



CENTRAL ASIA REGIONAL ECONOMIC COOPERATION
Summary of Proceedings
Senior Officials' Meeting
September 2008

A. Introduction

1. A Senior Officials' Meeting (SOM) of the Central Asia Regional Economic Cooperation (CAREC) Program was convened in Baku, Azerbaijan, on 25-26 September 2008.¹ The SOM reviewed and discussed drafts of key documents for consideration by the 7th Ministerial Conference on CAREC in November 2008, namely: (i) the Implementation Action Plan for the CAREC Transport and Trade Facilitation Strategy (TTFS); (ii) the CAREC Trade Policy Strategic Action Plan; and (iii) the Strategy for Regional Cooperation in the Energy Sector of the CAREC Countries.

2. The SOM was chaired by Samir Veliyev, Executive Director, Ministry of Economic Development, Azerbaijan, and co-chaired by Sean O'Sullivan, Deputy Director General, Central and West Asia Department, Asian Development Bank.

B. Discussions

3. The SOM focused on presentations and detailed discussion of sector action plans and strategies in the four CAREC priority areas of transport, trade facilitation, trade policy, and energy.

1. Transport and Trade Facilitation

4. The SOM heard a presentation on the final draft of the Implementation Action Plan for the CAREC TTFS and 2009 work programs for transport, customs, and trade facilitation. Copies of the final draft Action Plan and revised project profiles were distributed to delegations.

5. Following discussion of a range of issues, the SOM: (i) accepted the Customs Cooperation Committee (CCC) proposal to retain its name and its focus on issues related to regional customs cooperation; (ii) approved institutional arrangements for implementation of the Action Plan, including the establishment of national joint transport and trade facilitation committees (or similar bodies) and a regional joint transport and trade facilitation committee; (iii) urged countries to establish and activate their national committees to ensure an effective body is in place in each country to deal with broader trade facilitation issues; (iv) agreed to include proposed feasibility studies on railway projects linking Uzbekistan and Tajikistan to Iran through Afghanistan,² and an assessment of the Peoples' Republic of China-Kyrgyz

¹ Delegations were present from the eight CAREC participating countries: Afghanistan, Azerbaijan, People's Republic of China (PRC), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. Representatives from the six partner multilateral institutions (MIs)—Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank—contributed to the proceedings.

² Delegations from Afghanistan and Uzbekistan requested ADB to consider funding a feasibility study of a railway focusing on Hairatan to Mazar-e-Sharif. ADB agreed to consider the proposal.

Republic-Uzbekistan railway project; and (v) endorsed, after appropriate adjustments, the Action Plan for consideration by the 7th Ministerial Conference.

6. As requested by the Transport Sector Coordinating Committee, the SOM considered the proposal to hold a CAREC Transport Ministers' Meeting. The SOM decided to defer holding such a meeting.

2. Trade Policy

7. The SOM was briefed on the outcome of the ninth Trade Policy Coordinating Committee (TPCC) meeting that was held on 23 September 2008. During the TPCC meeting, delegates discussed the revised draft of the Trade Policy Strategic Action Plan (TPSAP), reviewed the progress made in the implementation of the instructions of the 5th Ministerial Conference related to reform of the trade tax regimes, discussed the draft study on cross-border trade of Afghanistan, and gave guidance on priorities for the TPCC's work program. (See TPCC Status Report for the Senior Officials' Meeting of 25-26 September 2008.)

8. During the SOM, discussion focused on the revised draft of the TPSAP. Delegates expressed broad agreement with the policy actions and the time frame for their implementation; emphasized the importance of World Trade Organization (WTO) membership for all CAREC countries as early as possible, recommended moving forward, if feasible, the envisaged schedule for training seminars on WTO issues; reiterated that the policy actions and the envisaged time frames for their implementation are not legally binding obligations; noted that each government will strive to achieve measurable results within a reasonable time frame; and requested that the TPCC monitors the implementation of the TPSAP in close cooperation with other CAREC committees. Concerns of the Uzbekistan delegation regarding two policy actions related to border trade were noted in footnotes in Annex 2 of the TPSAP.

9. Finally, the SOM endorsed the revised draft of the TPSAP, recommended that the TPSAP be presented to the 7th Ministerial Conference for endorsement, with a view to commence implementation of its envisaged policies starting in 2009, and agreed that a press release be issued after endorsement of the TPSAP by the Ministerial Conference to inform the international community of CAREC countries' interests and intentions to work together to achieve the TPSAP objectives.

3. Energy

10. The Energy Sector Coordinating Committee (ESCC) presented the final draft of the Strategy for Regional Cooperation in the Energy Sector of the CAREC Countries. The SOM generally agreed with the revised Strategy and requested that additional consultations be held by the ESCC on paragraph 6 (bullet 11) and paragraph 25 (third sentence) to reach consensus on these two items and submit an agreed draft to the SOM for its consideration and endorsement prior to the 7th Ministerial Conference. It was agreed that consultations will be held via video conference organized by the World Bank as soon as possible.

4. CAREC Institute

11. The SOM considered the draft CAREC Institute Work Plan for 2009-2011. The Work Plan introduces a set of guiding principles for the Institute and main streams of work in the Institute's three output areas: professional development and training, research, and outreach and dialogue. The SOM expressed support for the Work Plan and agreed to submit it to the 7th Ministerial Conference.

12. Delegations encouraged the CAREC Secretariat to move quickly toward implementation and offered a number of suggestions on how to strengthen the Work Plan, including (i) opening participation in specific activities to representatives of the private sector as appropriate; (ii) the value of longer-term coaching and mentoring as a supplement to training programs; (iii) the importance of ensuring the Institute's activities are practical and undertaken in collaboration with institutes and researchers from the CAREC countries with knowledge of local conditions; and (iv) ensuring Institute activities support the priority areas of the CAREC Program.

13. Delegations also suggested a number of topics for the Institute to consider as it further defines its training and research agenda. Topics included (i) opportunities for the development and marketing of specialized agricultural products; (ii) transport corridor performance monitoring; (iii) modeling of integration processes; (iv) support for private sector development and improved linkages between large and small enterprises; (v) approaches to improving trade logistics; (vi) impacts and responses to the global financial crisis and food crisis, (vii) approaches to development of a regional cotton exchange, (viii) examination of practical applications for alternative energy sources, and (ix) training in issues related to financial management and economic diversification.

14. The Kazakhstan delegation suggested the work of the Institute would benefit from establishment of a physical presence in the region and offered to provide office space and other support in Almaty. The SOM appreciated the generous offer and agreed that, in the initial stage, development of the Institute should remain in line with the virtual approach described in the CAREC Institute Prospectus endorsed at the 6th Ministerial Conference.

15. The Secretariat welcomed the thoughtful and detailed feedback from delegations, and expressed its desire to develop productive working relationships with a range of local partners in all participating countries and beyond to foster collaboration and a lively exchange of ideas and experience in areas relevant to the work of the CAREC Program. The Secretariat noted it will work closely with participating countries as it develops the specific activities of the Institute, and expressed its intention to support discussion of CAREC-related issues at the Second Astana Economic Forum in March 2009, and to hold a first CAREC Research Institutions Meeting in June 2009 in Kazakhstan. This was supported by the SOM.

16. The SOM heard an introductory presentation on a plan from the International Monetary Fund (IMF) to establish a regional Central Asia Technical Assistance Center (CASTAC). The Center would support reform and capacity development in the region, and would contribute toward strengthening economic policy frameworks. The SOM was informed that formal consultations with country delegations related to CASTAC would take place during the IMF/World Bank Annual Meetings in October 2008.

17. A proposed Disaster Risk Management Initiative for Central Asia and Caucasus was introduced to the SOM. The Initiative's objective is to reduce vulnerability of the region's countries to a range of natural and man-made disasters, by (i) promoting a coordinated approach in disaster preparedness and response, (ii) develop disaster risk financing and risk transfer mechanisms such as catastrophe insurance and weather derivatives, and (iii) strengthening hydromet services to establish sustainable and coordinated weather forecasting and early warning systems for the Region. The initiative would be coordinated by the World Bank, the UN-ISDR and WMO under the CAREC umbrella, financed by the GFDRR and other donors, and build upon and amplify the existing initiatives by countries, multilateral and bilateral agencies. Initial studies would be completed by April 2009, and presented at the next SOM to inform a discussion on priorities and next steps for implementation, including the role of CAREC Institute in research, training and outreach on disaster risk management, design of investment priorities (both regional and country specific) and financing arrangements. The SOM expressed appreciation for the presentation and agreed it is an appropriate second-tier activity.

5. Other Business

18. A proposal to hold the first CAREC Partnership Forum (CPF) in conjunction with the first SOM of 2009 was presented to Senior Officials. The CPF would serve to: (i) brief development partners on recent Program developments and the outcomes of CAREC Ministerial Conferences, (ii) enable development partners to exchange views and explore opportunities for cooperation and coordination of activities at a practical level in identified sectors of work, (iii) improve information flow regarding key investments and policy reforms of regional significance supported by various participants, and (iv) enable CAREC to feature special projects or initiatives that require broader donor support or financing. The CPF would be an action-oriented meeting and take a sector approach to interaction with development partners focused on CAREC priority areas. The 2009 CPF would focus on the transport and trade facilitation sectors. The SOM welcomed and endorsed the proposal, with a number of delegations highlighting the importance of broad participation by development partners.

19. The SOM heard a presentation on approaches and a work plan to more actively including the theme of private sector development into the CAREC Program agenda. The presentation noted that private sector development is vital in the CAREC region and would help create jobs, integrate technologies, improve productivity and raise incomes. The SOM agreed to propose inclusion of the theme of private sector development in the Joint Ministerial Statement to be considered by Ministers at the 7th Ministerial Conference.

20. The proposal of the PRC delegation for the conduct of an annual Business Development Forum (BDF), building on the experience of the first BDF in 2006, was considered by the SOM and would be further considered by the next SOM before submission to the 7th Ministerial Conference. Delegations agreed that the annual event would support the theme of private sector participation in the CAREC Program, encourage foreign direct investment in priority infrastructure, and promote collaboration among the private sector in CAREC countries.

21. A draft report on Progress in Implementing the Comprehensive Action Plan since its endorsement by Ministers in 2006 was presented to the SOM. The report highlights key elements of progress. The draft report also drew attention to areas of concern, including the need for greater involvement of the business sector in the CAREC Program and for greater coordination with other regional organizations. Reflecting new developments and interests, the report noted the suggestions of some CAREC countries to consider research on issues such as water resource management and food security. The SOM generally endorsed the report and agreed to submit it to the 7th Ministerial Conference. The SOM suggested follow-up on new interests and consideration of a template for future progress reports.

22. The PRC delegation informed the SOM that the PRC State Council had approved the involvement of Inner Mongolia Autonomous Region (IMAR) in the activities of the CAREC Program. As a result, an official from IMAR joined the PRC delegation to the SOM and the region will be involved in future CAREC activities. The SOM welcomed IMAR's participation and noted it will open important opportunities for strengthening the economic development of CAREC countries.

23. It was also proposed that the next SOM would include a presentation by the Afghanistan delegation on priority railway projects under preparation.

6. Preparations for 7th Ministerial Conference

24. The SOM Chair informed delegations of the schedule and preparations under way for the 7th Ministerial Conference. The Ministerial Conference will be held in Baku on 19 to 21 November 2008. On 19 November a SOM will finalize all documentation for the Ministerial Meeting. On 20 November delegations will have the opportunity for bilateral and multilateral interaction. The day will end with an official Welcome Dinner. The Ministerial Meeting and Official Dinner will be held on 21 November. The Chair indicated the Government of Azerbaijan will be represented at a high level at the Ministerial Conference and encouraged all delegations to ensure high-level participation of their government.

7. Special Presentations

25. Christine Roth and Ben Slay of UNDP's Regional Bureau for Europe and CIS presented the initial findings of the international community's assessment of the water/energy/food insecurity risks now confronting Central Asia's development prospects. This assessment, which follows the initial work presented by the World Bank at a meeting of multilateral institutions in Almaty in June 2008, focuses on learning appropriate lessons from the "compound crisis" Tajikistan experienced in the winter of 2008. It emphasizes the need for the international community to better align its humanitarian and development programming in support of Central Asian governments' crisis and disaster prevention efforts.

26. Thomas Panella of ADB's Central and West Asia Department gave a presentation outlining the experience with regional cooperation for water resources management in the Chu Talas River Basins that are shared by the Kyrgyz Republic and Kazakhstan. These two countries have formed the Chu Talas

Joint River Commission (CTJRC) for joint operation and maintenance of water resources and irrigation infrastructure that is located in the Kyrgyz Republic, yet provides services to both countries. The presentation discussed the institutional genesis of the CTJRC and highlighted accomplishments to date including development of a methodology for cost sharing on operations and management, and improved water assessment and data exchange procedures between the two countries. Mr. Panella also discussed a recently approved ADB Regional Technical Assistance to improve regional cooperation for water resources management among the Central Asian Republics and Afghanistan.

8. Closing Remarks

27. To summarize, the SOM endorsed:

- (i) the draft Implementation Action Plan for Transport and Trade Facilitation Strategy, with required updates;
- (ii) a revised draft of the Trade Policy Strategic Action Plan; and
- (iii) the draft CAREC Institute Work Plan for 2009-2011.

28. The SOM also agreed to highlight private sector development as an important theme in the Joint Ministerial Statement at the 7th Ministerial Conference; and submit the Progress Report on Implementation of the Comprehensive Action Plan to the Ministerial Conference.

29. Participants expressed high appreciation to the Government of Azerbaijan for chairing the SOM, for the warm hospitality extended to participants, and the excellent meeting arrangements. The SOM also expressed its appreciation to the Secretariat.