



CAREC Senior Officials' Meeting
7–8 June 2011
Baku, Azerbaijan

Summary of Proceedings

I. Introduction

1. A Senior Officials' Meeting (SOM) was held from 7-8 June 2011 in Baku, Azerbaijan. The SOM was attended by delegations from CAREC countries and representatives of the multilateral institutions (MIs) (See **Appendix 1** for the list of participants.) Mr. Samir Veliyev, Azerbaijan, chaired the SOM. Mr. Juan Miranda, Central and West Asia Department (CWRD), Asian Development Bank (ADB); Mr. Werner Liepach, Deputy Director General, CWRD, ADB; and Mr. Sean O'Sullivan, Deputy Director General, Strategy and Policy Department, ADB, assisted the Chair in moderating the discussions.

2. The objectives of the SOM were to: (i) review the proposed draft 10-year strategic framework for CAREC (CAREC 2020) and other planned 10-year commemorative activities; (ii) discuss a concept for a pilot study on economic corridor development; (iii) exchange views on the CAREC Institute work plan; (iv) review progress in the priority sectors; (v) consider the 2010 CAREC development effectiveness review; and (vi) discuss the preparations for the 10th CAREC Ministerial Conference. (See **Appendix 2** for the SOM's agenda and **Appendix 3** for copies of all reference documents and presentations.)

II. Draft CAREC 2020 and Other 10-year Commemorative Activities

3. The SOM delegations expressed full support to the draft CAREC 2020, which they found reflective of the countries' views on the Program's future directions. The draft reflected comments made by the countries during subregional workshops held in April and May 2011, and those provided by CAREC MI partners. Following is a summary of major suggestions made by the SOM delegations to be considered in the final draft:

- i. Proposed pilot rotation of chairing of sector committees, which was in an earlier draft, could be considered anew.
- ii. Economic corridor development as an operational priority should be further elaborated. Experience in other cooperation programs, e.g., Greater Mekong Subregion, should be considered.
- iii. Some second tier areas could be "upgraded" to core areas at an appropriate time.
- iv. In the CAREC 2020 framework, it was suggested to delink the second tier areas from the CAREC Institute.
- v. Development of alternative/renewable energy could be mentioned.
- vi. The importance of upgrading border crossing points for improved competitiveness could be highlighted.
- vii. There is a need to identify a separate set of priority actions "before the border", "at the border", and "after the border" to take CAREC 2020 forward.

4. The SOM delegations found the CAREC 2020 Seminar that was held in the morning of 7 June 2011 useful. The Seminar concluded that the draft CAREC 2020 is heading in the right

- i. The 10th anniversary is a time for celebrating deep relationships and building on collaboration, but with a sense of urgency and active engagement.
- ii. Strategic focus in terms of trade and economic competitiveness that links connectivity, transport, energy, and trade flows as high priorities, seem to be supported.
- iii. A real necessity in terms of fine tuning is to work out a tactical focus, i.e., program and project commitments that are visible, and backed with resources and development policy frameworks.
- iv. The Greater Mekong Subregion Economic Cooperation Program provides an example of integrating regional and national priorities. Greater commitment at the highest levels can be obtained through visible benefits of regional cooperation that can be measured by demonstrable outcomes.
- v. There is a level of partner participation and engagement that is critical. There is also need to broaden the CAREC partnership to include the private sector, especially those entities who will utilize regional projects. Provincial and local authorities, and industries should also be engaged as stakeholders on the ground.
- vi. There is a need for visible high-level commitment that will help translate strategic and tactical focus areas into the opening of borders and connectivity.

In implementing CAREC 2020, the SOM delegations noted the following key comments and suggestions:

- i. Capacity development for and knowledge sharing among member countries is important to achieving CAREC 2020's objectives. This would help promote greater country ownership. The delegations of Afghanistan and Azerbaijan suggested that assigning CAREC nationals to work in the CAREC Secretariat be considered.
- ii. Training institutes in member countries should be tapped to conduct various capacity building programs.
- iii. Sector coordinating committees should formulate respective specific action plans based on the list of CAREC 2020 medium-term priority projects.
- iv. It is important to establish a CAREC "brand name".
- v. A paper should be prepared to identify ways to broaden and deepen country ownership of CAREC.
- vi. The delegation of Azerbaijan recalled their offer in April 2010 to host a CAREC Leaders' Summit in 2011, and reiterated such offer at the SOM.

5. The SOM delegations supported the following proposed 10-year commemorative activities: (i) convening of a CAREC Development Partners' Forum; (ii) video of CAREC achievements; and (iii) signing ceremonies. On item (iii), the Afghanistan delegation confirmed their intention to accede to the cross-border transport facilitation agreement between the Kyrgyz Republic and Tajikistan for CAREC Corridor 5 at the 10th CAREC Ministerial Conference (MC). Following is a summary of comments made by the SOM delegations:

- i. A ceremony to launch CAREC 2020 at the 10th CAREC MC should be considered.
- ii. The video should focus more on high-profile projects rather than interviews; could be aired in national TV as a medium for CAREC outreach; should ensure balanced coverage of projects financed by CAREC MIs; and should cover facilities and projects in Pakistan and Turkmenistan supporting CAREC objectives.

- iii. The convening of a Business Forum, which will involve relevant private sector agencies in CAREC countries, could be considered.
- iv. The Development Partners' Forum (DPF) should serve as a means to avoid duplication and overlap in regional activities being carried out by various organizations. The purpose of the DPF needs to be further clarified.
- v. The CAREC Secretariat could consider convening another retreat among ADB President and CAREC Ministers.

III. Pilot Study on the Development of CAREC Corridors

6. The SOM supported, in principle, the proposed concept of a pilot study on the development of CAREC Corridors. The SOM delegations gave the following comments and suggestions:

- i. The scope of the study should be examined carefully. Focusing solely on logistics may be too limited. Covering too many areas, on the other hand, may undermine the study's relevance.
- ii. Member countries should be consulted in the selection of corridors and nodes.
- iii. The study should be carried out under the CAREC Institute.
- iv. Transforming transport corridors into economic corridors may involve: (i) the development of logistics, including dry ports; (ii) related services, such as freight forwarding and trucking; and (iii) cluster development, which will involve strategic investments in required infrastructure.

IV. CAREC Institute Work Plan

7. The SOM delegations exchanged views on the future of the CAREC Institute. They agreed that the CAREC Institute (CI) is an important operational priority of CAREC 2020, which provides a platform for capacity development, research and analytical work on CAREC's priority areas, and outreach. The SOM noted the need to revisit its mandate, work plan, and resourcing.

8. The SOM agreed that capacity building, knowledge sharing, and conduct of analytical work remain as important mandates of the CI. On capacity development and knowledge sharing, the SOM delegations reaffirmed that activities should focus on CAREC's core sectors, selected second tier areas, and key national and regional concerns. The PRC delegation proposed to include regional cooperation in agriculture and public health. Capacity development should be conducted using various means, including training-of-trainers, distance learning, and use of local and regional training institutes. On research and analytical work, they suggested that activities should be focused on selected priority sector concerns, issues related to CAREC 2020, and impact evaluation of CAREC projects. On outreach, the CI should develop a good database of relevant knowledge products and practical information that could be disseminated to all stakeholders. The SOM delegations noted the need for professional and aggressive public relations activities for CAREC.

9. The SOM agreed that further discussion is needed to formulate the future directions of the CI for presentation at the 10th MC. The discussion will also cover whether the CI should be transformed from a virtual into a physical institute. It will seek to identify the specific needs in capacity development and research, as well as available resources in the CAREC region.

V. Progress in Priority Sectors

10. The SOM reviewed the progress in energy, transport, trade facilitation, and trade policy, and noted the respective key issues and action plans. Following is a summary of major points raised by the SOM delegations:

Energy:

- i. The integration of Turkmenistan and Pakistan in the activities of the CAREC energy sector will be considered by the Energy Sector Coordinating Committee.
- ii. When completed, it was suggested that the diagnostic study for pillar 3 (energy-water nexus) be discussed at a higher level.
- iii. Uzbekistan expressed reservation on CAREC's collaboration with USAID's RESET Program under Pillar 2 in the absence of independent multi-sector assessment of proposed transmission projects.
- iv. It was suggested that the ESCC continue to monitor the progress of key CAREC-related projects, and, subsequently, update the SOM.

Transport:

- i. A midterm review of the CAREC Transport and Trade Facilitation Strategy and Action Plan (2008-2017) will be carried out in 2012/2013, which will, among others, revisit the definition and alignment of CAREC corridors to include Pakistan and Turkmenistan. The participation of Pakistan and Turkmenistan will be reviewed at the 10th Meeting of the Transport Sector Coordinating Committee to be held in Astana in September 2011.
- ii. There is a need to assess the various cross-border facilitation arrangements in the CAREC region, including the CAREC Cross-Border Transport Agreement and other related agreements to ensure complementarity and synergy.

Trade Facilitation:

- i. Improvements of border crossing points and harmonization of cross-border procedures and systems are important to facilitate trade in CAREC.
- ii. Pakistan and Turkmenistan need to be mainstreamed in trade facilitation work.
- iii. Close coordination is important in trade facilitation as it involves various ministries and agencies in each country.
- iv. ADB could consider multi-tranche financing facility for some multi-country projects, such as the proposed Regional Improvement of Border Services Project.

Trade Policy:

- i. It is important to continue to implement the Trade Policy Strategic Action Plan, to achieve the CAREC strategic objective of trade expansion, and integrate Pakistan and Turkmenistan into the work of the Trade Policy sector.
- ii. Joining World Trade Organization is a key priority, and there is a need to recognize the diverse level of progress among countries for setting the new targets for accession.
- iii. Progress in reducing institutional impediments to trade has been slow. A new index of institutional quality will be developed, in close consultation with member countries, to monitor the expected gradual improvements.

VI. CAREC Development Effectiveness Review 2010

11. The SOM considered the CAREC Development Effectiveness Review (DEfR) for 2010. Following is a summary of major points raised by the SOM delegations:

- i. The linkages between the various levels of the CAREC results framework need to be made clearer and more robust.
- ii. Indicators need to be refined further to better reflect the real situation.
- iii. Indicators for CAREC 2020's strategic objectives of trade expansion and improved competitiveness may be difficult to specify.
- iv. Sufficient time should be provided to member countries in the data collection process. The CAREC Secretariat should provide a template on which countries can fill in relevant sector indicators.

VII. Preparations for 10th CAREC Ministerial Conference

12. The SOM was informed of the date (1-3 November 2011), venue, and tentative agenda of the 10th CAREC MC. The Government of Azerbaijan expressed appreciation to the other CAREC countries for agreeing that the 10th MC will be held in Baku. The SOM expressed full support to ensure that the 10th MC and 10th anniversary of the CAREC Program will be a complete success. The SOM delegations will try to ensure high-level participation at the MC.

VIII. Acknowledgement

13. The SOM delegations expressed their appreciation to the Government of Azerbaijan and ADB for the hospitality and excellent arrangements made for the meeting.