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

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Obstacles to Cooperation

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

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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

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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

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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

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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

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