



**Central Asia
Regional Economic
Cooperation**

An Institutional Framework for Facilitating Economic Cooperation in the Central Asia Region

AN INSTITUTIONAL FRAMEWORK FOR FACILITATING ECONOMIC COOPERATION IN THE CENTRAL ASIA REGION

I. BACKGROUND

1. Countries in the Central Asia region face a number of long-term development challenges posed by remote geographical location, small domestic markets and the need for rational use of complementary resources. These challenges can be best met through the development of regional markets. This is the rationale underlying the importance of economic cooperation, which complements national development strategies for achieving sustainable economic growth and higher living standards.

2. The Asian Development Bank (ADB) initiated a program (the Program) in 1997 to support and encourage economic cooperation in the Central Asia region. The Program is fundamentally results-oriented and pragmatic. Its sectoral focus on transport, energy and trade aims at addressing the key development challenges discussed above, through financing regional infrastructure projects and undertaking related policy improvements. This approach has won strong support and active participation of the countries in the region.

3. As the Program grows in breadth and depth, there is an increasing need for strengthening its overall planning, prioritization and effective implementation to ensure that limited resources continue to be used to serve the best overall interests of the countries in the region. ADB and the participating countries have been in consultation on establishing an overall institutional framework as an effective mechanism to facilitate achieving this goal. The framework will provide a regular forum for joint high level discussions by government representatives and ADB on the overall direction and key policy decisions concerning the Program, as well as facilitating the identification of key regional issues and the preparation and implementation of priority regional projects. The framework will therefore be particularly useful for (i) ensuring that ownership and initiatives of regional economic cooperation rest firmly with the participating countries, (ii) facilitating high-level consensus building, and (iii) prioritizing regional needs in infrastructure and facilitating their financing and implementation.

4. A draft document on such an institutional framework was discussed in detail at a meeting in August 2001 on Central Asia regional economic cooperation attended by senior officials of the participating countries. The present document has incorporated comments and suggestions from that meeting.

II. THE PROPOSED INSTITUTIONAL FRAMEWORK

A. Purposes of the Institutional Framework

5. The purpose of the proposed institutional framework is to facilitate the following:

- (i) encouragement of broad-based dialogue and consensus building, leading to growing trust and confidence among all participating countries and stakeholders;
- (ii) identification and prioritization of economic cooperation initiatives and actions involving two countries or more, based on mutual benefit and, once agreed upon, assistance in preparing and implementing these initiatives and actions; and
- (iii) promotion of regional economic cooperation, including mobilizing the necessary financial and technical resources for accelerated progress.

B. Organizing Principles of the Institutional Framework

6. In considering the form and character of such an overall institutional framework, the following principles are important:

- (i) effectiveness and simplicity, to minimize unnecessary formal arrangements and to maximize practical results;
- (ii) fairness, ensuring shared benefits for all the countries involved;
- (iii) flexibility, accommodating the unique and specific conditions and requirements of each participating country through opportunities provided for frank exchange of views; and
- (iv) sustainability, in recognition that regional economic cooperation is an on-going complement to national development.

C. Components of the Institutional Framework

7. The institutional framework has two levels---policy and operational levels (see Attachment 1). At the policy level, a Ministerial-level mechanism is required to provide overall strategic guidance and take policy decisions. At the operational level, a mechanism of Senior Officials' Meeting is charged with the coordinating responsibility to ensure the effective implementation of policy decisions made at the Ministerial-level Conference. This includes the identification and examination of specific regional and cross-sectoral issues. Ad-hoc Coordinating Committees will be established, as required, with its main responsibility to coordinate sectoral issues. The third component at the operational level will be the working groups being responsible for the preparation and implementation of agreed priority regional projects.

III. MINISTERIAL-LEVEL COORDINATING CONFERENCE

A. Scope of Work

8. At the Ministerial level, "the Central Asia Ministerial-level Coordinating Conference on Economic Cooperation," referred to here simply as the "Ministerial-level Conference," is envisioned to have the following mandate:

- (i) to provide overall strategic guidance to the process of economic cooperation in the Central Asia region;
- (ii) to decide on new regional initiatives (e.g., programs, projects, activities) that involve two or more countries;
- (iii) to take the necessary policy decisions related to the implementation of agreed projects and initiatives;
- (iv) to oversee and guide the work at the operational level; and
- (v) to undertake and guide discussions with the international investment and donor community on regional initiatives.

B. Composition of the Ministerial-Level Conference Participants

9. Participants should ideally be ministers of the agency in charge of overall planning, such as from the Ministry of Finance, Ministry of Economy, or the State Planning Agency best suited to represent the country's overall interest. However, each participating country should have the flexibility to decide on its own representative for each meeting. Such flexibility is necessary, as it

is understood that the specific participants in the meetings of the Ministerial-level Conference may be dependent on the following factors: the multisectoral nature of regional cooperation; the wide range of issues that may need to be addressed at a given meeting; and the changeability of these issues over time, and therefore from meeting to meeting.

10. Therefore, each participating country will determine the composition of its delegation to a meeting based on the specific agenda for that meeting. The delegation will include one or more ministerial-level representatives for a particular meeting. The composition of the delegations among the participating countries need not be equivalent in terms of position and numbers

11. Following the agreement of the participating countries, the Asian Development Bank would be a member and participant of the Ministerial-level Conference.

12. Observers may be invited to particular meetings of the Ministerial-level Conference, subject to agreement by the participants.

C. Chairperson

13. The host country at each meeting will act as the official “chair” for that meeting. For meetings held outside the region, such as at the Asian Development Bank, one of the participating countries will be designated as the “home country” and the official “chair” for that meeting. For the working sessions of a meeting, the “chair” could be rotated among the participating countries from session to session.

14. At the request of the participating countries, the Asian Development Bank would provide the support role of “associate chair” assisting the official chair of that meeting.

D. Authority

15. The participants at the Ministerial-level Conference are deemed to be official representatives of their respective governments. They are considered to have the delegated authority to represent and commit their respective governments on specific issues. Consequently, all decisions of the Conference are considered to represent official positions of the participating countries, unless further consideration is required by the respective governments. In this case, these issues will be followed up by further consultations.

E. Frequency and Location of Meetings

16. The Ministerial-level Conference will normally meet once a year. The timing and venue should be decided through consultations among the participating countries. The venue for the meetings will be arranged as follows:

- (i) meetings will be held in the participating countries on a rotating basis, with each meeting selecting the host for the next meeting;
- (ii) meetings may be held at ADB (Manila), with a designated country acting as the official “chair” (and ADB in the role of “associate chair”); and
- (iii) meetings may also be held in association with ADB Annual Meetings.

17. It is expected that such meetings would be attended by all member countries. However, a country may opt out of a meeting without compromising the overall discussions. Decisions or initiatives involving the absent country would be discussed with that country before proceeding.

18. The preparation for the Ministerial-level Conference will be carried out by the Senior Officials' Meeting, supported by a Secretariat (see Section VIII).

IV. SENIOR OFFICIALS' MEETING

A. Scope of Work

19. The Senior Officials' Meeting is a mechanism to ensure the effective implementation of the policy decisions made by the Ministerial-level Conference. Accordingly, the main responsibilities of the senior officials' meeting will include:

- (i) reviewing and articulating issues that emerge from the operational level, and based on this, making relevant recommendations to the Ministerial-level Conference for consideration and, if relevant, decision-making;
- (ii) assessing regional, cross-sectoral and other important operational issues, and based on this, making recommendations to the Ministerial-level Conference for consideration and, if relevant, decision-making
- (iii) preparing for the meetings of the Ministerial-level Conference; and
- (iv) other responsibilities as authorized by the Ministerial-level Conference;

20. The Secretariat will provide necessary support for the effective functioning of the Senior Officials' Meeting.

B. Composition of the Senior Officials' Meeting

21. Given the scope and nature of the responsibilities of the senior officials' meeting as a mechanism, its composition should be officials at an appropriate senior level, and ideally, from an agency in charge of overall planning or MOF. In addition, there should be some permanence to the appointments to ensure continuity in approach.

C. Role of Designated Representatives

22. The designated representatives are to fulfill the requirements of the Senior Officials' Meeting. This includes representing the government's perspective on relevant issues. The representatives should also coordinate closely with the National Focal Point (see Section VII).

D. Meetings of the Senior Officials' Meetings

23. Given the importance of the Senior Officials' Meeting mechanism, it should normally be convened once a year. But it could also be convened on demand based on consultation among participating countries, for example, to prepare for a meeting of the Ministerial-level Conference, or to prepare for meetings on regional, cross-sectoral and other important operational issues.

24. The host country for each meeting will act as the official chair of that meeting.

25. While such meetings would normally include all members, a member country may choose to opt out of a meeting without compromising the discussions. Nonetheless, decisions or initiatives involving the absent country would be discussed with that country before proceeding.

E. Reporting

26. The Senior Officials' Meeting should report its work to the Ministerial-level Conference through an annual report, and additional reports as needed.

V. COORINATING COMMITTEES

A. Scope of Work

27. The Coordinating Committees will be set up on an ad-hoc basis as determined by the Ministerial-level Conference to coordinate sector wide issues and activities. These may include considering plans for sector development, identifying pilot projects within a sector, , and development issues with sector wide implications. The Committees may also be called to coordinate the work of project-working groups within a sector. Based on its work, the Committees are expected to make recommendations to the Ministerial-level Conference, through the Senior Officials' Meeting, for further consideration and decision making, if necessary.

28. The Committees should closely coordinate with the National Focal Point (see Section VII).

29. The Secretariat will provide appropriate support for the effective functioning of these ad-hoc Committees.

B. Composition of Coordinating Committees

30. The composition of a Coordinating Committee should be in principle flexible, depending on the particular tasks envisaged.

31. The Asian Development Bank would be a member of each Coordinating Committee.

C. Meetings of Coordinating Committees

32. Coordinating Committees will meet on an ad-hoc basis, as they may be called by the Ministerial-level Conference, the Senior Officials' Meeting, or by an internal decision by the delegates to that Committee. The timing and venue will be decided through consultations among the participating countries.

33. The host country for each meeting will act as the official chair of that meeting.

34. While such meetings would normally include all members, a member country may choose to opt out of a meeting without compromising the discussions. Of course, decisions or initiatives involving the absent country would be discussed with that country before proceeding.

35. Each Coordinating Committee should report its work to the Ministerial-level Conference.

VI. PROJECT-SPECIFIC WORKING GROUPS

A. Responsibilities of Project-Specific Working Groups

36. Project-specific working groups will be established at the operational level to:
- (i) facilitate the preparation, implementation and progress monitoring of specific projects; and
 - (ii) coordinate with other donors and organizations on matters related to specific projects.
37. The terms of reference of a working group (including the scope of work, composition and operational procedures) would be defined as and when it is established, and will be submitted to the participating governments for endorsement.
38. Issues beyond the operational and project-specific mandate of a working group will be referred to relevant Coordinating Committee, the Senior Officials' Meeting, and to the Ministerial-level Conference, where appropriate, or directly to the respective governments for their consideration.

B. Reporting

39. All working groups are under the guidance of the Ministerial-level Conference. To be effective while minimizing unnecessary reporting, a work report should be submitted by each project working group to the Ministerial-level Conference through the Secretariat. Other reporting may be requested on a case-by-case basis.

VII. NATIONAL FOCAL POINT

40. Each country should designate a point of contact as the National Focal Point. The key role of the National Focal Point is to ensure effective coordination (i) among concerned government agencies and other interested parties in matters related to regional economic cooperation; and (ii) between the government and ADB through the Secretariat. In particular, the National Focal Point should be in close coordination with activities of the Senior Officials' Meeting, all Coordinating Committees and project-specific working groups in which the country is involved. If necessary, the National Focal Points of the participating countries may convene meetings with the support of the Secretariat.
41. Given the pivotal role of the National Focal Point, this appointment should ideally be senior representatives of the government agency in charge of overall planning, such as from the Ministry of Finance, Ministry of Economy, or the State Planning Agency. To ensure continuity and consistency in the work of the National Focal Point, there should be some permanence to these appointments.

VIII. TECHNICAL, ADMINISTRATIVE AND COORDINATING SUPPORT

42. The Ministerial-level Conference requires a Secretariat to provide technical, administrative and coordinating support on a continuing basis. In addition, the Senior Officials' Meeting and ad-hoc Coordinating Committees established by the Conference may require a similar support mechanism. ADB will provide the Secretariat, to be located at ADB.

43. Acting as the implementing and coordinating agency for the Conference, the responsibilities of the Secretariat will include the following:

- (i) preparing for Ministerial-level, Senior Officials' and Coordinating Committee meetings and ensuring follow-up, including the preparation and circulation of agendas, background papers, logistical support and coordination;
- (ii) monitoring, coordination and supporting the work of the operational-level working groups;
- (iii) helping to promote new initiatives in regional economic cooperation for consideration by the Ministerial Conference;
- (iv) assisting to facilitate consensus building, including further analysis and consideration of unresolved issues of interests;
- (v) compiling and disseminating information in respect of economic cooperation in the Central Asia Region; and
- (vi) coordination with other donor agencies interested in supporting the program of economic cooperation.

IX. FINANCIAL SUPPORT

44. The meetings of the Ministerial-level Conference will be jointly supported by ADB, the host government, with contributions from other participating governments and contributions from other parties (e.g., donors) as available and appropriate. The exact contributions will be decided prior to each meeting, specifying the financial and local cost contributions by each of the relevant parties.

45. The cost of the Secretariat will be borne by ADB, including associated operating expenses as part of its ongoing and future regional technical assistance program in support of economic cooperation in the Central Asia region. This will also include ADB financial contributions to the preparation for and organization of the meetings of the Ministerial-level Conference, the Senior Officials' Meeting and the Coordinating Committees.

46. Each government is expected to contribute to the support for its National Focal Point, and for its country delegations to the Senior Officials' Meeting, and Coordinating Committees.

**INSTITUTIONAL FRAMEWORK
for ADB-Supported Regional Economic Cooperation Program in the
Central Asian Region**

