



**Central Asia Regional Economic Cooperation
Summary of Proceedings
Senior Officials' Meeting
Manila, Philippines
16-17 April 2010**

I. INTRODUCTION

1. A Senior Officials' Meeting (SOM) of the Central Asia Regional Economic Cooperation (CAREC) Program was convened on 16-17 April 2010 in Manila, Philippines. The SOM agenda included: (i) proposals to commemorate the 10th anniversary of the CAREC institutional arrangements; (ii) progress report on the implementation of strategies and action plans for the transport, trade facilitation, energy, and trade policy sectors; (iii) approval of the CAREC Results Framework indicators, definitions, and data collection mechanisms; (iv) Pakistan's request for membership; (v) preparations for the Business Development Forum (BDF) in Urumqi; (vi) a performance assessment and new work plan of the CAREC Institute; and (vii) preparations for the 9th Ministerial Conference.

2. Mr. Said Mubin Shah, Acting Deputy Minister of Customs and Revenue, Ministry of Finance, Afghanistan, chaired the SOM. Mr. Juan Miranda, Director General, Central and West Asia Department, and Mr. Klaus Gerhaeusser, Director General, East Asia Department, Asian Development Bank (ADB), served as co-chairs.

3. Mr. Xiaoyu Zhao, Vice President, Operations Group 1, ADB, gave opening remarks. He thanked all CAREC countries for the trust and support to ADB as Secretariat of the CAREC Program. He stated that ADB is committed, and will continue to serve CAREC countries. He highlighted the importance of the SOM as an opportunity to sharpen the focus on strategies and action plans in the four priority sectors.

II. 10TH ANNIVERSARY OF CAREC INSTITUTIONAL ARRANGEMENTS

4. The first session of the SOM discussed possible commemorative activities for the 10th anniversary of the CAREC Program. It also discussed some institutional arrangements relating to sector committees. The SOM participants agreed to celebrate this milestone through a range of commemorative activities during the 10th CAREC Ministerial Conference in 2011. The SOM endorsed the proposal for a study aimed at taking stock of past work, while showcasing achievements made during 2001-2010. The study is also expected to recommend future strategic directions and actions for the Program for 2011-2020.

5. In addition to the study, the SOM considered proposals for a CAREC Summit of leaders, a road caravan along one of the corridors in the host city for the 10th Ministerial Conference, a

special dialogue meeting among ministers and business leaders from the region, the possibility of signing of a CAREC Cross-Border Transport Agreement (CBTA), and the possible announcement of a regional project covering border crossing points improvements and single window development.

6. It was noted that the overall institutional framework (OIF) for CAREC was endorsed by the CAREC Ministers (ad referendum) in 2002 which provided a basis for country ownership and should be revived in 2011. As noted in the paper establishing the CAREC OIF, the SOM confirmed that chairmanship of CAREC bodies (Ministerial Conference, SOM, and sector coordinating committees) should rest with the host country, and ADB, as CAREC secretariat, is mandated to provide coordinating, technical, financial, and administrative support to the OIF. This approach is to be reinstated starting in 2011.

7. The SOM deliberated the idea of a Leaders Summit, and Azerbaijan declared its willingness to host it. However, participants agreed that further study is required before deciding on this, what messages CAREC intends to convey, what CAREC results will be highlighted, and what would be the appropriate timing and preparation arrangements. The Secretariat will explore these issues and provide more information at the next SOM. It was also agreed that the decision to hold a summit will have to be made by the CAREC Ministers.

8. The proposed activities for a road caravan and CBTA were considered, but it was pointed out that CAREC should avoid overlaps with similar initiatives under other regional programs. The SOM supported the concept of the regional investment project on border crossing points and single windows.

III. SECTOR HIGHLIGHTS

9. The meeting included presentations on the progress and key issues related to the priority sectors. These reports covered the period since the Ministerial Conference in October 2009. Overall, satisfactory progress is being achieved in the respective work plans of the sector coordinating committees.

A. Transport and Trade Facilitation

10. The SOM was updated on the progress made in implementing the Transport and Trade Facilitation Strategy (TTFS) and Implementation Action Plan. By the end of 2009, 901 km of roads were built or improved, but this total was 25% short of the targeted 1,200 km. For railways, 781 km were completed by the end of the year, which was 35% below the target. Fifteen transport projects (5 aviation, 3 ports, and 7 logistics centers) are ongoing. Negotiations have progressed on the CBTA between the Kyrgyz Republic and Tajikistan, which is expected to be finalized at the fifth negotiation meeting to be held in Manila in May 2010. It is envisaged that the CBTA will be ready for signing by the time of the 9th CAREC Ministerial Conference in October 2010.

11. The SOM would like to see the main obstacles to the implementation of the TTFS and Action Plan addressed. The SOM called for remedial actions, including greater mobilization of financing, capacity building, and strengthening national level coordination. UNDP informed the SOM that it will examine the economic and social activities along corridors to identify necessary community-level actions. Delegates expressed the need for harmonization of border crossing procedures and improvement of border facilities.

12. The delegations of Uzbekistan and Azerbaijan informed the SOM participants about the International Inter-Modal Logistics Center Development at Navoi Airport project and several key transport investments and initiatives in Azerbaijan, including a new port. Delegations requested that additional investment projects be included and others amended in the Transport and Trade Facilitation Action Plan. These proposed changes will be addressed at the next Transport Sector Coordinating Committee meeting.

13. The SOM was informed about the efforts made toward strengthening the institutional mechanisms to successfully implement the TTFS and Action Plan. The Regional Joint Transport and Trade Facilitation Committee (RJC) held a meeting on 24 February 2010 in Tashkent, Uzbekistan. Strengthening the national joint committees (NJs) is ongoing and was cited as a key requirement. Another recent institutional achievement was the establishment of the CAREC Federation of Carrier and Forwarder Associations (CFCFA), which will play an important role in CAREC's trade facilitation sector.

14. Following the discussions, the SOM endorsed plans for transport and trade facilitation for 2010-2011, which include:

- Monitoring implementation of the transport component of TTFS.
- Undertaking an interim assessment of implementation progress.
- Holding the 10th Transport Sector Coordinating Committee meeting in July 2010.
- Improving infrastructure and facilities at priority border crossing points.
- Conducting training on simplified and harmonized procedures at border crossing points, adequate management of road assets, and integrated development planning.
- Working closely with the NJs for the preparation of the proposed regional border crossing points and single window project.
- Continuing the CAREC Corridor Performance Measurement and Monitoring for a second year.
- Seminars and courses for members of the RJC and NJs, along with other relevant officials.

B. Energy

15. The SOM was informed of the progress made with respect to existing projects. New energy investment projects were also identified. Some are already under development. In addition, diagnostic studies for each of the three pillars of the CAREC Energy Action Plan Framework have been initiated, and the SOM agreed that these studies will help establish a shared understanding of opportunities for cooperation and action. SOM participants discussed the current energy activities that primarily focus on the Central Asia energy corridor and will deliver investments, knowledge and capacity building, and policy advice in the three areas of the Action Plan Framework. The SOM concurred with the proposal to establish three sub-committees under the ESCC to work on the three pillars of the Energy Action Plan Framework.

16. Some delegations requested that new investment projects be included in the Action Plan Framework, including a project involving Kazakhstan, Kyrgyz Republic, and Tajikistan valued at approximately \$1 billion, and a \$5 billion project planned by Mongolia and PRC. These proposed inclusions will be addressed at the next Energy Sector Coordinating Committee (ESCC) meeting.

17. The ESCC will involve the energy regulatory bodies in each country to broaden the scope of the committee's activities as stated in the Action Plan. Furthermore, plans are underway to resume the CAREC Electricity Regulators Forum.

18. SOM delegates concurred with the ESCC's plans for a two-phase process to evaluate regional energy-water linkages, but a suggestion was made to also include ecology and water specialists in the sub-committee or working group mandated to do this service.

19. Tajikistan requested that the update on current operations of the power transmission system of Central Asia be included in the progress report and further studied in the proposed regional power sector master plan. ADB explained that the subject will be examined in the diagnostic studies on two pillars (energy demand/supply, and regional dispatch and regulation), and will be discussed at the ESCC meeting in July 2010 in Mongolia.

20. The SOM approved the energy sector work plan for 2010-2011, which consists of the following:

- Completing in 2010 the diagnostic studies on energy demand and supply balance; energy-water linkages; and regional dispatch and regulatory development.
- A schedule for ESCC meetings in Almaty, Ulaanbataar, Issyk Kul during 2010 and three other locations to be determined for 2011.
- Training on priority energy topics, including energy regulation.

C. Trade policy

21. The SOM was briefed on the progress made by the Trade Policy Coordinating Committee (TPCC). A TPCC meeting was held on 15 April 2010 just prior to the SOM. TPCC representatives informed the SOM that two more "mini-seminars" delivered by experts from the PRC and World Bank were held covering accession to the World Trade Organization (WTO). The TPCC agreed to prepare a two-year program for a series of knowledge sharing events on WTO accession, in line with the Trade Policy Strategic Action Plan (TPSAP).

22. The SOM was also informed about the status of a study on the institutional environment related to trade in CAREC countries, and the questionnaire for monitoring the implementation of the TPSAP. Work will continue on both activities and, in line with the suggestions by country representatives at the TPCC meeting, delegates will complete the questionnaire for 2009 by 30 April 2010, and provide inputs to finalize the institutional environment study by 15 June 2010 based on a list of priorities to be sent by ADB by 15 May 2010. The TPCC also approved the use of a composite indicator to monitor progress on trade liberalization.

23. The SOM approved the TPCC's work plan for 2010-2011, which includes:

- At least two TPCC meetings annually.
- Ongoing monitoring of the TPSAP's implementation, including consolidated annual progress reports.
- A two-year WTO accession knowledge sharing program.
- Completion of the institutional environment study.

IV. CAREC RESULTS FRAMEWORK

24. The SOM was updated on progress with the CAREC Results Framework. The CAREC Secretariat and the sector coordinating committees have been formulating a performance

monitoring mechanism that will enable the CAREC Program to measure achievements and benefits of project-based regional economic cooperation. The work since October 2009 has focused on identifying sets of performance indicators, definitions, and data collection mechanisms at all three levels of the results framework. To date, the indicators are at different stages of identification and confirmation.

25. The SOM supported the overall structure of the Results Framework with its three levels of indicators. Suggestions were made to reconsider where some of the indicators are placed in the framework, and how to improve indicators on gender and energy conservation and efficiency. It was also suggested to consider including benchmarks in the Results Framework, wherever possible, to measure the relative progress of CAREC with respect to others. The SOM also reiterated that the data collection process should place a minimal burden on the CAREC members and partners, and use existing data whenever possible. The CAREC countries and multilateral institutions will participate actively during data collection periods. The 2009 CAREC development effectiveness review will be prepared for the 9th Ministerial Conference.

V. OTHER ISSUES

26. The SOM considered Pakistan's request to join CAREC and the preparations for the Business Development Forum (BDF). The SOM deliberated Pakistan's January 2010 request to become the ninth member country. The SOM welcomed Pakistan's request to become a member of CAREC, and agreed that Pakistan will be invited to make a presentation on its application for CAREC membership at the SOM preceding the 9th Ministerial Conference.

27. In the meantime, each CAREC country will conduct the necessary internal consultations on the application for decision at the Ministerial Conference. The SOM reaffirmed that the current procedures for considering new members or partners of CAREC will remain in place.

28. An update was provided by PRC and ADB on the preparations for the BDF, tentatively scheduled for 29-30 July 2010 in Urumqi, PRC and hosted by PRC's Ministry of Commerce, Ministry of Finance, the Government of Xinjiang Uygur Autonomous Region, and ADB. The participants endorsed the proposed theme of the BDF as "Working with the Business Community for Renewed Prosperity." The SOM discussed the proposed format and agenda, and requested more details on the coverage, including exhibits, and preparations so that the governments and business community can maximize their participation at the event. A recommendation was made to review the results of the BDF in 2006 to assess outcomes and lessons learned.

29. Also during this session, IMF presented an assessment of the current global economic situation and its impact on the CAREC countries. IMF noted that the global economy is growing again and expected to reach 3.9% growth in 2010. However, it is expected that recovery would occur at different speeds for different countries. Several ongoing challenges were highlighted and IMF provided advice for policy priorities, such as continuing fiscal stimulus policies until recovery is clearly evident.

30. The country participants explained the various anti-crisis measures being undertaken, along with an outline of prospects for economic recovery this year. The SOM noted the value of sharing experiences and actions among CAREC countries.

VI. CAREC INSTITUTE

31. The SOM received an update on the CAREC Institute's activities over the past six months. In November 2009 the Public Sector Management Course (PSMC) was held in Astana and Bishkek, with over 80 public sector officials participating in the two deliveries. The second delivery of the Executive Leadership Development Program (ELDP) took place from 28 March to 3 April 2010 in Singapore. Twenty-eight senior officials from the CAREC countries participated in the six-day course that is designed to expose public sector executives to innovative approaches to leadership and to enhance their skills in change management and achieving results.

32. Progress was also reported on the continuous development of the CAREC Institute web site in English and Russian (www.carecinstitute.org). The Russian version of the site is nearly completed, with only some events and project descriptions remaining to be uploaded.

33. The CAREC Secretariat provided an outline for the assessment that will begin to review the outcomes of the CAREC Institute's activities to date and to formulate the second work plan. The SOM discussed the CAREC Institute's current activities and the next phase of development, including the issues of financing and whether to continue with the "virtual" arrangement or establish a physical institute. SOM endorsed the proposals and some participants called for flexibility, including knowledge-sharing products and coverage of high priority subjects such as trade policy, agriculture, and others. Trade agreement negotiations training was also suggested as a topic.

VII. COOPERATION IN INFECTIOUS DISEASES CONTROL

34. A special session was arranged for the SOM to hear about the successful example of regional cooperation in Central Asia on infectious diseases control. Two officials from the ministries of health in the People's Republic of China and Kazakhstan explained how the CAREC countries are working effectively not only with each other but with other Central Asian regional organizations and neighboring countries, mainly on information exchange, study visits, and cross border pilot projects. This cooperation involves coordination and joint activities across ministries in each country, with Turkmenistan and the Russian Federation, with other regional organizations, and with several multilateral institutions and bilateral donor agencies. The success factors and lessons for other CAREC sectors identified were:

- High-level advocacy within ministries
- Strong country ownership
- Building confidence with partners
- Having consistent, focused, and tangible outputs
- Sustainability

35. The SOM supports the initiatives, and further support will be considered by the multilateral institutions in CAREC.

VIII. PREPARATIONS FOR THE 9TH MINISTERIAL CONFERENCE

36. The SOM was informed of preparations for the 9th Ministerial Conference. The Chair from Afghanistan agreed based on the preferences of member countries and the secretariat, to hold the Ministerial Conference on 31 October to 2 November 2010 in Cebu, Philippines. Senior officials agreed on a theme for the Ministerial Conference of "Toward CAREC 2020."

37. A SOM will be convened on 31 October 2010 in Cebu followed by a day for bilateral and multilateral meetings among the CAREC countries and multilateral institutions.
38. The key deliverables for the 9th Ministerial Conference will include:
- Agreement on 10-year commemorative activities.
 - Report on the CAREC 10-year Commemorative Study.
 - CAREC Diagnostic Study Reports on Energy.
 - Progress reports on all priority sectors.
 - CAREC Program Results Framework and Development Effectiveness Review.
 - CAREC Institute Performance Assessment Report.
 - Agreement on Cross-Border Transport of People, Vehicles, and Goods.
 - A presentation from Pakistan on its request for membership.
39. Delegations and multilateral institutions were requested to ensure high-level participation at the forthcoming SOM and Ministerial Conference due to the importance of the 10th anniversary celebrations.

IX. CLOSING REMARKS

40. The two co-chairs made their closing remarks, thanking all of the delegates for their participation. Participants extended their appreciation to the Government of Afghanistan for chairing the SOM and allowing it to be hosted at ADB Headquarters.