



CENTRAL ASIA REGIONAL ECONOMIC COOPERATION

Summary of Proceedings Senior Officials' Meeting August 2006

1. A Senior Officials' Meeting (SOM) on Central Asia Regional Economic Cooperation was convened in Urumqi, Xinjiang Uygur Autonomous Region, PRC, on 28-29 August 2006. Senior officials discussed the draft Comprehensive Action Plan (CAP) and the strategic direction of the CAREC Program, reviewed the progress made since the 4th Ministerial Conference (MC) held in Bishkek, Kyrgyz Republic, in November 2005 and received sector updates on the four priority areas: transport, trade policy, trade facilitation, and energy. The SOM endorsed Transport Sector Coordinating Committee proposals for (i) an Action Plan on Harmonization of Regional Transport Regulations and Cross-Border Agreements, and (ii) a proposal for ADB technical assistance for a CAREC transport sector strategy study. In addition, the SOM was updated on preparations for the CAREC Business Development Forum, discussed special projects in the areas of regional disease surveillance, avian/human influenza, environmental initiatives and disaster management and preparedness, as well as research networks and capacity building. Senior officials were also apprised of the Central and South Asia Transport and Trade Forum (CSATTF), the CAREC outreach program, and arrangements for the 5th MC.

2. Delegations were present from the eight CAREC participating countries: Afghanistan, Azerbaijan, People's Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. Representatives from the six Multilateral Institutions (MIs) including the Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank contributed to the proceedings.

3. Mr. Ju Kuilin (Deputy Director General, International Department, Ministry of Finance, PRC) chaired the SOM. In his opening remarks, Mr. Ju welcomed delegates and suggested two important results of the SOM would be (i) endorsement of the proposed CAP for submission to the 5th MC, and (ii) endorsement of the concept of a two-tiered approach to the broadening and deepening of the CAREC Program. Mr. Ju also highlighted the importance of establishing regional research networks and support for capacity building initiatives to strengthen the effectiveness of regional cooperation efforts. Mr. Ju reaffirmed his Government's strong commitment to cooperation with CAREC countries and its firm support for the CAREC Program.

4. Mr. Yao Xianbin (Deputy Director General, Central and West Asia Department, ADB) co-chaired the meeting. Mr. Yao expressed high appreciation to the PRC Government and the Xinjiang UAR authorities for hosting the SOM and other CAREC meetings on transport in Urumqi over the past week. He also noted the importance of this SOM to preparations for the 5th MC. He encouraged senior officials to engage one another in active and focused discussions during the SOM, with the objective to bring forward concrete and significant deliverables for consideration by Ministers in October 2006.

I. Proposed Comprehensive Action Plan (CAP)

5. Mr. David Husband (Senior Advisor, CAREC Program) provided an overview of the proposed CAP. As directed by the April SOM, the document was developed in close consultation with participating countries including a series of in-country workshops. His

presentation discussed (i) the strategic framework of the program, including its goals, objectives, outputs and outcomes; (ii) priority investments and initiatives; (iii) preliminary performance indicators; (iv) the core pillars of knowledge and capacity building, regional infrastructure networks, trade/investment/business development, and regional public goods; and (v) the sector scope of the program and a two-tier approach to broadening and deepening the program in which first tier work remains focused on the CAREC priority areas while special projects can be undertaken as second tier work.

6. Country delegations broadly endorsed the CAP as an important strategic document to guide CAREC's medium-term planning and implementation. Country delegations provided substantive comments, highlighting a number of salient points:

- It was recommended that regional cooperation should be mainstreamed into the development plans of participating countries and the programs of partner MIs, as appropriate;
- The two-tier approach provide a pragmatic way to ensure continuing focus on the four priority sectors while enabling the program to explore new areas of potential cooperation and contribute to pressing needs in the region;
- The program should move forward on project and policy initiative simultaneously, the two go hand-in-hand;
- The CAP is a flexible document and will be reviewed and updated as needed; and
- The results framework will be a key component of the document.

7. Country delegations also made several suggestions for improving the CAP. These included the need to:

- develop pragmatic performance indicators;
- accept the flexible nature of the document and appreciate that lists of ongoing projects and project pipelines are subject to change and will require regular updating;
- achieve a comprehensive understanding of the regional cooperation plans and initiatives of the broad range of development actors active in the region; and
- develop clear criteria for the prioritization of projects within the program.

8. Country delegations requested the CAREC Secretariat to incorporate the comments and suggestions made by senior officials when revising the draft CAP, with the view to presenting the revised draft to the Ministers for their endorsement when they meet at the 5th MC.

9. Mr. Nodir Safaev (Senior Advisor for Uzbekistan, CAREC Program) discussed approaches for operationalizing the CAP including the need to mainstream regional cooperation into the national development plans of participating countries and the programs of MIs, and the potential establishment of a Strategic Management and Priorities Subcommittee to lead strategic management of the program. Mr. Safaev outlined the proposed work of the committee to include (i) identification of priority regional needs and opportunities; (ii) management of cross-cutting issues such as economic corridors and access to global value chains; (iii) review of MI pipelines and participating country development plans; (iv) identification of gaps in the program; and (v) formulation of notional budget envelopes and resource prioritization. He indicated the committee would be supported by budget resources, the sector steering committees, and advisors; and that it would report to the SOM.

10. Establishment of the proposed committee was favorably received and delegations requested the CAREC secretariat to further develop the proposal in terms of the structure, make up, and role of the committee for consideration at a future SOM. The secretariat will develop the concept to clarify the proposal and include an evaluation element for discussion at the SOM in April 2007.

II. Private Sector Focus

11. Mr. Masaru Honma (Director, Central Asia, EBRD) provided an update on preparations for the CAREC Business Development Forum (BDF). The proposal to convene a BDF was made and adopted at the April SOM. The BDF is an initiative designed to examine the region's priority investment opportunities and how to overcome the existing obstacles to investment in five priority sectors: energy, mining, agribusiness, finance, and tourism and related services. Approximately 250 senior business people and policy makers are expected to attend the forum. Mr. Honma outlined the objectives of the BDF and its role within the broader CAREC Program. The BDF be held in Urumqi on 16-17 October, immediately prior to the 5th MC, to allow for high-level networking opportunities and to permit a report on BDF outcomes to be presented to the 5th MC. Senior officials confirmed that they have no objection to the BDF being convened with the support of ADB technical assistance.

12. Ms. Yuriko Shoji (Resident Representative, UNDP/Kazakhstan) reported on the successful Xi'an Investment Forum of UNDP's Regional Silk Road Project which links the Central Asian Republics with the PRC. At the Forum, delegations recognized that the potential for economic and social development of individual countries depends upon their ability to pursue regional economic integration. She also found the two-tiered approach of CAREC Strategy encouraging and reiterated UNDP's support for cooperation in the field of human development and social-economic sectors to complement CAREC's priority areas.

III. Broadening and Deepening the CAREC Program

13. Senior officials addressed possible broadening and deepening of the CAREC Program. Dr. Husband reported on views and perspectives expressed by CAREC officials expressed both during in-country workshops and in earlier sessions of the SOM, that the Program should maintain its focus on the core sectors - transport, trade and energy. He also noted that delegates had endorsed the two-tier approach to CAREC initiatives, whereby the first tier would include the core sectors while the second tier would include special projects or initiatives in additional sectors. This would allow building on success, expanding the Program in a pragmatic and results-based manner. Deepening of the Program should include policy initiatives as complements to infrastructure and other projects, as well as initiatives such as transport corridors and integration of the work of the transport and trade committees. Strategic direction and management of the CAREC Program will involve both broadening and deepening of the Program, through mainstreaming and other initiatives. The delegates endorsed the proposed approach, as already agreed during Session 1 of the SOM.

IV. Special Projects/Regional Public Goods

14. Dr. Jacques Jeugmans (Principal Health Specialist, ADB) and Dr. Peyvand Khaleghian (Health Specialist, World Bank) briefed senior Officials on CAREC activities in Avian Influenza and a proposal to expand this work to include harmonization of disease surveillance protocols in CAREC. It was acknowledged that infectious disease surveillance is both a regional economic issue and a regional public good. Recent experiences with SARS and Avian Influenza provide a clear example of the need for regional collaboration, information-sharing and harmonization with regard to infectious diseases, as does HIV/AIDS. Senior Officials endorsed in principle expanding CAREC's existing work on Avian Influenza to include an effort to harmonize infectious disease surveillance in CAREC as a specific project in the second tier. This would be implemented over the coming year and would gauge the interest of CAREC members for further regional collaboration on infectious disease control. The specific objective would be to meet requirements outlined in the International Health Regulations (2005) on developing "standardized approaches for

readiness and response to major epidemic-prone diseases.” It was agreed that ADB will coordinate this effort from the CAREC secretariat in Almaty and that technical agencies—WHO and US/CDC in particular—would be invited to provide technical input. The World Bank would also be involved. Delegates appreciated CAREC’s and ADB’s support for regional Avian Influenza activities, including the conference in July 2006, and pointed out the need for coordination between these activities and those of other stakeholders. It was agreed that progress on the Avian Influenza and Disease Surveillance work would be reported at each SOM and reviewed at the end of 2007 for a decision on future measures.

15. Mr. Robert Everitt (Senior Project Specialist/Natural Resources Management, ADB) made a presentation on Environment Initiatives and Disaster Management and Preparedness. He discussed the environmental issues and natural hazards in Central Asia, looked at the current situation of environmental management and disaster risk management, and discussed ongoing efforts at regional cooperation. In general, three areas for increased regional cooperation were proposed: (i) integrating environmental and social considerations into development planning; (ii) capacity building in environmental management and environmental monitoring; and (iii) management of shared environmental resources. It was proposed that a small task force be created to explore mechanisms for increased regional cooperation. The SOM proposed that special projects or initiatives be identified for incorporation of the Comprehensive Action Plan (CAP) as second tier special projects. Suggestions were made for projects on land management, transboundary hazardous waste management, and water resource management in the context of energy. The SOM also expressed the desire for a small task force to further explore mechanisms for cooperation and to facilitate identification of appropriate and relevant special projects for incorporation into the CAP.

16. Mr. Chen Huan (Director, International Department, Ministry of Finance, PRC) briefed the SOM on proposals to establish research networks and capacity building initiatives under a CAREC Institute to strengthen research and the capacity of country officials working in support of regional cooperation. The proposed institute would have three primary functions: (i) develop research networks to support existing and new research in relevant areas; (ii) expand dialogue to share information among CAREC participating countries and make high quality research and analysis available to decision makers and other stakeholders, and (iii) establish a capacity building program to build organizational and technical skills required to increase the efficiency and effectiveness of regional cooperation. The capacity building aspect would follow the model used in the Phnom Penh Plan developed in the Greater Mekong Subregion. Mr. Chen sought delegates’ comments on the proposed institute and indicated that a more formal proposal may be presented to the 5th MC for Ministerial endorsement. Delegates endorsed the proposed initiative agreeing to the need for focused and practical research in areas relevant to regional cooperation in CAREC participating countries and suggested the institute should make use of existing research capabilities and expertise within the region.

V. Other Program Activities

17. Mr. Haruya Koide (Principal Regional Cooperation Specialist (Infrastructure Finance), South Asia Department, ADB) made a presentation on the profile and progress of the Central and South Asia Transport and Trade Forum (CSATTF), covering Afghanistan and its surrounding countries and addressing both positive and negative aspects of transport and trade facilitation. In conducting CSATTF activities, ADB has maintained close partnerships with the CSATTF member countries and its partners active in the subregion in order to maximize the impacts by ringing in knowledge and expertise from the member countries and partners. In addition, the CSATTF customs improvement program has been developed, ensuring full compatibility with the customs program of CAREC and the guidelines of the World Customs Organization (WCO). Both CAREC and CSATTF have adopted corridor

approaches to address transport and logistic issues along the major transport corridors connecting Central Asia and South Asia systematically. During the first two years of CSATTF operations, about 42% of the CSATTF corridors have been or are being improved leaving about 18% requiring for rehabilitation as compared to 60% identified for rehabilitation before CSATTF interventions. ADB has actively reviewed financing requirements for the regional road infrastructure and the CSATTF border facilities and has continued to do so after the transfer of the CSATTF management to the Central and West Asia Department in response to a realignment of country departments within ADB effective May 2006. Participants supported the approaches taken under CSATTF and CAREC.

18. Mr. David Kruger (Senior Regional Cooperation Programs Specialist, ADB) presented an overview of the CAREC Outreach Program, highlighting the direction from Ministers at the 4th MC to expand understanding of the potential benefits of regional cooperation and to undertake outreach activities aimed at building a stronger constituency in support of cooperation. Mr. Kruger noted that outreach activities have followed this Ministerial direction with a focus on consultations and workshops designed to expand understanding of the program and its goals by a broader network of officials in ministries and agencies in participating countries. He noted that the planned Business Development Forum is expected to strengthen outreach to the international business community, a goal discussed at various points in the SOM by a number of delegates.

19. Mr. Zhang Yuebin (Director, International Department, Ministry of Finance, PRC) advised that CAREC's long-term vision statement is "Good Neighbors, Good Partners, Good Prospects" and that the 5th MC's theme is "Partnership for Development." Key messages to guide discussions at the 5th MC include the need to: (i) accelerate the momentum of regional cooperation, (ii) mobilize more technical and financial resources, (iii) develop strategic frameworks for each priority area, (iv) complete the CAP, (v) identify "bold strokes", (vi) push the frontiers of economic cooperation, (vii) expand outreach activities, and (viii) engage the private sector in CAREC. Senior officials were requested to ensure that the opening statements of Ministers at the 5th MC address each of these key messages.

20. Mr. Zhang also provided a broad framework for the joint ministerial statement that would review program achievements, set an agenda for future activities in accord with the vision statement, and reaffirm countries' commitment to the program. Given this will be the 5th MC, it would provide incentive and ownership to participating countries if Ministers would adopt or sign the statement. The Joint Ministerial Statement would be referred to as the "Urumqi Declaration."

21. Mr. Zhang informed the SOM of logistical preparations and requested delegations to inform the PRC by 25 September 2006 of the composition of their delegations. Senior officials requested the Secretariat to prepare and submit to participating countries by 30 September 2006 a draft joint ministerial statement for consideration.

VI. Special Presentation

22. Mr. Ganeshan Wignaraja (Senior Trade Economist, ADB) presented a summary of the paper *Central Asia's Economy: Economic Revival, Industrialization, and Prospects to 2015*, noting Central Asia's economic growth has accelerated significantly in recent years, representing a remarkable turnaround for the region. Mr. Wignaraja explained that ADB's new regional cooperation and integration strategy paper seeks to guide its future support on regional cooperation as a means of poverty reduction in Asia and the Pacific.

VII. Closing Session

23. Participants expressed high appreciation to the PRC Government including the Ministry of Finance and the Xinjiang UAR authorities for their very warm hospitality and the excellent meeting arrangements.

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