



Panel Discussion – Central Asia’s Participation in Global Supply Chains: Policy Priorities, Strategic Issues and Areas of Cooperation

**ECONOMIC CORRIDOR DEVELOPMENT
Supply Chain Analysis**

**ADB Institute / CAREC Institute
13 November 2013**

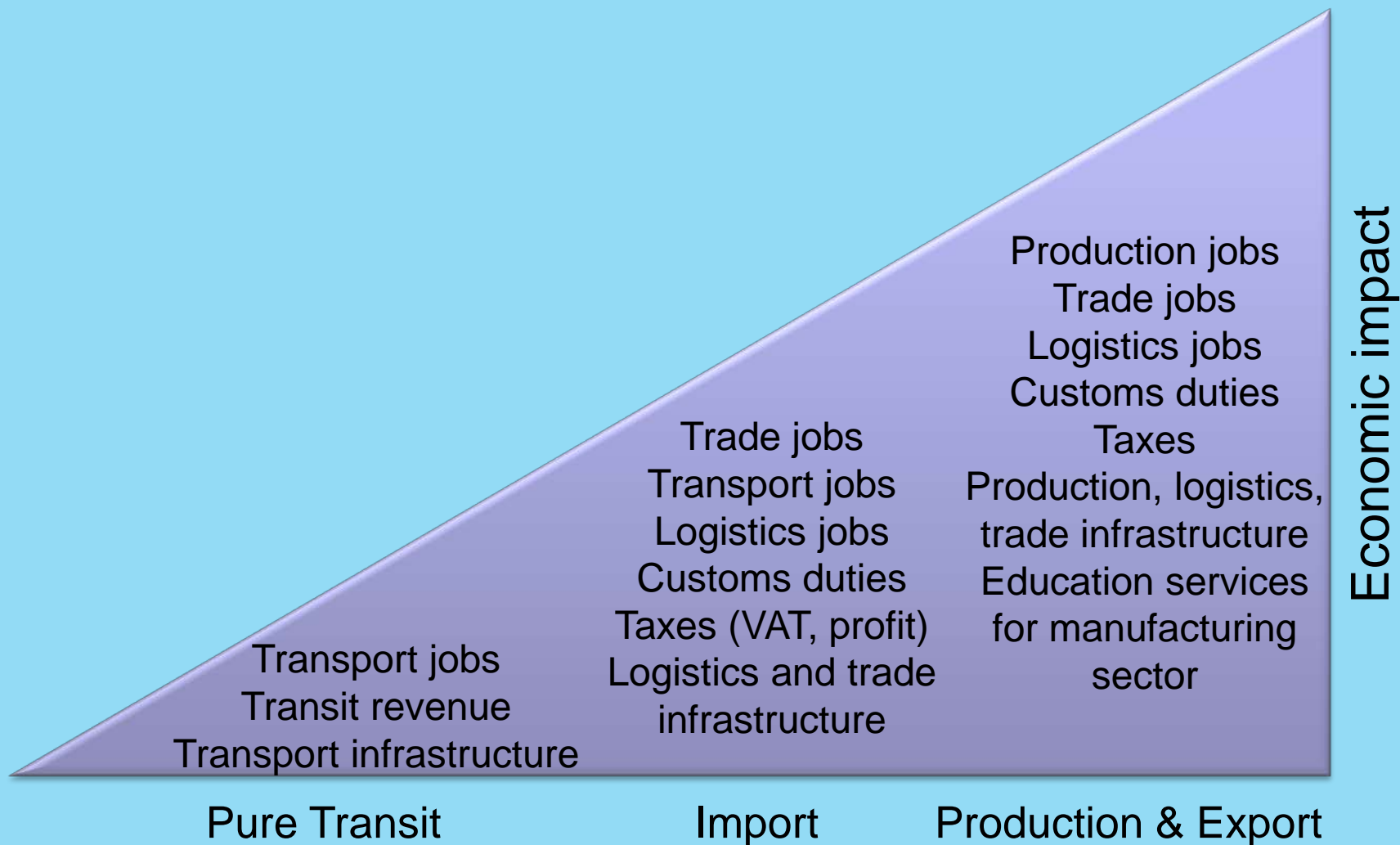


CAREC Corridor 1 Economic Corridor Development Study

- Pilot study by the CAREC Institute.
First phase: May – October 2013
- Areas covered in the holistic way:
 - Economic and Trade Analysis along CAREC 1 Corridor
 - Transport and Trade Facilitation Analysis, including cross-border operations between PRC, Kazakhstan and Kyrgyzstan
 - Selected Supply Chain Case Studies, focused on processing clusters around Alma-Ata and Bishkek, which use the Corridor 1
 - City Analysis in Bishkek and Alma-Ata to show how cities benefit from the Corridor Development and how they contribute to development of Value/Supply Chains along the Corridor



Economic Development Footprint





Supply Chain Case Studies



Fruits and Vegetables
Season - Off-season



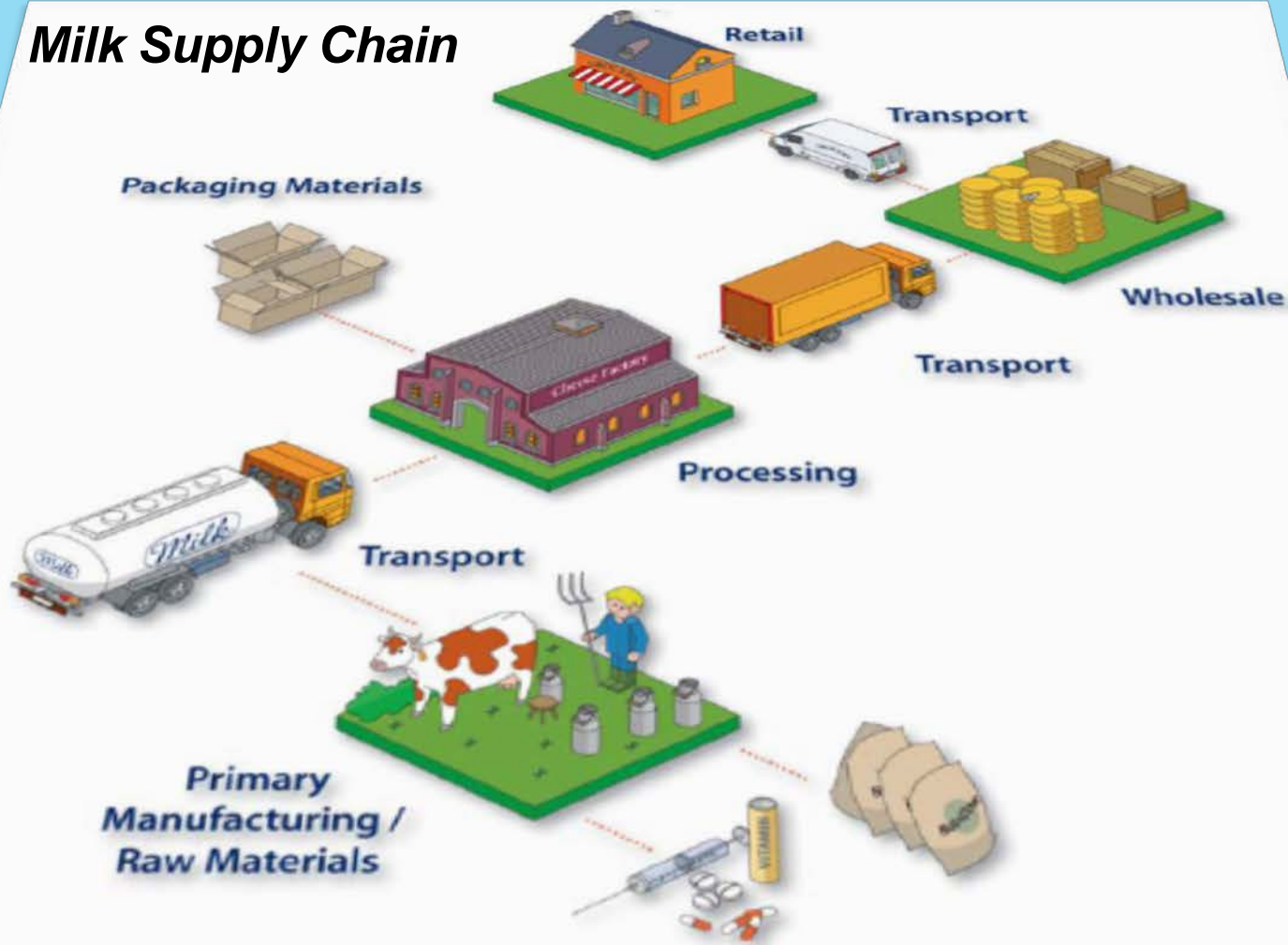
Milk
B2B – B2C
Bulk – Packed

Apparel
‘White’ channels
Shuttle trade



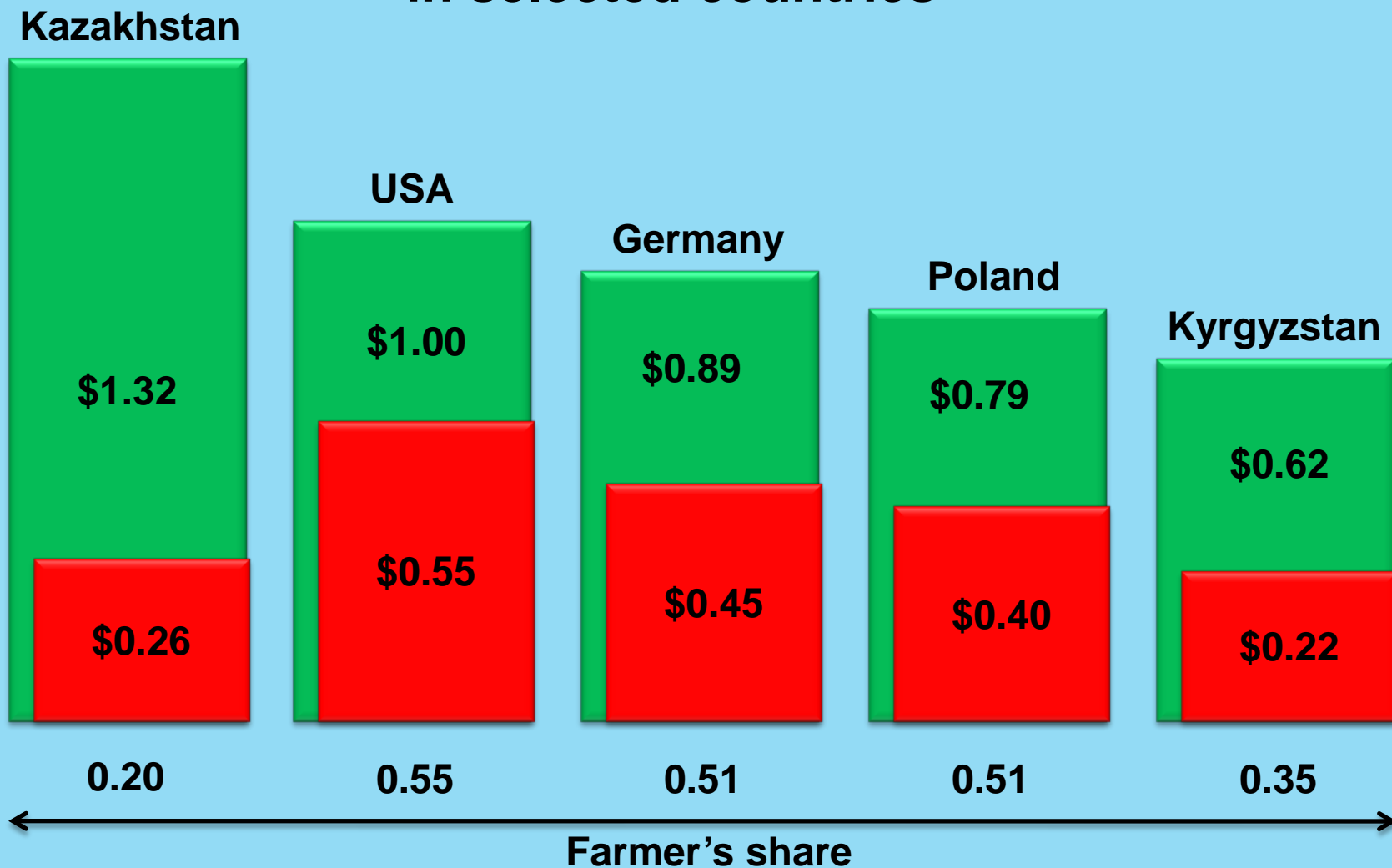


Milk Supply Chain





Milk Retail and Farm Gate Prices in selected countries





Milk: selling price to the next stage of supply chain





Productivity Gap in B2B Milk supply chain

Kazakhstan



Developed milk nations





Cooperation and Supply Chain Economy of Scale

Small fragmented producers (milk case)



- Low bargaining power, thus:
 - Poor access to markets
 - Low sales price
 - High resource costs
- Low economy of scale in transport and logistics
- Thus – low profit margins and slow growth

Cooperation of small producers (apricots, clothing case)



- Higher bargaining power, thus:
 - Better access to markets
 - Higher sales prices
 - Lower resource costs
- Better economy of scale in transport and logistics
- Thus – higher margins and ability to grow

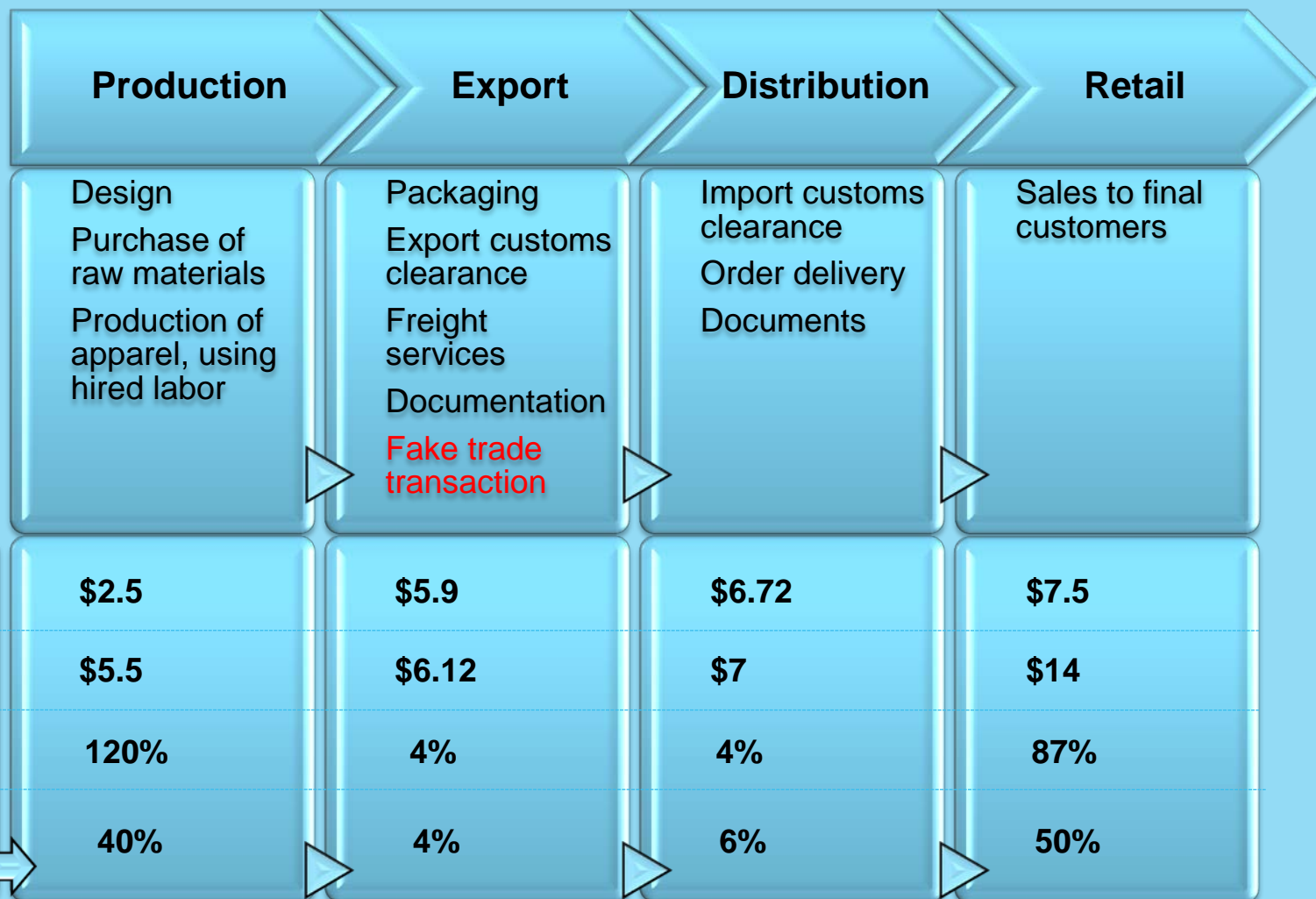


Possible reasons for little cooperation

- Taxes and business administration costs get significantly higher when companies reach certain size, which demotivates businesses to grow beyond certain level
- Government support programs and grants are designed for businesses which have already reached certain level and do not motivate small producers to cooperate
- Lack of trust between producers and lack of skills to cooperate



Garment Value Chain – from KYR to KAZ



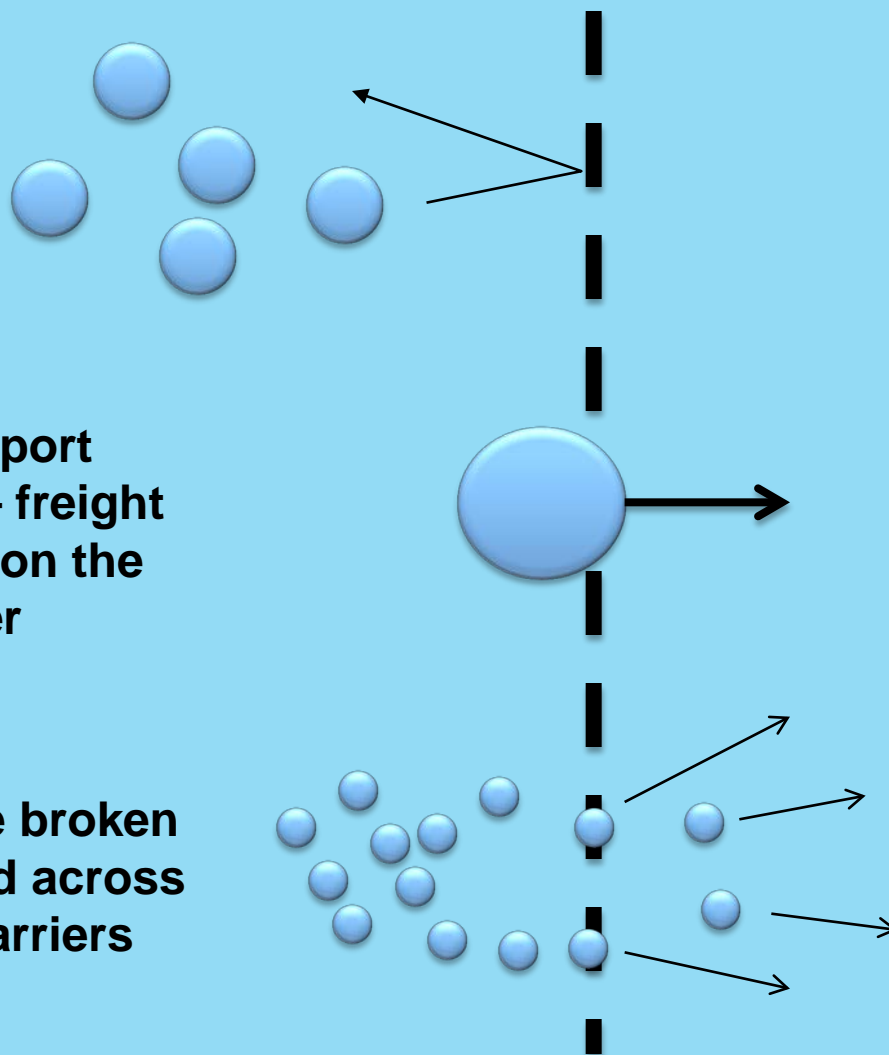


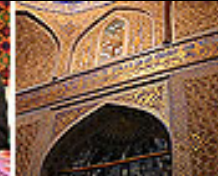
Crossing thick border

**Small garment producers
face strong border barriers
and high logistics costs**

**They use one umbrella export
company, one consolidator – freight
forwarder and one exporter on the
other side of the border**

**Otherwise, shipments are broken
down by 49 kg and carried across
the border by shuttle carriers**





Issues in Supply Chains

government policies and programs

Risky business climate

State support programs not efficient

Tax regime does not support cooperation

Slow market capacity development

High labor cost

Poor access to land

Lack of cooperation

Powerful intermediaries

Small producers

Productivity Gap

Cross-border issues

Poor access to retail

Low profitability

Slow Growth

High cost of capital

macroeconomic outcome

microeconomic and market structural issues