



Central Asia Regional Economic Cooperation Program

Reference Document
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A Pilot Study on CAREC Corridor Development - A Concept Note -

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A PILOT STUDY ON CAREC CORRIDOR DEVELOPMENT

I. BACKGROUND AND OBJECTIVES

1. *CAREC 2020* focuses on two complimentary strategic objectives: (i) expanding trade, and (ii) improving competitiveness. These objectives are designed to reinforce each other and contribute to the attainment of Central Asia Regional Economic Cooperation (CAREC) development goal through regional economic cooperation. To achieve these objectives, operational priorities will be pursued comprising: (i) the four core sectors of cooperation – transport, trade facilitation, trade policy, and energy; (ii) economic corridor development; and (iii) the CAREC Institute.
2. This study focuses on economic corridor development. Economic corridor development is defined in this study as development which promotes creation of integrated regional value chains along an existing transport corridor, and facilitates their access to global markets and value chains.
3. The study will choose a CAREC corridor as a pilot. The study will (i) assess the current development status of the chosen CAREC corridor, and (ii) consider ways and measures to further strengthen its function as an economic corridor.
4. The study constitutes a part of the CAREC Institute research program and will be conducted with guidance from and consultation with relevant CAREC coordination committees and CAREC multilateral institution (MI) partners.

II. APPROACH AND METHODOLOGY

5. The pilot study will focus on CAREC Transport Corridor 5 (Corridor 5) and two landlocked countries along Corridor 5, i.e. Kyrgyz Republic and Tajikistan. Each CAREC corridor has distinct characteristics in terms of terrain, physical development, cross-border procedures, traffic volumes, variety of goods transported, location of nodes, etc. Though current traffic volume along Corridor 5 is relatively little, the pilot study will demonstrate how corridor development can help expand trade as it provides link to emerging markets in the East and the South Asia. In addition, Kyrgyz Republic and Tajikistan are preparing for the implementation of a cross border transport agreement (CBTA), in which Afghanistan has expressed intention to participate. The expected gains from the CBTA will be further exhibited with the selection of Corridor 5.
6. This study will be organized as follows:
 - Introduction
 - Chapter 1: Analyzing Export Markets
 - Chapter 2: Assessing Current Development Status and Uses of Corridor 5
 - Chapter 3: Identifying Requirements to Realize Corridor Potential
 - Chapter 4: Addressing the Constraints
7. Chapter 1 will analyze the export status of the two landlocked countries along Corridor 5. In particular, the study will describe the current export market structure of these countries with their major trading partners, among others, Pakistan, People's Republic of China, the Russian Federation, and Turkey. As indicators of export market potential, trade complementarities and comparative advantage will be described between country-pairs.

8. Chapter 2 will assess the current status of Corridor 5 in terms of corridor development and flows of goods along the corridor. Corridor development will be evaluated based on the four categories: (i) transport development, (ii) logistics development, (iii) trade policy development, and (iv) economic corridor development. The chapter will also provide an illustration of current flows of export goods by commodities and destinations along Corridor 5.

9. Chapter 3 will conduct export projections by commodities exported using Corridor 5 and destinations (as identified in Chapter 2) to determine the export potential through Corridor 5. The chapter will determine the “optimal” development needed to realize the export potential. The “optimal” development will also be evaluated based on the four categories: (i) transport development, (ii) logistics development, (iii) trade policy development, and (iv) economic corridor development. These will be presented using the “CAREC Economic Corridor Development Assessment Sheet” to determine gaps between the current status of Corridor 5 and “optimal” development requirements.

10. Chapter 4 will seek feasible ways and measures required to address the gaps identified in Chapter 3.

11. This study will use a variety of methods in collecting and analyzing information and in generating ideas and approaches. These will include desk review, consultation with stakeholders, site visits, and surveys.

Table 1: Methodology

Methodology	Data and information
Desk Review	<ul style="list-style-type: none"> • CAREC corridor reports including CPMM, other CAREC coordination committees’ reports • Other corridor related reports (e.g. GMS corridor development, etc.) • Transport/logistics development and trade development reports • Corridor development and network nodes development literature • Data from World Bank, United Nations time/cost distance studies • Data from USAID Central Asia regional trade liberalization studies
Consultation	<ul style="list-style-type: none"> • Government officials (national, provincial and municipal) • CAREC MIs • Other donors • NGOs • Trade associations, chambers of commerce & industry • Transport & logistics operators • Traders/Manufacturers, service providers • Investors/Financial institutions
Site Visits	<ul style="list-style-type: none"> • Key road segments • Key nodes and urban centers, logistics centers • Key multimodal hubs • Major border crossing points • Leading markets for trade
Surveys	<ul style="list-style-type: none"> • Exporters and chamber of commerce and industry

CPMM= corridor performance measurement and monitoring; GMS=Greater Mekong Subregion; MI=multilateral institutions; NGO= nongovernment organizations; USAID= United States Agency for International Development.

12. The study will apply descriptive and gap analysis methodologies.
- (i) **Descriptive Analysis:** In order to capture the actual flows of export goods transported along Corridor 5 in Chapter 2 and project the future flows in Chapter 3, a descriptive analysis will be conducted based on the national trade data, customs data, surveys, and consultation with government officials concerned, exporters, traders, and other stakeholders..
 - (ii) **Gap analysis:** In Chapter 3, the “CAREC Economic Corridor Development Assessment Sheet” will be designed for gap analysis. It will identify areas that need to be further developed for the corridor to function as an economic corridor. The gap analysis will involve: determining current status of the Corridor 5 against “optimal” requirements, assessing magnitude of gaps and determining reasons for gaps. In Chapter 4, ways and measures required to close the gaps will be considered.

III. MONITORING

13. The study will offer monitoring mechanism and results management recommendations. The filled-out “CAREC Economic Corridor Development Assessment Sheet” will be used as a tool for monitoring.

IV. TIMEFRAME

14. The proposed timeframe of the study is indicated in the table.

Table 2: Timetable

Timing	Actions to be Undertaken
Senior Officials’ Meeting	<ul style="list-style-type: none"> • Concept of the study endorsed. • Pilot corridor (Corridor 5) and countries agreed.
At the 11 th Ministerial Conference (MC)	<ul style="list-style-type: none"> • Preliminary Outcomes of the study (Chapters 1-3) reported
After the 11 th MC	<ul style="list-style-type: none"> • Proposed follow-up action as Chapter 4 is arranged and the findings submitted to the relevant governments. • Outcomes of the study reported to the mid-year SOM, 2013 • Subsequent studies planned

V. RECOMMENDATIONS

15. It is recommended that the concept including methodology, expected outcomes and timeframe of the study be endorsed with guidance and suggestions from the senior officials at the CAREC Senior Officials’ Meeting in June 2012.