



Central Asia Regional Economic Cooperation Program

**12th Ministerial Conference on  
Central Asia Regional Economic Cooperation  
Palace of Independence  
Astana, Kazakhstan  
24 October 2013**

**Report of the Senior Officials' Meeting to the CAREC Ministers  
Mr. Timur Zhaxylykov  
Chair, Senior Officials Meeting**

**Delivered by Mr. Marat Kussainov  
Vice Minister, Ministry of Economy and Budget Planning**

Minister Dossaev, Mr. Takehiko Nakao, President of ADB, Honorable Ministers, Ladies and Gentlemen. Good morning.

1. I am pleased to inform that a Senior Officials' Meeting was held yesterday, the 23rd of October, to review the progress made in CAREC priority areas and discuss strategies to guide the CAREC Program in promoting "integrated transport and trade", this year's Ministerial Conference theme. The meeting also discussed related initiatives on institutional support and knowledge management, including a review of CAREC's results monitoring methodology and the physical establishment of the CAREC Institute. It is my honor, as Chair of the Senior Officials' Meeting, to report to you the outcome of our meeting.

2. Significant progress continues to be made in implementing priority projects and initiatives under the four areas of CAREC cooperation – transport, trade facilitation, trade policy, and energy. Each sector coordinating committee has prepared a results-based and action-oriented progress report with the following highlights.

3. In transport, the construction and improvement of expressways and national highways as well as the rehabilitation of railways along the six CAREC transport corridors is progressing well. As of September 2013, approximately 4,487 kilometers of road sections or 52% of the total target, and approximately 3,190 kilometers of railways or 44% of the total target have been completed. The results in this sector have exceeded the midterm targets agreed under the 2008 CAREC Transport and Trade Facilitation Strategy and Action Plan. It is expected that the remaining sections will be completed within the envisaged planning and implementation horizon.

4. In trade facilitation several key accomplishments were made over the past year in improving "at the border" and "behind the border" procedures, including increased investment in automated customs information systems, national single window systems, joint customs control, and modernization of sanitary and phyto-sanitary (SPS) facilities. While challenges still remain in reducing the average time and cost to clear border-crossing points along the corridors, CAREC countries have intensified efforts at streamlining their respective customs legal framework to align more closely with the provisions of the Revised Kyoto Convention. The

countries are also working to improve their customs-related risk management systems. Now in its fourth year since establishment, the CAREC Federation of Carrier and Forwarder Associations has manifested its increasing maturity as the lead private sector advocate of corridor development.

5. In the area of trade policy, the trade liberalization measures continue to show a positive trend, reflecting CAREC countries' commitment to simplify trade regimes. This year, the trade policy sector compiled the first set of results based on the institutional quality index (IQI) whose methodology was approved in the 17<sup>th</sup> TPCC meeting in October 2012. Findings from the IQI analysis underscored that institutional barriers to trade remain, albeit with significant variation in institutional quality within the CAREC region. Efforts in liberalizing trade are supported by the implementation of training and knowledge initiatives, including the World Trade Organization (WTO) accession knowledge-sharing program. The WTO participated as an observer for the first time in the 18<sup>th</sup> Trade Policy Sector Coordinating (TPCC) meeting held in Almaty in June 2013 and agreed to partner with CAREC through its Institute for Training and Technical Cooperation. Further on the WTO, Tajikistan in March 2013 became its newest member. This is a landmark achievement for the country and the CAREC Program. ADB has subsequently approved a technical assistance project to support Tajikistan in implementing the post-accession commitments.

6. In energy, implementation of the Energy Work Plan 2013–2015 has been initiated, including advances made in the complex project preparation activities for the Central Asia – South Asia Energy Corridor development. The sector also agreed to conduct a study on enhancing Central Asia Regional Power Trade and Cooperation and to continue implementation of the capacity development activities—under the RESET program, through the CAREC Institute, or in partnership with other specialized institutions. On financing of investments for energy assets, the sector will work on a study which analyzes the financing gap and measures to address it. The Energy Sector Coordinating Committee (ESCC) meetings have continued to work on the compilation of the list of priority projects as part of the *CAREC 2020* implementation plan.

7. We request the Honorable Ministers to note the foregoing progress report.

Honorable Ministers:

8. Taking into account the recommendations of the recent CAREC sector coordinating committees, as well as discussions among the CAREC National Focal Points in September 2013, the Senior Officials deliberated on the strategy papers to promote “integrated transport and trade”, together with new developments in institutional support mechanisms and knowledge initiatives in pursuit of the operational priorities of *CAREC 2020*.

9. The sector committees of Transport and Trade Facilitation have jointly undertaken and completed a mid-term review of their *CAREC Transport and Trade Facilitation Strategy (TTFS) and Implementation Action Plan*. The mid-term review completed a comprehensive stock-take of implementation progress, conducted extensive consultations, and based on the identified lessons learned, developed a refined strategy aligned with *CAREC 2020*. The refined strategy proposes a more integrated approach encompassing logistics as well as trade and transport facilitation. It extends or links the identified corridors with due consideration for an increased weight on the North-South corridor developments, gateway port access, and integration of the transport networks of Pakistan and Turkmenistan, the newest CAREC member countries. The refined *Transport and Trade Facilitation Strategy (TTFS) 2020* promotes multimodal transport development through targeted investment in rail networks, increased operational and institutional effectiveness towards improved road maintenance and road safety, institutional

capacity building, and strengthening of monitoring and evaluation using the refined results-based framework.

10. The Trade Policy Sector Committee in parallel has prepared an updated strategy, *The Trade Policy Strategic Action Plan (TPSAP) 2013–2017*, to bring about greater trade openness. The new five-year strategy proposes expansion of the sector agenda beyond the original priority objectives of the *TPSAP 2008–2012*, which are advancing the WTO accession and conducting capacity-building and knowledge-sharing program for progress in trade liberalization. In addition to these long-standing areas of work, the updated strategy includes non-tariff measures and removal of quantitative restrictions, specifically through reducing the trade impeding impact of the sanitary and phyto-sanitary measures and technical barriers to trade measures. The strategy also newly incorporates the expansion of trade in services as a path to greater regional cooperation and integration in the global trading system. Given these new challenging areas of work, donors and the multilateral institution partners agree to provide substantial support to the implementation of *TPSAP*.

11. CAREC's goal of expanded trade and improved competitiveness requires robust mechanisms to measure performance, increase institutional capacity, and generate and share innovative ideas. The CAREC Secretariat has commenced a review of CAREC's results-based monitoring framework methodology to better assess the Program performance at a time when strategies in the priority areas of cooperation are being revised and refined to further align with *CAREC 2020*. The review will be in two phases, a preliminary review to be followed by a comprehensive review in close consultation with the sector coordinating committees. The outcome of the preliminary review will be reflected in the 2013 Development Effectiveness Review publication, and the exercise to improve the results-based framework will be completed in 2014.

12. Marking an important step in the Program's knowledge initiatives, the SOM is pleased to announce that CAREC member countries welcomed the offer of the People's Republic of China (PRC) to host the physical base of the CAREC Institute in Urumqi, Xinjiang Uygur Autonomous Region, and noted the PRC's commitment to start the Institute's operations in 2014.

13. The SOM took note, with appreciation, of Kazakhstan's offer to establish a branch of the Institute in Kazakhstan, in order to facilitate the development of CAREC Program.

14. In this regard, the CAREC Senior Officials agreed to recommend the following for endorsement by the 12<sup>th</sup> Ministerial Conference:

- *The CAREC Transport and Trade Facilitation Strategy (TTFS) 2020*;
- *The Trade Policy Strategic Action Plan (TPSAP) 2013–2017*;
- The preparation of a streamlined Development Effectiveness Review, based on the initial review of the results-based monitoring framework methodology, and suitable follow up in consultation with sector coordination committees;
- Establishment and operationalization of the CAREC Institute physical base in Urumqi, Xinjiang Uygur Autonomous Region, PRC; and

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

Thank you.