



Central Asia Regional Economic Cooperation Program

**14th Ministerial Conference on  
Central Asia Regional Economic Cooperation  
Ulaanbaatar, Mongolia  
25 September 2015**

**Report of the Senior Officials' Meeting to the CAREC Ministers  
Mr. Gantsogt Khurelbaatar  
Chair, Senior Officials' Meeting**

Mr. Wencai Zhang, Vice President of ADB, Vice Minister Purev Surenjav, Honorable Ministers, Ladies and Gentlemen. Good afternoon.

1. A CAREC Senior Officials' Meeting was held two days ago, on the 23<sup>rd</sup> of September, to review the progress made in CAREC priority areas, including new initiatives, towards CAREC 2020's goals of increased trade and improved competitiveness.
2. Honorable Ministers, it is my honor, as Chair of the Senior Officials' Meeting, to report to you the outcomes of our meeting.
3. Noteworthy progress continues to be made in implementing priority projects and initiatives under the four areas of CAREC cooperation – transport, energy, trade facilitation, and trade policy. Each sector coordinating committee has prepared a results-based and action-oriented progress report with the following highlights.
4. In transport, road and railway construction and upgrading exceeded 2014 targets. For roads, about 19% or 1,450 kilometers of expressways or national highways was built, upgraded or improved in 2014, as against the target of 475 km for the year. For railways, about 1,036 km of new railways were built in Kazakhstan, and 317 km of railways were improved in Azerbaijan during 2014, which also exceeded targets of 58 km for new railways construction, and 30 km for railways improvement, respectively. In addition, 13 non-linear projects (meaning 2 ports, 2 logistics centers, 3 border crossing points, and 6 civil aviation projects) are also being implemented. Under the updated Transport Sector Work Plan for 2015-2017 that seeks to further expand the multimodal corridor network, priority infrastructure projects and a set of complementary soft sector initiatives have been identified in the areas of (i) road safety, (ii) railway development strategy; (iii) road asset management, and (iv) transport facilitation. With regard to road safety, a commitment comprising 10-point actions was developed and agreed upon by the transport sector coordinating committee, followed by the approval of the Senior Officials, as the basis of formulating a road safety strategy for safer CAREC roads.
5. In trade facilitation, performance indicators showed notable improvements. Compared to 2013, the average cost of crossing a border was reduced by 27% from \$235 to \$172 in 2014 due to a reduction in the average border crossing fees for both roads (that is, by 25%) and rail (that is, by 35%) attributable to Corridors 1 and 4, where road transport costs peaked in 2013

then tapered off in 2014. CAREC countries are making good progress towards (a) improved facilities at BCPs; (b) adoption of new and/or amended customs codes; (c) investments in the modernization and automation of customs information systems; (d) establishment of national single windows; and e) upgraded border control risk management systems. To complement Customs-related trade facilitation activities; a complementary initiative on Sanitary and Phytosanitary (SPS) measures was initiated with the view towards having a common agenda that would facilitate the required improvements and reforms in SPS modernization consistent with international standards. Kazakhstan expressed its interest in joining the Time Release Study led by ADB.

6. In energy, progress under the Energy Work Plan 2013-2015 included: (i) implementation of various cross-border projects between Central Asia and South Asia aimed at increasing energy trade between the two subregions; (ii) conduct of several studies and forums aimed at resolving regional energy dispatch and trade issues; (iii) conduct of training activities for improving the capacity to manage Central Asia's energy-water linkages; and (iv) the initiation of a study on a power sector financing roadmap for CAREC. Capacity building and knowledge sharing activities were also implemented. The Energy Strategy and Work Plan (2016-2020) has been finalized and adopted. The Energy Sector 2020 focuses on investments in cross-border energy infrastructure, energy trade, development and prioritization of sustainable energy resources, energy efficiency, clean energy, new technologies and climate change.

7. In trade policy, majority of the countries completed the implementation of the eight action points specified under the Trade Policy Strategic Action Plan 2013-2017 as at end 2014. Knowledge sharing activities in the areas of trade in services and modernization of SPS measures were conducted. The World Trade Organization (WTO) has been tapped for its expertise in trade policy and trade liberalization reforms, to develop and deliver capacity development products to CAREC countries as a group. In the area of supporting WTO accession and post-accession adaptation, ADB's technical assistance on "Strengthening Tajikistan's Trade and Investment Regime" has provided support for policy analysis on organizational reforms for Tajikistan's standards agency; the conduct of an executive training on quality infrastructure reforms; and the organization of a post-accession conference to assess Tajikistan's progress in fulfilling its WTO commitments. The accession protocol of Kazakhstan has been approved by the WTO General Council in July 2015, while Afghanistan, Azerbaijan and Uzbekistan continue to work on the required legal and institutional changes to achieve WTO membership.

8. We request the Honorable Ministers to note the foregoing progress reports.

Honorable Ministers,

9. Following the endorsement of the Almaty-Bishkek Corridor Initiative (or ABCI) at the 13<sup>th</sup> Ministerial Conference in 2014 and the signing of a Memorandum of Understanding between the two cities, satisfactory progress is being made. A comprehensive report identifying the policy, institutional and infrastructure requirements for this pilot CAREC economic corridor is expected to be completed early next year. The approach to the ABCI is based on a holistic framework encompassing sectors in services and manufacturing, such as agri-business and food security, education, health services, tourism, industrial parks and zones, disaster risk, logistics and trade-related infrastructure, and coordination in urban economic planning. The outcome of this initiative will include a multi-sector investment framework along with policy reforms to deepen cooperation and catalyze private investment towards development of this pilot CAREC economic corridor.

10. Following the directive of the 13<sup>th</sup> Ministerial Conference, the physical base of the CAREC Institute has been launched in March 2015 in Urumqi, Xinjiang Uygur Autonomous Region, the People's Republic of China. The Director and Deputy Director 1-designate of the CI have assumed their posts beginning July 2015. Since the CAREC Institute was launched, its Governing Council has met twice and reached agreements on the following: (i) the establishment of the Recruitment and Selection Committee, and the Budget and Audit Committee 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 recruitment of Deputy Director 2 is underway. Along with CI's operations, CAREC countries will continue to work on a legal agreement based on the decisions made by the 12<sup>th</sup> and 13<sup>th</sup> Ministerial Conference to provide the CI a legal personality.

11. The SOM reaffirmed its strong support to the conduct of a midterm review of the CAREC Strategy 2020 in light of recent economic developments of the CAREC countries in the regional and global context and in preparation of the next 10-year strategy, CAREC 2030. The Meeting requested the CAREC Secretariat to commence the Review after this meeting and to complete it for submission by the 15<sup>th</sup> Ministerial Conference in 2016.

12. The SOM reaffirmed CAREC's important role in enabling investment mobilization in the region. Yesterday, we all witnessed a highly successful Investment Forum. The Forum provided CAREC countries with a platform to showcase their successes and present opportunities for attracting national and foreign private sector investors. Participants recognized the increasing international interest in investing further in infrastructure connectivity, and would like to see CAREC as an effective platform to coordinate such interest with regional perspective.

13. Based on the foregoing report, the CAREC Senior Officials agreed to recommend the following for endorsement by the 14<sup>th</sup> Ministerial Conference:

- The Commitment to Road Safety in CAREC: Ten Actions to Make CAREC Corridors Safer;
- The common agenda for the modernization of SPS measures;
- The Energy Strategy and Work Plan (2016-2020); and
- The upcoming conduct of a mid-term review of CAREC 2020

14. Honorable Ministers, on behalf of the CAREC Senior Officials, I respectfully submit the above recommendations for your consideration.

Thank you.

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