

Thoughts on CAREC 2020

**Presentation to the SOM Seminar on
CAREC 2020**

Baku, June 7, 2011

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Presentation Outline

- CAREC at 10 - what have we learned?
 - Sketches of CAREC member countries in 2020 and even 2050 -- what could be
 - But to get there, regional cooperation is a must
 - Lessons from other regional organizations or initiatives
 - CAREC 2020 –thoughts and suggestions
- ❖ CAREC is a precious enterprise, congratulations to ADB for having spearheaded for so long, but we are not there yet - now is the time to re-energize the partnership

10 years of CAREC – what have we learned (1)?

(from CAREC Notes, February 2009)

CAREC's Strengths:

- Focus
- Flexibility
- Country engagement
- IFI engagement and coordination
- Action Plan
- Monitoring of progress

CAREC's Challenges:

- Absence of formal basis
- Weak organizational capacity
- Absence of summit level engagement
- Limited recognition
- Limited country ownership
- Weak links with other organizations
- Missing players

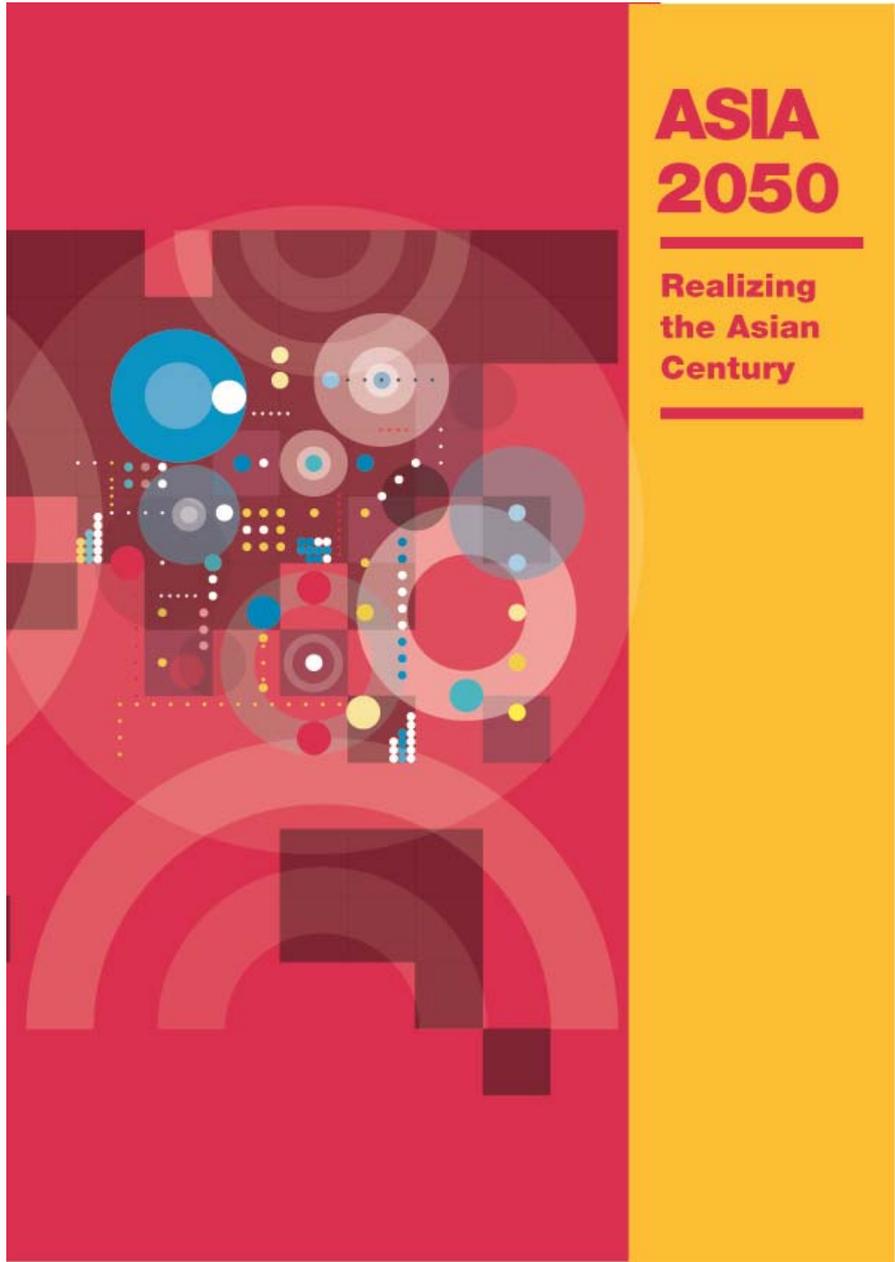


Well expressed!

10 years of CAREC – what have we learned (2)?

(SK's additional observations)

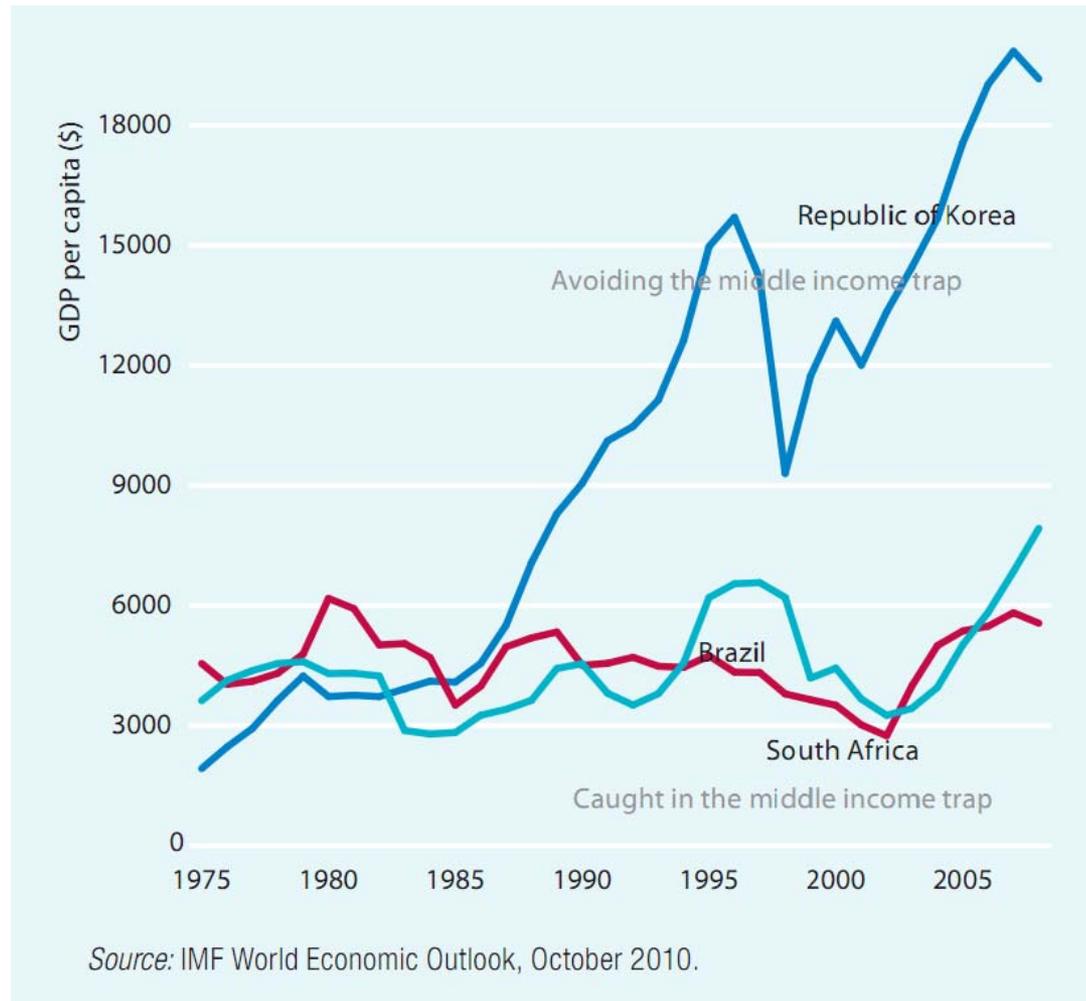
- Promising early returns:
 - Within five years of first Ministerial conference (2002) endorsement by CAREC ministers of four sector strategies and action plans (trade policy, trade facilitation, transport corridors, energy) and establishment of the CAREC Institute,
 - Introduction of the CPMM in 2009 (importance of implementation, measurement and monitoring)
 - Increase in member countries to 8
 - Ability to keep 6 MIs engaged
- Clear mission and focus – yes, including a clearly articulated vision statement
- Relevance – CAREC needed now more than ever
- Secretariat – ADB has done a commendable job in “running” CAREC
- Now- challenge of keeping up the momentum
 - Country ownership elusive
- What about the vision looking forward
- In key areas such as transport, trade and energy, recent development in CA show backtracking by countries
 - Integrated electricity dispatch system has fallen apart
 - Energy/water-related conflict on the rise
 - Rail transports affected by rivalries and suspicions
- However, concerns over management and staff turnover; lack of strong presence in CA



ASIA 2050

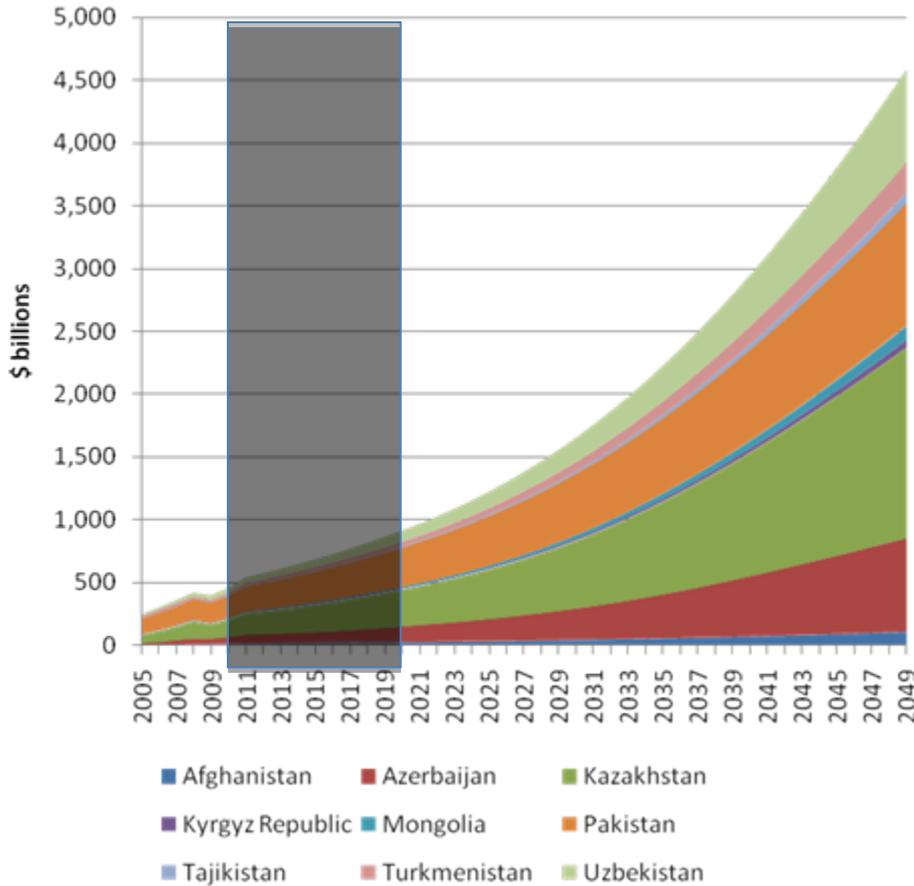
Realizing
the Asian
Century

Middle Income Trap

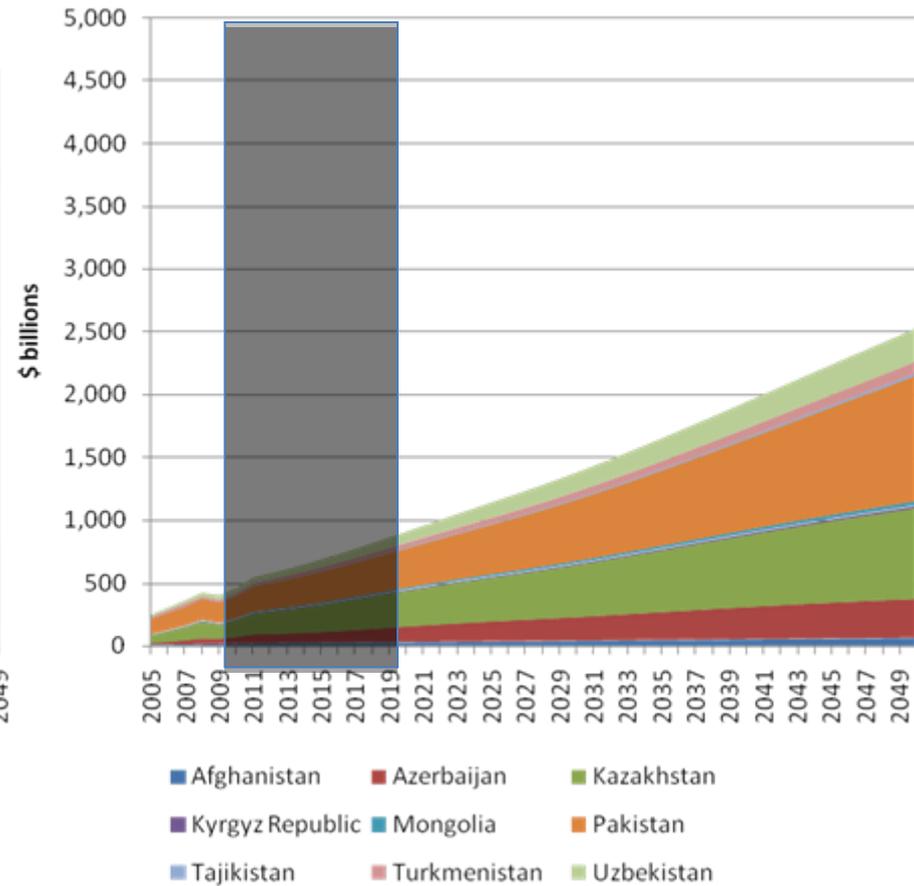


Two Scenarios

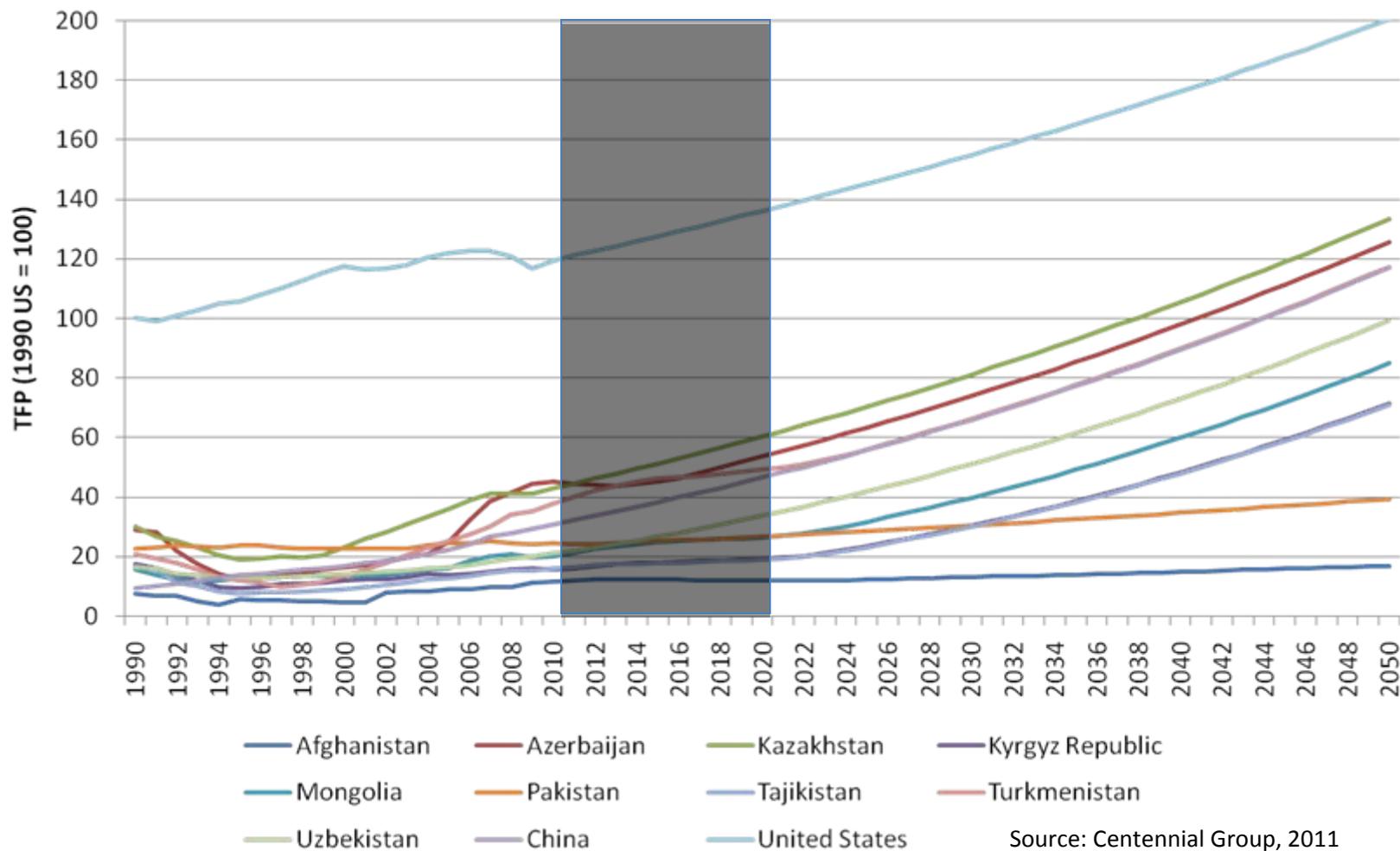
Asian Century Scenario



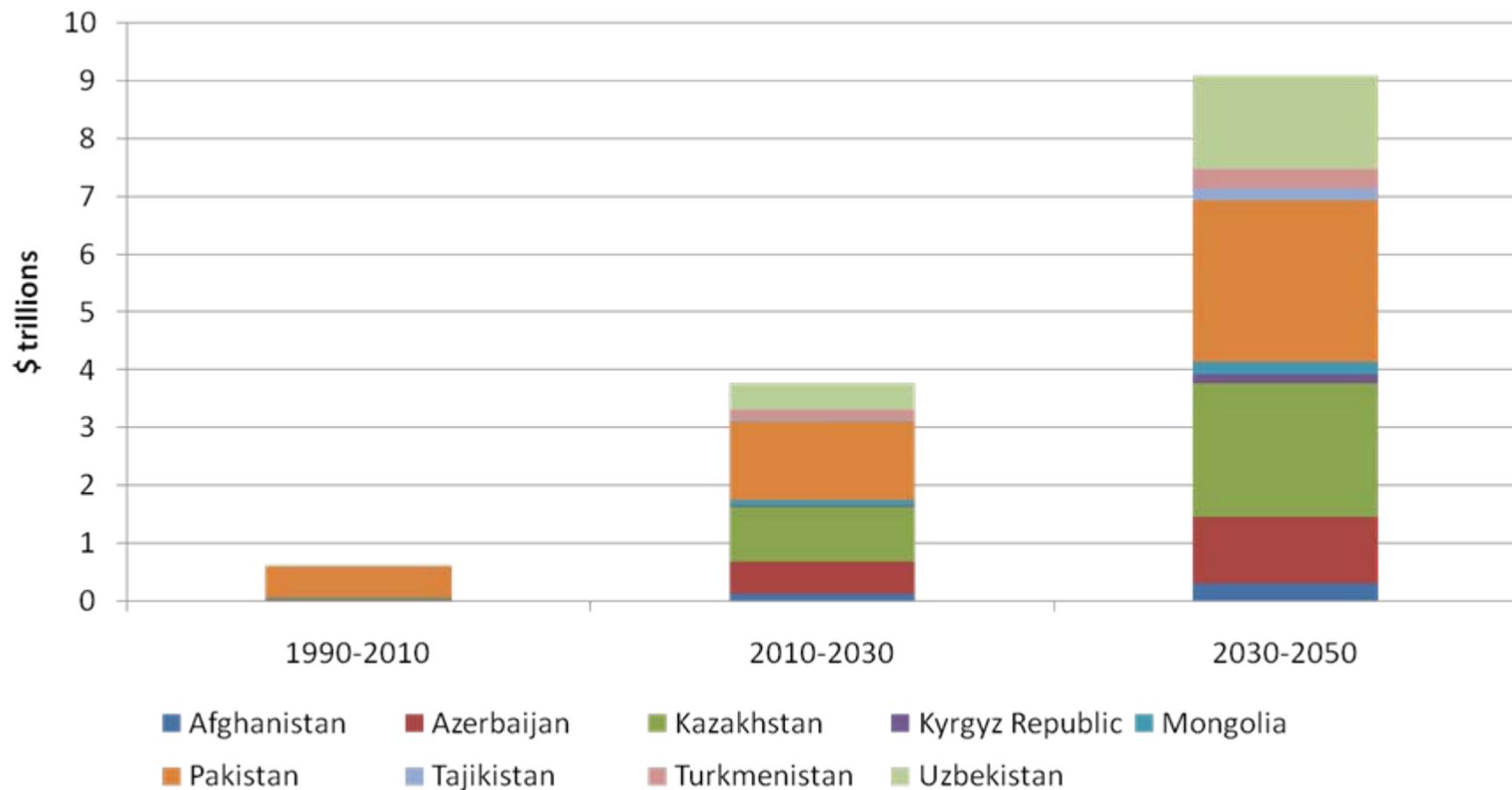
Middle Income Trap Scenario



Total Factor Productivity

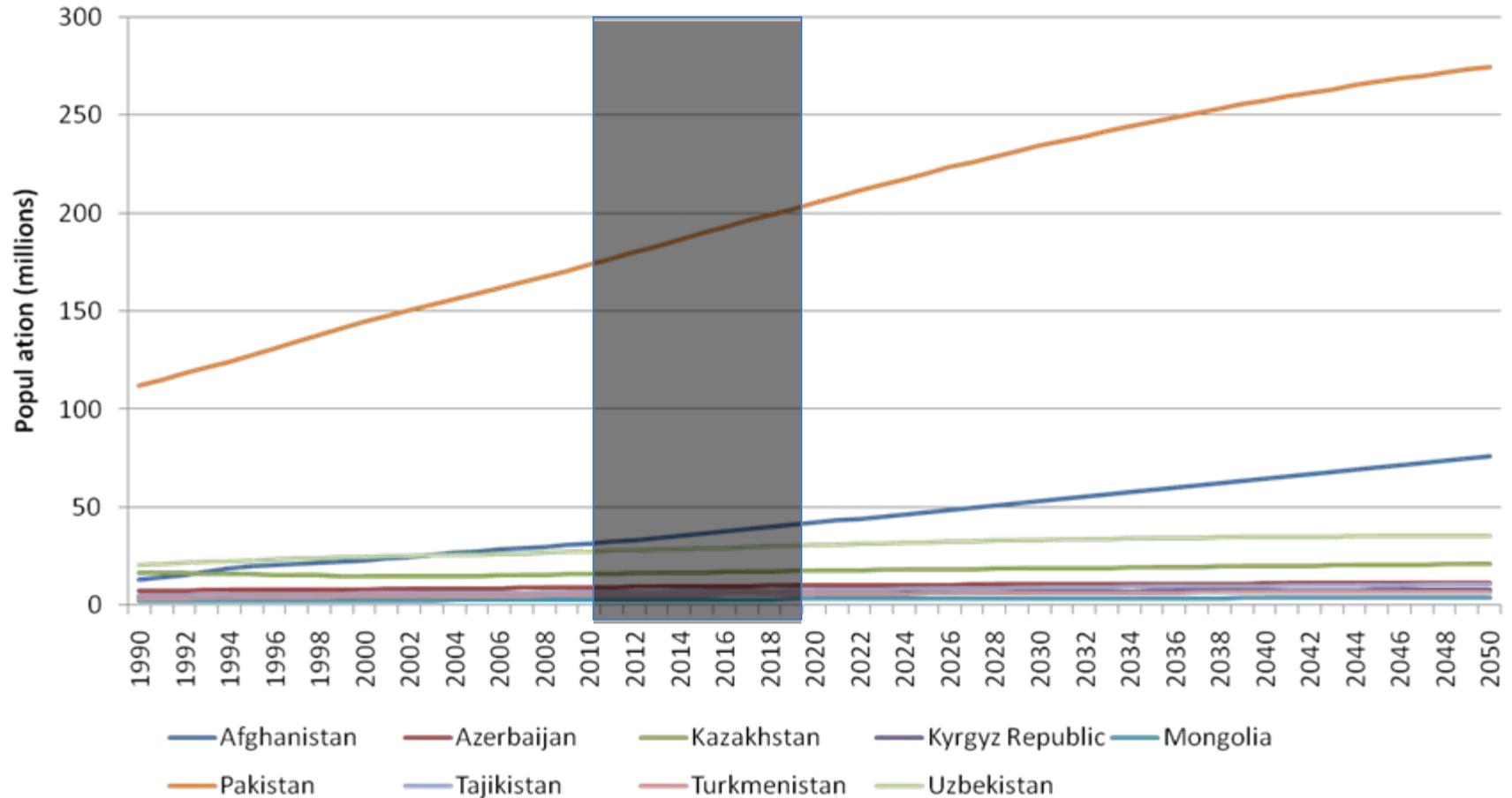


Capital Stock



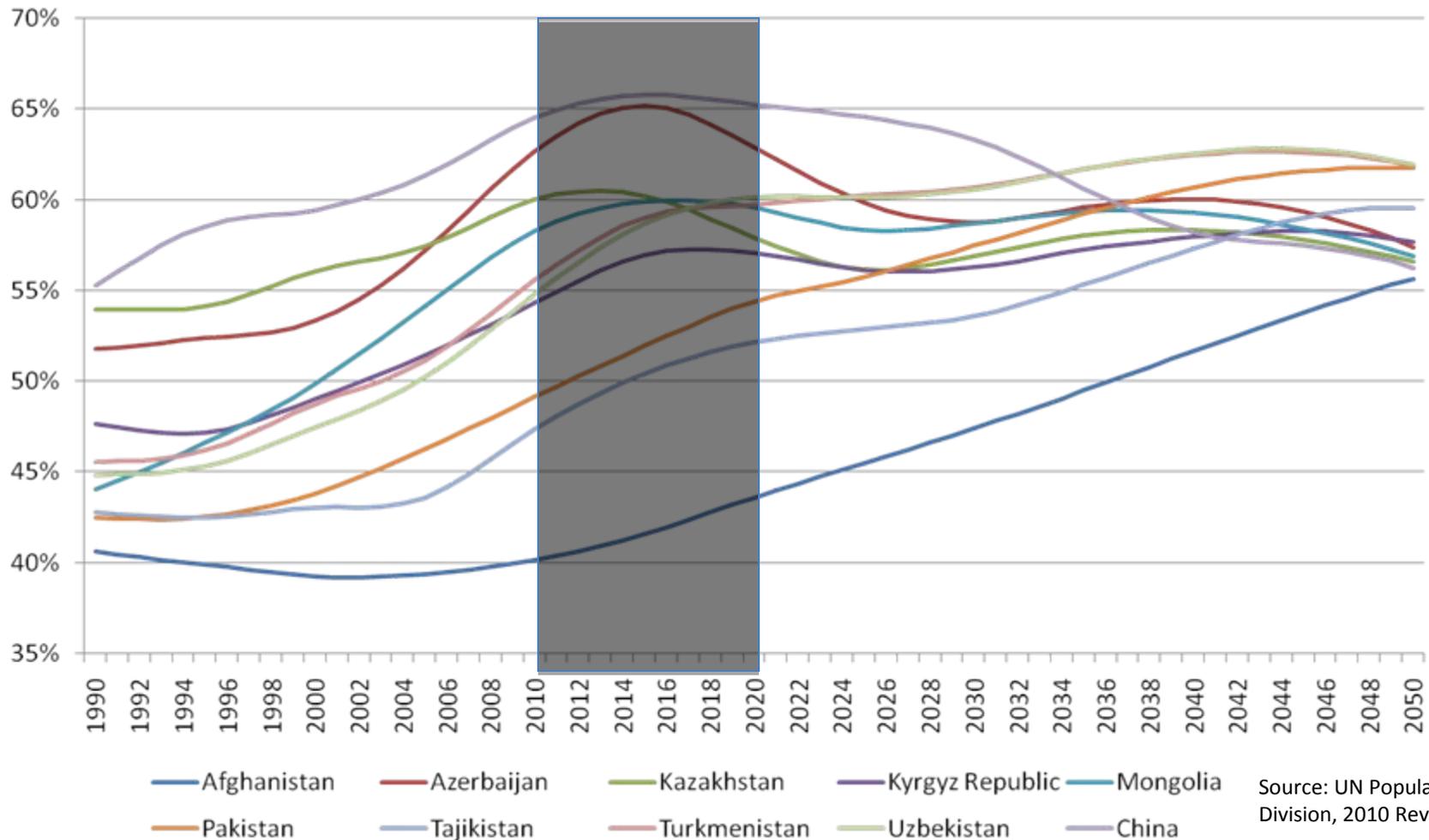
Source: Centennial Group, 2011

Total Population



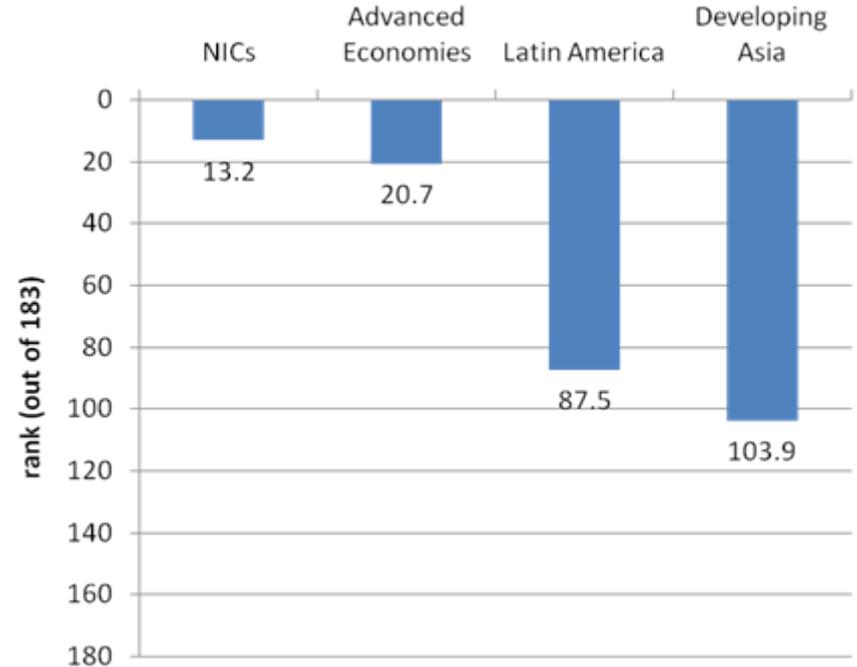
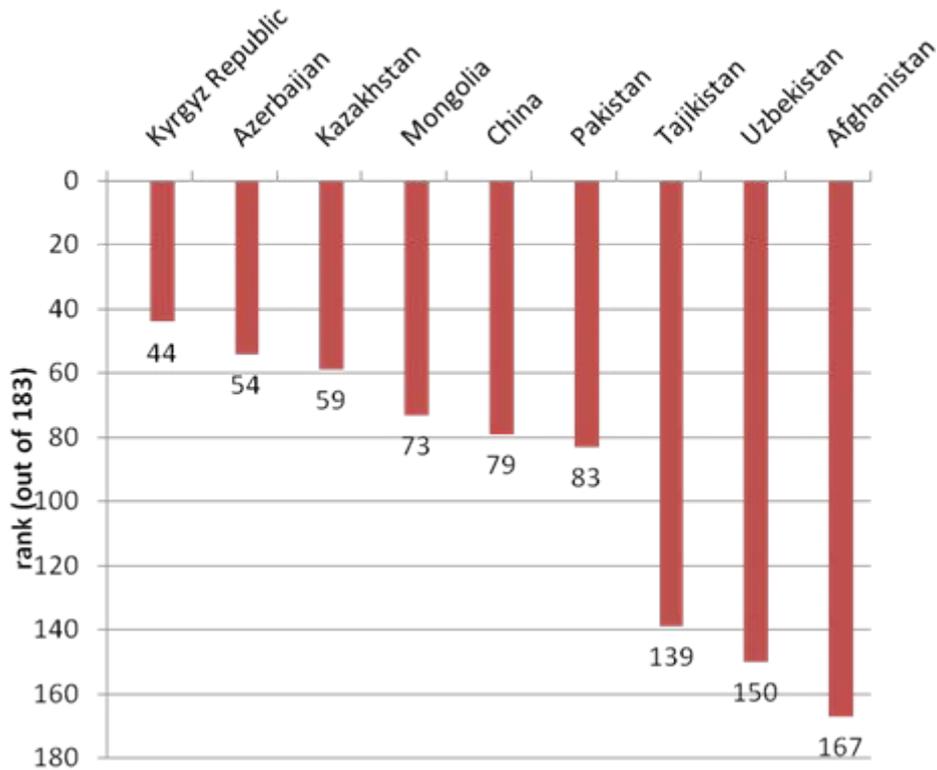
Source: UN Population Division, 2010 Revision

Working Age Population (20-64)



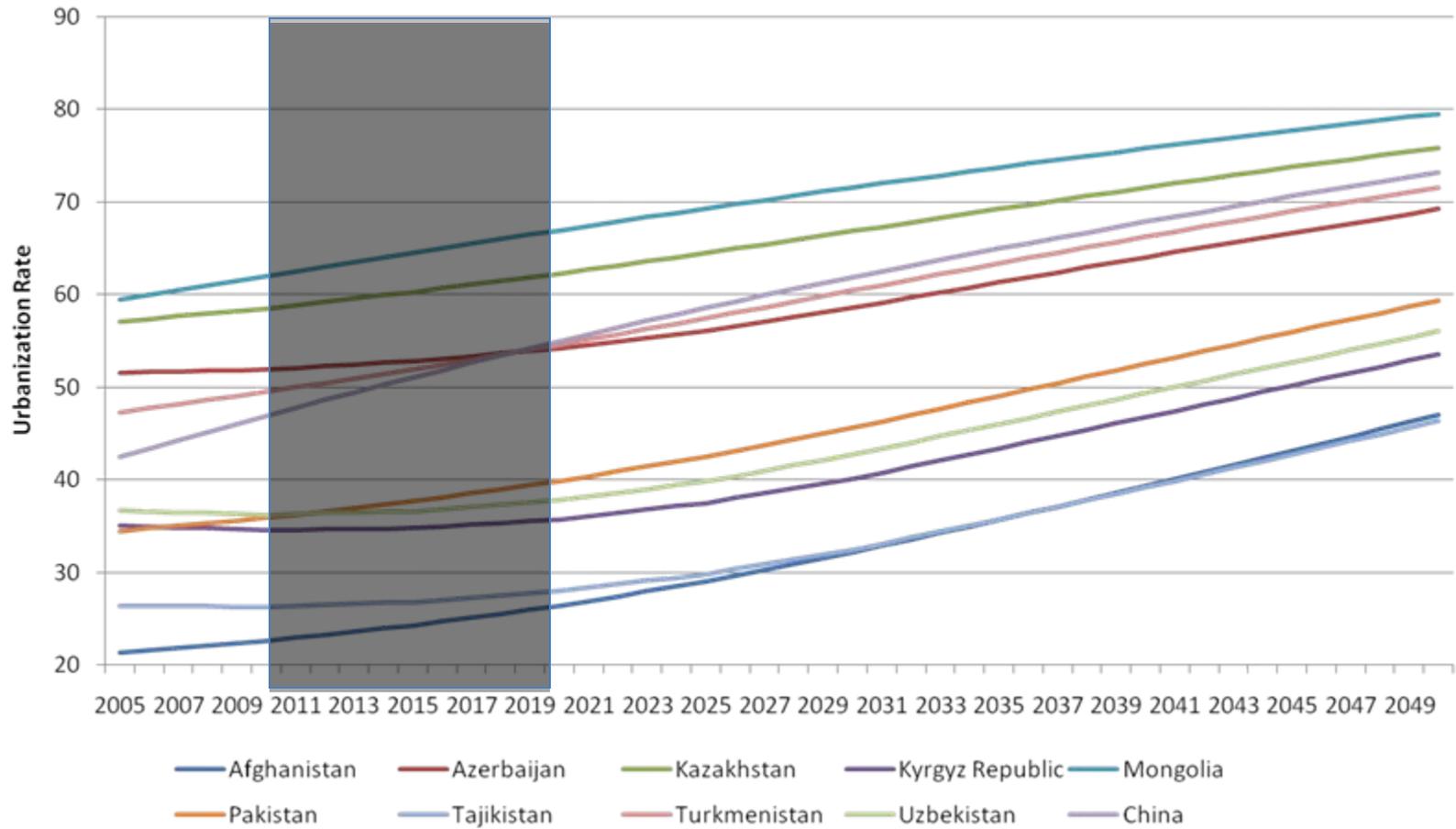
Source: UN Population Division, 2010 Revision

Ease of Doing Business Rankings



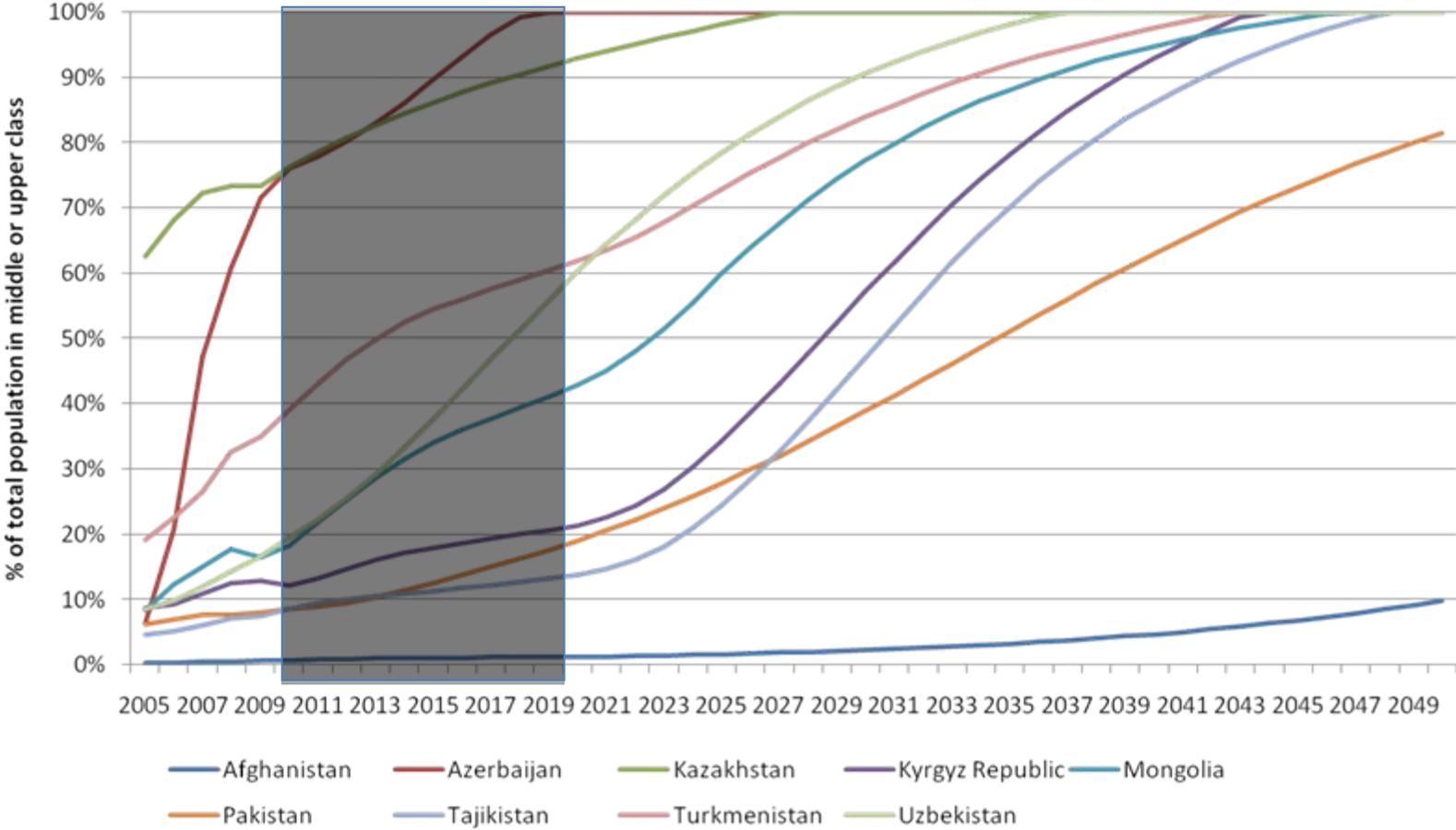
Source: Doing Business 2010, World Bank

Urbanization



Source: UN World Urbanization Prospects, 2009 Revision

Middle Class

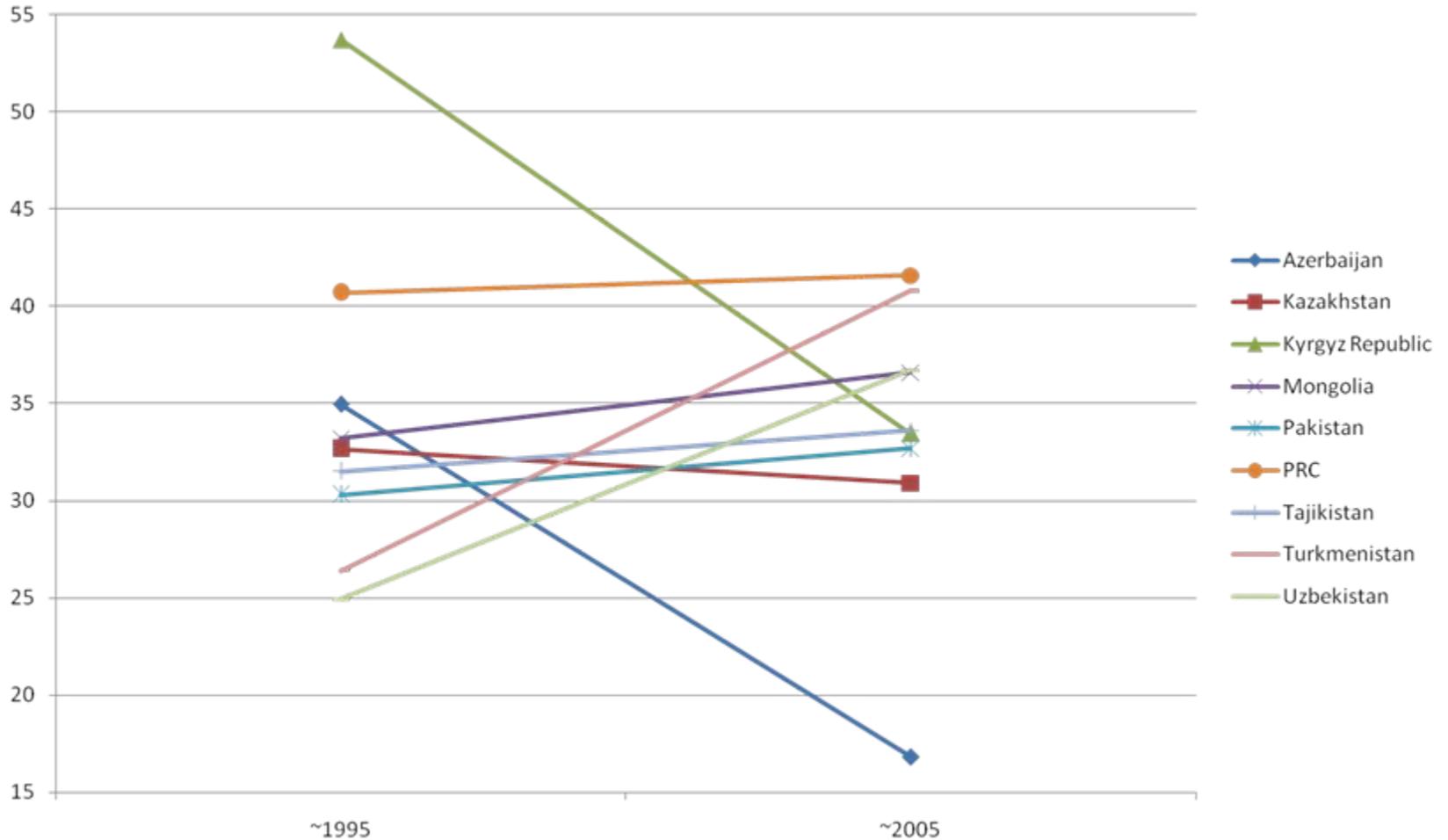


Source: Centennial Group

Middle Class: \$10-\$100 (PPP) per day

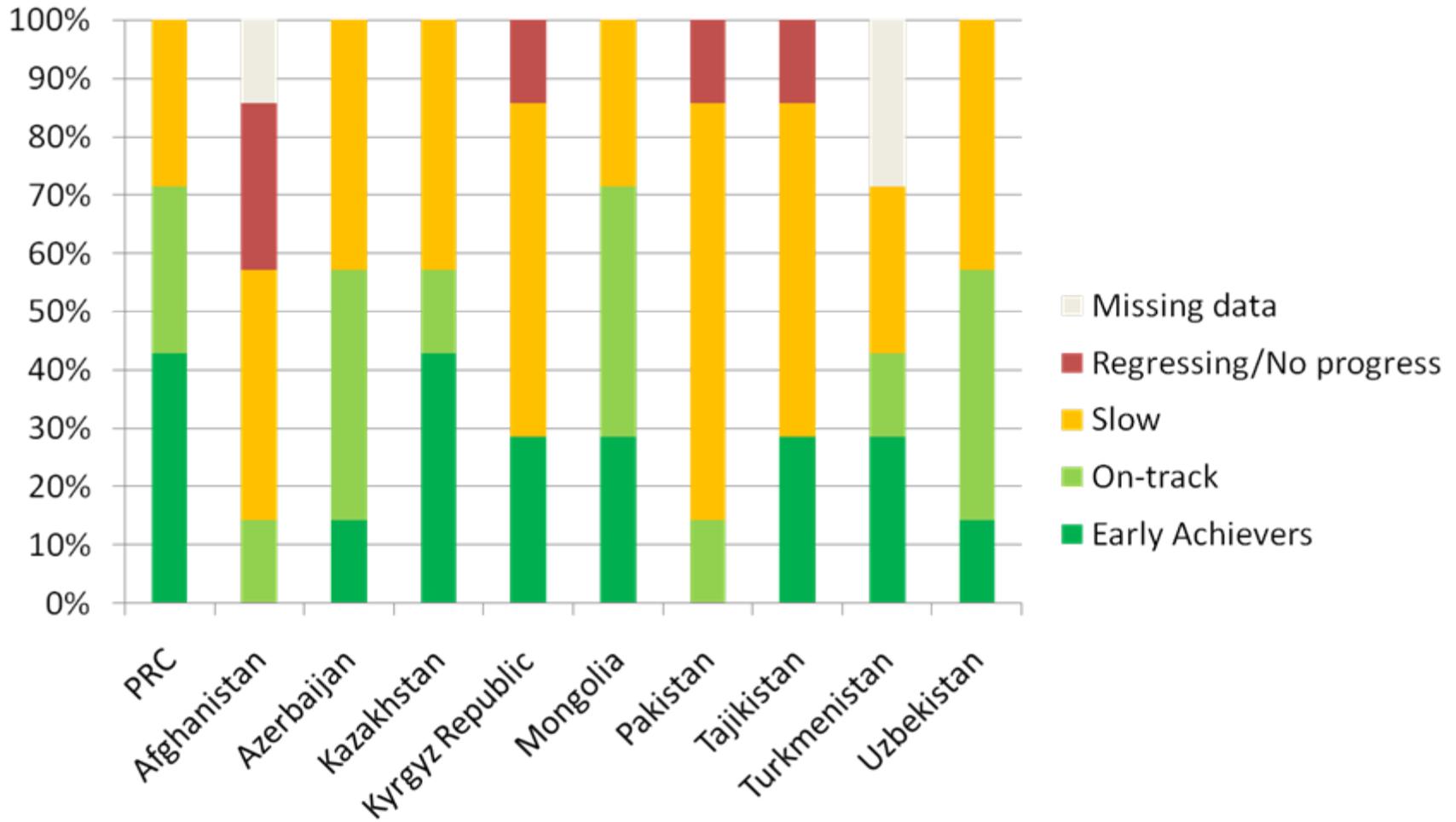
Upper Class: >\$100 (PPP) per day

Gini Coefficients



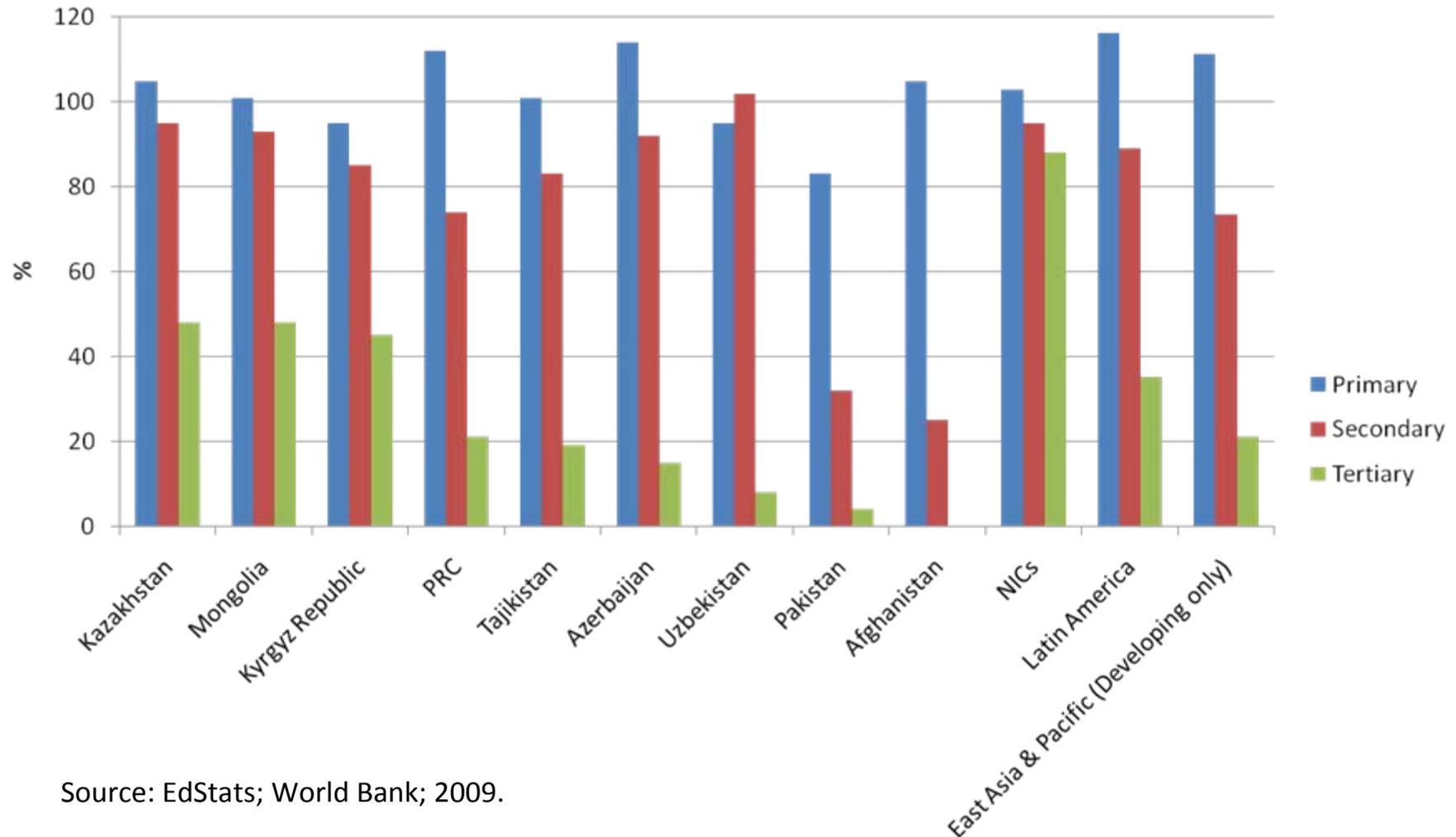
Source: PovcalNet, World Bank, 2011

MDGs



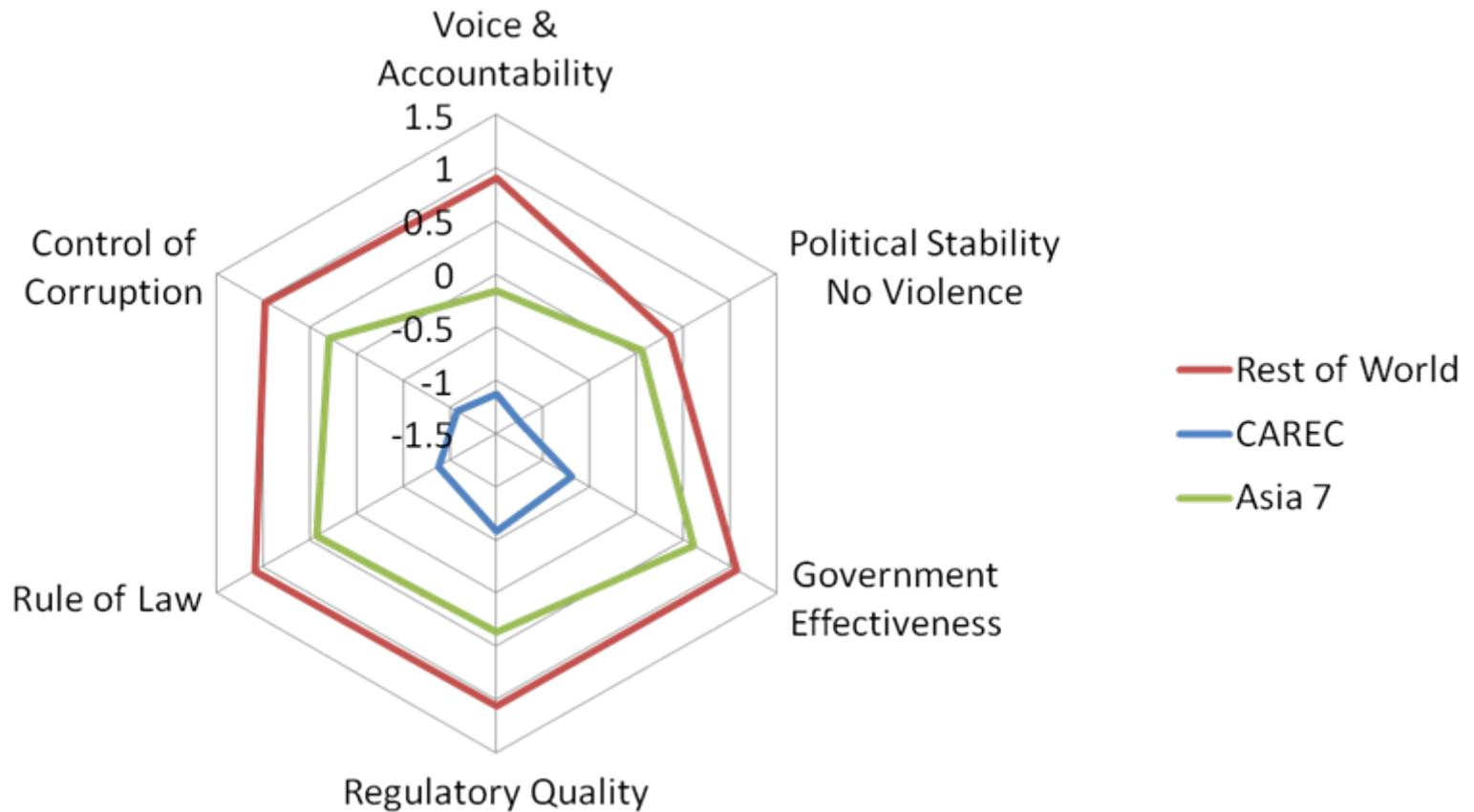
Source: Paths to 2015: MDG Priorities in Asia and the Pacific; ESCAP, ADB, UNDP; 2010.

Gross School Enrolment



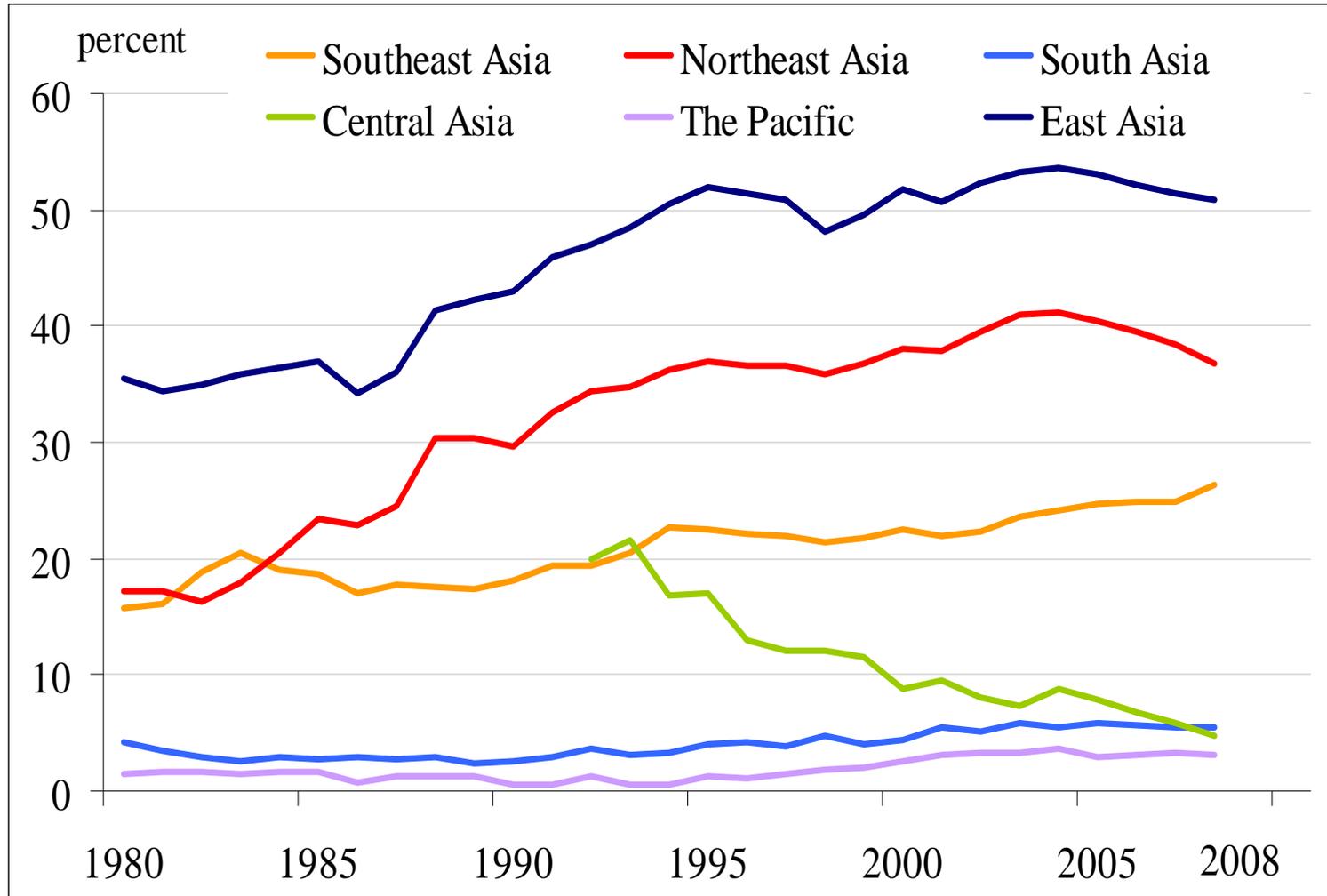
Source: EdStats; World Bank; 2009.

Governance



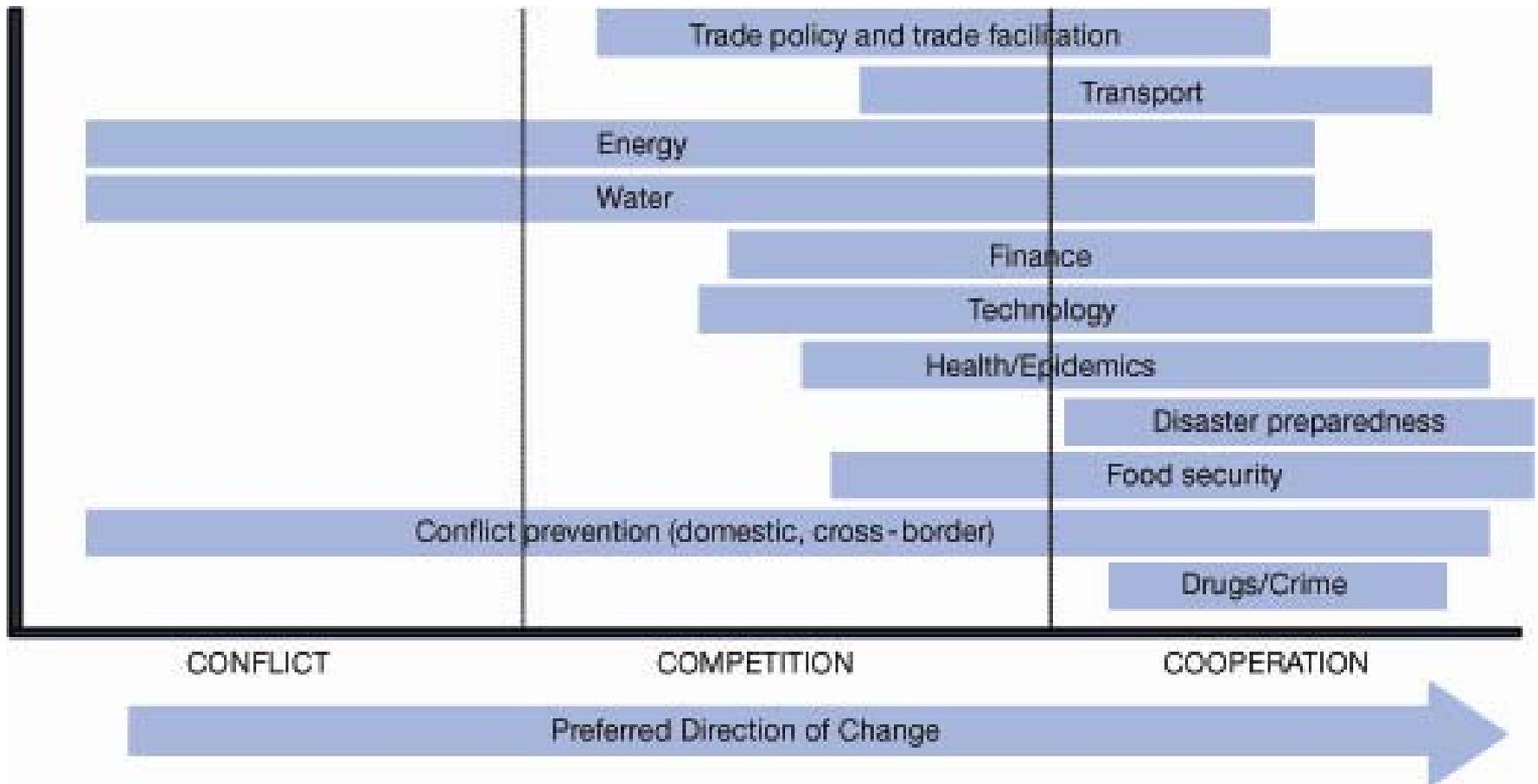
Source: Worldwide Governance Indicators; World Bank Group ; 2009.

Intraregional Trade



Source: "Institutions for Regional Integration"; Asian Development Bank; 2010.

From Conflict to Cooperation



Source: Asia 2050 Overview Report; Centennial Group; 2011.

Lessons from Other Regional Organizations or Initiatives

(from CAREC Notes, February 2009 and Asia 2050 Report, May 2011)

CA: SPECA, ECO, SCO, Evrasec, etc.;

Other: EU, Stability Pact, GMS, CAF, MERCOSUR, etc.

- Many regional and sub-regional organizations but few systematic evaluations, few cross-cutting evaluations; the following 10 lessons were cited:
 - 1) Regional Cooperation is not easy; implementation of stated intentions tends to be weak
 - 2) Effective regional cooperation and integration take time to develop, and require incremental, gradual and flexible implementation with visible payoffs
 - 3) Keep membership of the regional organization manageable, based on shared geography and common regional interests
 - 4) Regional investments require adequate funding mechanisms
 - 5) Successful cooperation requires leadership at the country, institutional and individual level
 - 6) External assistance can be helpful in setting up and sustaining sub-regional institutions
 - 7) “open regionalism” (i.e. institutions that are open to extra-regional participation and don’t discriminate against non-regional economies) appear the most successful strategy
 - 8) Regional economic cooperation organizations that involve ministries of finance or economy tend to be more effective
 - 9) Getting other stakeholders such as the business community and civil society strengthens the mechanisms of regional cooperation
 - 10) Monitoring and Evaluating the performance of countries under regional arrangements is important, as are incentives for better compliance
- Add to the above SK’s 6 observations: Need for clear mission and focus; Need country ownership at highest levels ; To stay relevant, review and adjust focus periodically and deliver sustained benefits for members; Sustained commitment and continuity by (executive) Secretariat, including staffing and financial resources; Need for clear “governance” arrangements between partners; and Need to include key regional actors

Towards CAREC 2020

What is noteworthy

Where do we go from here: sense that implementation of existing SSs, SAPs fine, but not enough; risk of going stale - need something to re-energize the CAREC enterprise, re-energize the CAREC constituencies:

1. Rekindling the vision and aligning strategy with stronger focus

- The vision having been reaffirmed, the strategic focus is now on two strategic objectives: trade expansion and improving competitiveness
- The sector activities are now placed within the organizing framework of the two strategic objectives

2. Quantifying the benefits of CAREC cooperation

- A good start, need to drill down; important to gain ownership by stakeholders

3. Enhancing the role of NFPs

- Important step towards shifting ownership to CAREC members
- Capacity building and NFP appointments key

4. Emphasizing results

- Results orientation very important for monitoring and evaluation purposes; this would be really big!

5. Updating the CAREC Institute's mission

- Linking the Institute's activities to the operational priorities is and focusing on building institutions is important
- Hope for enhanced CAREC Institute analytical capacity to address tier 2 areas

6. Reaching out and strengthening partnership with MIs and other development partners

- Laudable, but of course implementing it is key: what is the strategy?

Towards CAREC 2020

Challenges

1. Country ownership: challenge of getting the top decision-makers involved and getting CAREC strategies mainstreamed in national development
 - CAREC 2020 acknowledges challenge and proposes a CAREC summit at an appropriate time; things have to go right on the operational priorities and M&E to get the attention of the Heads of States
2. Explore new substantive topics that CAREC countries are willing to sign on to:
 - A point I made earlier: energy & water, as important as they are, right now also quite divisive ; other themes , currently listed under tier 2 , e.g. disaster preparedness and management (broad range of serious threats) offer prospects for easy win-wins; they have high technical and financial content and are politically less sensitive; agriculture and food production; m
3. Learning from other regional initiatives
 - Great that we have a speaker from GMS here today
 - e.g. GMS's experience in evolving from transport corridors to economic corridors
4. CAREC Secretariat's presence in CA
 - A strong physical presence in Central Asia would send strong signals
5. Partnership with MIs and other development partners
 - What will be different in the second decade?

Annex 1:

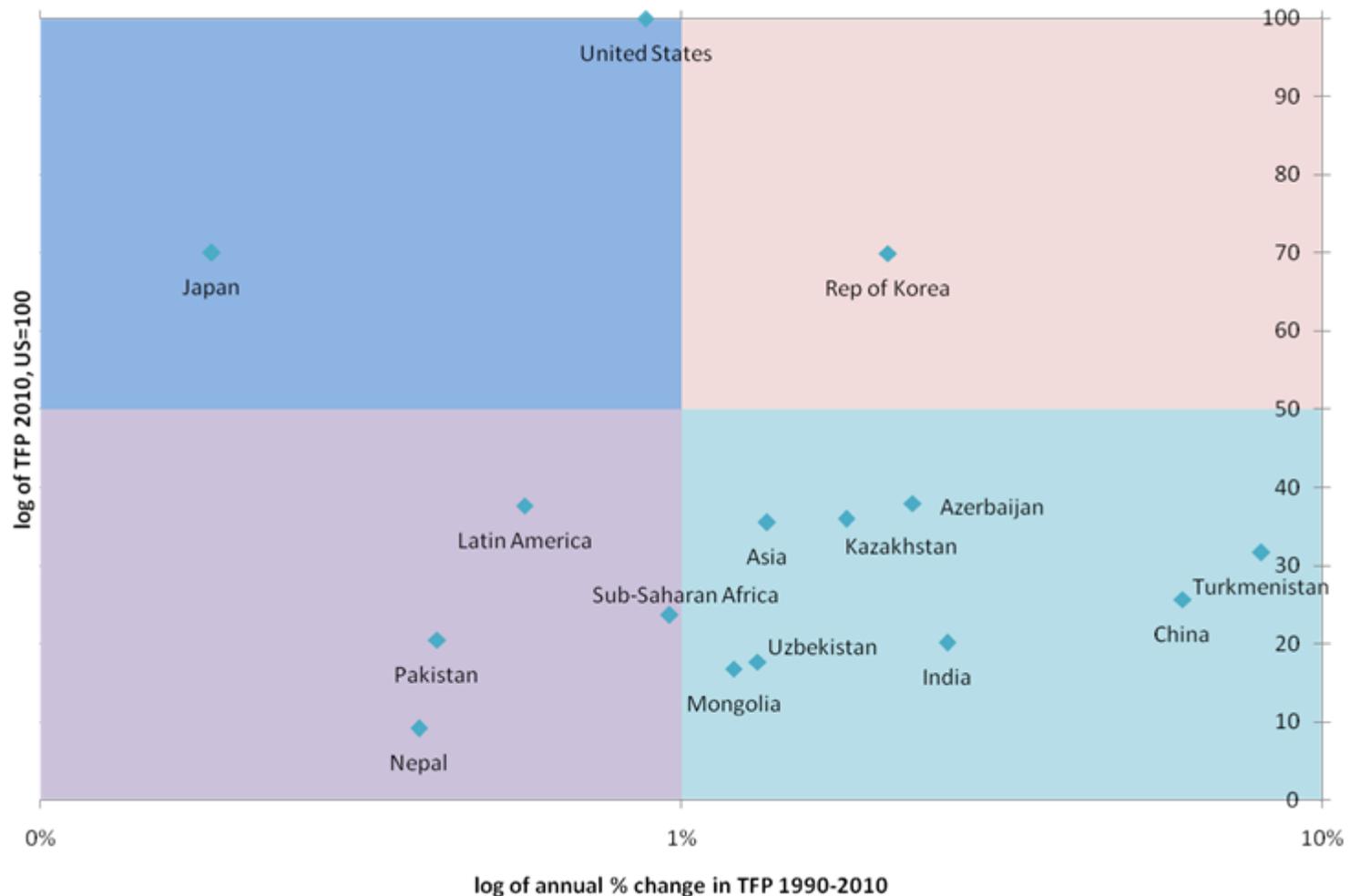
GDP at Market Rates

GDP (market exchange rates, in billions)	2010	2020 – Asian Century	2050 - Asian Century	2020 – Middle Income Trap	2050 - Middle Income Trap
Afghanistan	16	28	115	28	61
Azerbaijan	54	122	773	121	312
Kazakhstan	138	309	1,694	300	791
Kyrgyz Republic	5	7	65	7	16
Mongolia	6	14	122	14	32
Pakistan	175	314	1,003	314	1,003
Tajikistan	6	9	94	9	23
Turkmenistan	21	39	262	38	92
Uzbekistan	39	88	786	88	266
China	5,878	13,086	68,064	11,642	19,631

Source: Centennial Group, 2011

Annex 2: Total Factor Productivity in CAREC, and Benchmark References

TFP and TFP Change 1990-2010



Annex 3: CAREC Population Projections

Population (millions)	2010	2020	2050
Afghanistan	31	42	76
Azerbaijan	9	10	12
Kazakhstan	16	18	21
Kyrgyz Republic	5	6	8
Mongolia	3	3	4
Pakistan	174	205	275
Tajikistan	7	8	11
Turkmenistan	5	6	7
Uzbekistan	27	31	35
China	1,341	1,388	1,296

Source: UN Population Division, 2010 Revision

Annex 4: CAREC Working Age Population

Working Age Population (20-64, % of total)	2010	2020	2050
Afghanistan	40%	44%	56%
Azerbaijan	63%	63%	57%
Kazakhstan	60%	58%	57%
Kyrgyz Republic	54%	57%	58%
Mongolia	58%	60%	57%
Pakistan	49%	54%	62%
Tajikistan	47%	52%	60%
Turkmenistan	56%	60%	62%
Uzbekistan	55%	60%	62%
China	65%	65%	56%

Source: UN Population Division, 2010 Revised

Annex 5: Middle Class

	2010			2020			2050		
	Middle Class Population	Upper Class Population	GDP per capita (PPP)	Middle Class Population	Upper Class Population	GDP per capita (PPP)	Middle Class Population	Upper Class Population	GDP per capita (PPP)
Afghanistan	0	0	871	1	0	1,078	7	0	2,456
Azerbaijan	7	0	9,882	10	0	14,760	11	1	52,174
Kazakhstan	12	0	12,255	16	0	18,844	14	7	60,847
Kyrgyz Republic	1	0	2,253	1	0	2,928	7	1	17,759
Mongolia	1	0	3,998	1	0	6,123	4	0	30,144
Pakistan	15	0	2,678	39	0	3,630	223	1	8,530
Tajikistan	1	0	2,143	1	0	2,616	10	1	16,913
Turkmenistan	2	0	7,319	3	0	10,993	6	1	41,021
Uzbekistan	5	0	3,128	18	0	5,967	28	7	31,686
China	383	4	7,519	840	16	14,411	1,100	206	52,681
United States	201	110	47,225	187	151	55,664	114	290	94,947
Japan	116	11	34,058	104	21	41,903	25	84	81,089
Germany	69	14	35,727	59	23	43,693	24	52	76,358
World	2,378	237	10,819	3,772	396	14,847	5,881	1,705	37,419
*Populations given in thousands				1					

Source: Centennial Group
 Middle Class: \$10-\$100 (PPP) per day
 Upper Class: >\$100 (PPP) per day

Annex 6: CAREC Urbanization Projections

Urbanization	2010		2020		2050	
	As % of total	Urbanized Population (millions)	As % of total	Urbanized Population (millions)	As % of total	Urbanized Population (millions)
Afghanistan	23	7	26	11	47	36
Azerbaijan	52	5	54	6	69	8
Kazakhstan	59	9	62	11	76	16
Kyrgyz Republic	35	2	36	2	54	4
Mongolia	62	2	67	2	80	3
Pakistan	36	62	40	82	59	163
Tajikistan	26	2	28	2	46	5
Turkmenistan	50	2	55	3	72	5
Uzbekistan	36	10	38	12	56	20
China	47	630	55	763	73	949
Asia	40	1598	45	1944	63	2982

Source: Centennial Group, 2011

Annex 7: CAREC - Gini Coefficients

Country	Initial Year		Final Year		Change
Azerbaijan	35.0	1995	16.8	2005	-52%
Kyrgyz Republic	53.7	1993	33.5	2007	-38%
Kazakhstan	32.7	1993	30.9	2007	-5%
PRC	40.7	1993	41.6	2005	2%
Tajikistan	31.5	1999	33.6	2004	7%
Pakistan	30.3	1993	32.7	2006	8%
Mongolia	33.2	1995	36.6	2008	10%
Uzbekistan	25.0	1988	36.7	2003	47%
Turkmenistan	26.4	1988	40.8	1998	54%

Source: PovcalNet, World Bank, 2011