

Summary Outcome of the April SOM

1. The Senior Officials' Meeting (SOM) on Central Asia Economic Cooperation was convened in Almaty, Kazakhstan on 15-16 April 2004. The SOM (i) reviewed the progress made after the 2nd Ministerial Conference held in Tashkent in November 2003 and the future course of actions proposed in energy and water, trade facilitation and transport; (ii) discussed the establishment of a sector coordinating committee on trade policy; and (iii) discussed ways of strengthening regional cooperation focusing on the Overall Institutional Framework (OIF) and the capacity of its components. The following summarizes the discussions and suggestions at the meeting. A brief record of each session's discussion is attached in Appendix.

Session 1: Progress and Work Plan of Priority Sectors

Energy and Water

2. The Delegates confirmed support for enhanced regional energy trade and building a regional power market, and noted the progress achieved since the 2nd Ministerial Conference (MC) in November 2003: (i) providing an analytical base for advancing the dialogue between concerned countries on short-term water and energy exchange issues, and longer-term investment in power infrastructure in Central Asia; and (ii) moving implementation of concrete power projects with a regional dimension forward. Progress includes:

- The WB completed a report on the Water and Energy Nexus in the Syr Darya Basin;
- The WB presented in KGZ, KAZ, TAJ and UZB the preliminary results of an ongoing analysis of Central Asia Hydropower export potential within and outside the region;
- Experts from KGZ, KAZ, UZB and TAJ under CACO have developed and submitted to the IFIs, for comments, initial joint proposals on the creation of a Water-Energy Consortium
- The signing of the UZB-TAJ Power Transmission project funded by ADB and EBRD; and,
- The signing of the KAZ North-South Transmission line project partially funded by EBRD.

3. The country delegates endorsed proposed steps to be taken in preparation to the next SOM planned for September 2004, as follows:

- MIs to continue facilitating the dialogue between the countries concerned on improvement of the existing water and energy exchange;
- WB to complete analysis of regional power export potential and initiate dissemination of findings and conclusions;
- MIs to contribute to development of the proposed Water-Energy Consortium;
- Signing of power trade relations agreement between UZB and TAJ; and
- MIs to work towards mobilization of appropriate funding to support training and knowledge acquisition and dissemination activities for expert and policy makers.

Trade Facilitation

4. The country delegates expressed satisfaction with the progress made to-date in customs cooperation;

- The signing of a transit agreement between KGZ and KAZ on 26 March 2004;
- Drafting of a data-sharing agreement between KGZ and PRC on 22 February 2004; and
- Preparation of a framework agreement on customs cooperation between PRC and UZB.

5. The country delegates broadly endorsed a draft work plan consisting of (i) training and knowledge sharing, (ii) bilateral customs cooperation, and (iii) support for country-specific trade facilitation initiatives.

- Training will be focused on customs-related WTO agreements and the Revised Kyoto Convention. A Customs Coordination Committee forum will be conducted annually to facilitate sharing of country knowledge and lessons learned.
- A key bilateral activity will be the establishment of an internet platform for dissemination of customs regulation and customs data as jointly proposed by KAZ and PRC Customs.
- Support for; (i) the design and implementation of the customs modernization strategies and investment plans carried out by the KGZ and TAJ Customs; (ii) PRC's accession to the TIR Convention; (iii) KAZ proposal to develop "one-stop" border processing; and (iv) training and design of risk management system requested by KAZ and UZB customs.

Transport

6. The country delegates reaffirmed transport as one of the priority areas for cooperation in Central Asia as a means to promote sustained economic growth and alleviate poverty reduction. The delegates expressed strong commitment to work jointly in the sector, and appreciated the practical and result-oriented approach of the IFIs. A joint IFI paper outlining the IFI cooperation in the transport sector was presented.

- The delegates endorsed the approach and the general thrust of the IFI paper.
- The delegates appreciated the progress made since the 2nd MC and endorsed the Work Plan to the 3rd MC.
- The delegates appreciated the approach of IFIs on enhanced sector coordination and endorsed the purpose and objectives of sector coordination. The delegates endorsed the holding of the Sector Coordinating Committee meeting in June 2004 and confirmed to advise the National Focal Points for the Transport Sector by 30 April 2004 to ADB.
- The delegates appreciated the lending and non-lending work program and made suggestions for consideration.
- The PRC delegate made a proposal that CAREC countries start negotiating a Regional Transport Agreement; broad support was expressed by the country delegates and MIs.
- The delegates made suggestion for (i) PRC-MON-Russia road link (MON), (ii) Trans Kazakhstan railway link (KAZ), (iii) investments in road maintenance (WB), and (iv) support for aviation sector (EBRD).

Session 2: Proposed Sector Coordinating committee on Trade Policy

7. The country delegates recognized the importance of addressing trade policy issues. Several suggestions were made on how to proceed on this, including;

- Priority should be given to assisting countries to accede to the WTO, including analysis of the benefits of the membership;
- The committee needs to assess current trade policies and trade policy initiatives, and address ways of promoting trade through trade liberalization;
- The committee should meet on a regular basis, at a senior (deputy minister) level;
- The interests of the private sector should be carefully reflected; and
- The committee will require adequate resources to be effective, and therefore a partner or partner agencies will need to commit to long-term assistance.

8. IMF representative noted that IMF has limited capacity to undertake activities required for establishing and running the sector coordinating committee on trade policy. It was agreed that MIs and CAREC member countries would consult further on how to proceed with this committee, and report back to the next SOM.

Session 3: Strengthening Regional Cooperation

Capacity Building

9. The country delegates noted the importance of capacity building at the national level, so as to strengthen the ability of CAREC member countries to plan and implement regional cooperation initiatives. The delegates welcomed ADB's technical assistance for capacity building. In implementing the technical assistance, the following points should be considered.

- Tailoring of the assistance to the needs and priorities of the individual countries;
- Flexibility in the overall allocation of use of funds, with the possibility of reallocation so as to give greater emphasis to priority concerns;
- Strengthening of the National Focal Points, including regular communication among the NFPs and with the Secretariat, and the ability to better integrate national and regional initiatives;
- Focus on highly practical measures, including greater exchange of information; a periodic news letter should be widely circulated, reporting on recent developments and events concerning regional cooperation; and
- Guidance on medium to longer-term capacity building requirements, providing a framework for co-financing.

10. The country delegates endorsed greater participation of the private sector in the CAREC Program, and recommended that as a first step the Sector Coordinating Committees should endeavor to include the private sector in their deliberations. Longer-term, consideration could be given to the establishment of a CAREC Business Forum.

Institutional Mechanisms

11. The country delegates confirmed that the Overall Institutional Framework has proven effective. They agreed that the following principles should guide continued application of the OIF:

- The Ministerial Conference should be a forum for consensus, and not a forum for voicing differences;
- The SOM is a forum for frank and open exchange; issues should not be raised with Ministers until vetted by the SOM; the SOM should report agreements reached to the Ministers;
- Consensus should mean YES and/or NO POSITION;
- Differences expressed during the SOM and leading to no consensus should be recorded in separate minutes;
- The role of the SOM should be strengthened, including by twice-yearly meetings;
- Each priority sector of the CAREC Program should have a Sector Coordinating Committee, and the appropriate national representatives should be nominated by 30 April 2004;
- Each Committee should have a road map, undertake in-depth analysis of obstacles to regional cooperation and of proposed regional initiatives, determine its resource requirements, and seek co-financing support;
- The focus should be on areas of agreement; caution should be exercised before expanding the scope of the CAREC Program to include new areas;
- A results-oriented approach should govern all SCCs; and
- Every effort should be made to most efficiently coordinate with other regional cooperation initiatives, including participation of the same sector experts;