



Central Asia Regional Economic Cooperation Program

Development Effectiveness Review 2012

Implementing CAREC 2020—
Vision and Action





Good Neighbors • Good Partners

The CAREC Program

Established in 2001, Central Asia Regional Economic Cooperation (CAREC) Program is a committed partnership of 10 countries:

- Afghanistan
- Azerbaijan
- Mongolia
- People's Republic of China
- Kazakhstan
- Kyrgyz Republic
- Pakistan
- Tajikistan
- Turkmenistan
- Uzbekistan

It is supported by six multilateral institutions:

- Asian Development Bank
- European Bank for Reconstruction and Development
- International Monetary Fund
- Islamic Development Bank
- United Nations Development Programme
- World Bank

The CAREC partnership is working to create a dynamic network of multimodal transport corridors that open up economic opportunities and intercontinental trade, building a global future for Eurasia. CAREC builds transport infrastructure, and moves people, goods, and vehicles across borders faster and at less cost by modernizing customs procedures, removing bottlenecks at borders, and simplifying trade. It also works to ensure energy security and efficiency, and to promote energy trade.

CAREC 2020: A Strategic Framework for the Central Asia Regional Economic Cooperation Program 2011–2020 is guiding the partnership through its second decade of project implementation, with the primary goal of increasing trade and competitiveness.

www.carecprogram.org

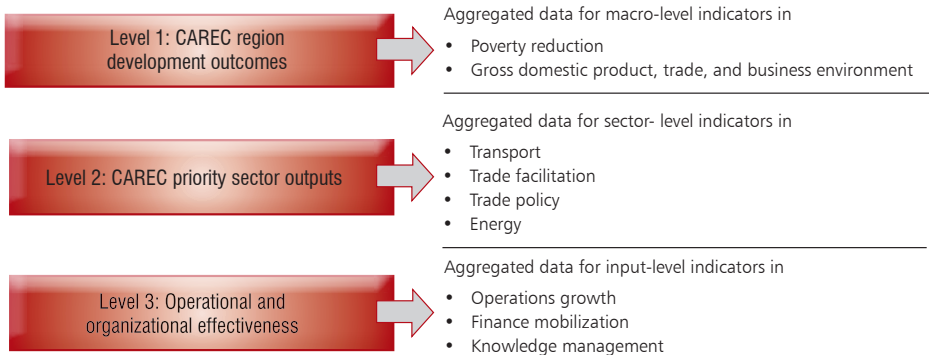
• Good Prospects

The CAREC Development Effectiveness Review

The *Development Effectiveness Review* (DEFr) presents a snapshot of progress across all major components of the CAREC Program toward its strategic goals and objectives. It highlights the activities and achievements of the program in 2012 by analyzing indicator data and trends. It flags emerging challenges, assists in strategic decision making, and helps identify and enhance complementarities between the program's diverse activities. The full report details CAREC's activities.¹

The DEFr process is action-oriented, serving as a monitoring tool for the program's effectiveness and a platform from which partners may initiate specific priority actions.

DESIRED LONG-TERM IMPACT OF CAREC PROGRAM *Accelerated economic growth and poverty reduction*



¹ Central Asia Regional Economic Cooperation Program. 2013. *Development Effectiveness Review 2012. Implementing CAREC 2020—Vision and Action*. Manila. <http://www.carecprogram.org/index.php?page=carec-development-effectiveness-review>

How Did CAREC Perform in 2012?

The CAREC Program implemented 136 projects worth \$21 billion and 200 technical assistance activities equivalent to \$229 million over 2001–2012 throughout the 10 countries. Overall, the projects are improving conditions that support economic activity. In 2012, transport and energy infrastructure projects built or upgraded more national highways and transmission lines. Trade facilitation indicators showed increased travel speed along CAREC corridors although border-crossing time was longer and cost was unchanged. Trade policy regimes also continued becoming simpler and more open. Nevertheless, intraregional trade is still a small proportion of total trade while logistics efficiency is relatively low.

Operations growth and finance mobilization were sustained in 2012, as the level of investments expanded and reversed the slowdown that began in 2010. However, the expansion is still small relative to the average annual growth seen in the last half of the decade, and is an area that requires attention. The CAREC Institute will have a physical base in 2014 to provide the analytical underpinning for strategic, service, and project-related work under the CAREC Program and the associated capacity development. Its work plan for 2013–2017 was endorsed by the ministers of the CAREC countries.

The DEfR proposes a set of priority actions that seek to intensify the implementation of the CAREC Program across all its components and improve its effectiveness.



2012 Performance Snapshot

Level 1: CAREC Region Development Outcomes

Poverty and human development outcomes	G
Gross domestic product, trade, and business environment	G
Monitoring CAREC 2020	A

Level 2: CAREC Priority Sector Outputs

Transport	G
Trade facilitation	A
Trade policy	A
Energy	G

Level 3: Operational and Organizational Effectiveness

Operations growth	G
Finance mobilization	R
Knowledge management	A

G

Over 50% of indicators in this group have made progress against indicative targets and improved over the value reflected in the previous DEFRC cycle. This group is "on track."

A

An equal number of indicators in this group have (i) made progress or (ii) deteriorated over the previous DEFRC cycle. This indicator has "stalled" and necessary action should be identified to prevent further deterioration.

R

Over 50% of indicators in this group have stalled and/or deteriorated for 2 consecutive years. This group is "off track" and immediate attention is required.



Progress in Macro-Level Indicators in the CAREC Region

Level 1: CAREC Region Development Outcomes

Level 1 of the DEfR provides a broad context of national-level progress toward development goals to which CAREC undertakings seek to contribute, along with national governments and other development partners. Indicators reflect medium-term national and regional objectives of the CAREC Program and consist of three sets: poverty reduction and human development; economic progress—gross domestic product (GDP), trade, and business environment; and CAREC 2020's objectives of trade expansion and improved competitiveness.

Poverty and Human Development	
Population living on less than \$2 a day (%)	G
Human development index	G
Gender-related development index	G

The proportion of people living below \$2 a day in the CAREC region was significantly reduced (by 23%) over the last decade. The human development index estimated by the United Nations Development Programme (UNDP) improved slightly from the 2011 level, with eight out of nine countries registering higher indexes.² Education and life expectancy saw greater advances being made than in standards of living, due in part to decreases in income per capita in four countries. Gender inequality, also computed by UNDP, was reduced for all seven countries where data were available, resulting in an 8% drop in the regional average in 2012.

² Comparable subnational data for Xinjiang Uygur Autonomous Region (XUAR) and Inner Mongolia Autonomous Region (IMAR) of the People's Republic of China are not available and are excluded from the estimates.

The region's economic growth was sustained in 2012, as shown by World Bank data on GDP,³ which grew by 17% over 2011 and by 41% over the 2006 baseline. In local currency terms, real GDP growth averaged 6.5% for eight countries in 2012. Per capita GDP rose for the region, although the variance widened further with three countries enjoying significantly higher levels than the rest. Trade openness was virtually unchanged, and the region's total trade still reached only half its GDP value. Foreign investment inflows as a proportion of GDP expanded for the region as a whole, with country shares varying widely. A subset of data from the World Bank's *Doing Business* report recorded improvements in the time and cost of starting a business.

³ GDP converted to constant 2005 international dollars using purchasing power parity (PPP) rates. The PPP conversion factor is the number of units of a country's currency required to buy the same amount of goods and services in the domestic market as a US dollar would buy in the United States. The average is population-weighted and excludes Afghanistan and IMAR and XUAR of the People's Republic of China, due to unavailable data.



Gross Domestic Product, Trade, and Business Environment

GDP per capita PPP (constant 2005 international \$)	G
GDP PPP (constant 2005 international \$ billion)	G
Real GDP growth rate (%)	A
Labor force participation rate (%)	G
Women employed in nonagriculture sector (%)	
Real growth in trade of goods and services (%)	
Trade openness (%)	A
Intraregional energy trade (GWh)	A
GDP per unit of energy use (2005 PPP \$ per kilogram of oil equivalent)	G
Foreign direct investment (% GDP)	G
Time required to start a business (days)	G
Cost of business start-up procedures (% GNI per capita)	G

GDP = gross domestic product, GNI = gross national income, GWh = gigawatt-hour, PPP = purchasing power.

As CAREC moves into its second decade, the DEFIR begins to track its progress in the two strategic objectives of expanded trade and improved competitiveness. For the first, data from the International Monetary Fund’s Direction of Trade Statistics demonstrate that intraregional trade is a small proportion of total CAREC trade, indicating that countries have not been trading extensively with each other.

For the second, the World Bank’s logistics performance index, which measures logistics efficiency along a country’s supply chain through a survey of perceptions of the efficiency of border management clearance and the quality of transport and trade infrastructure and logistics services, is used as the indicator. The CAREC average index score is midway between best and worst and deteriorated slightly between 2010 and 2012.

CAREC 2020: Increased Trade and Improved Competitiveness

Intraregional trade in total CAREC trade (%)	A
Logistics performance index	A



CAREC-Related Projects in 2012

Level 2: CAREC Priority Sector Outputs

Level 2 tracks tangible results that have been delivered through CAREC-related projects and activities in its priority sectors of transport, trade, and energy. These give a real-time indication of annual progress and highlight issues that may hinder project implementation.

The CAREC transport and trade facilitation strategy is to establish competitive corridors across the region; facilitate the efficient movement of people and goods; and develop sustainable, safe, user-friendly transport and trade networks. In 2012, a total of 430 kilometers (km) of expressways or national highways were built or upgraded, bringing the cumulative total to 46% of the 8,640 km corridor length identified for improvement. Four-fifths of the 24,000 km of CAREC corridors are also now in good condition.

Transport

Expressways or national highways built or improved (km)	A
Proportion of total CAREC road corridor built or improved (%)	G

Trade Facilitation

Time taken to clear a border crossing (hours)	A
Costs incurred at a border-crossing clearance (\$)	A
Speed to travel 500 km on CAREC corridor section (km per hour)	G
Costs incurred to travel corridor section (\$)	R

2012 data for trade facilitation indicators, however, present a mixed picture. The average time to clear a border-crossing point lengthened to about 11 hours, while average costs increased slightly. The average cost to travel a 500 km section of the CAREC corridors rose by 4% but travel speed improved by 5%, suggesting that delays encountered at the border-crossing points were offset by improvements in road infrastructure.

CAREC’s trade policy strategy supports accession to the World Trade Organization, the reduction of trade barriers, and improvement of the institutional environment for trade. Progress in eliminating or reducing specific quantitative restrictions and tariffs and simplifying tax regimes is monitored using the CAREC trade liberalization index. At the end of 2012, the index generally remained on a positive trend, which reflects continued openness and simplification of CAREC countries’ trade regimes. However, the rate of improvement slowed in 2012 and the index fell short of the target set for the year. The other composite indicator, the institutional quality index, reveals wide variation in institutional quality between countries and substantial room for improvement for most, as institutional barriers to trade remain.

Trade Policy

CAREC Trade Liberalization Index

A

The Strategy for Regional Cooperation in the Energy Sector of CAREC Countries seeks to ensure energy security, energy efficiency, and economic growth through energy trade. Kazakhstan’s Moinak Transmission Project completed 322 km of transmission lines in 2012, bringing the cumulative total lines installed or upgraded to 2,322 km.

Energy

Transmission lines installed or upgraded (km)

G

Increased energy generation capacity (MW)

...

Effective Management of CAREC-Related Resources

Level 3: Operational and Organizational Effectiveness

At Level 3, indicators track financial and knowledge-based inputs to the CAREC Program to assess operational and organizational effectiveness. These show how the overall program is building on and consolidating its active operations portfolio and completing ongoing project activities, securing new funds, and responding to its member countries' needs for capacity building and knowledge production.

Operations Growth	
Volume of approved investment projects (loans and grants, cumulative since 2001, \$ million)	G
Number of approved investment projects (loans and grants, cumulative since 2001)	G
Number of completed investment projects (cumulative since 2001)	G

Operations growth continued in 2012, bringing the cumulative total to 136 CAREC-related projects worth \$21.2 billion, which represents a 19% rise over the 2011 level. However, annual investments have slowed down. The CAREC medium-term priority project list, which should help sustain operations growth, must be endorsed and the projects mainstreamed into national development plans.

The 3-year rolling average indicator for finance mobilization showed a 14% reduction between 2011 and 2012 although, on a yearly basis, there was \$3.4 billion in additional loans and grants supporting 11 new projects in 2012. Nevertheless, funding opportunities need to be promoted and efforts to secure cofinancing renewed.

Finance Mobilization	
Annual average volume of new approved investment projects (loans and grants, 3-year rolling average, \$ million)	R
CAREC technical assistance project financing gap (\$ '000)	...

Knowledge and capacity building is a key theme in the CAREC Program. Research and analytical work conducted through CAREC underpins the design and implementation of mutually beneficial regional initiatives. Level 3 monitors technical assistance activities in all components.

Knowledge Management

Ratings of CAREC-related technical assistance projects completed (% successful)

G

[Knowledge production and dissemination: pending]^a

...

^a The indicator is being developed as part of the new CAREC Institute results framework.

CAREC multilateral development institutions and government partners together provided technical and knowledge transfer support equivalent to \$229 million to priority and multisector areas. Of 200 technical assistance projects approved in 2001–2012, 44 projects equivalent to \$31.8 million contributed directly to investments with a combined value of \$9.8 billion thus far. Projects completed in 2012 were rated successful. There were fewer CAREC-supported training and capacity-building activities, however, and fewer participants. Enhanced coordination under the newly restructured CAREC Institute should stem the trend in each sector.






What Should CAREC Do to Become More Effective?

As an action-oriented, living document, the DEFTR proposes the following to make the CAREC Program more effective:

- Review the Transport and Trade Facilitation Strategy and Implementation Action Plan at the Senior Officials' Meeting and Ministerial Conference.
- Maximize the benefits of CAREC corridors by addressing key nonphysical barriers to cross-border transport and implementing agreements that will help facilitate transport.
- Update the Trade Policy Strategic Action Plan and continue implementation of the trade liberalization index and institutional quality index.
- Implement the CAREC Energy Work Plan 2013–2015.

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- To sustain operations growth, update the medium-term priority project list and commence mainstreaming priority projects into the national development plans of CAREC countries.
 - Step up efforts to explore cofinancing opportunities among CAREC governments, multilateral and bilateral institutions, and others to counter the drop in financial mobilization.
 - Implement sector-focused training and capacity-building activities through the CAREC Institute.
 - Expand dissemination of relevant knowledge products to all CAREC members.
 - Coordinate closely with national focal point advisors to promote consistent messaging and information about the CAREC Program in all member countries.
 - Revisit performance indicators.

The Central Asia Regional Economic Cooperation Program

The Central Asia Regional Economic Cooperation (CAREC) Program is a practical, project-based, and results-oriented partnership that promotes and facilitates regional cooperation in transport, trade, energy, and other key sectors of mutual interest. CAREC comprises 10 countries: Afghanistan, Azerbaijan, and the People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.

Six multilateral institutions support the work of the CAREC member countries: the Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank. ADB serves as the CAREC Secretariat.

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September 2013



Printed on recycled paper

Printed in the Philippines