



ENHANCING CONNECTIVITY IN CENTRAL ASIA

A Sneak Preview of OECD-ITF Work

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OECD-ITF work on connectivity in Central Asia

- Multi-stage project covers Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan and Uzbekistan:
 - Phase 1 focuses on transport policy and infrastructure.
 - Phase 2 on trade policy/trade facilitation and the governance of supply/operation of large infrastructures.
 - Complements OECD work on investment and competitiveness in Central Asia and on green infrastructure.
- Mix of analytical work and capacity building focused on OECD tools and instruments
- Phase 1 report to be presented at OECD Eurasia Week, 20 November, and published Q1 2019, as phase 2 begins.

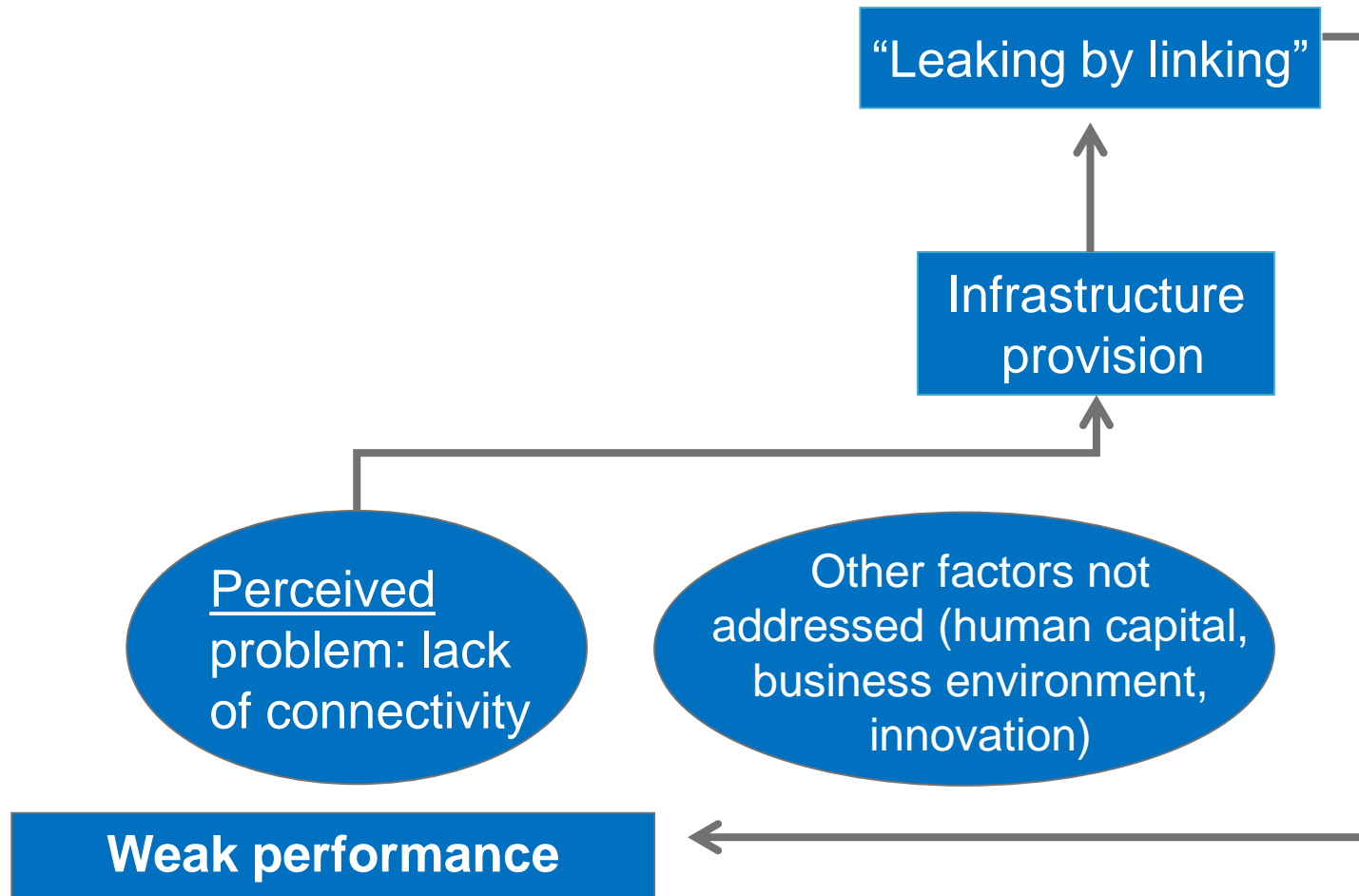


Distance and density: a reality check

- The **benefits of enhanced connectivity are not automatic...**
 - Complex policy packages are needed – going way beyond just trade and infrastructure.
 - A focus on infrastructure alone can lead to perverse outcomes.
- ...Nor should they be exaggerated: **landlocked location and distance to markets can be mitigated but not eliminated.**
 - Paradox: contrary to globalisation clichés the evidence does not suggest that the economic significance of distance is declining.
- **Co-ordination among countries** to remove (infrastructure and non-infrastructure) bottlenecks.
- Addressing “**soft**” **bottlenecks** may do more to enhance regional market potential.

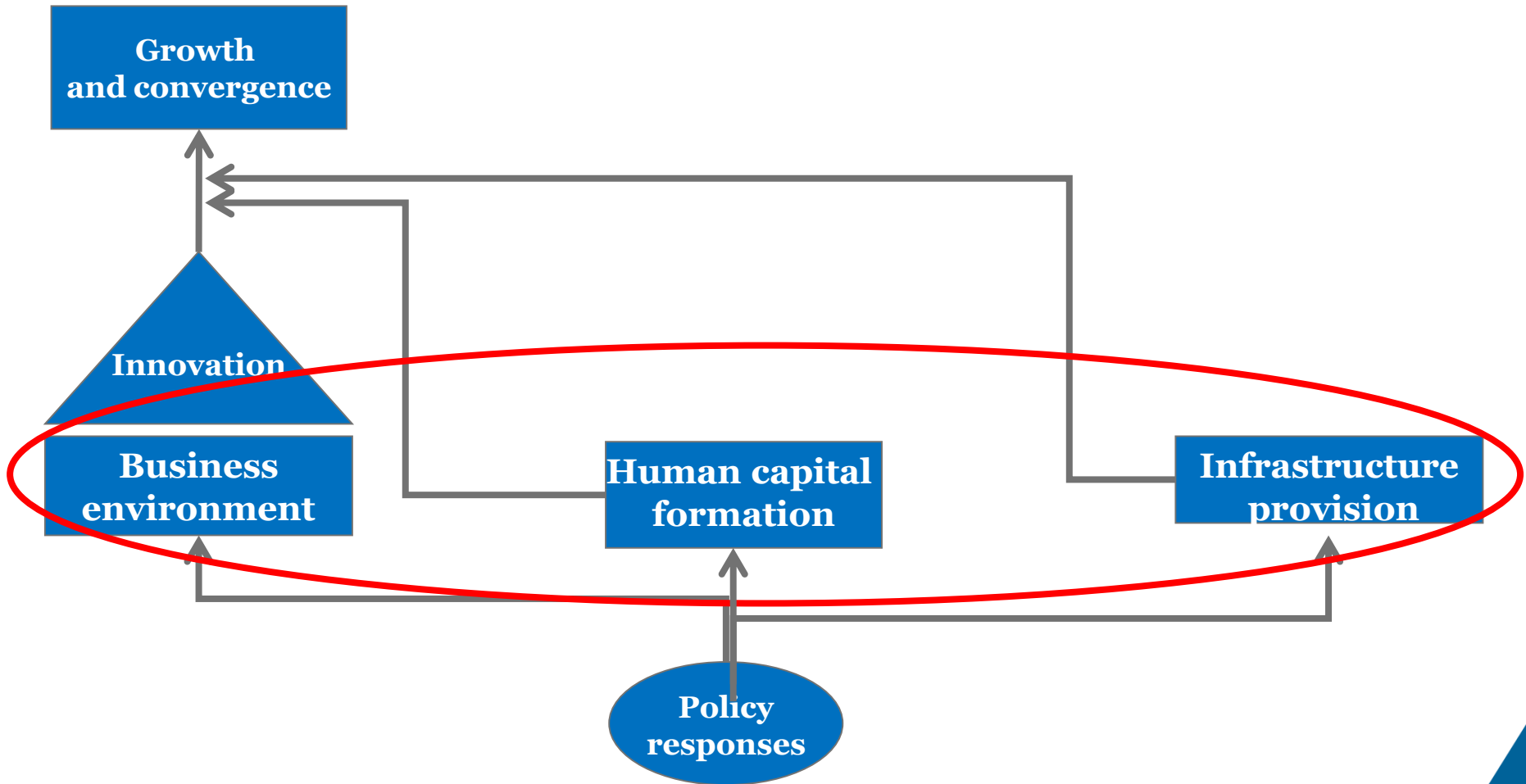


Unintended consequences of isolated action



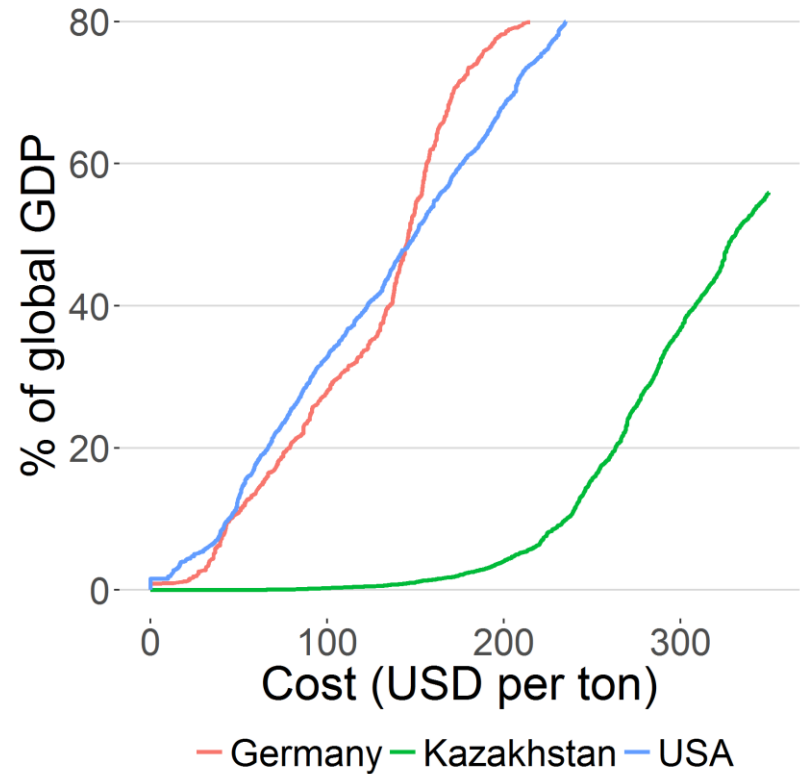
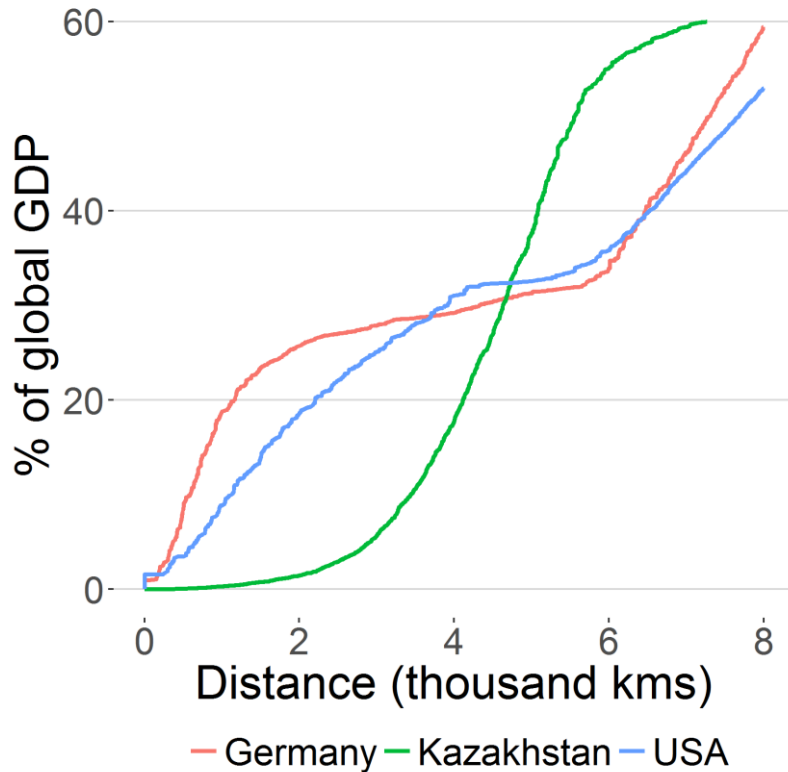


Towards a multi-dimensional response



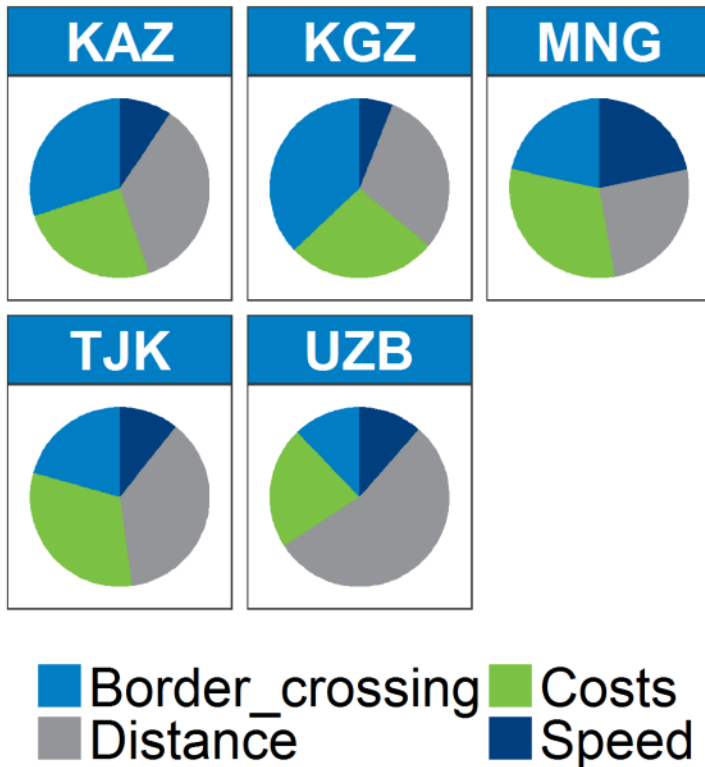


The cost of distance





Deconstructing the gap: self-inflicted distance?

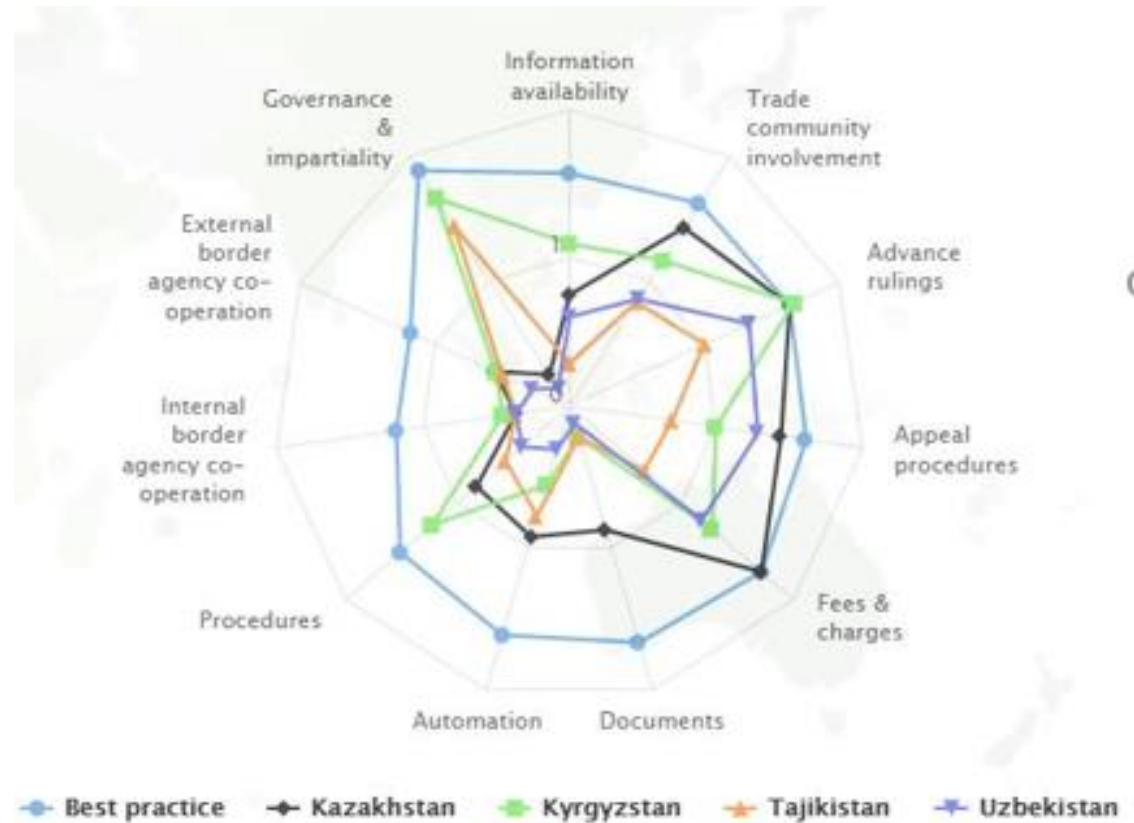


- Drivers of connectivity gap differ
- Focus on reducing transport cost and border crossing times
- In most of the region, it is not mainly about distance.



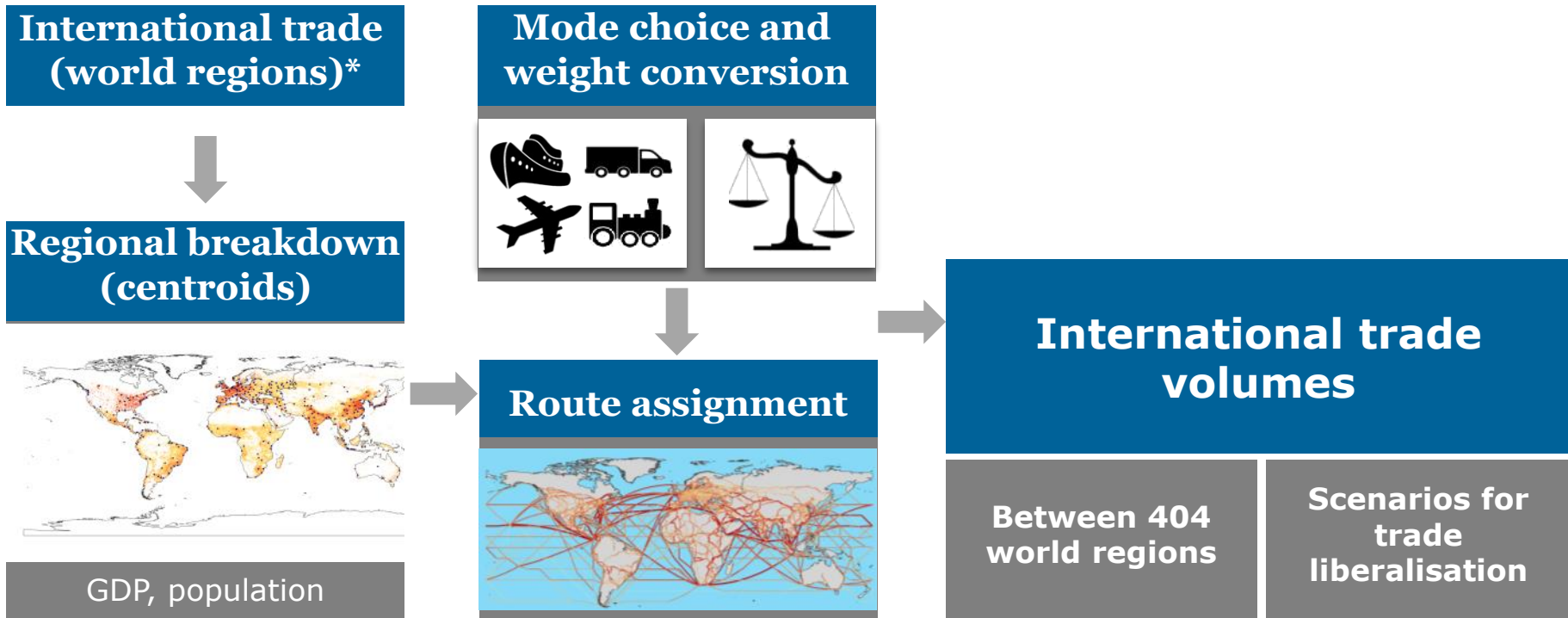
Why such thick borders?

- OECD Trade Facilitation Indicators for Central Asia.
- This despite significant evidence of improvement since 2010.
- Magnifying distance penalties.
- Border reform: lowest of low-hanging fruit?





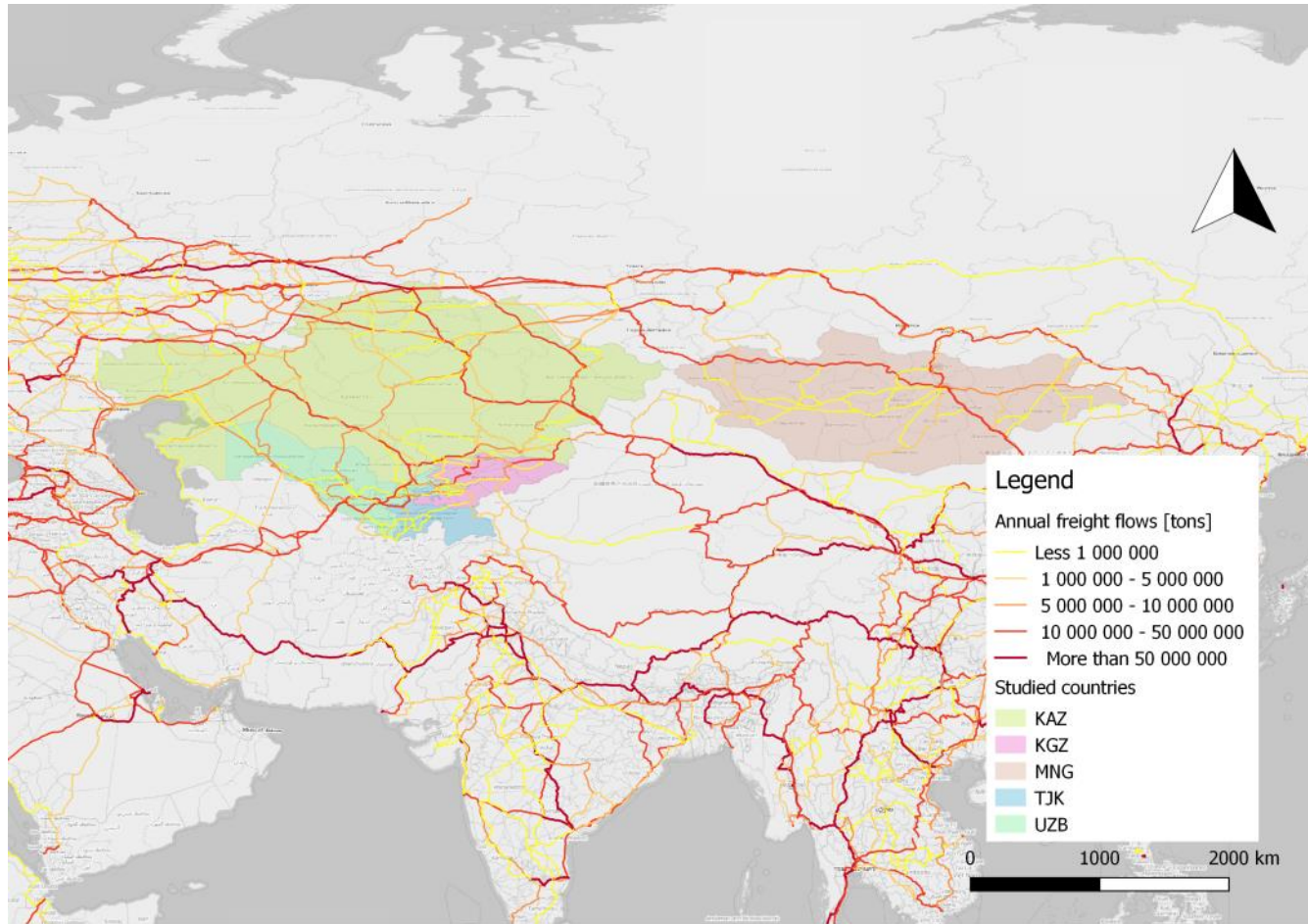
ITF International Freight Model



* Source: OECD Economics Directorate

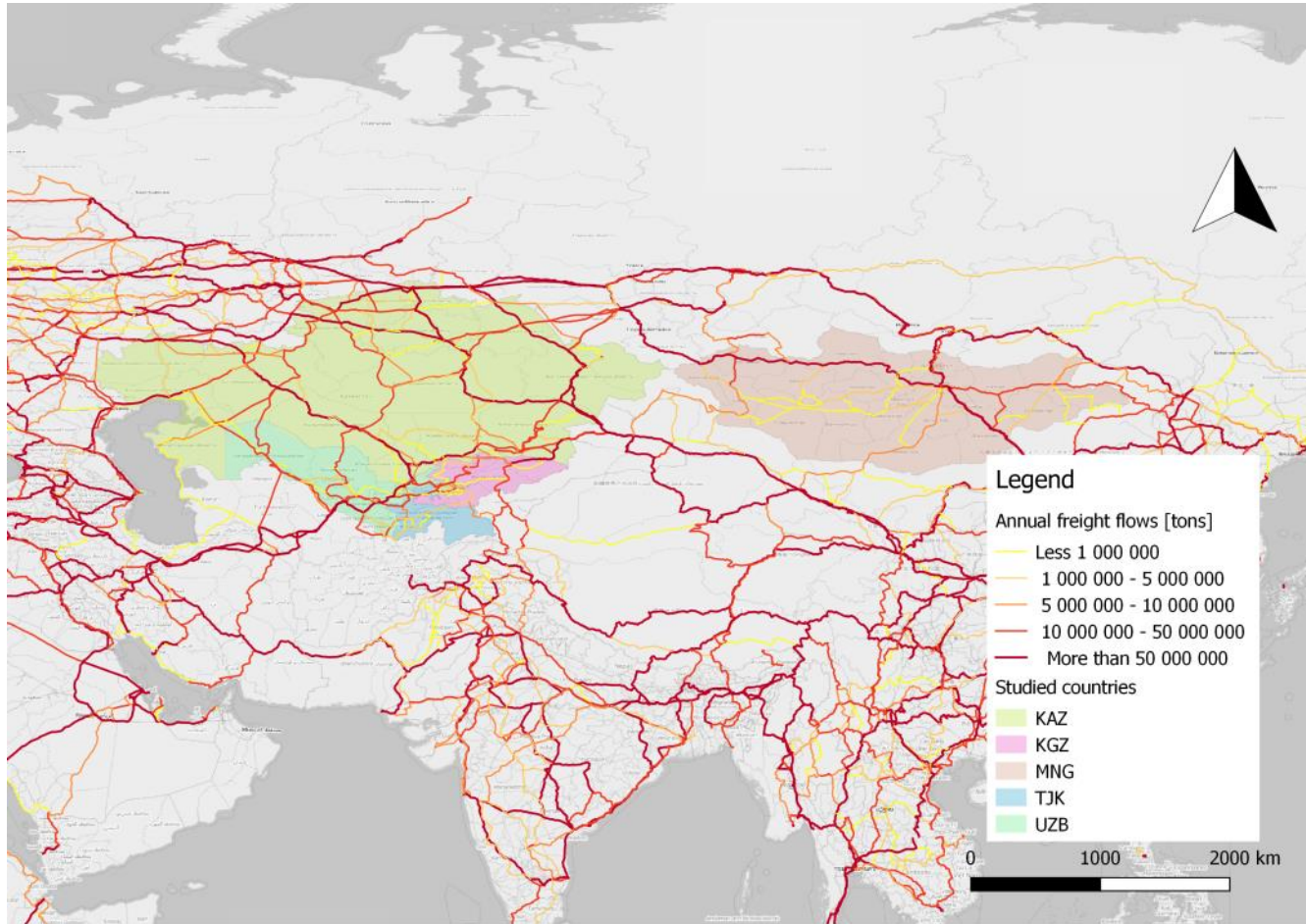


Freight flows 2015



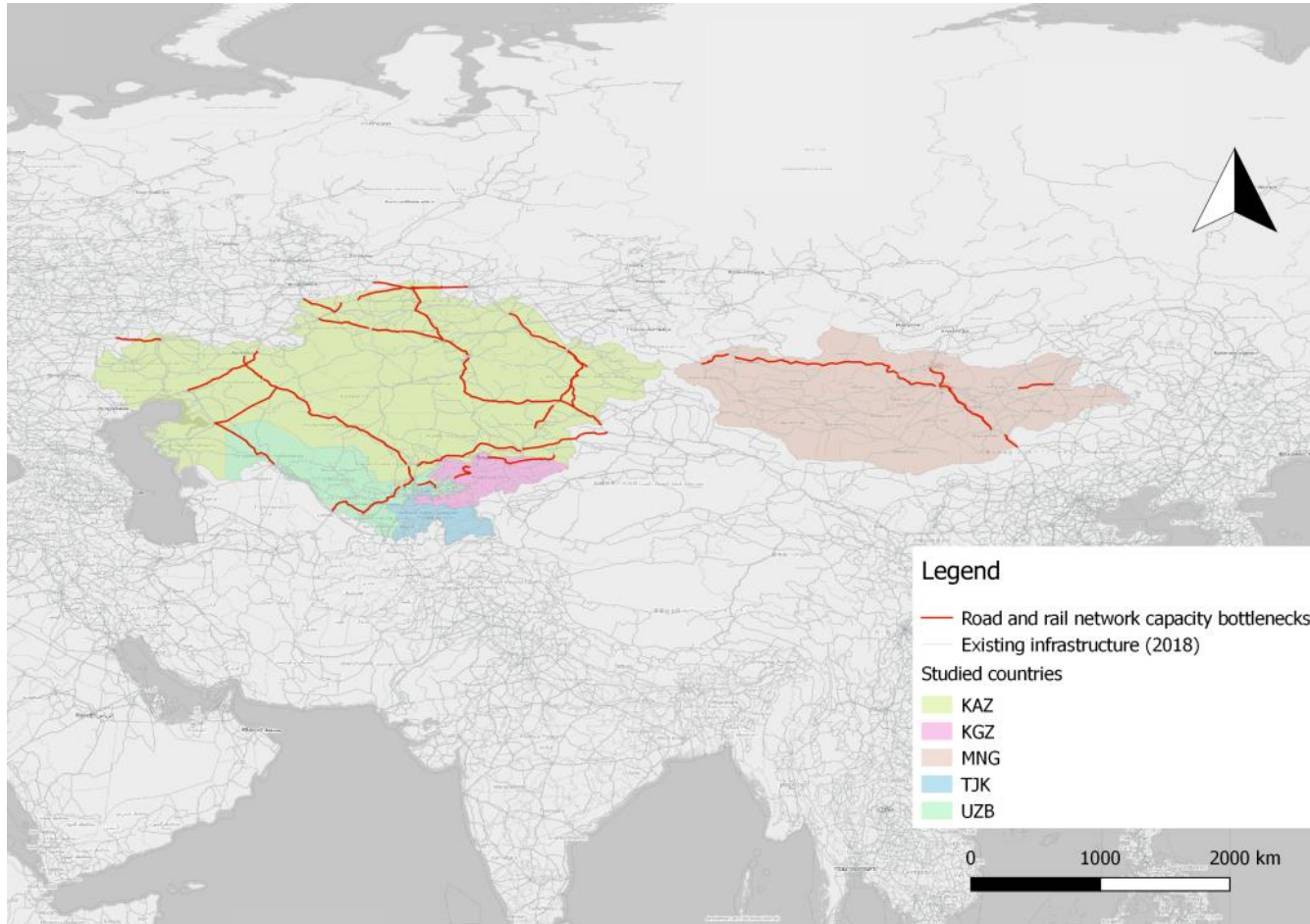


Freight flows 2050





Emerging bottlenecks 2050





Analysis of national freight policies

- Logistics performance (ITF LPI) is generally poor, in part for reasons outlined above, also fragmented logistics systems.
- Competition could be enhanced, especially in the road sector (regulatory frameworks are often weaker for the domestic trucks than for international traffic).
- A need to unbundle railways and introduce more competition, reform of infrastructure access charges.
- Link between policy objectives and investment choices is often unclear (trade-offs are apparent but not confronted).
- Focus on large-scale products may divert attention from critical local challenges (e.g., national/regional systems and the BRI).



Freight transport policy and regulations

- Third major component of OECD-ITF project's first phase
- Benchmarking of: transport planning; governance and regulation; sustainability.
- Headline findings (spoiler alert – no surprises):
 - Strategic frameworks often incomplete, disconnected from policy (measurable objectives, action plans, roles and responsibilities, budgets).
 - Investment choices sometimes reflect the past more than the future.
 - These weaknesses shape project selection, implementation and procurement systems.
 - Asset management needs improvement: irregular and insufficient maintenance (25-80% of roads in poor condition); lack of formal management systems → high backlog, inefficient spending.



THANK YOU FOR YOUR ATTENTION