

**13th CAREC Ministerial Meeting
Bishkek, Kyrgyz Republic
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Keynote Address by
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I. Introduction

Your Excellency Prime Minister Otorbaev, Ministers from the CAREC countries, honored guests, ladies and gentlemen:

I am very pleased to join you at this 13th CAREC Ministerial Conference, in the charming city of Bishkek. On behalf of all of us, I would like to express our sincere appreciation to the Government of the Kyrgyz Republic for hosting this Ministerial Conference, and to the people of the Kyrgyz Republic for their gracious hospitality.

As many of you know, this year marks the 20th anniversary of the partnership between ADB and the Kyrgyz Republic. We take great satisfaction in the strength and warmth of this relationship, and look forward to contributing more to the country's development goals.

II. Challenges to CAREC and an eight-point development agenda

It is 6 years since the 2008 global financial crisis and the growth outlook today remains cautious. The extended impact of the crisis has heightened concerns that uncertainty and low growth may be the “new normal” especially in advanced economies.

Developing Asia, comprising 45 developing member economies of ADB in the Asia and Pacific region, provides a better picture. It has shown resilience in growth even after the crisis, expanding more than 6% a year. Developing Asia is expected to stay on a steady growth path of 6.2% in 2014 and 6.4% in 2015. Among Asian countries, Central Asia’s economic performance remained strong at 6.5% in 2013, but is expected to slow down to 5.6% in 2014, mainly because of a slowdown in major trading partners, including Russia.

We should not be complacent. I would like to highlight an eight-point agenda to strengthen the basis of development in the region. This agenda is based on my visits to more than 20 developing member countries. And I am sure that these eight points are most relevant to Central Asian countries.

The first of the eight points is macroeconomic stability. No economy can prosper in the midst of macroeconomic volatility. In this regard, it is encouraging that some Central Asian countries are regaining macroeconomic stability, but in some others, more efforts are needed in fiscal consolidation and greater exchange rate flexibility.

The second point is infrastructure investment in roads, railways, power, and other areas. Infrastructure is the basis of economic development. Without good infrastructure, we cannot attract investment from home and abroad. Infrastructure also provides people with access to basic services like health care and education. In addition to mobilizing domestic resources, including tax revenues, countries must make more and better use of public-private partnerships. Regional efforts are also important. The CAREC Program is contributing to improving connectivity between neighbors.

The third point is investment in human capital. CAREC countries have been investing more in education and health in recent years. ADB is aiming for increased support in tertiary education as well as technical and vocational education and training (TVET) in CAREC countries.

Fourth, open trade and investment regimes are a key driver of growth. Openness allows economies to exploit their comparative advantages, gain access to global markets, and tap foreign capital and advanced technologies. CAREC can support this through its initiatives in trade facilitation and trade policy. It is essential that countries in CAREC remain open to other parts of the world as well as among themselves.

The fifth point is good governance. Corruption diverts people's energy from innovation and hard work to unproductive activities. Estimates show that corruption consumes the equivalent of over 5% of global GDP.¹ Good governance should also mean greater transparency and accountability, and efficient delivery of public services. ADB is working with CAREC governments to strengthen anticorruption initiatives, improve regulatory frameworks for a better investment climate, and enhance the involvement of civil society in policy development and implementation.

Sixth, society must be inclusive to provide people with incentives to participate in economic and social development. In this regard, I am concerned that in many developing Asian countries, rapid economic growth has been accompanied in recent years by rising income inequality. To promote inclusiveness, countries must create more quality jobs, improve access to education and health for disadvantaged segments of society, expand financial inclusion, and ensure greater gender equality.

¹ ADB 2013. *Asian Development Outlook 2013 Update Theme Chapter, Governance and Public Services Delivery*.

Seventh, the government must have a credible vision for a brighter future and set a strategy to achieve it. Some Central Asian countries have outlined their long-term vision for economic diversification and social development. Through our work on country partnership strategies, ADB will continue to support the governments in formulating their strategies.

Finally, security and political stability. Hard won gains in growth and poverty reduction can be lost if security issues or political instability interfere. Conflict disrupts development, usually hurting those who can least afford it. CAREC is a platform to discuss opportunities and challenges for the region to enhance cooperation.

These eight points are in some ways self-evident. Yet, I am struck by the fact that there is a clear difference in development between countries, depending on whether they adhere to these points. For low-income and lower middle-income countries, I believe it is possible to reach upper middle-income status if these eight points can be effectively implemented. For upper middle-income countries to aim at advanced economy status, the eight points may not be enough. Those countries must boost productivity by upgrading industries and services, promoting innovation, and enhancing human capital development. Still, for these countries too, it is essential to continue to adhere to this eight-point development agenda.

III. CAREC Program

I have already mentioned a few ways the CAREC Program is contributing to this eight-point agenda, supplementing the national initiatives of member countries.

The achievements of the CAREC Program to date are commendable. Cumulatively, the CAREC Program has now mobilized more than \$24 billion in its priority areas of transport, energy, trade policy and trade facilitation. ADB has financed more than \$9 billion of this total.

From now on, CAREC can strengthen its cooperation on knowledge and innovation.

As part of CAREC's knowledge work, I welcome the signing of a Memorandum of Understanding between the cities of Almaty and Bishkek to pilot an economic corridor, and explicitly include the service sector in its scope. The Almaty Bishkek Corridor Initiative—the first example of city-level cooperation in the CAREC region—will help coordinate urban development planning between the two cities. It will produce detailed studies to identify infrastructure requirements, policies, and market opportunities to better integrate their economies.

The CAREC Institute can play an important role in generating knowledge for regional cooperation and analyzing the region's development challenges. For example, how can resource-rich countries diversify their economies? What kind of manufacturing is relevant to landlocked economies? How can the region expand the role of renewable energy when it is rich in hydrocarbons? I also look forward to active involvement by the CAREC Institute in the regional and global policy dialog for macroeconomic and structural policies.

IV. Conclusion

In closing, the priorities of the CAREC Program are well reflected in the theme of today's Ministerial Meeting, "**Linking Connectivity with Economic Transformation in CAREC**". The program builds on the physical connectivity being put in place and will address the broader issues of economic transformation. From ADB's long experience in promoting regional cooperation in many sub-regions of Asia, I know regional cooperation helps economic transformation. ADB shall stay as a committed partner to CAREC.