



Reference Document
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A Pilot Study on the Development of “CAREC Corridors”

Promoting transformation of CAREC Corridors to economic corridors

**Senior Officials' Meeting on
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“CAREC Corridors”
-Promoting transformation of CAREC Corridors to economic corridors-**

I. BACKGROUND

1. There is a general belief that reduced costs and time of transportation, thanks to improved transport systems, would increase movements of goods and people. In turn, such an increase of traffic offers new opportunities for potential local and foreign investors to develop business, tourism and other socio-economic activities. Especially for the landlocked CAREC countries, efficient transport systems are a crucial factor for economic development. Transport infrastructure across the region is expected to drive investments including joint cross-border ventures that will help transform landlocked CAREC countries to “land-linked” countries. The growth potential engendered by increased trade, investments, and tourism offers enormous opportunities for close collaboration among neighboring countries to take advantage of their complementarities. This will expedite greater specialization through increased access to low-cost factors between and among neighboring CAREC countries.

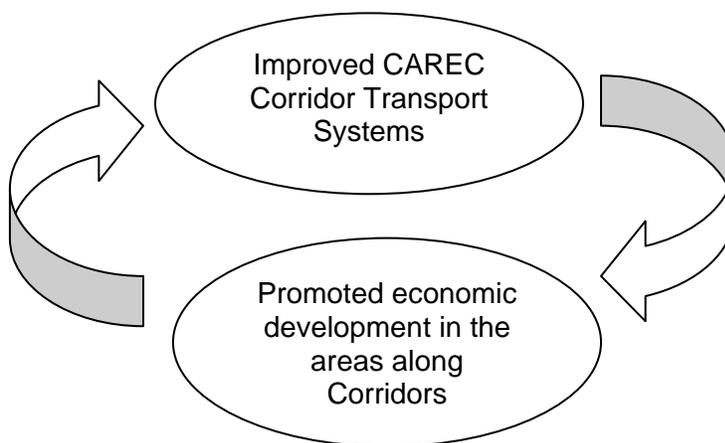


Figure 1: A virtuous circle of CAREC corridor development

2. The draft "CAREC2020" introduces a concept on the sequential transformation of a transport corridor to an economic corridor. According to "Annex B: Build Economic Corridors" in the draft "CAREC 2020", transformation from a transport corridor to an economic corridor is initiated by the evolution of "nodes" along the corridor. A transport corridor is in the initial development stage where the corridor functions to accommodate movements of goods and people as a transport axis. The next stage of corridor development involves improvements in spatial interaction among "nodes". Four types of "nodes" are introduced in "Annex B" of the draft: (i) **commercial nodes**, where major business activities are carried out; (ii) **border nodes**, where cross-border movements of goods and services occur; (iii) **gateway nodes**, where the entry and exit points to the corridor are located; and (iv) **interchange nodes**, where two or more corridors intersect. At this development stage, the focus of soft and hard infrastructural support is on corridor "nodes" development. The interaction between "nodes" along the corridors creates new opportunities for trade and investment. This results to market growth and creation of

circumstances where value can be added through spatial interactions along the corridor. At this stage, the corridor functions as an economic corridor.

3. Robust private sector activities are recognized by the CAREC countries as an indispensable factor to promote broad-based and inclusive growth in the region. The role of the private sector in the “nodes” will progress with increased spatial interaction among enterprises. However, the role of the public sector to facilitate the private sector activities in the region cannot be downplayed. The public sector should help improve business friendly environments in the “nodes”. Possible areas of the public sector assistance in the context of “node” development may include, (i) creating an appropriate “node” development strategy by identifying comparative advantages of the “nodes”; (ii) implementing policy and institutional reforms; (iii) offering technical assistance for trade and investment development activities (trade finance, business support services, e-commerce, and public-private sector networking); and (iv) providing capacity building programs aiming at improving the business climate, privatization, and assistance to key sectors and subsectors.

4. The proposed study will consider development of “nodes” along the CAREC transport corridors to expedite transformation of the corridors to economic corridors. The study strategically aligns with the draft 10-year strategic framework for the CAREC Program, specifically the proposed CAREC 2020’s operational priorities on economic corridor development and business services network development.

II. OBJECTIVE

5. The study will develop ways and means for selected “nodes” along the CAREC transport corridors (also called “CAREC corridor nodes”) to establish enabling business environments. These “corridor nodes” are located in close proximity along the CAREC corridors and should capitalize the locational advantage to benefit most from the improved transport systems. The proposed study will adopt a two-phased approach: (i) Phase 1- reviewing the actual development status of the “CAREC corridor nodes” (profiling). The current status and potentials of the “CAREC corridor nodes” as logistics points will be analyzed. (ii) Phase 2- identifying ways and means to stimulate economic activities, especially private sector economic activities of the “CAREC corridor nodes”, to benefit most from improvement of the CAREC corridors.

6. The “CAREC corridor nodes” for observation will be selected based on criteria which will be developed at the initial stage of this study. During the brainstorming at the sub-regional workshops in April and May 2011, some representatives from CAREC countries suggested that the “nodes” for observation should be cities and towns whose development potentials are largely dependent on improvements of the CAREC corridors. The study will focus on logistics and logistics-related service industries in the “nodes”. Such industries are important for the “nodes” to realize the development benefits expected to accrue for the CAREC corridors.

III. APPROACH

7. The proposed study will:

- i. define the scope of the study. A focus will be on development of logistics and logistics related services in “CAREC corridor nodes”;

- ii. develop criteria to select “CAREC corridor nodes” for observation and identify the “nodes”;
- iii. create in-depth profiling of each of the selected “CAREC corridor nodes” by reviewing their economic status. An analysis on regional connectivity with other nodes along the corridor will be also conducted;
- iv. conduct needs assessment of logistics and logistics-related services in each of the selected nodes;
- v. identify development concepts including international best practices, relevant to each of the selected “CAREC corridor nodes”;
- vi. explore action plans which include ways and means to achieve the international best practices for each of the “CAREC corridor nodes”. These ways and means may comprise suggestions for hard and soft infrastructure improvements, policy measures, and technical assistance programs ;
- vii. establish monitoring mechanism¹;
- viii. identify capacity building programs in coordination with the CAREC Institute; and
- ix. produce a replication study plan for other “CAREC corridor nodes”.

IV. FEATURES

- 8. The study will have the following features in terms of the nature of the study;
 - i. Pilot Study: the proposed study will choose some “CAREC corridor nodes” as pilot cities for observation. Then, the study will seek possibilities to replicate the approach and methodology to other “CAREC corridor nodes”;
 - ii. Action Plan: the proposed study will produce an action plan for each of the selected “CAREC corridor nodes” of projects, policy measures, and capacity building initiatives that will help the “CAREC corridor nodes” maximize the benefits from improved transport infrastructure²; and
 - iii. Monitoring: the study will provide specific and measurable indicators to monitor the progress of private sector activities in the “CAREC corridor nodes”. These indicators may vary from one “CAREC corridor node” to another depending on the economic factor endowments and policy directions.

¹ For this, coordination with the CAREC 2020 Result Framework will be considered.

² For border nodes, ways will also be considered to establish secure means of money transfers at border crossing points, and broader cross-border banking facilities to finance cross-border trade along the Corridor.

9. The study will collaborate with stakeholders and experts. This feature is a reflection of the results of the CAREC Institute Performance Assessment Review (CIPAR) exercise conducted in 2010³. The CIPAR exercise concluded that, while CAREC activities relating to private sector development were highly appreciated as initial activities, future activities in this area should have more direct relevance to CAREC projects, and better fit for regional private sector development environments.

- i. Consultation: conduct consultation with stakeholders in each of the selected “CAREC corridor nodes”, members of the CAREC Federation of Carriers and Freight Forwarders Associations (CFCFA), and other private sector representatives;
- ii. Coordination: coordination with CAREC sector coordination committees, especially transport coordination committee, trade facilitation sector committee and trade policy sector committee. Coordination will be made with CAREC Institute to develop capacity building programs;
- iii. Communication: through close communication, share lessons from CAREC countries, CAREC multinational institutions (MIs), and other expert institutions may have in similar areas; and
- iv. Collaboration: collaborate, where appropriate, with local stakeholders and experts.

V. OUTPUTS AND TIME SCHEDULE

10. The expected outputs and timeline are as follows:

- i. Initial Concept Note: for consideration and guidance at the 2011 Senior Officials Meeting (SOM) in June 2011;
- ii. Concept Note: for endorsement at the Ministerial Conference (MC) in November 2011. This Concept Note will provide the defined scope of the study, “CAREC corridor nodes” selection criteria, selected “CAREC corridor nodes” for observation, and “nodes” in-depth profiling.;
- iii. Draft Report on “Pilot Study on Development of “CAREC corridor nodes””: for consideration and guidance at the 2012 SOM; and
- iv. Final Report on “Pilot Study on Development of “CAREC corridor nodes””: for endorsement at 2012 MC.

³ CAREC Institute provided capacity development programs for familiarizing PPP concepts to CAREC officials and exposing them to international best practices through site visits in Chengdu, PRC in 2009. In addition, PPP workshops were held in Uzbekistan and Tajikistan in June 2010. Business development forums held in Xinjiang Uygur Autonomous Region in PRC, in 2006 and 2010 were the opportunities for the CAREC countries to present investment environments of CAREC countries.