

Joint Statement of the CAREC Multilateral Institutions¹

Fourth Ministerial Conference: Central Asia Regional Economic Cooperation Hyatt Hotel, Bishkek, Kyrgyz Republic – 6 November 2005

Chairman, Ladies and Gentlemen,

I. Introduction

1. It gives me great pleasure to present this joint statement on behalf of the CAREC Multilateral Institutions, consisting of ADB, EBRD, IMF, IsDB, UNDP and WB. We believe CAREC to be an important mechanism for promoting economic cooperation amongst the Central Asian Republics and its neighbors. It also provides a useful platform for harmonizing our own support for regional cooperation and for aligning our inputs with regional priorities. We are pleased to note that progress has been made against a number of the commitments made by Ministers at the November 2004 Ministerial Conference. We hope that, with continued assistance from the MIs, CAREC will continue to strengthen.

II. Better Understanding the Benefits of Regional Cooperation

2. We commend the findings of the UNDP's Regional Human Development Report, presented this morning. The report is an example of MI collaboration, drawing on and synthesizing a wealth of social, political and economic analysis carried out in the recent past, in collaboration with national experts and officials. The report highlights concrete examples of regionally significant projects being financed by MIs, most of which are specifically relevant to CAREC's priority areas of trade, transport and energy.

3. In the report we learn how ordinary people in Central Asia are affected by lack of regional cooperation and integration. As it concludes, the economic benefits to be gained from cooperation far outweigh the costs of national self-sufficiency measures. The finding that regional GDP could be 50% higher (or more) as a result of increased cooperation over the next 10 years speaks for itself. We also note that countries which remain on a more protectionist trajectory are in danger of being left behind in terms of economic growth and human development.

4. The kind of infrastructure and technical initiatives that CAREC is promoting are clearly important for regional cooperation, providing practical solutions and building trust between neighbors. But infrastructure and technical initiatives also need to be backed up by strong political commitment for domestic reforms, particularly with respect to the fulfillment of international and transboundary agreements.

¹ Delivered by Mr. Shigeo Katsu, Regional Vice President, Europe and Central Asia Region, World Bank, on behalf of the alliance of multilateral institutions operating under CAREC comprising Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank.

III. MI Commitment to Regional Cooperation and CAREC

5. At the EBRD annual meeting in Tashkent in May 2003, the MIs agreed that closer coordination of support for regional cooperation was needed and that the CAREC institutional framework should be used as a joint mechanism. CAREC is the only forum where donors interact collectively with governments on regional cooperation issues. We are committed to supporting it by providing technical assistance to sector working groups and in financing projects and programs which facilitate greater cross border interaction. For the period 2005-2006, the six MI's are providing a combined annual financial assistance of around \$1.2 billion in the form of loans and grants to projects and technical assistance that have a regional impact. By supporting development through regional economic cooperation initiatives, we aim to facilitate dialogue and help build trust amongst CAREC members.

6. One example of how MIs are currently working together in support of regional electricity development is the Sangtuda 1 hydroelectric power project and the associated transmission facilities from Tajikistan. For this, ADB and the World Bank are jointly looking at sovereign lending options, while EBRD and IFC are considering equity investment. All four organizations met with the Tajik Government, RAO UES of Russia and the American firm AES just two weeks ago. If the project proceeds, it will generate 2700 GWH of electricity per year, much of which will be available for export to neighboring countries.

7. Two other examples are EBRD and ADB's co-financing of the Almaty-Bishkek road, which, as many who have come to this meeting can verify, has considerably reduced the time it takes to travel between the two cities; and ADB and IsDB's rehabilitation of the Osh-Irkeshtam road leading to China.

IV. Deepening and Broadening the CAREC Program

8. In terms of CAREC membership, we strongly support the participation of Afghanistan and Russia in the program. This will broaden CAREC's geographical coverage and its relevance for trade and transit across the wider region. We are also supportive of the CAREC regional business round table initiative to involve the private sector.

9. We are mindful that the agenda CAREC has set for itself is ambitious and, in this regard, we concur that the current primary focus on transport, energy and trade should be maintained for the time-being, but that over time CAREC should become a more responsive, inclusive and broad-based mechanism for regional economic cooperation. The inclusion of trade policy (led by IMF), in addition to trade facilitation, has without doubt enriched the CAREC dialogue, and in this sense we hope that CAREC will continue to develop an appropriate balance between project investments on the one hand and policy advice and advocacy work on the other. We believe that CAREC should continue with economic and sector work, information sharing, and constituency and capacity building, and make efforts to ensure that findings and recommendations from sector committee deliberations are fed back to and acted upon by policy makers in the CAREC member countries. The MIs will be happy to provide resources to support this outreach process.

10. An issue we consider does require further consideration is transboundary water management. As the Regional Human Development Report points out, water is the economic and physical lifeline of so many people across the region and every effort needs to be made to ensure that this resource is managed equitably and efficiently.

11. We should also note that other important regional issues, many of which have a regional economic implication, are being tackled with the support of development agencies outside the CAREC mechanism. These include issues such as HIV/AIDS control and measures to stop drugs and human trafficking, to mention a few. It is encouraging to see that some of these issues are regularly included as areas of wider interest in the CAREC newsletter.

12. Natural disasters also pose a major threat. The past year has witnessed some of the worst natural disasters in history and the wider Central Asian region is no less susceptible, particularly from earthquakes and landslides. It is therefore important for countries to have emergency plans in place, including provision for timely and effective response from neighboring countries. Of immediate importance is the threat of an Avian flu pandemic, which is a threat not only to human life but also to the livelihoods of millions of small holder livestock farmers. Initial responses must be to strengthen both the animal and human surveillance systems at the country level but there are also a set of regional issues, for example timely sharing of information, that need to be considered.

13. ADB, the World Bank and various UN bodies are currently preparing global response strategies for a possible Avian flu pandemic and there are moves afoot to set aside flexible grant based financing which could be drawn upon to compensate those whose livelihoods are affected. On November 7-9 there will be an international meeting in Geneva attended by representatives from CAREC countries.

V. Focusing on Results

14. We value the work done in preparing an Interim Comprehensive Action Plan (ICAP) and acknowledge that this is still work in progress. It does however provide a much needed strategic framework for the CAREC program, to ensure that sector efforts are all contributing to common objectives and to avoid overlap and contradictory approaches between sectors. CAREC has prided itself on its results orientation and the ICAP makes an important attempt to define success factors, dealing not only with inputs but also with outcomes. We recognize that progress benchmarks need to be realistic and measurable, and in the early stages these will be geared more towards short-term targets. But we urge Ministers to also consider using this framework for the purpose of judging the overall success of the CAREC program and for determining what policy reforms are needed for removing bottlenecks to specific aspects of regional cooperation.

15. We acknowledge the initiative taken this year by the Senior Officials to report explicitly on progress towards the commitments made by Ministers at last years Ministerial Conference, and hope this will be repeated in future years. We also recommend that a Regional Cooperation Status report be prepared in future, so that over time Ministers can track overall regional economic progress, not just of the CAREC program.

VI. Rationalisation of Regional Programs.

16. We note with interest the recent decision by heads of State to merge the Central Asia Cooperation Organisation (CACO) with the Eurasian Economic Community (EEC) and see this as a positive step towards streamlining the overlapping mandates of these two institutions. We recognize that CAREC should not, and cannot, compete with politically orientated regional initiatives and summits, such as SCO, ECO and EEC. Rather CAREC should deliver technical support and analytical advice for activities which are in line with the high-level agreements

reached at these forums. We urge Ministers to ensure that the outcomes and conclusions from this CAREC meeting are considered during regional summits.

VII. Concluding Remarks

17. On that note, ladies and gentlemen, let me express our thanks to the Kyrgyz Government for hosting this conference so efficiently and effectively. Let me also extend our welcome to ADB President Kuroda, and pay tribute to former President Chino, without whom the CAREC program may not have come to fruition. And finally, our appreciation goes to Vice President Eichenberger, who has so ably steered CAREC over the past five years. We look forward to working closely together in the year ahead.