



Comprehensive Action Plan

(Progress to Date)

**Senior Officials' Meeting
on Central Asia Regional Economic Cooperation
10-11 April 2006
Urumqi, XUAR, People's Republic of China**

Ministers agreed that the way forward for Central Asia is “development through cooperation.”—Ministers called for sweeping measures to overcome trade and other impediments to development, and for the creation of transport corridors and the interconnection of energy markets. Ministers expressed interest in cooperative initiatives in a wide range of areas, including the environment, agriculture, tourism, telecommunications, human resource development, disaster management and avian flu preparedness.

Ministers agreed that a strategic framework for regional cooperation is essential for charting the course ahead.—A strategic framework of expected outputs and outcomes from regional cooperation over the medium term. The governments must provide the necessary guidance in formulating the strategic framework, from which will follow prioritization and sequencing of regional initiatives needed to reach the envisaged outputs and outcomes.

—Joint Ministerial Statement, November 2005

STRATEGIC FRAMEWORK FOR THE COMPREHENSIVE ACTION PLAN

Top-down Approach

- Goals/objectives of the CAREC Program
- Key expected medium-term outputs/outcomes of CAREC
- Priority actions/investments/bold strokes to achieve these outcomes
- Performance indicators for monitoring progress
- Feasibility assessment

Bottom-up Approach

- Compilation of the MI “six” programs/actions related to CAREC during 2006-2008
- Synthesis of other regional cooperation initiatives related to CAREC
- Synthesis of country development plans and public investment programs
- Development matrix
- Coordination with other regional organizations (EEC, SCO)
- Capacity-building

Combining the Approaches

- Gap identification: the major gaps between action and expected outputs/outcomes
- Resource mobilization - technical and financial

STRATEGIC FRAMEWORK: TOP-DOWN APPROACH

Goals/Objectives of the CAREC Program

Goal: Promoting economic growth and poverty reduction in Central Asia.

Objectives: Trade expansion, improved transport and energy security.

Expected Medium-Term Outputs/Outcomes***General***

- Practical results, contributing significantly to improved trade, transport and energy development
- Trade expansion, through better access to export markets and lower costs of imports, encouraging growth of manufacturing and service sectors, as well as consumer benefits
- Facilitation of regional development opportunities (e.g., energy, transit transport services)
- Improved business climate in the region, encouraging domestic and foreign investment, and cross-border production/distribution value chains
- Growing recognition that regional cooperation is a win-win process for CAREC countries; broadening and deepening of the CAREC Program
- Constructive dialogue and action concerning regional development challenges/problems (e.g., water/energy nexus)
- Cumulative result: improved employment prospects and poverty reduction

STRATEGIC FRAMEWORK: TOP-DOWN APPROACH

Expected Medium-Term Outputs/Outcomes**Sector-Specific*****Trade Outputs/Outcomes***

- Convergence of trade regimes of CAREC countries to WTO and WCO framework/provisions
- Increased trade openness (exports + imports/GDP)
- Improved quality of trade (diversification from commodity-based trade)
- Trade costs (transport, other) reduced to competitive levels
- Strong logistics support
- Regulation of cross-border and transit trade fully transparent and barriers minimized

Transport Outputs/Outcomes

- A highly efficient multimodal transport system integrating the region and connecting to global markets (e.g., EU, PRC, Russian Federation and India)
- Sharp drop in transport costs/travel times /impediments to trade
- Designation/strengthening of transport corridors north-south and east-west
- Regional cross-border transport agreement facilitating the movement of produce and trade

Energy Outputs/Outcomes

- Energy security; universal access to electricity
- An integrated electricity market for the core CAREC countries
- Energy savings/efficiency improvements through cooperative action
- Energy development opportunities facilitated on a cooperative basis
- Investment mobilization, private sector participation
- Results from the Clean Development Mechanism, Kyoto Protocol
- Cooperative responses to high oil prices
- Progress in addressing the water/energy nexus

STRATEGIC FRAMEWORK: TOP-DOWN APPROACH

Expected Medium-Term Outputs/Outcomes**Possible Other Sectors**

- **Tourism:** major expansion of tourism in Central Asia, both in terms of numbers of visitors and expenditures (length and quality of stay)
- **Human Development:**
 - *Education/skills development:* a well-trained cadre of government officials skilled in effective regional cooperation; continued integration of labor markets
 - *Health/Medical Services:* regional preparedness/action to combat communicable diseases (avian flu, tuberculosis, HIV/AIDS)
- **Agriculture:** better income prospects for farmers through facilitation of cross-border and transit trade in agricultural products/livestock; also, better water use/irrigation practices
- **Information, Communications and Technology:** facilitation of modern commercial practices, especially for SMEs, through dismantling or lowering of cross-border barriers to ICT development; adoption of universal access policy
- **Environment:** improved environmental provisions re CAREC infrastructure investments; also improved regional capacity for natural resource management (water/land) and disaster preparedness

STRATEGIC FRAMEWORK: TOP-DOWN APPROACH

Priority Actions/Investments/Bold Strokes to Achieve The Outcomes**Ten Priority “Bold Strokes”**

- Pronouncements by Heads of State/prominent business and community leaders on importance of regional cooperation/regional integration
- WTO Membership
- Full implementation of trade policy recommendations to reduce barriers to transit trade and application of related performance indicators
- Strategic framework for trade facilitation and logistics development, including customs modernization, joint-customs control and information sharing; also related performance indicators
- Strategic framework for development of a highly efficient regional multimodal transport system, highlighting key transport corridors (road and rail); also related performance indicators
- Cross-border transport agreement and application of related performance indicators
- Business development forum (late 2006 or early 2007) attracting top regional and international business and government leaders; agenda to include economic corridors, global value chains and SME clusters
- Strategic framework for regional cooperation in energy; energy forum in 2006
- Broadening and deepening of the CAREC Program, both in terms of sectors (possibly including at least one new sector) and countries (Russian Federation)
- Replication of GMS Phnom Penh Plan for CAREC countries, to provide training for government officials in regional cooperation best practices

STRATEGIC FRAMEWORK: TOP-DOWN APPROACH

Priority Actions/Investments/Bold Strokes**Core Sectors*****Trade Facilitation***

- Adoption of a strategic framework for trade facilitation and customs cooperation
- A time-bound coordinated regional program for simplification/ harmonization of customs procedures/documentation re revised Kyoto Convention and risk management principles
- Integrated customs, transit and transport regimes for selected transport corridors
- A time-bound regional program for strengthening trade logistics framework/services (TIR Convention, multi-modal transport hubs/container assembly points)
- A time-bound regional program for establishment of a “Customs Information Platform”, providing a unified automated information system about customs laws, regulations, procedures and forms
- ICT master plan for improving customs and tax administration

Trade Policy

- WTO membership for all CAREC countries
- Strategic trade policy thrusts (e.g., WTO’s product standards)
- Rationalization of regional trade agreements (the spaghetti bowl)
- A time-bound process for full implementation of the six recommendations to reduce barriers to transit trade
- Reform of the legal/tax frameworks concerning cross-border trade
- A time-bound process for removing quantitative restrictions on trade
- Substantive involvement of private sector in trade policy program
- Build understanding of trade realities, including global value chains and cross-border production networks, through regional workshops, policy research briefs etc.

STRATEGIC FRAMEWORK: TOP-DOWN APPROACH

Priority Actions/Investments/Bold Strokes

Core Sectors (Cont.)

Transport

- A strategic transport framework to 2015 for creating a highly efficient multimodal transport system
- Identification of key transport corridors (road and rail) and costing and sequencing of investments for these corridors; also a time-bound process for completing the corridors
- Rehabilitation/maintenance of vital corridor segments
- A time-bound process for securing a comprehensive cross-border land transport agreement, including simplification/harmonization of cross-border transport procedures, documentation and regulations and single-stop inspection
- Elimination of provincial check points/unofficial payments
- Targeted cuts in time and cost of land transport on key routes
- Subregional air services agreements (more open skies), leading to improved air access to and within the region

Energy

- A comprehensive strategic framework for the CAREC energy program, based on concerted strategic investment and capacity building efforts, for enhancing the energy security of CAREC countries
- Continued promotion of an integrated electricity market for the core CAREC countries (Regional Electricity Export Potential Study)
- Focus on energy savings and efficiency improvements through cooperative action (CMERF) and domestic reforms (pricing policies)
- Investment mobilization for energy development opportunities
- Broadening geographic scope of CAREC on pragmatic basis to access new energy markets (exports of electricity of Pakistan)
- Regional cooperation related to oil and gas; energy forum in summer 2006 re challenges/opportunities resulting from continued high oil prices
- Continued support for establishment of an International Water Energy Consortium
- Application of the Clean Development Mechanism of the Kyoto Protocol, including modalities of the mechanism and market approaches to greenhouse gas reduction

STRATEGIC FRAMEWORK: TOP-DOWN APPROACH

Priority Actions/Investments/Bold Strokes**Possible Other Sectors**

- **Tourism:** visas made easier (on arrival, multiple entry) to facilitate entry; new air routes and schedules to improve access; regional services (marketing, information)
- **Human Development:**
 - *Education/skills development/labor markets:* replication of the GMS Phnom Penh Plan for CAREC countries
 - *Health/Medical Services:* regional conference on communicable diseases (avian flu, tuberculosis, HIV/ AIDS)
- **Agriculture:** regional MOU concerning animal disease control; regional program on water management, focusing on user charges and irrigation practices
- **ICT:** cross-border facilitation of ICT services
- **Environment:** formation of a Water/Energy Consortium; regional forum/strategy for disaster management

STRATEGIC FRAMEWORK: TOP-DOWN APPROACH

Performance Indicators for Monitoring Progress

“Ministers agreed that sustaining interest in regional cooperation depends on achieving real benefits for all participants. To reinforce the emphasis on pragmatic, results-oriented initiatives, Ministers directed Senior Officials to develop key performance indicators for the CAREC Program. Each sector committee should focus more on output measures rather than inputs. The performance indicators should reflect the interests of the CAREC Member Countries. In advance of Ministerial Meetings, Senior Officials should prepare a progress report on both regional initiatives (inputs) and sector developments (outcomes). Regional initiatives should have clear time schedules for completion.”

Joint Ministerial Statement, November 2004

General Principles

- Simplicity
- Practical
- Ownership

General Performance Report

An annual report to the Ministerial Conference, summarizing sector outputs/outcomes resulting from CAREC initiatives over the past year, and their contribution to broad Program goals/objectives. Also, an accounting of responses to the instructions of Ministers during the previous Ministerial Conference, and of the decisions or recommendations of the SOMs.

STRATEGIC FRAMEWORK: TOP-DOWN APPROACH

Performance Indicators for Monitoring Progress**Indicative Sector Performance Indicators*****Trade Facilitation:***

- trade openness (exports plus imports as % of GDP)
- manufactured exports as % of total exports
- number of customs/check points between selected cities
- economic distance (time and cost of transporting consignments) between selected cities
- time taken to clear goods at selected inland terminals
- cost of customs clearance (% value/consignment)
- unofficial charges along selected transport routes
- milestones
 - short term: adoption of a strategic framework for trade facilitation and logistics development
 - medium term: unified automated information system creation for customs
 - long-term: customs harmonization under the WTO framework

Trade Policy:

- WTO adherence scoring system
- trade data compliance, WTO standards
- effective tariff rates
- excise tax differential: domestic ÷ rate on imports
- number of prohibited exports/imports
- number of trade registration requirements
- milestones
 - short to medium term: WTO accession
 - short to medium term: main restrictions/impediments to transit trade eliminated
 - short to medium term: legal/tax impediments to cross-border trade removed

STRATEGIC FRAMEWORK: TOP-DOWN APPROACH

Performance Indicators for Monitoring Progress

Indicative Sector Performance Indicators

Transport:

- lower transit times at border crossings
- economic distance or the cost of moving a consignment to market along key road and rail transport corridors
- volumes of road and rail freight traffic; % share cross-border/transit
- volume of passenger traffic; % share cross-border/transit
- aircraft departures by country, passengers carried, air freight tons
- milestones
 - short-term: adoption of a strategic framework for transport corridors/multimodal transport system for the region
 - medium-term: regional cross-border transport agreement (including formal protocols/ annexes and implementation phases)

Energy:

- % of households in rural areas with access to reliable electricity
- % of households served by the regional transmission grid
- % reduction in system losses
- collections of electricity user charges as % of total charges
- energy resources
 - hydropower generation
 - oil production
 - natural gas production
- energy trade as % of energy consumed
- energy efficiency: energy use per unit of GDP
- milestones
 - short term: strategic framework for energy sector
 - medium term: establishment of a Water Energy Consortium
 - medium to long-term: universal energy security and electricity supply; new energy markets; Clean Development Mechanism employed

STRATEGIC FRAMEWORK: BOTTOM-UP APPROACH
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Components of the Bottom-up Approach

- Component 1: Synthesis of country development plans and public investment programs
- Component 2: Compilation of MI “six” CAREC initiatives 2006-2008
- Component 3: Synthesis of other regional cooperation initiatives
- Component 4: Development matrix
- Component 4: Coordination with other regional organizations (EEC, SCO)
- Component 6: Capacity-building

Component 1: Synthesis of Country Development Plans and Public Investment Programs

Example: Kazakhstan

Goal/Objective of Regional Cooperation:

Union of Central Asian States (President Nazerbaev, 2005)

Medium-Term (2006-2008) Outputs/Outcomes:

- GDP growth rate of 8.5 % annually
- 50 % increase in per capita GDP, to \$5,450 by 2008
- growth in industrial production of 5 % annually
- growth in capital investment of 15 % annually
- growth in labor productivity of 6.3-7 % annually
- Almaty and Astana as key centers within Eurasia

Priority Actions/Investments/Bold Strokes:

Energy Sector

- modernize energy sector so as to provide reliable regional supplies and enter international markets (e.g., PRC)
- increase oil production by 30 % by 2010, compared to levels in 2005, following completion of the Tengiz project; also, boost gas output to more than 40 bcm and double exports to 15 bcm by 2010
- oil production sharing arrangements with Russia re Caspian Sea oil fields
- possible expansion of two major pipelines; the Caspian Pipeline linking the Tengiz deposit to the Black Sea port of Novorossiisk, and the Atyrau-Samara pipeline
- possible construction of a gas pipeline from Kazakhstan to PRC
- joint venture with Russia to refine Karachaganak gas at Orenburg refinery
- energy conservation program for 2006-2010 to reduce energy use by enterprises in the processing industries
- construction of the Moinak Hydropower plant this year to cover the energy shortage in southern Kazakhstan
- construction of the North Kazakhstan-Aktyubinsk region power line, to overcome shortages in western Kazakhstan
- continuation of modernization of power plants, including reequipping of KEGOC and purchase of equipment and information technologies

STRATEGIC FRAMEWORK: BOTTOM-UP APPROACH
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Kazakhstan Example (Cont.)

Industrial and ICT Sector

- development of the aerospace industry
- promote investment in science/technology and the processing industry
- development of a communication and broadcast satellite at the Baiterek rocket complex
- allow greater foreign participation in long-distance and international communication companies, with aim of attracting investment in the telecommunications sector

Agriculture Sector

- modernize the sector through emphasis on more profitable crops, commercialization of the livestock industry, improving research and innovation, and formation of large farms
- in compliance with WTO requirements, create system to ensure safety of food products; veterinary and phytosanitary conditions are a priority; quality control will be modernized
- financial and insurance services for the sector will be improved, together with information and marketing services
- specially equipped cooperatives to assist in moving goods from producers to consumers
- market regulation to ensure domestic supplies and to avoid price fluctuations; purchase and price intervention methods

Transport Sector

- integrating the transport complex into the Eurasian transport system
- development of East-West and North-South transport corridors
- Kazakhstan as a transit bridge between Europe and Asia
- joining important international transport conventions
- installing power lines along the Almaty-Aktogai-Dostyk, Zhelezorudnaya-Kostanai, and Maka-Kakagash railroads
- new railroads to be built include Khorgos-Saryozek, Yeraliyev-Kuryk, Mangyshlak-Bautino, Beineau-Shalkar, and Zhezkazgan-Saksaul lines
- the program to develop the trucking industry includes reconstruction of the Tashkent-Shymkent-Tasraz-Almaty-Khorgos, Shymkent-Krzylorda-Aktobe- Uralsk-Samra, Almaty-Karaganda-Astana-Petropavlovsk, Astrakhan-Atyrau-Aktau-Turkmenistan border, Omsk-Pavlodar-Semipalatinsk-Mai-kapshagai, Astana-Kostanai-Chelyabinsk roads
- development of water transport includes programs to develop the national commercial fleet and development of the Caspian ports and expand the Aktau port; also formation of the Kuryk and Bautino ports
- development of civil aviation, including updating and expanding the aircraft fleet, and expanding the geography of international and domestic flights; Air Astana will be further developed

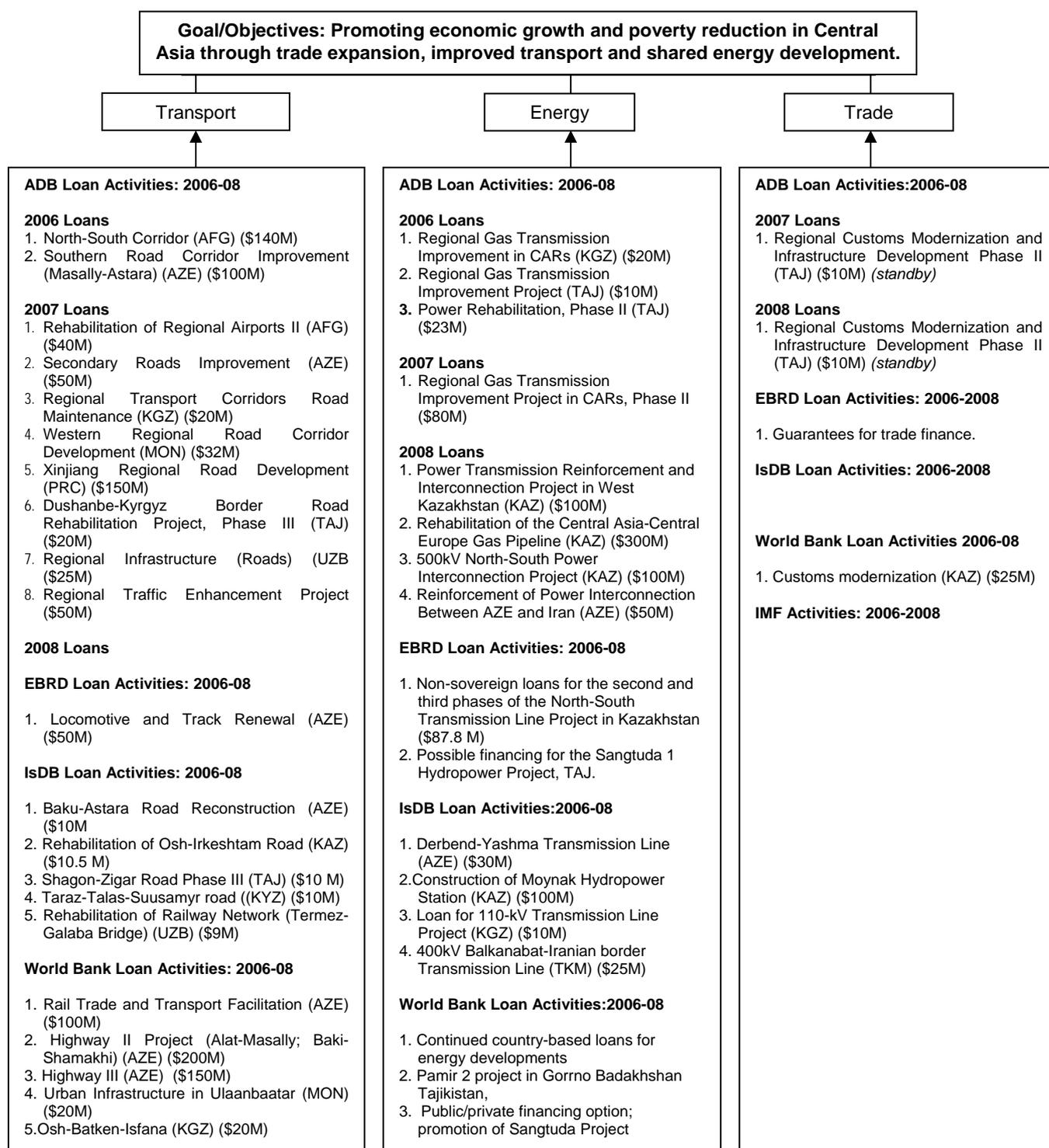
STRATEGIC FRAMEWORK: BOTTOM-UP APPROACH
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**Component #2:
Compilation of MI “Six” CAREC Initiatives for 2006-2008**

(Preliminary: to be updated as more information becomes available from some of the MIs)

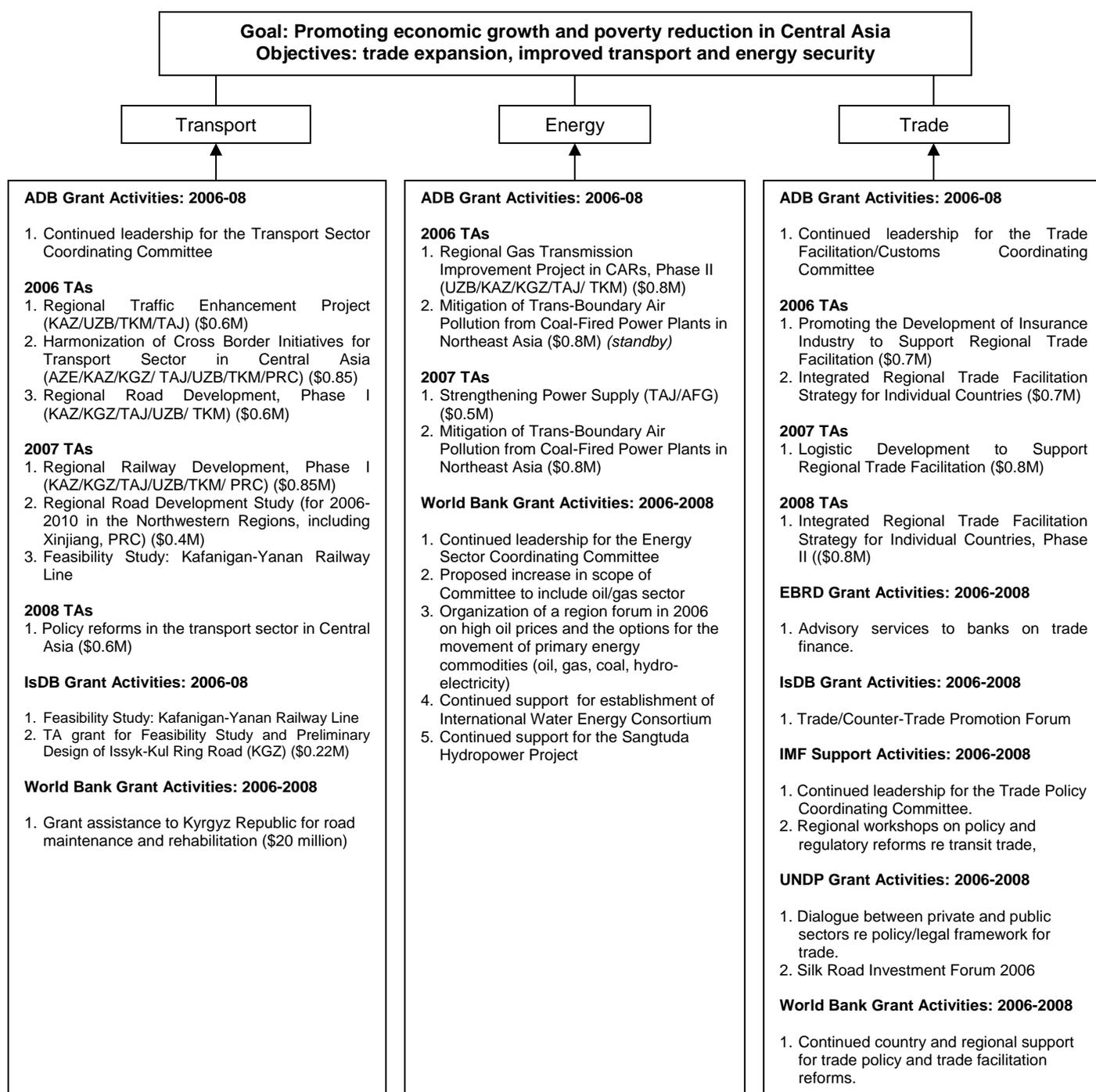
- Over the three-year period 2006-2008, the six MI partners to the CAREC Program plan to provide approximately 33 loans in support of regional investments in transport, energy and trade-related infrastructure (Table 1, preliminary)
- These investments total more than \$2.2 billion, including \$191 million in co-financing
- 21 of the loans are for transport infrastructure, for a total of about \$1.2 billion; of these loans, 3 are for upgrading of railways and rolling stock (\$159 million) and one is for upgrading of airports (\$40 million); the balance of about \$1 billion is for road construction and regional traffic enhancement
- 10 of the loans are for the energy sector, for a total of about \$950 million; of these loans, 4 are for gas transmission lines (\$510 million) and the balance for power interconnections, transmission lines and a small hydropower project; possible involvement in the financing of the Sangtuda 1 Hydropower project and other similar projects would considerably increase MI resource mobilization for the energy sector
- 2 of the loans are for trade facilitation, for a total of \$35 million
- More loans for each sector are expected as planning of the MIs and CAREC countries for the 2006-08 period becomes firmer
- Over the three-year period 2006-2008, the six MI partners to the CAREC Program plan to provide approximately 20 grants/TAs for a total of about \$30 million in support of regional transport, energy and trade initiatives; this excludes PPTAs and the umbrella RETA's of ADB in support of the CAREC Secretariat and CAREC Program generally (e.g., Ministerial Conferences, SOMs, and sector workshops) (Table 2)

Table 1: Synthesis of CAREC Investments 2006-2008



AFG = Afghanistan, CARs = Central Asia Regions, KAZ = Kazakhstan, KGZ = Kyrgyz, MON = Mongolia, PRC = People's Republic of China, TAJ = Tajikistan, TKM = Turkmenistan, UZB = Uzbekistan

TABLE 2: Synthesis of CAREC Grants/TAs 2006-2008



Note: Excludes project preparatory TAs.

STRATEGIC FRAMEWORK: BOTTOM-UP APPROACH
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Additional Bottom-up Components**Synthesis of other Regional Cooperation Initiatives Related to CAREC**

(Section prepared for the 30 September 2005 ICAP, to be updated)

Development Matrix

(Under preparation, inputs of MIs required)

Coordination with Other Regional Organizations (EEC, SCO)

(Section prepared for the 30 September 2005 ICAP, to be updated)

Capacity Building

(Section prepared for the 30 September 2005 ICAP, to be updated)

Interim CAREC Results Framework (2006-2008)
(under preparation)

Long-term Development Goals/Objectives of CAREC Countries	Key Constraints to Achievement of the Strategic Goals	Expected Outputs/Outcomes of CAREC Program	Milestones/Performance Indicators for Tracking CAREC Progress	Interventions of MIs and CAREC Countries in Support of Goals
Trade Expansion				
Transport Connectivity				
Energy Market				