

Final

CENTRAL ASIA REGIONAL ECONOMIC COOPERATION PROGRAM SENIOR OFFICIALS' MEETING Manila, Philippines 26–27 June 2014

SUMMARY OF PROCEEDINGS

I. Introduction

1. A Central Asia Regional Economic Cooperation (CAREC) Senior Officials' Meeting (SOM) was held in Manila, Philippines on 26–27 June 2014. Delegations from CAREC's ten member countries participated. Representatives of CAREC multilateral institution (MI) partners also attended. Mr. Sanjar Mukanbetov, Vice Minister, Ministry of Economy and CAREC National Focal Point (NFP) for the Kyrgyz Republic, chaired the SOM. Mr. Klaus Gerhaeusser, Director General, Central and West Asia Department (CWRD), Asian Development Bank (ADB); Mr. Ayumi Konishi, Director General, East Asia Department (EARD), ADB; and Mr. Hong Wang, Deputy Director General, CWRD, ADB, co-chaired the meeting.

2. The objectives of the SOM were as follows: (i) provide guidance on the proposed next steps to further the Economic Corridor Development (ECD) Study; (ii) review the concept note of the Refined Methodology of the CAREC Development Effectiveness Review (DEfR); (iii) discuss the 2013 CAREC Corridor Performance Measurement and Monitoring (CPMM) report; (iv) discuss the implementation progress of the CAREC sector strategies and action plans; (v) review the progress on the physical establishment of the CAREC Institute (CI); and (vi) deliberate on the proposed theme and structure of the 13th CAREC Ministerial Conference (MC) in November 2014 in Bishkek. The agenda and list of participants are in the Appendix.

II. SOM Highlights

3. The Secretariat presented an update on the proposed ECD study including the outline of the study contents for SOM guidance. Three tracks for ECD were identified, namely, development of transport connectivity within the country (Track 1), development of transit role of the corridors across countries (Track 2), and development of economic clusters linked to the corridors (Track 3). The CAREC Program has been focusing on Tracks 1 and 2, with considerable progress already made. Track 3 is relatively new to the program, and will constitute the value-addition of the proposed study. The Secretariat recalled the lessons from ECD practice in other countries which highlighted the critical importance of political commitments, institutional mechanisms to deal with diverse stakeholders, and the need for intensive private sector involvement in the planning and implementation stages of ECD. A high-level of detailed economic analysis would also be required to comprehensively plan corridor development. The CAREC Secretariat emphasized that the focus on Track 3 will not undermine the existing emphasis on Tracks 1 and 2. The SOM endorsed the proposed ECD study which will thus focus on piloting Track 3 in the Almaty-Bishkek cross border corridor. The SOM also took note that the analysis of domestic corridor would be piloted in Tajikistan given strong interest from the government and, if possible, the findings included as part of the study delivered to the 13th Ministerial Conference.

4. The SOM appreciated Kazakhstan's experience sharing on the Government's comprehensive long-term regional development policy up to 2050 that seeks to establish economic growth centers. Kazakhstan's experience could be drawn upon in the ECD study.

5. The Secretariat updated the progress of the DEfR methodology review initiated in 2013. The review resulted in a proposed new structure with two major changes: (i) rationalization of the existing indicators; and (ii) introduction of sector outcomes as a new layer between output and regional impacts. The rationalization resulted in the removal of most Level 1 development outcome indicators; the refinement of Level 2 sector output indicators; and the elimination of some Level 3 financial and knowledge-based indicators. The resulting new structure would have five levels: (i) responsible implementing CAREC bodies; (ii) CAREC interventions; (iii) sector outputs; (iv) sector outcomes; and (v) regional impacts. The SOM supported the refined 5-level DEfR structure and the rationalized indicators for endorsement to the 13th Ministerial Conference, while recognizing that consultations are required to finalize the indicators. The SOM directed sector coordinating committees to continue developing their respective results frameworks including specific indicators.

6. The SOM reviewed the 2013 CPMM report, and recognized a marginal improvement in clearing time at border crossing points (BCPs), while noting that the speed in traveling along CAREC corridors slightly deteriorated. In addition, high costs both at BCPs and in traveling through corridor sections persist, and have increased substantially between 2012 and 2013. The SOM encouraged CAREC countries to take further measures to address the identified obstacles and improve the corridor performance. The SOM also endorsed the CAREC Secretariat's proposal to publish a retrospective on the CPMM, to expand the coverage of future CPMMs to include railway movements, new sub-corridor performance, and performance measurement and monitoring for trade logistics services. The SOM noted the suggestions for improvements and refinements of CPMM, including: (i) capturing the cost and delays incurred on account of transshipment facilities and logistics services; (ii) refining the methodology for measuring the waiting time for inbound and outbound goods; (iii) re-examining the need for including customs clearance fees as the practice differs widely, with some CAREC countries applying fixed fees with others applying variable fees; and (iv) assessing BCP performance by throughput capacity.

7. The SOM reviewed progress in the four priority sectors of transport, trade policy, trade facilitation, and energy, and discussed key issues that need to be tackled going forward and further work plans.

- a. In transport, the SOM endorsed the CAREC Transport Sector Work Plan 2014–2016 which took into consideration the country-level priorities and overall operational priorities identified in the refined CAREC Transport and Trade Facilitation Strategy (TTFS) 2020. The SOM also endorsed the South-South Knowledge Cooperation Initiative that would involve a systematic and coordinated approach to knowledge generation and management of TTFS 2020.
- b. In trade policy, the SOM acknowledged that the implementation of the updated Trade Policy Strategic Action Plan (TPSAP) 2013–2017 is especially challenging in two new key areas — addressing non-tariff barriers and expanding trade in services — and urged CAREC members to closely and proactively collaborate with multilateral development institutions and the donor community.
- c. In trade facilitation, the SOM supported the ongoing prioritized work in customs cooperation such as risk management, coordinated border management at country level, to study issues pertaining to accession to Revised Kyoto Convention, and highlighted the important contribution of customs modernization and cooperation to trade facilitation. The SOM also supported the integrated trade facilitation initiatives such as the ongoing

sanitary and phytosanitary (SPS) assessment as a basis for preparing a regional project to improve SPS measures for trade, and continued work on regional improvement of border services project. The SOM expressed appreciation to member countries' continued support for capacity building activities by providing their training facilities, and to the People's Republic of China (PRC) Fund for supporting the CPMM and other trade facilitation initiatives.

- d. In energy, the SOM reviewed the progress made in the six elements of the Energy Work Plan 2013–2015. It further endorsed the proposal of the Energy Sector Coordinating Committee (ESCC) to commence formulation of the Energy Work Plan 2016–2020 and to discuss the initial steps at the next ESCC meeting.

8. The SOM noted the progress of the preparatory work for the physical establishment of the CAREC Institute in Urumqi, Xinjiang Uygur Autonomous Region, the PRC, and discussed issues pertaining to i) the proposed transitional arrangements to register the CI under PRC's domestic law; and (ii) the proposed legal status of CI as an intergovernmental organization.

9. The SOM endorsed the PRC proposal to register the CI as a limited liability company under the PRC domestic law at the initial stage. The PRC, with the assistance of the CAREC Secretariat, will draft the Articles of Association for circulation to the countries for review. As regards the proposed legal status of the CI as an intergovernmental organization, the SOM agreed that this proposal should be conveyed through an official communication through diplomatic channels at the soonest possible time to enable the countries to initiate the domestic procedures. In parallel, the CAREC Secretariat in consultation with the PRC will prepare the draft of an Intergovernmental Agreement for circulation by the end of July 2014 which the countries could consider in the course of their internal deliberations. A Special Meeting of the NFPs on the CI would be convened at an appropriate time based on the progress of the countries' internal consultation on the PRC letter and the review of the draft Intergovernmental Agreement. The SOM noted the various views expressed on the number of country signatories required for the Intergovernmental Agreement to enter into force. The SOM also noted that PRC and the CAREC Secretariat will prepare a draft recruitment plan for the CI and propose a topic for the first training program to be conducted at the CI's physical base, following the ceremonial launching of the CI in Urumqi, in December 2014. A more detailed summary of discussion of the CI issues will be circulated to CAREC member countries by 4 July 2014.

10. The SOM approved the theme of the 13th CAREC Ministerial Conference (MC), "Linking Connectivity with Economic Transformation in CAREC", to emphasize that connectivity acquires new dimensions as CAREC economies undergo economic transformation. The SOM stressed that infrastructure connectivity needs to be complemented by other types of investments to support national efforts towards economic transformation linked with urban agglomeration and economic diversification. This would also include interventions to strengthen cooperation in the second tier areas to address social and other aspects of trade expansion and improved competitiveness. The SOM endorsed the proposal that this theme be carried for 2014–2020, as the direction implied by this theme will unfold gradually. A theme consistent for a longer time horizon in alignment with CAREC 2020 will allow building, sustaining and accelerating the momentum in the Program. The SOM agreed that the 13th MC will be held in Bishkek in November 2014 and structured as a two-day event, with the Senior Officials' Meeting being held on the first day; and Ministerial Conference held on the second day.

11. The SOM expressed its appreciation to the Government of the Kyrgyz Republic, particularly the Ministry of Economy, for hosting the meeting and providing excellent

arrangements. The SOM likewise expressed its thanks to ADB for helping organize and conduct the meeting. Finally, the SOM extended its appreciation to CAREC's other multilateral development partners that participated in the meeting, namely, the International Monetary Fund, the United Nations Development Programme, and the World Bank.