



Central Asia Regional Economic Cooperation Program

**CENTRAL ASIA REGIONAL ECONOMIC COOPERATION PROGRAM
SENIOR OFFICIALS' MEETING
Bangkok, Thailand
17–18 June 2015**

SUMMARY OF PROCEEDINGS

I. Introduction

1. A Central Asia Regional Economic Cooperation (CAREC) Senior Officials' Meeting (SOM) was held in Bangkok, Thailand on 17–18 June 2015. Delegations from CAREC member countries and representatives of CAREC multilateral institution (MI) partners participated in the Meeting. Georgia was also represented as an observer¹. Mr. Gantsogt Khurelbaatar, State Secretary of the Ministry of Finance, CAREC National Focal Point (NFP) for Mongolia, chaired the meeting. Mr. Sean O'Sullivan, Director General, Central and West Asia Department (CWRD), Asian Development Bank (ADB), and Mr. Ayumi Konishi, Director General, East Asia Department (EARD), ADB, co-chaired the meeting.

2. The objectives of the SOM were as follows: (i) discuss the progress of the Almaty-Bishkek Corridor Initiative (ABCI); (ii) provide guidance on the proposed cooperation in sanitary and phytosanitary (SPS) measures; (iii) discuss the updates and key issues in the four priority sectors of CAREC (transport, energy, trade facilitation, and trade policy); (iv) provide guidance on the proposal of a high-level commitment to improving road safety; (v) deliberate and provide guidance on the outcomes of the first and second meetings of the CAREC Institute (CI) Governing Council, including the CI's Work Program for 2015–2016; and (vi) deliberate on the structure of the 14th CAREC Ministerial Conference in Ulaanbaatar, Mongolia. The agenda and participants are in Appendix 1.

II. SOM Highlights

3. The SOM was updated on implementation of the ABCI launched at the 13th Ministerial Conference in 2014 with signing of a Memorandum of Understanding between the two cities. Subsequently, a Joint Working Group (JWG) has been established by the two countries. In its first meeting, the JWG agreed to prepare a conceptual framework and analytical approach to the ABCI, which has now been completed. Work is ongoing in the six areas prioritized by the JWG for analysis: long-term city planning, agri-business and food security, education, health services, tourism, and logistics and infrastructure development. The ABCI is using a sequenced approach based on spatial tools to develop an actionable program of investment projects, policy reforms and institutional innovations. The JWG will also consider resource mobilization anchored on exploring a dedicated fund for ABCI investments. The Phase I Report of ABCI will be completed by March 2016 along with finalization of a prospectus to solicit investment resources from traditional and emerging financial stakeholders in the region and the private

¹ The CAREC Secretariat will agree with the CAREC member states on invitations to other countries or other 3rd parties to the CAREC Program activities in future in advance.

sector. This would be followed by more detailed analysis and dialogue on associated policy issues, culminating in a final report for development of the Almaty Bishkek economic corridor by September 2016. The SOM expressed appreciation on the progress of ABCI and noted its potential for application in other member countries for both domestic and cross-border economic corridors.

4. The SOM was briefed on the implementation progress of the project on Promoting Cooperation in Sanitary and Phytosanitary Measures (SPS) for CAREC related to (i) a regulatory assessment of SPS-related legislation and gaps in compliance with the WTO SPS Agreement; (ii) a laboratory assessment using basic standards in gauging the adequacy of equipment and facilities to perform essential tests; and (iii) an assessment of SPS border services management that also involves other relevant agencies in border management. Based on these assessments, the report recommended a Common Agenda for Modernization of SPS Measures for Trade Facilitation (CA-SPS) consisting of regulatory and legislative reforms, upgrading of laboratory equipment and facilities, and capacity building. SOM requested to have copies of the report to understand the details better. Provided no objections are received from the CAREC countries by end of June 2015, the SOM agreed that the CA-SPS will be further discussed at the NFP Meeting in August 2015, during which it will be decided whether the CA-SPS will be initiated at the 14th Ministerial Conference for adoption.

5. The SOM reviewed progress in the four priority sectors and discussed key issues that need to be addressed.

In transport, the SOM endorsed the Transport Sector Progress Report and Work Plan 2015–2017, and commended the progress made in the implementation of the CAREC Transport and Trade Facilitation Strategy 2020 (TTFS 2020). The SOM noted that transport sector achievements under the TTFS 2020 exceeded the 2014 targets. The SOM endorsed new initiatives under the Work Plan 2015-2017 including (i) a strategy paper on the future direction of CAREC railways; (ii) the CAREC road safety strategy; (iii) the compendium of best practices on road asset management; (iv) further work to support freedom of transit across CAREC countries; and (v) continued development of a Geographic Information System (GIS) database for monitoring TTFS 2020 implementation. The SOM highlighted that these new initiatives are well placed to complement the hard infrastructure investments under TTFS 2020, moving CAREC transport corridors towards greener, safer, more efficient and sustainable ones. The SOM welcomed the nominations by each country of their technical focal points on (i) roads; (ii) railways; and (iii) transport and trade facilitation and agreed that these nominations be submitted by end June 2015.

In energy, the SOM noted the progress made in the six elements of the Energy Work Plan (EWP) 2013–2015. The SOM took note that work on the formulation of the successor EWP for 2016–2020 is being developed and expected to be finalized and endorsed by the ESCC by September 2015. The EWP for 2016–2020 will include a new element --- promoting clean energy and energy efficiency technologies --- to support technology leapfrogging in the region. The SOM was informed that in parallel with the preparation of the EWP 2016–2020, the Energy Strategy 2020 will be formulated focusing on the areas of renewable energy and energy efficiency policies; investments in cross-border energy transmission; facilitation of access and transit to third country markets; development of sustainable energy resources; and building capacity for energy trade, energy efficiency, new technology and climate change.

In trade facilitation, the SOM noted progress in priority customs cooperation initiatives related to accession to the Revised Kyoto Convention, joint customs control, coordinated border management, risk management, regional transit and ICT modernization and data exchange. The SOM urged countries to give greater priority to strengthening coordination between the CAREC bodies on trade facilitation and trade policy. The SOM also noted the progress achieved in launching and implementing the Regional Improvement of Border Services (RIBS) project and the Regional Upgrade of SPS Measures for Trade (RUST) project. The SOM was also updated on the plans to organize the 3rd Trade Facilitation Learning Opportunity regarding the experience of dedicated railway express service, and plans to initiate immigration cooperation as part of coordinated border management between the PRC and Mongolia.

In trade policy, the SOM noted the progress made in the implementation of the Trade Policy Strategic Action Plan (TPSAP) 2013-2017. It was also recognized that the implementation of policy actions under the updated TPSAP is more challenging than the simple removal or reduction of old command and control trade barriers. In this regard, the SOM noted that close collaboration with, and assistance from, the multilateral development institutions and the donor community are paramount to ensuring successful implementation of the TPSAP. In particular, the SOM urged member countries to seek the support of international partners in initiating a stock taking exercise on (i) the degrees of SPS and technical barriers to trade (TBT) measures prevailing in member countries; and (ii) existing bottlenecks to the expansion of trade in services. Finally, the SOM welcomed the data submission by all member countries regarding performance against TPSAP end-2014 targets and agreed to work towards ensuring continued full participation by member countries going forward.

6. The SOM recognized the importance of addressing road safety challenges in the CAREC region, and the opportunity that regional cooperation provides in taking a consistent approach to road safety as part of developing transport and transit corridors. The SOM acknowledged that there are benefits to be gained from joint action in 10 areas, namely: (i) data collection; (ii) research; (iii) capacity development; (iv) road standards; (v) vehicle safety; (vi) enforcement; (vii) awareness and education; (viii) post-crash response; (ix) partnerships; and (x) regionally-shared approaches. The SOM endorsed this initiative for consideration of the 14th Ministerial Conference and welcomed further suggestions and recommendations for refinements.

7. The SOM appreciated that the CAREC Institute (CI) has been launched in March 2015 and that the Director and Deputy Director 1- designate of the CI will assume their posts in Urumqi from 1 July 2015. The SOM noted that since the CI was launched, the CI Governing Council has met twice and reached agreements on the following: (i) the establishment of the Recruitment and Selection Committee (RSC), and the Budget and Audit Committee (BAC) including their composition and chairmanship; (ii) adoption of the Rules of Procedure of the Governing Council; and (iii) endorsement of the CI's operational work program for 2015. The SOM supported the Governing Council's decision to adopt the following immediate next steps in discussing the draft Intergovernmental Agreement (IGA) establishing the CI as an international organization: (i) the NFPs will review the draft and provide their views to the CAREC Secretariat by first week of July 2015; (ii) based on the comments received, the CI will revise the draft for circulation in the first week of August 2015; (iii) the revised draft will be discussed at the Special NFP Meeting in late August 2015; and (iv) in due course, the draft IGA which all the NFPs feel comfortable with, will be circulated to the CAREC countries through diplomatic channels.

8. The CAREC Secretariat clarified that while operational issues of the CI are within the purview of the Governing Council, the matter of the IGA falls within the purview of the SOM. The Secretariat drew attention of senior officials on two fundamental principles and understanding for the launch of the physical base of the CI, namely, (i) regardless of the number of signatories required for the effectivity of the IGA, the Governing Council will continue to be comprised of all NFPs of the CAREC countries with the same rights in making decisions in governing the CI; and (ii) regardless of the amount of contributions made, all CAREC members will enjoy equal rights to participate in the activities of the CI.

9. The SOM was briefed on the highlights of the 2014 Corridor Performance Management and Monitoring (CPMM) Annual Report which consisted of over 2,700 data samples split between road (80%) and rail (20%) shipments. The report shows that all trade facilitation indicators (TFIs) improved in different degrees, with the exception of the time taken to cross a border crossing point (BCP) (TFI1), which lengthened from 10 hours to 14 hours due to substantial delays encountered in some BCPs. Border crossing time for railways also increased slightly. Improvements were registered for all other TFIs and including costs incurred at a BCP; costs incurred to travel a corridor section; and speed to travel on a CAREC corridor section. The SOM appreciated the plans to expand the CPMM to cover the Designated Railway Corridors and trade logistics services to support the implementation of the TTFS 2020. The SOM emphasized the need for further trade facilitation efforts especially for improving the overall efficiency of the BCPs and along the corridors, to fully realize the expected outcomes from investments in physical infrastructure.

10. The representative from Georgia shared the country's practice on coordinated border management (CBM) which mainly involved close coordination between the Revenue Service and the Patrol Police, streamlining the bureaucratic structure, and promoting inter-agency cooperation. For instance, the Georgia Revenue Service and the Patrol Police now jointly use a passport database. Through the application of ICT in CBM, business entities can avail themselves of the full range of services ranging from registration, notifications and declarations. Border clearance required data are processed and exchanged among border agencies electronically to ensure where and when to efficiently conduct the monitor and inspection of goods. Advance exchange of information of goods and transport means crossing the border was done at the entry point and shared with exit countries electronically to expedite customs procedures.

11. The SOM was briefed on the results of an ADB-funded research on Climate Change and Sustainable Water Management in Central Asia where the range of adaptation tools suitable for region was analyzed. The project used scenarios drafted by the Intergovernmental Panel on Climate Change to model changes of climate change parameters in Central Asia. The study indicated that warming in Central Asia is likely to be strongest in the mountains and glacier loss is likely to increase, leading to water stress and flooding with unique impacts on agriculture, water availability, energy generation, and transport. Opportunities for cooperation in climate change include addressing cross-border impacts, research and forecasting, mitigation and adaptation technology transfer, and emissions trading. The study showed that the most cost-effective adaptation measures for Central Asia are improving agricultural practices, adopting deficit irrigation, increasing the reuse of water in agriculture, and reducing the area under irrigation. SOM recognized the complexities of climate change and the need to approach the subject cautiously.

12. The SOM agreed that the 14th Ministerial Conference (MC) would be held in Ulaanbaatar, Mongolia in September 2015 and would carry the long-standing theme—Linking

Connectivity with Economic Transformation in CAREC—which was agreed to be carried through 2020. It would be structured as a three-day event, comprising the Senior Officials' Meeting, an Investment Forum, and the Ministerial Meeting. The main deliverables for the 14th MC include (i) Investment Forum: Better Connectivity for a More Integrated CAREC Region and Greater Diversification of CAREC Economies; (ii) Commitment to Improving Road Safety in CAREC: Ten Actions to Make CAREC Corridors Safer; (iii) CAREC Energy Strategy 2020 and Energy Sector Coordinating Committee Work Plan 2016–2020; and (iv) subject to further discussions, initiating the CAREC Common Agenda for the Modernization of SPS Measures for Trade Facilitation to comply with international standards and practices.

13. The SOM expressed its appreciation to the Government of Mongolia, particularly the Ministry of Finance, for hosting the meeting. The SOM likewise expressed its thanks to ADB for helping organize and conduct the meeting. The SOM extended its appreciation to CAREC's other partner multilateral institutions that participated in the meeting, namely, the International Monetary Fund, the United Nations Development Programme, and the World Bank. Finally, the SOM acknowledged Georgia's valuable contributions as observer.