



**9th Ministerial Conference on
Central Asia Regional Economic Cooperation**

**Report of the Senior Officials' Meeting to the CAREC Ministers
Mr. Said Mubin Shah
Chair, Senior Officials Meeting**

**Cebu, Philippines
2 November 2010**

'Toward CAREC 2020'

Thank you Chair.

Mr. Haruhiko Kuroda, President of ADB, Honorable Ministers of the CAREC countries, ADB Vice President Zhao, fellow senior officials, Ladies and Gentlemen:

On behalf of CAREC senior officials, it is my distinct pleasure to report on the outcome of our meeting that was held on the 31st of October here in Cebu. The theme of this year's Ministerial Conference is "Toward CAREC 2020".

1. We discussed the following **commemorative activities planned for the 10th anniversary** of CAREC's institutional arrangements:

- The launch of the proposed 10-year commemorative study, and an accompanying seminar on CAREC 2020;
- The convening of the first CAREC Development Partners Meeting;
- The production of a video on the CAREC Program, which will be used for its outreach activities; and
- Signing ceremonies for the Cross-Border Transport Agreement between the Kyrgyz Republic and Tajikistan, among others, and the funding agreements for the proposed regional border crossing points and single-window project.

The CAREC Secretariat will work closely with us and the multilateral institutions in ensuring timely and successful delivery of these activities.

2. We considered the **summary of the CAREC Institute Performance Assessment Review**, and its interim recommendations for the next phase of the Institute's development. We recognize that since the Institute became operational only in 2009, the outcomes of several

programs are not yet evident. Nevertheless, the Review identified important issues that could impede the CAREC Institute from achieving its objectives. Key interim recommendations of the Review included, among others:

- For the Leadership Development Initiative, include more materials relevant to regional cooperation, and field visits to more operational agencies, and target participants with similar levels of experience;
- For Public-Private Partnerships training, conduct more in-depth and practical training, and tap training providers in the region;
- For the flagship research program and the small research grants program, merge these two with sector or issue-specific concerns in the next phase, undertake more stringent selection of participants, and disseminate outputs more widely; and
- For Outreach, disseminate information through the website on a timely basis, consider establishing a website forum, and design a special publication series for research outputs.

We agreed with the recommendations, and are pleased with offers of contribution from our member countries to the Institute. We requested the CAREC Secretariat to (i) consider the participation of local experts in the Institute's activities, (ii) strengthen and make the CAREC Institute website more user-friendly, and (iii) make the Institute's program more focused on areas of sector-specific interest.

3. We also reviewed the first completed **overall results framework presented in the 2009 CAREC Development Effectiveness Review (DEfR)**, which provides a consolidated snapshot on progress made by CAREC, as well as its shortcomings. The eighth ministerial conference in October last year endorsed the CAREC results framework as a tool to highlight the value and impact of regional cooperation. This year's DEfR is presented as an 'Introduction' in the form of a manual and presents the first completed results framework; it provides baseline values for several indicators against which future progress will be measured. For next year, the CAREC Secretariat proposes to complete a DEfR with a monitoring framework similar to the diagram shown on the screen. The framework will show for each indicator, the baseline value, the current value, a symbol showing how we want the indicator to perform (that is, increase, decrease, or maintain), and a color-coded rating as can be seen in this slide. We agreed with proposed actions to strengthen CAREC's monitoring and DEfR processes, which include, among others:

- Deliver indicators according to the proposed change in timing of DEfR delivery to the Spring SOM;
- Reconfirm that indicators are practical, comparable, and appropriate;
- Begin to identify intermediate macro-level outcome indicators at Level 1 in support of CAREC 2020 development and regional cooperation indicators; and
- Align with the proposed enhanced CAREC Comprehensive Action Plan.

4. We seek the Ministers' support for the activities to commemorate the 10th anniversary, and actions recommended in the CAREC Institute Performance Assessment Review, and the DEfR. The CAREC Institute Performance Assessment Review and the development of the results framework would provide important inputs to Part 2 of the 10-year Commemorative Study, which will recommend strategic directions for CAREC in the second decade of its cooperation.

5. We reviewed progress in the priority sectors of energy, transport and trade facilitation, and trade policy.

6. In the **energy sector**, diagnostic studies are being prepared for the three pillars of the CAREC energy strategy and action plan: (i) energy demand-supply balance and infrastructure constraints; (ii) regional dispatch and regulatory development; and (iii) analysis of energy-water linkages. We found these studies useful in establishing a shared understanding of opportunities for cooperation and follow up actions in the three areas. We also noted progress made in energy infrastructure investments, including the following:

- Completion of a 220 kilovolt power transmission line from the Sangtuda-1 hydroelectric power plant in Tajikistan to the Tajik-Afghan border;
- Commencement of implementation of the Talimarjan power generation and transmission projects;
- Commencement of implementation of the Energy Emergency Project and the Regional Power Transmission Project in Tajikistan;
- Commencement of implementation of the Energy Emergency Project, the Power Sector Improvement Project in the Kyrgyz Republic; and
- Commencement of implementation of Regional Electricity Market Assistance Program Phase II.

7. We acknowledged the significant progress made in the sector since the last ministerial conference, and look forward to discussing the results of the ongoing and follow-up diagnostic and planning studies.

8. In **transport and trade facilitation**, progress is being made in both the hard and soft areas. By the end of this year, 2,620 km or 32% of the road sections and 1,920 km or 32% railway sections of the six CAREC transport corridors will be upgraded. In addition, one airport, one logistics center and 15 border crossing points will be completed. Specific project achievements include:

- Expected earlier-than-scheduled completion of construction of the Hairatan to Mazar-e-Sharif railway in Afghanistan;
- Completion of a 36 km section of the east-west highway infrastructure improvement project in Azerbaijan;
- Commencement of the rehabilitation of the Osh-Batken-Isfana road project in the Kyrgyz Republic;
- Commencement of the reconstruction of CAREC Corridor 2 (Mangystau-Oblast section) in Kazakhstan;
- Completion of Jinghe-Yining-Khorgas and double tracking of Wuxi-Jinghe Line Railways and Jinghe-Ala Shankou Road Section in the PRC;
- Commencement of Mongolia-PRC joint customs control; and
- Establishment of an International Multimodal Logistics Center in Navoi, Uzbekistan.

9. The Cross-Border Transport Agreement for CAREC Corridor 5 between the Kyrgyz Republic and Tajikistan has been finalized and is being prepared for signing. Under customs cooperation, substantial progress has been made as governments of CAREC countries are demonstrating political will in pushing for customs reforms and modernizing customs operations. Trade facilitation bodies are being established, including the CAREC Federation of Carriers and Freight Forwarders Associations or CFCFA. The CFCFA will provide critical feedback and real

market information to governments that will help formulate related policies and programs. The first annual report of the Corridor Performance Monitoring and Measurement has been completed; it showed the significant bottlenecks and costs incurred to secure clearances at border crossings.

10. We agreed that the following measures are necessary to maximize the benefits from the transport and trade facilitation program: (i) expedite implementation of investment projects; (ii) improve border infrastructure and facilities; (iii) implement the CBTA between the Kyrgyz Republic and Tajikistan, which may present opportunities for future similar agreements among member countries, on a voluntary basis; (iv) develop needed capacities; (v) actively present opportunities provided by transport corridors; and (vi) address other impediments to trade facilitation, including the need to strengthen national joint committees on transport and trade facilitation, which will support the preparation and implementation of the proposed project on regional border crossing points and single-window development. We seek Ministers' support on these measures.

11. In **trade policy**, key activities have been initiated, including: (i) capacity building on WTO accession and experience sharing by WTO members to candidate countries; (ii) monitoring implementation of the Trade Policy Strategic Action Plan; (iii) identifying institutional impediments to trade in CAREC countries; and (iv) developing a set of indicators for the CAREC Results Framework, and beginning the monitoring of these indicators.

12. Regional gains will be made if each country commits to a trade liberalization program. Cooperation among the Trade Policy Coordinating Committee members and other officials concerned is important in ensuring timely and complete reporting of information that is essential for the monitoring of the Trade Policy Strategic Action Plan. Likewise, the importance of having the relevant officials attend the committee meetings cannot be underestimated. We agreed with these recommendations, and seek the support of the Ministers.

13. We were also briefed on the successful organization of the Second Business Development Forum in Urumqi, PRC last July. The Forum provided a platform for candid and fruitful discussion on improving private sector participation through the CAREC Program, and raised awareness on investment opportunities in the region and Program.

14. We were pleased with the announcement made by the Government of Turkmenistan of its decision to accept our invitation to become a member of CAREC. Likewise, we were pleased with the presentation of the Government of Pakistan applying to become a member of CAREC. The presentation clearly showed the potential synergy and complementarity between CAREC's sector strategies and Pakistan's national development plans. We propose that the Ministers formally adopt the membership of Turkmenistan and Pakistan, and recommend the formulation of an action plan for their phased integration into the CAREC Program.

15. Honorable Ministers, the senior officials' meeting was very productive and was convened in a highly collegial atmosphere. We look forward to the 10th CAREC Ministerial Conference and the 10th anniversary of CAREC's institutional arrangements in 2011. In conclusion, we seek your endorsement on the following:

- the proposed 10-year commemorative activities, recommendations of the CAREC Institute Performance Assessment Review, and actions proposed in the Development Effectiveness Review;

- recommendations and work plans under the sector coordinating committees of energy, transport and trade facilitation, and trade policy; and
- membership of Turkmenistan and Pakistan.

Thank you.