

**Central Asia Regional Economic Cooperation
Senior Officials' Meeting**
August 9-10, 2001, Asian Development Bank, Manila

Highlights of the Meeting

At the invitation of ADB, delegations from the People's Republic of China (PRC), Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan, and Azerbaijan met for two days in Manila, Philippines, to discuss ADB's program of support for Central Asia Regional Economic Cooperation. More specifically, the Meeting discussed and confirmed:

- the priority areas ADB should concentrate on in facilitating regional cooperation
- the institutional framework that would best serve implementation of the ADB program
- preparations for a Ministerial Conference scheduled 5-9 November 2001 in Urumqi, PRC.

Opening Statements

Mr. Joseph Eichenberger, Vice President (East), ADB, welcomed the country delegations, noting the importance of the Meeting and the partnership role of ADB. He noted the need for the Central Asian republics to look broadly for opportunities to deepen their engagement with the global community, including the full range of countries with which they have historical and cultural ties, and the imperative of building a conducive environment for private sector development.

In the subsequent statements of country delegations, a common theme was their deep commitment to regional economic cooperation, and the need for more progress. The delegations endorsed transport, energy and trade as priority sectors for the ADB-supported Program of Regional Economic Cooperation, and made reference to additional challenges and interests. The country delegation expressed their appreciation for ADB's support and role as an "honest broker".

Transport and Regional Cooperation

The Meeting confirmed that transport remained the highest priority area for regional cooperation. The Meeting reviewed the progress on projects identified and agreed on during the Conference on Central Asian Regional Cooperation in Transportation in September 2000 in Almaty, Kazakhstan.

- (i) Northern Tajikistan (Bekabad-Kanibadam) railway improvement
- (ii) Almaty-Horgos road rehabilitation
- (iii) Andijan-Osh-Irkeshtam road, and extension road in Xinjiang improvement
- (iv) Lugovoy-Bishkek-Balykchy rail project
- (v) Uzbekistan-Kyrgyz-PRC railway construction
- (vi) Dushanbe-Sarytash road rehabilitation

The Meeting supported ADB's RETA proposal to support the development of the transport corridor, referred to as priority projects (iii) and (v) above. A follow-up meeting will be held in September 2001 in Bishkek. To achieve tangible progress PRC proposed that a working group be established to monitor progress on regional transport projects. Other topics raised included:

- cross-border issues
- the importance of mobilizing concessional financing resources;
- several projects for possible consideration as priority regional projects.¹

Energy and Regional Cooperation

Given the high degree of complementarity in energy resources among the countries in the region, the participating countries considered energy a priority area for regional cooperation. The countries also recognized that infrastructure bottlenecks and the related policy environment need to be addressed. The Meeting appreciated ADB's support for this priority sector and encouraged ADB to continue to focus on infrastructure investments and relevant policy reforms to facilitate energy trade, while ensuring the protection of the environment. Targeted support may also be needed to provide access to energy for remote/poor communities and alternative energy sources. Regional cooperation in human resources and technology in energy was also discussed.

ADB's regional energy projects recently completed, underway or in the "pipeline" include:

- (i) An Energy Conference in Bishkek in July 2001, which reviewed policy and institutional issues and investment needs for power transmission modernization; other topics were water energy nexus and renewable energy;
- (ii) Regional Power Transmission Project, underway through TA support; addresses policy and institutional issues impeding regional power trade and strengthening of the Central Asia Power System;
- (iii) Regional Gas Transmission Improvement Project, under consideration, will help renovate the gas pipeline from Turkmenistan and Uzbekistan through Kyrgyz Republic to Kazakhstan;
- (iv) A proposed renewable energy project, under consideration, which would include pilot projects in support of clean energy in the region.

The countries emphasized the importance of joint water and energy management and the implications for hydropower development and the environment. The countries appreciated ADB's effort to examine this critical but complex issue. ADB noted that water resource management is of growing importance for all countries. In this connection, it informed the Meeting of its support - in coordination with other donor and aid agencies - for the Third World Water Forum; the Forum will include discussions of water usage in Central Asia.

Trade and Regional Cooperation

The participating countries emphasized the importance of trade facilitation in the region and recognized that improvement is needed in this area. The countries also pointed out that a phased approach is preferable so as to be able to achieve tangible and concrete results relatively quickly before tackling more complex issues. There was a general consensus on the need to improve customs facilitation such as cross-border procedures, and standardization and certification of exports and imports. There was also agreement that there is a need for an effective mechanism to facilitate progress in the above areas and to implement existing

¹ Dushanbe-Kurgan-Tube Kulyab and onwards to the PRC border [TAJ]; Khujand-Dushanbe road [TAJ]; Biskek-Torugart-Kashgar road [KGZ]; and Almaty – Issyk-Kul lake [KGZ].

agreements. A proposal was made to set up a working group on trade facilitation and customs issues.

ADB reported on the progress with the ongoing study on customs modernization and cooperation in the region. The study, to be completed by September 2001, will form the diagnostic basis for ADB assistance in this area. The countries supported this ADB initiative, in recognition that their degrees of customs modernization differ considerably and there is need to better harmonize the procedure. The countries and ADB will discuss further steps once the study is completed, and the findings will be reported to the Urumqi Conference.

The Institutional Framework

As ADB's program to support regional economic cooperation in the region grows, the countries have realized the increasing need for strengthening the overall planning, prioritization and implementation of the program. They also see the importance of close coordination and cooperation with other donor and aid agencies, as well as the long term significance of mobilizing resources to finance regional projects. For these reasons, an overall institutional framework is needed to guide the program.

The Meeting reviewed and supported ADB's proposed institutional framework. Salient features of the framework include principles of simplicity, effectiveness, flexibility, fairness and sustainability. The discussion focused on how to structure the framework so as to maximize its effectiveness. The Meeting noted that the proposed framework should be results-oriented.

The Meeting agreed to the following framework comprising:

- (i) A Ministerial-level Conference for providing strategic direction and making policy decision;
- (ii) A Senior Officials' Meeting, with the coordinating responsibility to ensure effective implementation at the operational level of policy decisions made at the Ministerial-level Conference. The main tasks of the Senior Officials' Meeting include preparing for meetings of the Ministerial-level Conference, and cross-sectoral coordination and other preparatory work;
- (iii) Coordinating Committees, with coordination of sectoral and other relevant issues as the main responsibilities of the committees
- (iv) National Focal Point(s), with a coordinating role both within their own countries and among the participating countries;
- (v) ADB Secretariat, to provide technical, administrative and coordinating support;
- (vi) Project-specific Working Groups are transitory by nature and are, therefore, shown connected to the Coordinating Committees by a broken line.

Preparation for the Urumqi Conference

The Meeting discussed the preparation for the Urumqi Conference. All countries attach high importance to the Conference and, therefore, the need for careful preparation. The Meeting reviewed a draft agenda of the Conference and agreed that the Conference would be held 5-9 November 2001 in Urumqi, PRC. Several suggestions to be incorporated were made, including:

- (i) flexibility for each government to decide on representation;
- (ii) incorporating a Senior Officials' meeting on the evening of 7 November to review the Ministerial Statement

- (iii) timely preparation and circulation of all documents for the Conference.

Concluding Directions

The Meeting reached four conclusive directions for ADB's program of support for Central Asia Regional Economic Cooperation:

- (i) transport, energy (including hydro energy and other forms of renewable energy), and trade facilitation should be the top priorities; human resource development in support of these priorities should be an important component of the program;
- (ii) other suggestions for inclusion in the program (e.g., SMEs, water resource management, and environment) should be further examined by ADB and consultations held with the countries;
- (iii) an institutional framework for the program is highly desirable, incorporating principles of simplicity and practicality, and Ministerial direction supported by a Senior Officials' Meeting and Operational Units (Coordinating Committees, National Focal Points, a Secretariat, and temporary project-specific working groups);
- (iv) holding of the first Ministerial Conference for the ADB program, 5-9 November 2001, in Urumqi, PRC.