online Database for indicators 4-8, 10, and 12-13; World Bank. World Trade Indicators Online Database for indicator 9; Central Dispatch Center, Tashkent, Uzbekistan, 2011, for indicator 11; International Finance Corporation/World Bank Doing Business Online Database, for indicators 14 and 15.

Table 3: Level 2—CAREC Priority Sector Outputs

Indicator	Baseline Year	Baseline Value	2009	2010	2011	2017 Target	2011 Progress
<i>Transport and Trade Facilitation</i>							
Expressways or national highways built or improved (km)	2008	177	1,288	1,025	1,022	8,640	
Proportion of total CAREC road corridor built or improved (%)	2008	65	70	74	79	100	
Time taken to clear a border crossing (hours)	2010	8.7	...	...	7.9		
Costs incurred at a border crossing clearance (\$)	2010	186	...	...	156		
Speed to travel 500 km on CAREC corridor section (km per hour) ^a	2010	24	...	...	22		
Costs incurred to travel corridor section (\$)	2010	712	...	...	959		
<i>Trade Policy</i>							
CAREC Trade Liberalization Index	2009	(1.8)		5.5	12.8	20.0 ^b	
<i>Energy</i>							
Transmission lines installed or upgraded (km)	2009	850	...	...	1,150	1,200 ^c	
Increased energy generation capacity (MW)	...	...	...	...	...	...	...

... = no data available; () = negative; CAREC = Central Asia Regional Economic Cooperation; km = kilometer; MW = megawatt

^a Speed is measured here 'with delays' for a 20-ton truck or a 20-foot equivalent unit container (Appendix 4).

^b Target year is 2012.

^c The total 1,200 km represents expected output over 2012-2015.

Sources: Transport and Trade Facilitation Coordinating Committee, Country Progress Reports for transport indicators; CAREC Corridor Performance Measurement and Monitoring Quarterly and Annual Reports, 2009-2010, for trade facilitation indicators; Trade Policy Strategic Action Plan monitoring questionnaire, 2010; and ADB project completion and validation reports, and World Bank online project databases for energy indicators.

Table 4: Level 3—Operational and Organizational Effectiveness

Indicator	Indicative Target	Baseline Year	Baseline Value	2009	2010	2011	2011 Progress
Volume of approved investment projects (loans and grants, cumulative since 2001, \$ million)	↑	2006	3,108 ^a	12,506 ^a	15,694	17,696	⊙G
Number of investment projects approved (loans and grants, cumulative since 2001)	↑	2006	41	91	107	122	⊙G
Number of completed investment projects (cumulative since 2001)	↑	2006	3	14	23	36	⊙G
Annual average volume of new approved investment projects (loans and grants, 3-year rolling average, \$ million)	↑	2006	595 ^b	3,133 ^b	3,736 ^b	3,349 ^b	⊙A
<i>CAREC technical assistance project financing gap (\$ '000)</i>
Ratings of CAREC-related technical assistance projects completed (% successful)	↑	2006	89	94	88	93	⊙G
<i>[Knowledge production and dissemination: pending]</i>
Participants in CAREC-supported training programs (number of person days)	↑	2009	1,825	...	1,199	1,582	⊙G

... = no data available; CAREC = Central Asia Regional Economic Cooperation Program.

^a Figures include only disbursed tranches of multifinancing facility investments.

^b Figures that appeared in the 2010 CAREC DEfR have been adjusted to reflect updated project information

PROPOSED ACTIONS

The CAREC DEfR seeks to be an action-oriented living document: it aims to function both as a monitoring tool for the effectiveness of the CAREC Program and as a platform from which to initiate specific priority actions going forward. Table 11 summarizes proposed Actions.

Table 11: Priority Actions, 2011-2012

Priority Actions	Pages Discussing Actions	Responsibility	Action Status
<i>Accelerate implementation of CAREC 2020</i>			
<ul style="list-style-type: none"> Implement on a timely basis the midterm review of the Transport and Trade Facilitation Strategy and Action Plan. 	14	Transport Sector Coordinating Committee. Customs Cooperation Committee.	Ongoing
<ul style="list-style-type: none"> Maximize the benefits of CAREC corridors by identifying key nonphysical barriers to cross-border transport and feasible approaches to implementing transport facilitation agreements in the CAREC corridors. 	13	Transport Sector Coordinating Committee. CAREC Federation of Carrier and Forwarder Associations.	Ongoing
<ul style="list-style-type: none"> Accelerate finalization of the CAREC Energy Work Plan 2013-2015. 	17	Energy Sector Coordinating Committee.	Ongoing
<ul style="list-style-type: none"> Continue implementation of the Trade Liberalization Index and develop Institutional Quality Index. 	15	Trade Policy Coordinating Committee. International Monetary Fund.	Ongoing
<ul style="list-style-type: none"> To sustain operations growth, endorse medium-term priority project list at the Ministerial Conference of 2012, and commence mainstreaming priority projects into national development plans of the CAREC countries. 	20	CAREC governments. All sectors.	2012
<ul style="list-style-type: none"> To counter the drop in finance mobilization, step up efforts to explore cofinancing opportunities among CAREC governments, multi- and bilateral institutions, other development partners, and the private sector. 	21	CAREC governments. All sectors.	Ongoing
<ul style="list-style-type: none"> Ensure relevant sector-focused training and capacity building activities are implemented through the CAREC Institute. 	27	CAREC Institute. All sectors.	Ongoing
<ul style="list-style-type: none"> Expand dissemination of relevant knowledge products to all CAREC members, especially through the CAREC web portal. 	24	CAREC Secretariat. CAREC Institute.	Ongoing
<ul style="list-style-type: none"> Build and expand web-based data repository functions for each priority sector, CAREC partners, and the CAREC Institute. 	26	CAREC web team. All CAREC partners.	Ongoing
<ul style="list-style-type: none"> Coordinate closely with National Focal Point Advisers to promote consistent messaging and information about the CAREC Program in all member countries. 	25	National Focal Point Advisers. CAREC Secretariat.	2012-2013
<i>Enhance CAREC Program results orientation</i>			
<ul style="list-style-type: none"> To better identify linkage between CAREC sector outputs and national development outcomes, identify intermediate outcome indicators to monitor progress toward the two new objectives of CAREC 2020—expanded trade and improved competitiveness. 	9-10	CAREC Secretariat.	2012
<ul style="list-style-type: none"> Explore alternative data sources to ensure more regular updating of indicators, to the extent possible. 	6	CAREC Secretariat.	Ongoing

CAREC = Central Asia Regional Economic Cooperation.