

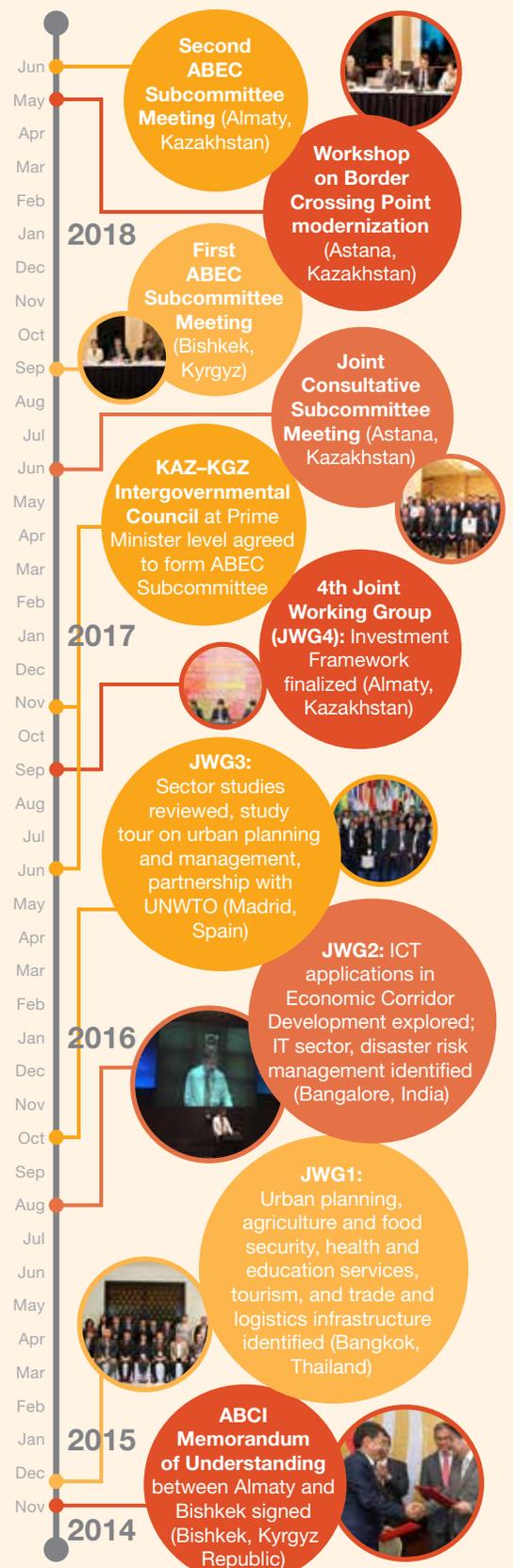
THE ALMATY-BISHKEK ECONOMIC CORRIDOR



The Almaty-Bishkek Economic Corridor (ABEC) is the pilot economic corridor under the Central Asia Regional Economic Cooperation (CAREC) program. The motivation for ABEC is that Almaty and Bishkek can achieve far more together than either can achieve alone. The two cities are only 240 kilometers apart with relatively high economic density concentrated in services in the cities and agriculture in their hinterlands. Both Kazakhstan and the Kyrgyz Republic have acceded to the Eurasian Economic Union and World Trade Organization. CAREC corridors and Belt and Road Initiative routes cross ABEC. The historic Silk Route, mountain ranges, and lake Issyk-Kul underline the potential for tourism. But trade, especially in agricultural goods and services, between the two countries is below potential and the region does not yet benefit from being one economic space.

ABEC aims to shorten economic distance between the two cities. This means reducing travel times; creating one competitive market for health, education, and tourism services; and aggregate agricultural produce in wholesale markets to exploit the sector's export potential—following the slogan: act local and think global. For example, in agriculture, the challenge is to create sufficient scale to overcome distance and trade barriers. Inadequate scale increases unit costs of transportation, certification, branding, and processing of agricultural goods. In the health sector, for example, tertiary hospitals and laboratories do not need to offer the full range of services on both sides of the border for the small domestic markets, but instead, services could be coordinated and further specialized across ABEC.

In support to the implementation of ABEC, the Asian Development Bank approved a knowledge support technical assistance for \$1.75 million in 2017. Current initiatives are the preparation of national master plans for modern wholesale markets in Kazakhstan and the Kyrgyz Republic, preparing the modernization of some border crossing procedures and infrastructure, identifying the skill gap in the tourism sector, and conducting a prefeasibility study for regional medical reference laboratories in the corridor.



Border Crossings:
No. who crossed Kazakhstan (KAZ)–Kyrgyz Republic (KGZ) border: around 30,000 per day (2016)

Trade:
exports in \$ millions
KAZ→KGZ: 503
KGZ→KAZ: 295 (2017, UN Comtrade)

Agriculture Exports in \$ millions
KAZ→KGZ: 38.1 cereals, 0.1 vegetables, 2.6 dairy
KGZ→KAZ: 6.5 live animals, 28.5 dairy (2017, UN Comtrade)

Tourism:
international arrivals
KAZ: 21% from KGZ
KGZ: 56% from KAZ (2016, UNWTO)

Education:
No. of universities
Almaty: 40
Bishkek: 33 (2016)

Health:
No. of tertiary hospitals
Almaty: 45
Bishkek: 28 (2016)

ICT:
internet penetration
KAZ: 75%
KGZ: 35% (2016, World Bank)

What has been achieved so far under ABEC?

Sector Analysis and policy dialog to develop an innovative concept. Under the guidance of a joint working group, representing the governments of Kazakhstan and the Kyrgyz Republic, ADB has produced analytical reports identifying potential investments and reforms to i) increase the scale of the agribusiness sector through cross-border value chains; ii) coordinate and specialize tertiary health and education services; iii) address common urban challenges; iv) jointly mitigate risks of disasters both countries are exposed to; v) improve the transport connections across the border; and vi) develop regional tourism products along the historic silk road.

Increased government engagement and ownership. In 2016, both countries have agreed to oversee ABEC's implementation through the Intergovernmental Council, which is chaired by the two Prime Ministers. The Council created the ABEC Subcommittee, a regular official meeting of the two national governments, regional governments, and private sector representatives, which is co-chaired by the Kazakh and Kyrgyz CAREC National Focal Points.

Identification of investment priorities. On 25 September 2017, the first Subcommittee meeting in Bishkek decided to prioritize the following projects:

- Agriculture: Setting-up cross-border agricultural value-chains through agricultural wholesale markets and collections centers, product certification, and traceability.
- Tourism: Almaty—Issyk-Kul road construction as PPP toll road and establishing regional tourist products
- Transport: Modernizing border-crossing points and implementing direct bus service between the two cities and airports. A workshop was held on 21 May 2018.
- Social Sectors: Establishing a regional reference laboratory for communicable diseases and addressing skill gaps related to agriculture and tourism.

Way Forward

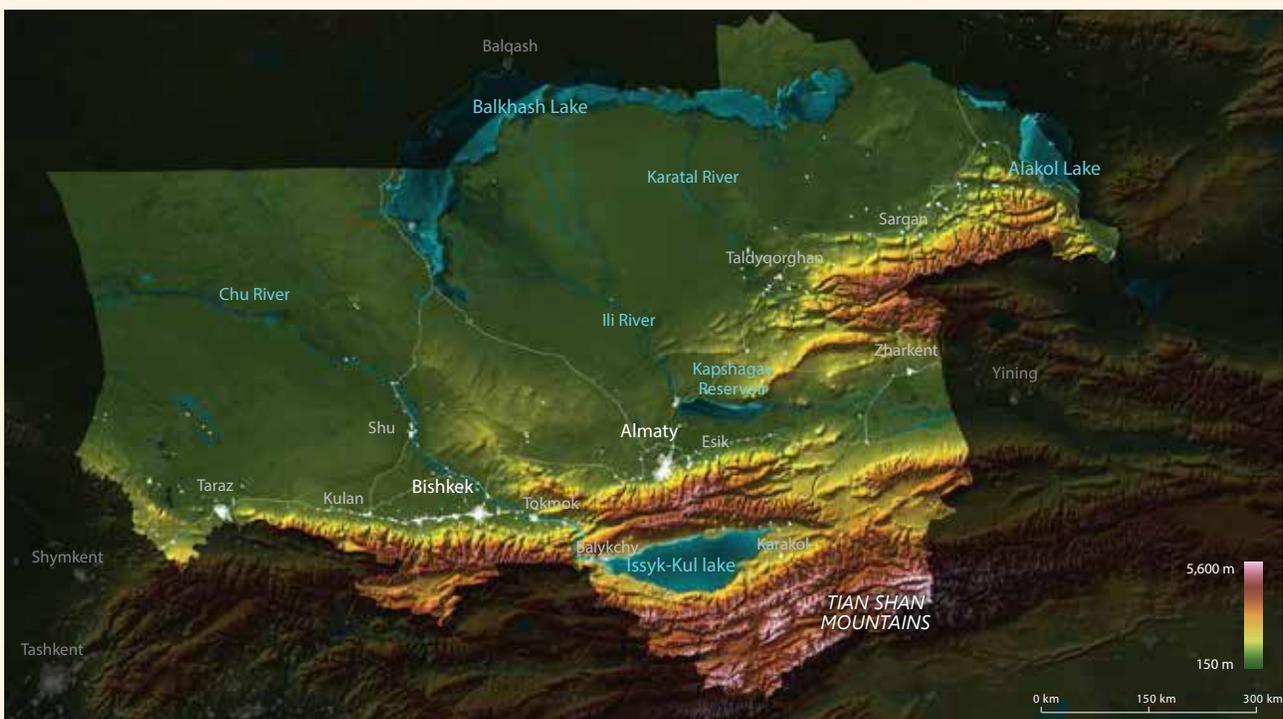
- ADB is processing an investment project to create modern wholesale markets in ABEC.
- ADB is committed to support ABEC through its technical assistance grant and through preparing investment projects and advising on related reforms to create regional benefits.
- With ADB's support for ABEC, both countries can reap the benefits of the Eurasian Economic Union and progress on regional cooperation and integration. This will require increased ownership of both countries and strong involvement of ADB.

Economic Corridor Development under CAREC 2030 Strategy

CAREC 2030 strategy has identified economic corridor development as one of its operational clusters, that will also support trade and tourism. Economic corridors can boost regional competitiveness, through improved logistics infrastructure, lowered production costs of both goods and services, and enabling policies and investments for agglomeration effects. Sustainable urbanization in the context of corridor development requires resilient infrastructure and connectivity, ties to a globalizing economy, human capital, and openness to trade in services, including tourism and higher education. In addition, border crossing points should facilitate free movements of people and goods. CAREC 2030 can assist its members develop urban strategies from a regional corridor perspective through integrated linkages involving infrastructure, and knowledge and technology that will enable the production of both goods and services to move up the value chain. CAREC can also facilitate exchanges of services between the cities and surrounding regions, on education, training, health, agriculture, logistics, tourism, city planning, and the environment.

Source: ADB. 2017. *CAREC 2030 Connecting the Region for Shared and Sustainable Development*. Manila.

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Source: <http://www.diva-gis.org/>