Central Asia Regional Economic Cooperation Program (CAREC)

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Why Regional Cooperation?

- Limitations of resources, tech, capital
- Shared resources (e.g., rivers)
- Cross-border problems
 - > Environment and pollution
 - > Infectious diseases
- Economies of scale
- Efficient allocation of resources
- Minimize impact of global fluctuations
- Faster and more targeted than global multilateral processes

Obstacles to Cooperation

- Sovereignty concerns
- National autonomy
- Political tensions
- Lack of trust
- High coordination costs
- Asymmetrical costs and benefits
- Unclear "property rights"



Role of International Organizations in RC

- Forum for dialogue
- Honest broker
- Credibility
- Technical expertise
- Broader (i.e., regional) perspective
- Financial resources



RCI in ADB

- RCI- means to reducing poverty in Asia
- Strategic priority and core area of operation 2008-2020
- 4 roles in promoting RCI
 - Increasing financial resources for RCI
 - Creation and dissemination of knowledge on RCI to DMCs
 - Support DMCs inst. cap. to manage RCI
 - ADB as catalyst and coordinator of RCI for DMCs
- RCI programs: CAREC, GMS, SAARC, BIMP-EAGA, IMT-GT

Lessons on RC in Central Asia

- Incubation period
 - High cost, low immediate returns
- RC is not easy*
- RC takes time*
- Successful RC requires leadership*
- Keep manageable membership with shared geography and interests*
- Avoid overlapping memberships and functions*
- Financial resources available for investment and cooperation*
- External support is useful*
- Develop priority corridors and link transport and trade facilitation*



^{*}Based on Linn and Pidufala, 2008

CAREC Priority Sectors

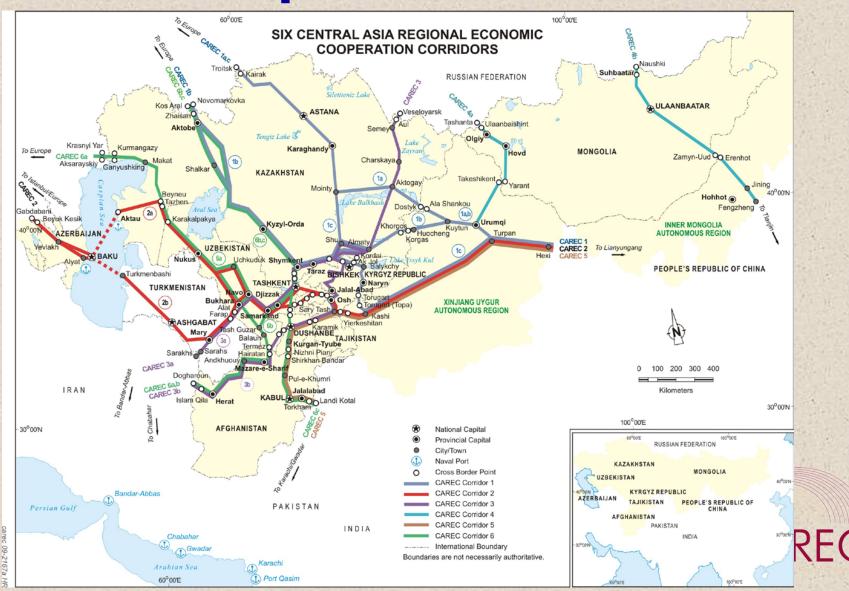
- Selected approach to cooperation
- Transport
 - Upgrading key road and rail transport corridors
 - Linking markets across Eurasia
- Trade Facilitation
 - Customs cooperation and modernization
 - Simplifying trade procedures
 - Improving border crossing points (hardware and software)
- Energy
 - Development of infrastructure and institutions
 - Stronger integration of energy markets
 - Growth through energy trade
- Trade Policy
 - Support accession to WTO
 - Reduce tariff and non-tariff barriers; simplification



Focus Within Sectors

- Transport: 6 priority corridors
- Trade facilitation: 29 border crossing points
- Energy:
 - Electricity as focus, taking into account role of gas, oil, coal, and water in generating power

Transport Corridors



Status & Achievements

- CAP and sector strategies & APs endorsed
- Implementation proceeding well
- Resource mobilization: \$3.9 billion in 2009
- Roads: 16,400 km (69% of corridors) in good condition
 - Financing gap for AP: \$3.3 b. (out of \$26 b.)
- Railways: 16,600 km (83% of corridors) in good condition
- Energy: preparing regional power sector master plan
- AFG & UZB to increase power trade from 150 MW to 300 MW in 2010
- Countries committed to invest in advanced and clean energy technology and practices
- Framework for monitoring results being developed



Success Factors

- Selectivity and focus
- Linking transport and trade facilitation
- Project-based cooperation
- Line ministries and MOFs, not MOFAs
- Consistent country participation
 - Right group of officials participate on regular basis
- Building block approach
 - Build consensus; Committee to SOM to MC
 - Transport: TA to study options, identify consensus, define strategy, develop action plan, invest/implement projects
- Non-binding arrangements; voluntary participation in initiatives
- Multilaterals' collaboration



Next Steps and Challenges

- Focused effort on implementing sector strategies and action plans
- Prioritizing investment projects in transport and energy
- Mobilize co-financing
- Need to review existing institutional mechanisms
 - Strengthening countries' participation
 - Linkages between committees (transport & trade facilitation)
- Appropriate capacity building in regional context
- Engaging private sector in regional cooperation

