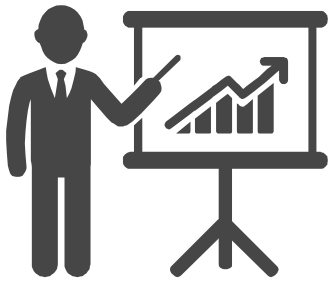
Prefeasibility of the ICIC and TLC under STKEC - Inception Workshop

December 2021

pwc

Agenda for today's discussion



Objective of today's discussion

01

Meet the Team

Introduction of the team which will carry out the assignment. The team has balanced mix of professionals with global experience of trade center development and local understanding of issues

02

Context and priorities influencing the approach

Discussion on the priorities which will guide the approach to undertake the study

03

Approach & Methodology and timelines

Discussion on planned Approach & Methodology to carry out the study related pre-feasibility of the infrastructure assets

04

Support required and way forward

Request of the study team for required support from the Government to successfully carry out the study and agreement on the next steps

1

Meet the Team

The team has balanced mix of global experience on facilitating regional trade and local understanding of the issues in Central Asia

Core Team

1 **Trade & Logistics Specialist**

Manish Sharma
MBA Faculty of Management Studies, Bachelor's in Engineering, MBM Engineering College, India

2 **Trade Economist**

Dr Junaid Ahmed
PhD in Economics, Georg August University Gottingen, Germany
M.S in Economics, International Islamic University, Pakistan

3 **Team Leader/ RCI* Specialist**

Max EE
MSc Logistics, Nanyang Technological University, Singapore, 2003, Graduate Diploma in System Analysis, Institute of Systems Science, Singapore, 2001, BBA, NUS, 1998

4 **Border Management & Trade Facilitation Specialist**

Giorgi Tskhakaia
Executive Management, Stanford Graduate School of Business, 2012, Master of Economy and Finance, Georgian State Agriculture University, 2007, BA in Economy – Finance and Banking, 2005

5 **Transport Specialist**

Nino Chkheidze
PhD in Urban Planning and Design, Georgian Technical University, Masters in Architecture

Project Leadership

Mohammad Athar
Engagement Partner & Economic Corridor Specialist
Executive Program in Leaders in Economic Development, Harvard Kennedy School PhD in Economics, IIM Indore (Ongoing) MBA, IIT Kharagpur

Max EE
Team Leader & RCI* Specialist
MSc Logistics, Nanyang Technological University, Singapore, 2003, Graduate Diploma in System Analysis, Institute of Systems Science, Singapore, 2001, BBA, National University of Singapore, Singapore, 1998

Arman Nurkin
Co-Engagement Partner & CAREC Region Leader
CFA, KIMEP (Kazakhstan Institute of Management, Economics and Research), Bachelor's in finance, with Merits, 2006

*RCI – Regional Cooperation and Integration

The project will be further supported by a team of subject matter experts, national representatives and support staffs

Subject Matter Expert

1 **Finance & Investment Specialist**

Shubhojeet Chakravarty
MBA – IIFT, 2009, Bachelor of Technology (Electrical), National Institute of Technology 2005

2 **Compliance & Regional Project Director**

Timur Yeginzhanov
PMP (Project Management Professional), FMVA (Financial Modeling and Valuation Analyst), MSc in Management, Major – Project Management, 2013, BSc in Business and Economics

Leadership

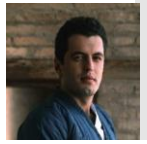
Mohammad Athar
Engagement Partner & Economic Corridor Specialist
Executive Program in Leaders in Economic Development, Harvard Kennedy School PhD in Economics, IIM Indore (Ongoing) MBA, IIT Kharagpur

National Representative

1 **Kazakhstan**

Myrza Sokurov
MSc Finance, University of St Andrews, UK, BSc in Business administration & Accounting, KIMEP university, ACCA candidate

2 **Tajikistan**



Siyovush Shokirov
Tajik National University – International relations

3 **Uzbekistan**

Ziyodullo Parpiev
Ph.D. in Public Policy, National Graduate Institute for Policy Studies, Japan, 2011; MA in Public Policy, Saitama University, Saitama, Japan, 2000

Regional Cooperation and Integration Experts

Mr. Sergey Solodovnik
Kazakhstan

Ms. Darya Parfyonova
Tajikistan

Mr. Akhmed Rakhmanov
Uzbekistan

Support Staff

Arsen Gogatadze

Ujjwal Singh

Nazym Janburshina

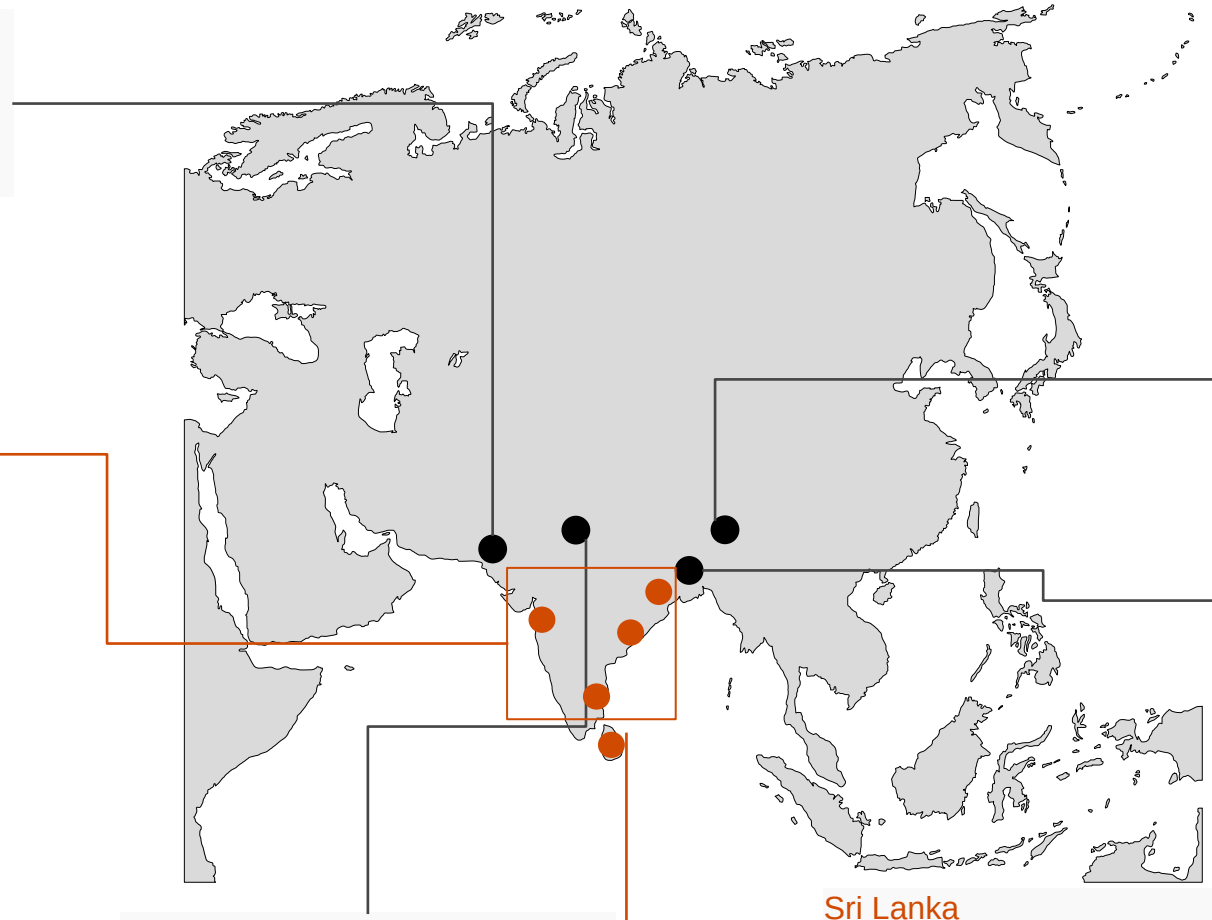
The team has successfully carried out multiple assignments in Economic Corridor and trade center space across South Asia

Pakistan

- National Freight Logistics Policy
- Supply Chain Corridor Performance Assessment

India

- Delhi-Mumbai Industrial Corridor (DMIC)
- Chennai-Bangalore Industrial Corridor (CBIC)
- Vizag-Chennai Industrial Corridor (VCIC)
- Chennai-Kanyakumari Industrial corridor (CKIC)



Inter-regional Cooperation

- Northeast Economic Corridor Project in India
- South Asian Subregional Economic Corridor Program (SASEC)

Bhutan

- Dry Port study under Ministry of Economic Affairs

Bangladesh

- Inland Container Terminal Depot at Dhaka
- Bangladesh Economic Corridor

India

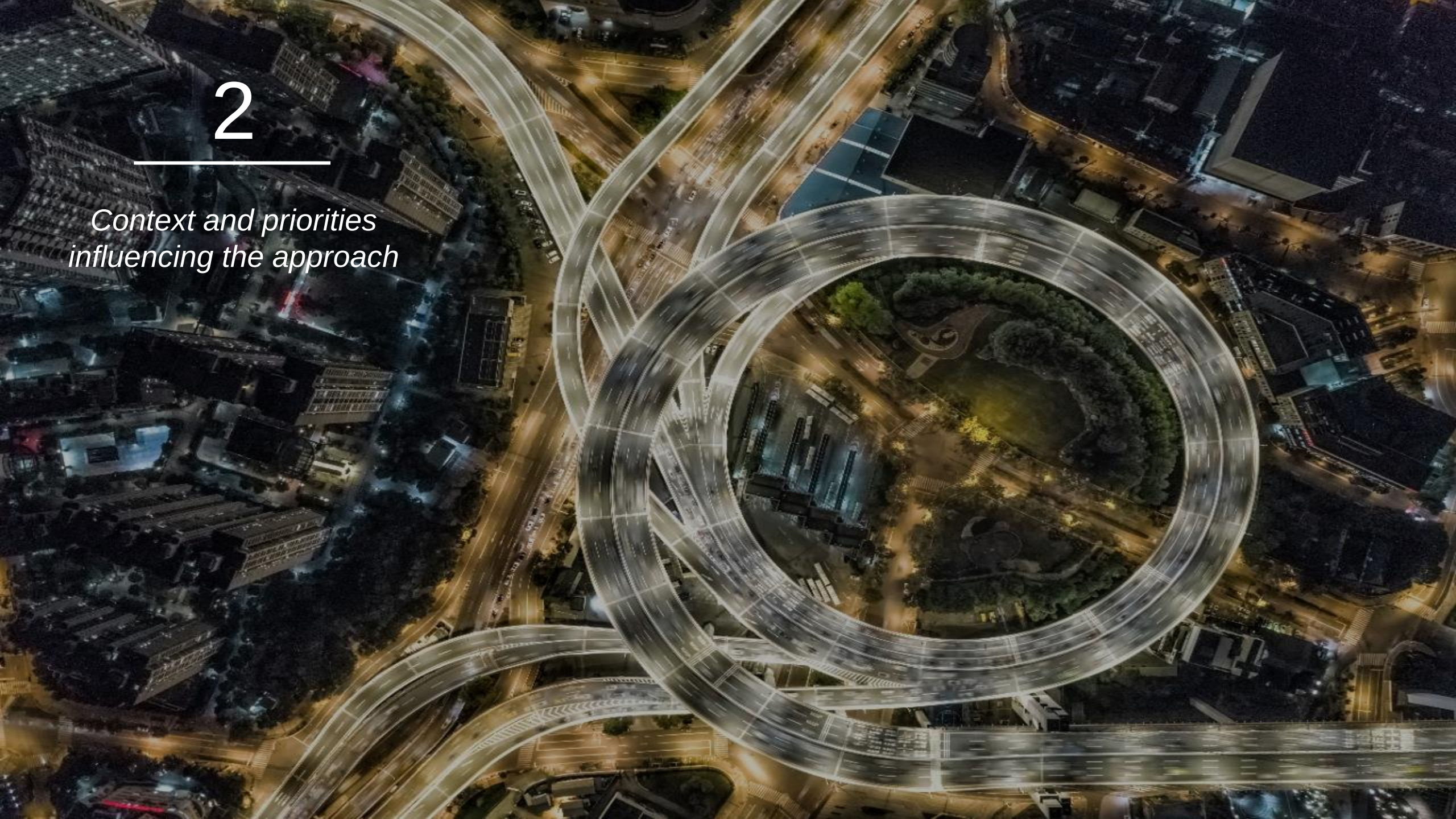
- Multimodal logistics park Pathankot

Sri Lanka

- Colombo-Trincomalee Industrial Corridor (CTIC)

● Economic Corridor Projects

● Transport Planning and Logistics Projects



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Context and priorities influencing the approach

Our approach will be guided by the national priorities of Uzbekistan where Economic Corridor development can have a significant role

National Development Action Strategy

Five Priority Areas

STKEC's Direct Impact

- ***Priority areas for improving the system of state and public construction***
- ***Priority areas for ensuring the rule of law and further reforming the judicial system***
- ***Priority areas of economic development and liberalization***
- ***Priority areas of development of the social sphere***
- ***Priority areas in the field of security, inter-ethnic harmony and religious tolerance***
- ***Implementation of balanced, mutually beneficial and constructive foreign policy***

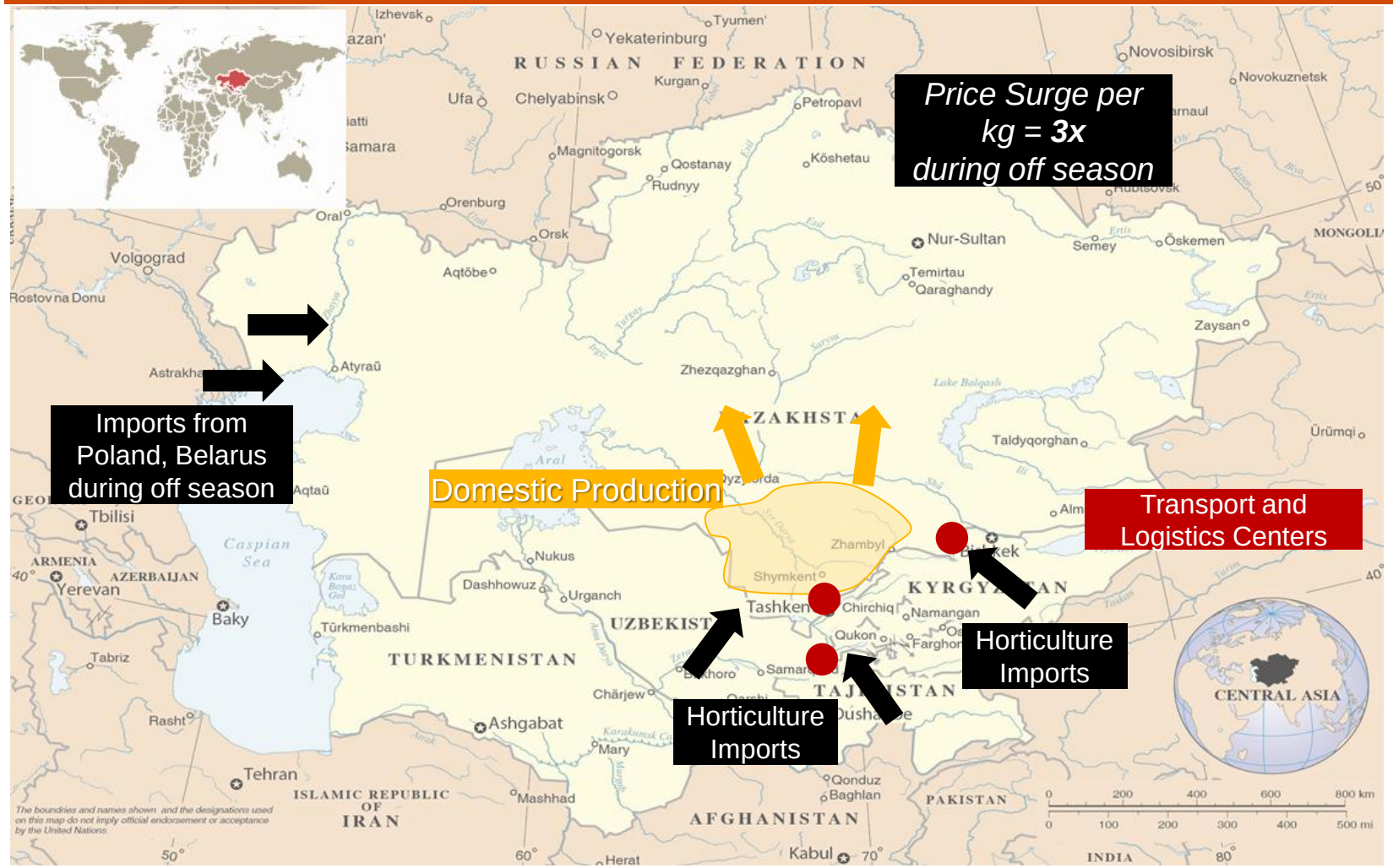
Core Areas of Development for Uzbekistan

- Cross-border trade and economic ties
- Modernization and intensive development of agriculture
- Development and modernization of production, engineering, communications and social infrastructure of territories in order to create favorable conditions for industrial and other production facilities, extensive development of private entrepreneurship and improving the living conditions of the population
- Small-Medium Enterprise Economy Share
- Expanding international cooperation
- Institution of innovative industrial parks of small businesses in Tashkent

STKEC countries are prioritizing Cross Border Trade improvement under Economic Corridor development program

Economic Corridors	Objective of Economic Corridor Development		
Thailand's Eastern Economic Corridor *Period: 1980 - 2020*	1 Economic transformation with improved share of manufacturing	2 Balanced Regional Development with growth in Eastern region	3 Integrated city planning with EZ
Nanchang–Jiujiang Industrial Corridor in the PRC *Period: 1990 - 2018*	1 Balanced Regional Development with growth in Central and Western region	2 Attract Higher Value add sectors	3 Attract greenfield investments
Economic Corridors (DMIC, VCIC, CKIC, CBIC) in India *Period: 2010 - Present*	1 Attract greenfield investments	2 Integrated city planning with EZ	3 Integration with GVCs
Economic Corridor in Uzbekistan (STKEC) *Period: 2018-Present*	1 Cross Border Trade	2 Regional Tourism	3 Economic transformation with improved share of manufacturing

The study team will create sector level cases to customize the ICIC project | Case-in-point: Horticulture Supply Chain in STKEC Region



Domestic production in Kazakhstan is concentrated in the Shymkent region and is transported to northern Kazak region for domestic consumption during on-season.

Kazak is dependent on horticulture imports from Kyrgyz Republic, Tajikistan and Uzbekistan to fulfill national demand and further imports from Poland and Belarus during off-season

Seasonality	Production Cost	Storage Cost	Sale Price	Profit Margins
On-Season	25	0	***35***	***10***
Off Season	25	15	***100***	***60***

TLC facility within the proposed ICIC and TLC *(Trade and Logistics Center, Sugd Oblast region)* can offer cold storage facilities which would help regulate the price surge

The study team will engage with both public and private sector stakeholders for background analysis and test feasibility of the strategy for ICIC

Illustrative list

Public Sector Stakeholders

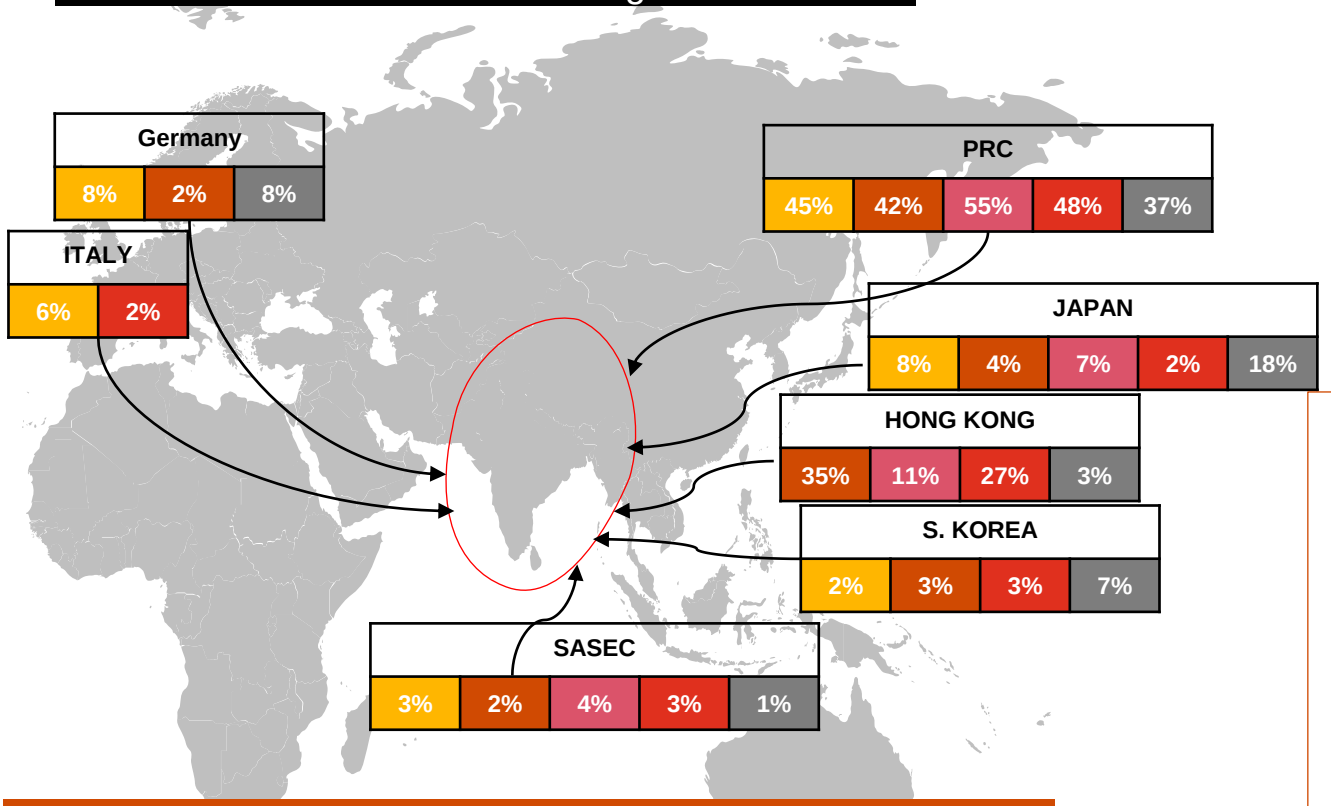
1. Ministry for Investments and Foreign Trade
2. Ministry of Transport
3. Ministry of Tourism and Sports of the Republic of Uzbekistan
4. Tashkent region – Deputy Chief, HoD
5. Tashkent City - Deputy Chief, HoD
6. Chamber of Commerce and Industry
7. Ministry of Agriculture
8. State Customs Committee

Private Sector Stakeholders

1. Trade Associations
2. Logistics Service Providers
3. Private Traders
4. Construction Agencies / Independent Contractors
5. Investors

The study team will explore the possibility of improving regional value chains within the STKEC countries

Recent PwC study for improving Regional Value Chains in SASEC Region



- SASEC countries can explore opportunities in sector allied to textiles – technical machinery and accessories manufacturing
- Total opportunity is to be tune of USD 2,905 mn
- Smaller SASEC economies can focus on accessories manufacturing, engaging MSME sector

Hard Interventions

1. Cross Border Infrastructure
2. Trade Infrastructure
3. Manufacturing Capacity Development
4. Support infrastructure upgradation

Case-in-point: Textile Value Chain

Sourcing → **Raw Materials** → **Manufacturing / Production** → **Intermediate Goods** → **Final Goods**

Total imports by SASEC, USD mn

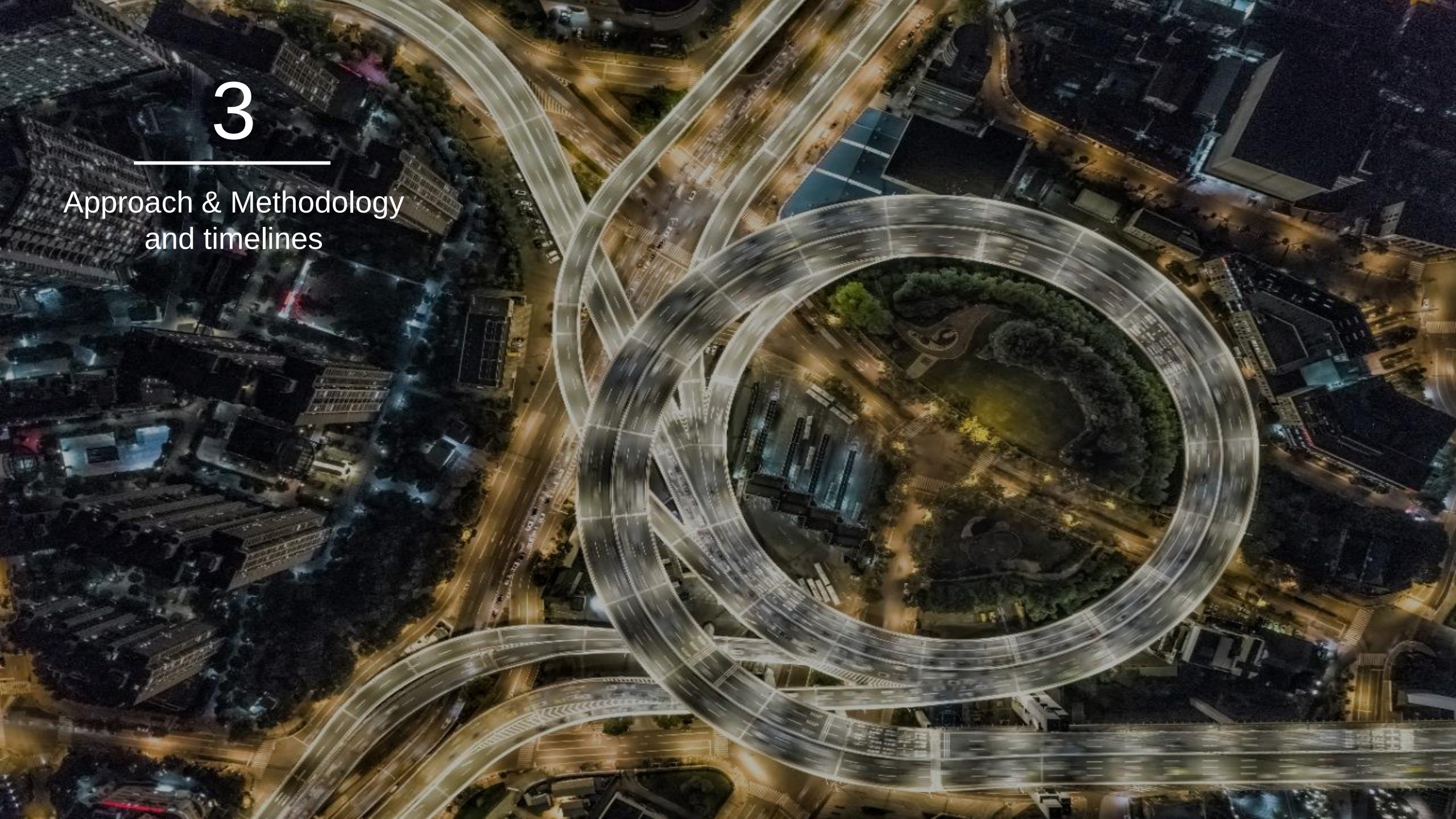
Textile machinery	2,291
Buttons	238
Slide fasteners	245
Clasps, buckles	203
Needles, hooks	18

Accessories, USD mn

Total imports to SASEC	705
Imports serviced by SASEC	19
Opportunity	**686**

Textile machinery, USD mn

Total imports to SASEC	2,291
Imports serviced by SASEC	73
Opportunity	**2,219**



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Approach & Methodology and timelines

There are three key modules that set out the context for development of prefeasibility report of the ICIC and TLC under STKEC

Objective: Develop prefeasibility report of the ICIC between Kazakhstan and Uzbekistan & TLC in Sugd Objast in Tajikistan

Review of the STKEC Region	Prefeasibility of the ICIC	Prefeasibility of the TLC
1. Review of existing trade in the STKEC region 2. Review of trade relations in STKEC region 3. Logistics review of the region 4. Review of investment climate in the region 5. Benchmarking of the global best practices of economic cooperation 6. Industry identification and prioritization	1. Conceptualization of the ICIC 2. Demand projection 3. Concept planning 4. Financial feasibility 5. Policy recommendations	1. Review of traffic and trade flow in Sugd Oblast 2. Conceptualization of the TLC and benchmarking of global best practices 3. Concept planning 4. Financial feasibility and policy recommendation
Module - I	**Module - II**	**Module - III**

Trade movement in STKEC region

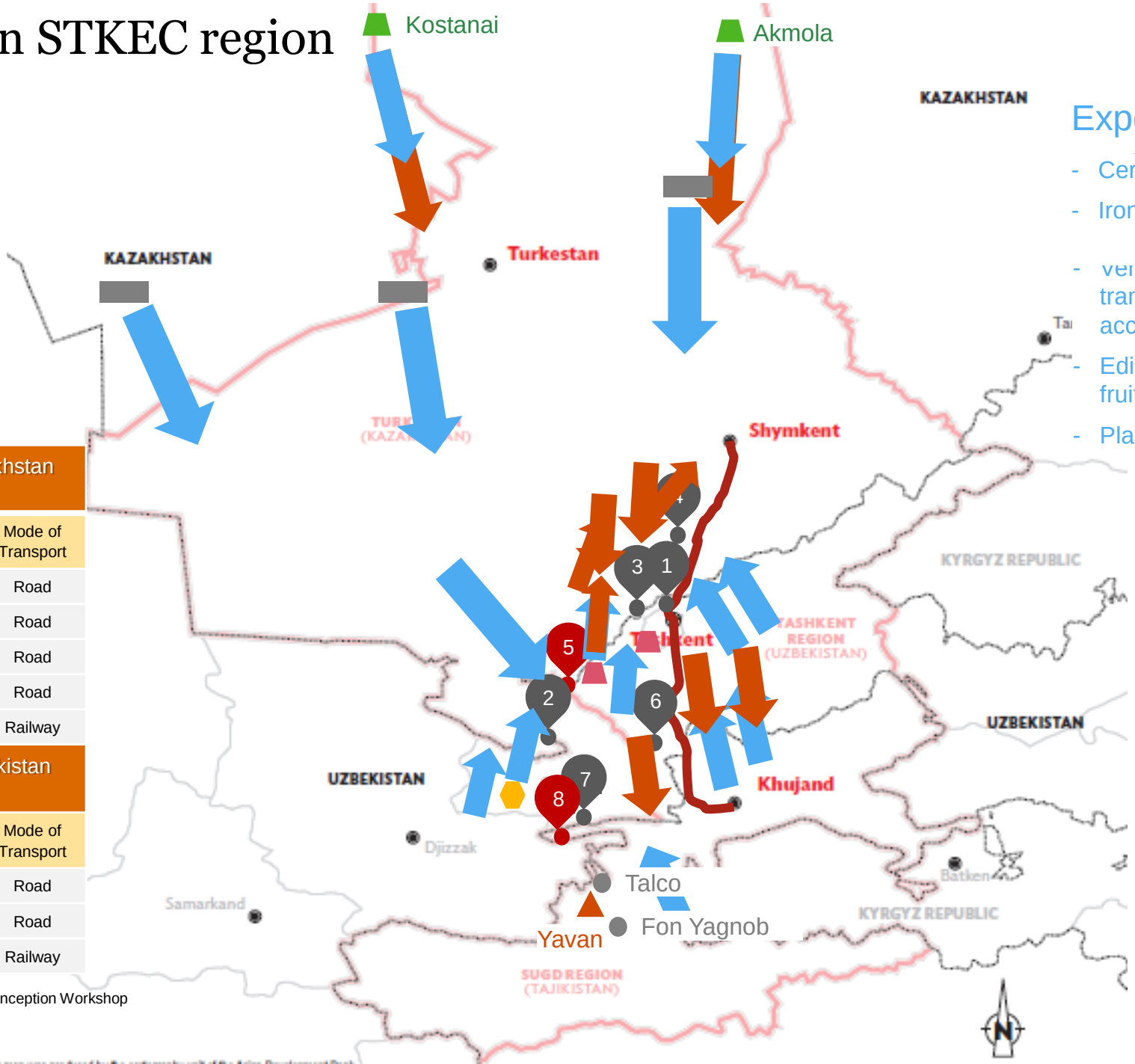
Imports in Kazakhstan

- Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof
- Pharmaceutical products

STKEC Region

Export from Kazakhstan

- Cereal
- Iron and steel
- Vehicles other than railway or tramway rolling stock, and parts and accessories thereof
- Edible fruit and nuts; peel of citrus fruit or melons
- Plastics and articles thereof



Border Crossing Points between Kazakhstan and Uzbekistan

	Name of the BCP	Name of Uzbek Side of BCP	Mode of Transport
1	Zhibek Zholy	Gisht Kuprik	Road
2	Konysbayev	Yallama	Road
3	Kaplanbek	Navoi	Road
4	Kazygurt	Najimov	Road
5	Saryagash	Keles	Railway

Border Crossing Points between Uzbekistan and Tajikistan

	Name of the BCP	Name of Uzbek Side of BCP	Mode of Transport
6	Oybek	Fotehobod	Road
7	Bekabad avto	Khashtyak	Road
8	Bekabad	Nau	Railway

The study team will carry out review of the region's trade, logistics and global best practices for a comprehensive need assessment of ICIC

Review of Existing Trade

1	What are the major production and consumption centers in the region?
2	What is the modal mix of the existing trade?
3	What is the share of consumption and transit trade?
4	Review of the wholesale market
5	Review of the existing clearance procedures at the BCPs

Review of Existing Trade Relationship

1	Review of performance of the countries on trade facilitation parameters
2	Analysis of the trade agreements

Logistics review of the region

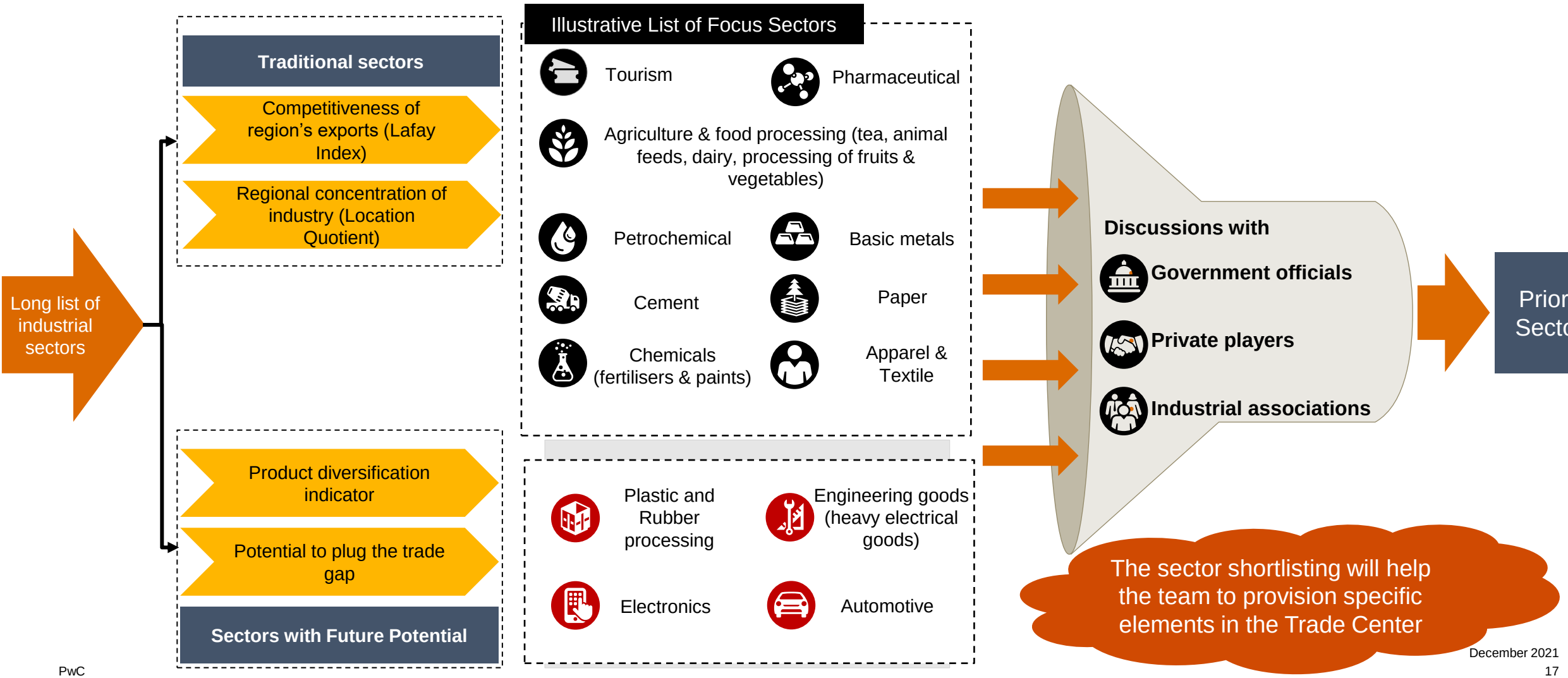
1	Review of existing transport flows through Border Crossing Points (BCPs) in the STKEC region
2	Review of the logistics services network, key operations, and features

Global Benchmarking Coverage

1	What are the best practices in cross-border trade development?
2	What are the best practices of cross-border trade and economic cooperation among land-locked countries?
3	How do efficient BCPs work?
4	Review and analyze feasibility of digital integration with trade
5	Review of Global Governance and best practices of trade facilitation and tariff regimes

Team will produce a report on the reviews by May 2022 with all the planned review, benchmarking global best practices related to cross border co-operation etc.

Post reviews, identifying focus sectors for STKEC region shall help in equipping ICIC with requisite physical asset and services



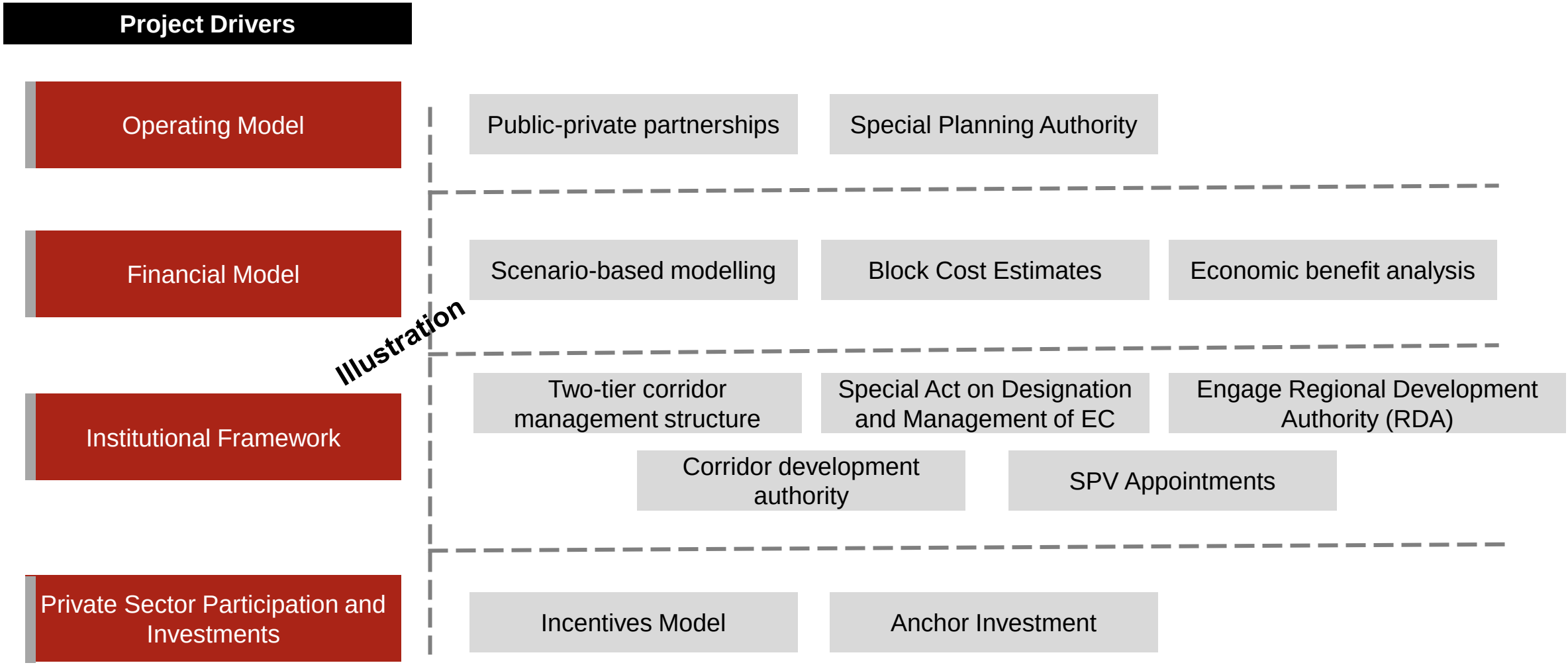
The ICIC is conceptualized with different elements catering to the needs identified in the Module 1

Need		Elements of ICIC	Drivers			
Trade Facilitation	Harmonization of Trade	Trade Center	Office Spaces	Business Centers	Trade Information	
	Enable policy dialogues between participating nations for cross-border trade		Research & Development	Joint Trade Promotion	Single Window Clearances	Customs
	Information Availability					
	Trade Governance					
Transport and Logistics	Reduction in transit time and cost	Exhibitions	Expo Centers	Arcades	Exhibition Halls	
	Increase the agro-logistics facilities and warehousing centers	Cultural Center	Museum	Cultural Programs	Retail and Dining Area	
	Transforming trade route	Wholesale Market	Logistics Infrastructure	Ease of Mobility – both goods and services	Proximity to retail market/end consumers	
Border Crossing Point	BCP Modernization	Social Infrastructure	Availability of social amenities (electricity, water supply, roads, etc., proximity to nearest urban municipal divisions)			
	Customs Facilities					
	Procedures and Documentation					

Illustrative

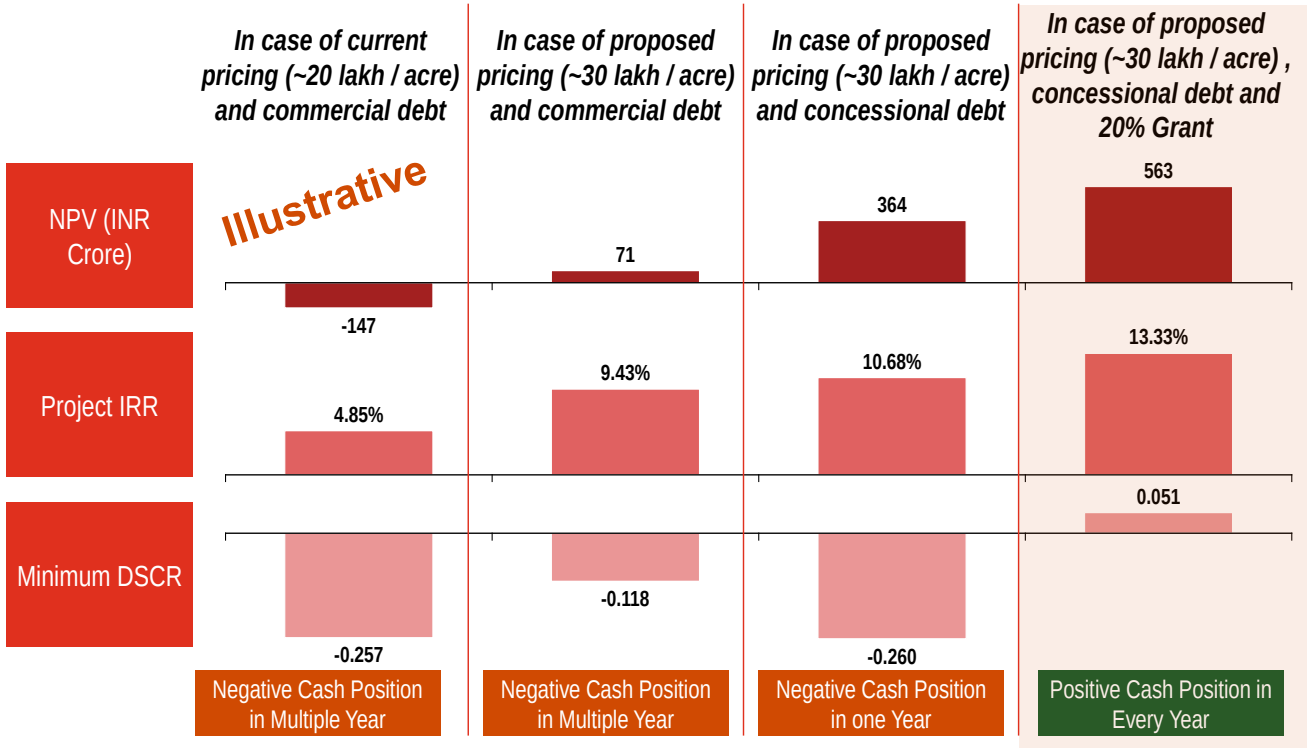
CAPEX PLAN

The team shall further propose suitable frameworks for the successful implementation of the ICIC project



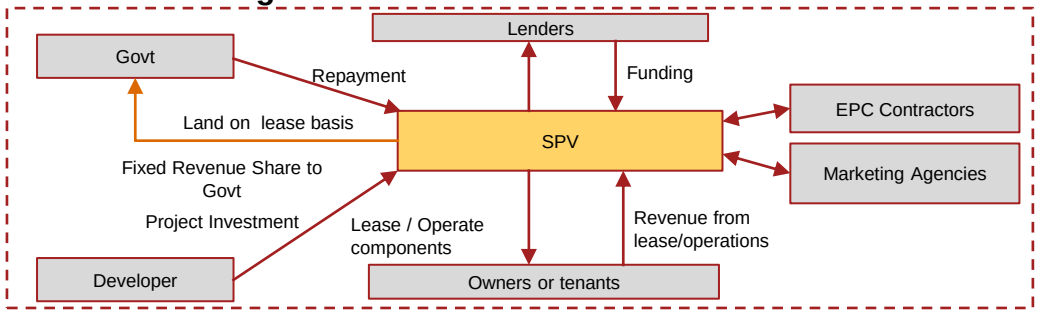
The study team has experience of implementing innovative operational models and conduct financial feasibility for corridor projects

Bundling and Unbundling of the infrastructure element & sensitivity analysis

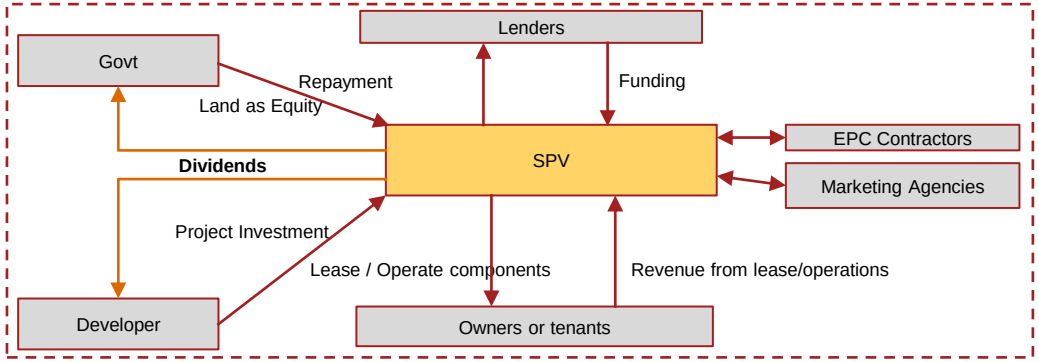


Assessing innovative PPP structures to enable private investments

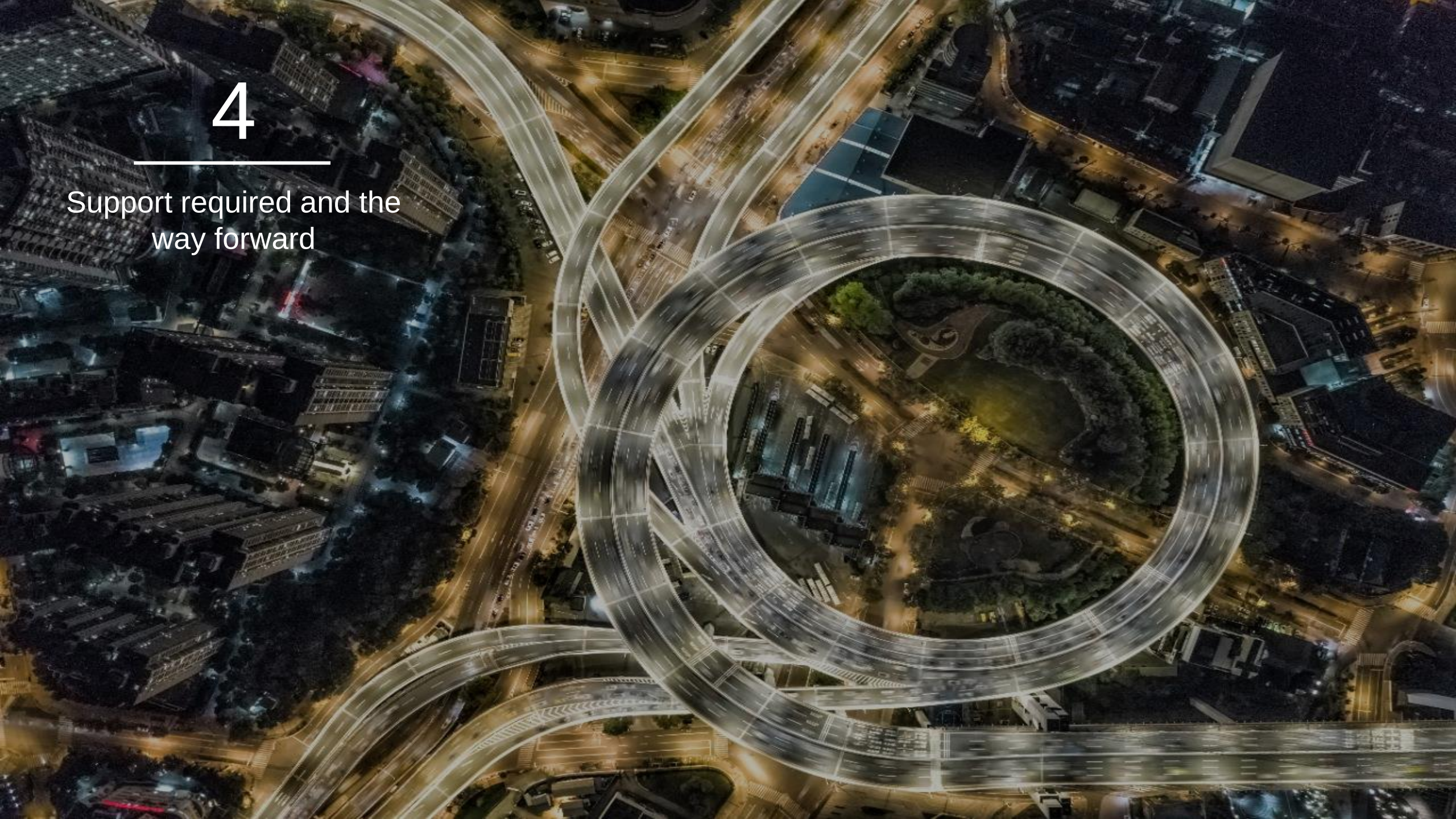
Revenue Sharing Model



Joint Development Model



Team will produce a draft report on the prefeasibility of the ICIC by September 2022
Post review from the Government final report will be submitted by December 2022



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Support required and the way forward

Support required

1. Appointment of a nodal officer from the Government’s side for cooperation with the study team
2. Agreement to conduct 1-2 follow-up discussion with the ministry's officials to better understanding the priorities
3. Setting up a steering committee to approve the report and agree on crucial assumptions
4. A letter authorizing the study team to conduct field survey and stakeholder consultation related to the study topic
5. Access to the recent trade, logistics and other crucial data

Way forward

01 Submission of the inception report

02 The Government to provide recent trade and logistics data to the team

03 Follow up meetings for detailed discussion with the ministry's officials

04 Study team to make physical visit to the countries depending on COVID-19 situation and travel restrictions

05 Background analysis report and a report of global best practices to be shared by May 22

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Thank You

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Annexure

Past studies have demonstrated an overall development potential for the region, laying focus on 6 thematic areas

Thematic Focus Areas	STKEC contribution in the focus areas
Improvement of Rail and Road Connectivity	Construction of new roads (e.g., a Saryagash bypass); Upgrade existing roads (e.g., Khujand-Ast road); Entry permits, automated WIM
Modernization of border crossing points (BCPs) and border management	Development of ICIC and TLC; Time release studies and process improvement; Clearances and Documentation
Development of horticulture value chains	Development of wholesale markets; Investment facilitation; Green Corridor Development; Demand Assessment for joint production
Modernization of sanitary and phytosanitary measures, development of food quality certification services	
Development of regional tourism	Tourism node development; Transit Facilities; Commercial space development; Transit approvals and BCP management
Development of special economic zones (SEZs) and industrial zones	