

CENTRAL ASIA REGIONAL ECONOMIC COOPERATION PROGRAM
SENIOR OFFICIALS' MEETING
Almaty, Kazakhstan
27–28 June 2013

SUMMARY OF PROCEEDINGS

I. Introduction

1. A Central Asia Regional Economic Cooperation (CAREC) Senior Officials' Meeting (SOM) was held in Almaty, Kazakhstan on 27–28 June 2013. Delegations from CAREC's ten member countries participated. Representatives of CAREC multilateral institution (MI) partners also attended. Mr. Timur Zhaxylykov, Vice Minister, Ministry of Economy and Budget Planning and CAREC National Focal Point for Kazakhstan, chaired the SOM. Mr. Klaus Gerhaeusser, Director General, Central and West Asia Department (CWRD), Asian Development Bank (ADB), co-chaired the meeting. Mr. Hong Wang, Deputy Director General, CWRD, and Mr. Edgar Cua, Deputy Director General, East Asia Department (EARD), assisted in conduct of the meeting.

2. The objectives of the SOM were as follows: (i) review the implementation progress of CAREC Sector Action Plans; (ii) provide guidance to the ongoing Midterm Review (MTR) of the Transport and Trade Facilitation Strategy (TTFS); (iii) assess the draft 2012 CAREC Development Effectiveness Review (DEfR); (iv) review the implementation progress of the CAREC Institute (CI) Work Plan and the establishment of the physical location of the CI; (v) discuss the 2012 CAREC Corridor Performance Measurement and Monitoring (CPMM) report; and (vi) approve the proposed theme and structure of the 12th CAREC Ministerial Conference (MC) in October 2013 in Astana. The agenda and list of participants are in the Appendix.

II. SOM Highlights

3. The SOM Chair presented a summary progress report of the accomplishments of CAREC's four priority areas of transport, trade facilitation, trade policy, and energy. Subsequently, the SOM reviewed the implementation progress of the sector action plans and discussed key issues that need to be tackled going forward.

4. On transport and trade facilitation, the SOM discussed the need for additional projects and extending of existing corridors, as follows:

- AFG: Inclusion of (i) new Salang pass, (ii) Jalalabad-Torkham Railway, and (iii) Herat-Iran Railway
- PAK: (i) Formalization of the proposed alignment of two CAREC corridors in 2013 (5 and 6c) and (ii) Inclusion of list of 14 proposed projects in the Medium-Term Transport Priority (MTTP) list
- KGZ: (i) North-South Road Corridor, and (ii) Osh-Batken-Isfana-Hujand Road Corridor;
- MON: (i) Proposed corridors 4c and 4d, (ii) Intermodal rail and road logistics centers, and (iii) connection to Bohai sea ports
- TKM, and TAJ: Proposed TKM-AFG-TAJ railway
- UZB: (i) Proposed consideration of extending the existing railway south from Mazari Sharif to Kabul and onto Pakistan with further access to port in the Middle East (ii)

Proposed PRC-KGZ-UZB railway. The proposed project will be discussed at the next TSCC meeting.

5. The SOM agreed to increase focus on cross-border transport agreements (CBTA) and border crossing point (BCP) infrastructure, harmonization of standards and procedures, and related software to increase corridor efficiency. Additionally, the SOM endorsed the need for analytical, technical, and institutional support for cross-border transport and trade facilitation initiatives and the production of knowledge products. The SOM also noted the need for additional financing to meet increasing demands and called for increased participation of international financial institutions (IFIs) and the private sector. Tajikistan proposed the elevation to international status of the Karamyk BCP to increase the efficiency of Corridor 5.

6. For trade facilitation, the SOM endorsed proposed priority projects (including coordinated border management, accession to Revised Kyoto Convention, investments in border crossing points, sanitary and phyto-sanitary (SPS) measures, single window development, and logistics centers). The SOM also supported the continuation and refinement of corridor performance measurement and monitoring. The meeting acknowledged the need for development of trade logistics and the importance of greater cross-sector coordination and private sector participation through strengthening of interagency National Joint Transport and Trade Facilitation Committees. The SOM highlighted the value of knowledge sharing and capacity development efforts (jointly with CAREC Institute, as appropriate) in the areas of customs and integrated trade facilitation.

7. On trade policy, the SOM endorsed the updating of the 2008 Trade Policy Strategic Action Plan (TPSAP) and to review the methodology of the Trade Liberalization Index and the Institutional Quality Index. The SOM also approved the unanimous recommendation of the Trade Policy Coordinating Committee (TPCC) to engage the World Trade Organization (WTO) to help strengthen capacity development of and technical assistance to CAREC countries. Specifically, four actions were endorsed:

- a) Involvement of WTO in capacity development activities organized by CAREC to advance trade policy and trade facilitation objectives
- b) CAREC countries' involvement in capacity development activities organized by WTO
- c) WTO participation in TPCC activities, such as participation as an observer in the 19th TPCC meeting and in the upcoming 12th CAREC Ministerial Conference
- d) With respect to the emerging WTO's role in TPCC, ADB, IMF and WTO will mutually explore appropriate modalities of cooperation. Formal recognition of the WTO role needs to be considered and endorsed by the Ministerial Conference.

8. On energy, the SOM agreed on the four action points submitted by the Energy Sector Coordinating Committee (ESCC) for its endorsement, corresponding to four of the six elements of the Energy Work Plan (2013-2015): i) to prepare the TOR for the Central Asia Electricity Development Program; ii) to proceed with proposed activities under the Energy-Water Linkages, including hydropower development; iii) to undertake an investment study on available options for accelerated fund mobilization; and iv) to proceed with the circulation of a draft priority project list for comments by member countries. All members agreed to nominate new ESCC members to represent their respective countries at the Committee (specifically one policy maker and one technical expert). A number of CAREC member countries expressed their interests in expanding energy trade beyond the countries of the Central Asia Power System (CAPS), and proposals to this effect may be presented at future ESCC meetings for consideration. UZB registered its concern over the CASA 1000 project citing (i) difficulties in routing the line through the Salang

Pass in Afghanistan, (ii) the seasonal nature of the project, and (iii) safety issues on operation of the integrated Central Asian system. In response to UZB's concern, TAJ advised that technical, financial and environmental studies have been conducted with respect to the project's viability by reputable firms with support from international development organizations.

9. The SOM reviewed the updates on the ongoing Midterm Review (MTR) of the Transport and Trade Facilitation Strategy (TTFS), specifically the stock-take report and lessons learned from the implementation of the strategy. The MTR found the strategy to be successful in mobilizing resources and delivering tangible projects. Transport investments have done well and some institutional capacity has been built up, particularly at project level. However, monitoring outcomes, such as traffic on the roads, needs to be strengthened. In trade facilitation, improved customs laws and regulations and introduction of innovations such as Single Windows have helped customs modernization. While acknowledging the achievements from the implementation of the strategy, the SOM noted the need to improve performance in "software" aspects (policy, regulatory, and institutional dimensions) and to strengthen monitoring of outcomes. The SOM also noted the importance of convergence of interests at regional and national levels, the need for capacity building, and the role of small businesses and communities along corridors.

10. In terms of the areas for refinement under the TTFS, the SOM endorsed four actions: (i) extending corridors to Pakistan and Turkmenistan; (ii) measures to make CAREC corridors more effective and efficient; (iii) realignment of existing corridors; and (iv) updating of midterm priority projects with firm financing. The SOM discussions focused on the need to analyze adequacy of existing agreements, particularly those related to transit trade simplification. The SOM agreed that specific refinements for trade and transit facilitation will be further reviewed at the Customs Coordinating Committee (CCC) meeting scheduled for September 2013.

11. The SOM reviewed the 2012 Corridor Performance Measurement and Monitoring (CPMM) report as presented by Mr. I.P. Segal, Executive Director of the Kazakhstan Freight Forwarders' Association, a member of the CAREC Federation of Carrier and Forwarder Associations. The report revealed the persistence of lengthy delays and high costs in crossing borders along CAREC corridors. Some of these delays and costs were caused by inclement weather, others by introduction of new policies and procedures (principally related to the Customs Union). The fundamental causes of delays, however, are uncoordinated, outmoded border management procedures (excessive vehicle inspections, several inspection stops by multiple agencies, underdeveloped joint Customs control arrangements), unloading and reloading of cargoes, and poor facilities at BCPs that limit vehicle processing capacity. The SOM noted the importance of creating an environment that encourages public-private collaboration to resolve issues such as those established in KAZ and AZE.

12. With respect to the draft 2012 CAREC Development Effectiveness Review (DEfR), the SOM noted the sustained operational growth of CAREC in 2012, with the volume of new investments increasing by \$3.4 billion from 2011 figures and the improvement of national-level development outcomes, notably in sustained GDP growth and improving business environment. However, there remains weak intra-regional trade and relatively inefficient logistics competitiveness. While the transport sector has managed to achieve 80% of its total road targets, the 2012 results fell short. Trade facilitation remains a challenge in terms of border crossing time and costs. The SOM approved a review of the methodological framework of the DEfR to more accurately measure and monitor the development performance of CAREC countries. The SOM also recommended in-depth analysis on indicators that have shown relative decline compared to 2011 figures, with specific country and corridor references as appropriate.

In particular, the SOM noted the importance of strengthening financial mobilization, including greater private sector involvement to ensure sufficient investments to implement approved projects.

13. On the CAREC Institute (CI), the SOM noted the need to enhance implementation of the CI work plan (2013-2014) particularly in transport and energy sector capacity building. The SOM likewise noted that strong efforts need to continue to achieve consensus on the physical location of the Institute by 2014 in accordance with ministers' statement at the 11th MC in 2012.

14. For the upcoming 12th CAREC Ministerial Conference (MC) in October 2013 in Astana, the SOM approved the theme of "Integrated Transport and Trade" to emphasize the importance of the updating of the TTFS, as well as the ongoing analytical efforts on ECD. The SOM agreed that the structure of the 12th MC will be a two-day event, with the first day as a Senior Officials' Meeting and the second day devoted to the MC itself.

15. The SOM expressed its appreciation to the Government of Kazakhstan, particularly the Ministry of Economy and Budget Planning, for hosting the meeting and providing excellent arrangements. The SOM likewise expressed its thanks to ADB for helping organize and conduct the meeting. Finally, the SOM extended its appreciation to CAREC's other multilateral development partners that participated in the meeting, namely the European Bank for Reconstruction and Development, the International Monetary Fund, the Islamic Development Bank, the United Nations Development Programme, and the World Bank.