



Reference Document
For Session 7 of the Senior Officials' Meeting
June 2019

18th CAREC Ministerial Conference Proposed Structure and Deliverables

**Senior Officials' Meeting
Central Asia Regional Economic Cooperation
27–28 June 2019
Tashkent, Uzbekistan**

**I. Proposed Theme of the 18th Ministerial Conference:
“A New CAREC – Expanding Horizons of Regional Cooperation”**

1. CAREC, with its reputable convening power, presents a meaningful channel for dialogue and economic and social cooperation to achieve the common goals set out in the national and global development agendas. In response to the evolving regional landscape and development needs, CAREC has broadened its mission, expanded its horizons, and deepened its mandate to further harness the potential of regional cooperation. The CAREC 2030 strategy elevates the Program to a new height building upon the nearly 20 years’ achievements through collective endeavors for shared and sustainable prosperity.
2. A new era summons a new CAREC. Central Asia is a dynamic and fast-changing region. The horizons of regional cooperation have and will continue expanding, capitalizing on the new regional dynamics which open new possibilities for cooperation in areas of connectivity and trade, to tourism, to water, and to human capital development. A key opportunity for CAREC region now is the opening of Uzbekistan, and improving relationships among neighboring countries, which provide a window of opportunity to tap new potential.
3. In addition, the new horizons of CAREC embrace not just new sectors and areas but also deepening of policy dialogue and debate on issues of regional significance, including of economic diversification, debt sustainability, and new financing mechanisms for infrastructure development, to name a few. The open and inclusive approach of this new CAREC is bringing in new development partners that are adding to the substance and depth of the program for the benefit of the member countries.
4. The 18th CAREC Ministerial Conference (MC), to be hosted in Tashkent, will be a fitting occasion to further deliberate on the emerging challenges and fortuitous opportunities which CAREC should look at moving forward. It is therefore suggested the theme for the 18th CAREC MC to be formulated along the lines of “*A New CAREC – Expanding Horizons of Regional Cooperation*”.

II. Proposed Structure of the 18th Ministerial Conference

5. **Date:** Thursday, 14 November 2019.
6. **Venue:** Hyatt Regency Hotel, Tashkent, Uzbekistan

III. Proposed Deliverables to be Presented at the 18th Ministerial Conference

A. CAREC Transport Strategy 2030

7. The new CAREC Transport Strategy 2030 (CTS 2030) builds on progress made and lessons learned from the CAREC Transport and Trade Facilitation Strategy 2020, as well as the CAREC Railway Strategy 2030 and CAREC Road Safety Strategy 2030 which set the strategic directions for the railway sector and road safety management.
8. The CTS 2030 is strongly linked to CAREC 2030 goals in the areas of enhanced connectivity and sustainability of the regional transport systems; and will be implemented in conjunction with CAREC Integrated Trade Agenda 2030 (CITA 2030) to ensure strong coordination. The CTS emphasizes multimodality of connectivity and focuses on prioritization and implementation of transport infrastructure development projects along the CAREC corridors through five key pillars: (i) roads and road asset management, (ii) railways, (iii) cross-border transport and logistics, (iv) road safety, and (v) aviation.

9. Proposed actions under these pillars are formulated, following the premises of (i) emphasis on quality and sustainability of transport projects and assets, (ii) development of demand-driven knowledge products that will support high-level decision-making, (iii) provision of a more disaggregated monitoring framework to provide useful data to influence national planning and cooperation, (iv) flexibility on the definition of the six multimodal corridors, and (v) focus on the five strategic pillars while being open for inclusion of new areas.

B. CAREC Energy Strategy 2030

10. The CAREC Energy Strategy 2030 is built upon the findings of the recently completed Midterm Review of the CAREC Energy Strategy and Work Plan 2016–2020 which took stock of the achievements made and highlighted global and regional changes, new dynamics, and risk factors that have emerged on the world energy scene.

11. Responding to the current global energy challenges, the CAREC Energy Strategy 2030 is envisaged to focus on connectivity and sustainability. The main building blocks include (i) better energy security through regional interconnections, (ii) more investments through market liberalization reforms, and (iii) enhanced climate mitigation for a resilient energy system. Several cross-cutting pillars will also form part of the strategy focusing on enhancing the role of the private sector, fostering women empowerment, and creating new knowledge products.

C. 4th Energy Investment Forum and 1st CAREC Energy Ministers Dialogue

12. The Energy Investment Forum (EIF), initiated in 2016, is a CAREC flagship event to enable private investments in the energy sector. The forum aims to showcase business opportunities and raise awareness for investment potential in the region. It gathered more than 250 stakeholders in each of the EIF in the past years, including high-technology providers, project developers, private investors, government officials and policy makers, representatives from multilateral and bilateral organizations; and experts on clean and renewable energy. The 4th EIF shall take place in Tashkent, Uzbekistan, in September/October 2019, and plans to focus on the theme *“Doing Business in Light of Transition and Energy Sector Reform in Central Asia”*. It will be the first EIF to involve regional start-up companies to facilitate business to business contacts.

13. Prior to the 4th EIF, the First CAREC Energy Ministers’ Dialogue is under contemplation. The objective of this event is to bring primary decision makers together to discuss challenges and opportunities arising from global and regional energy sector transformation and fundamental reforms.

D. CAREC Integrated Trade Agenda (CITA) 2030 Implementation Progress

14. Since its endorsement in November 2018, good progress has been achieved in implementing CITA 2030. The CAREC Customs Cooperation Committee (CCC) has realigned its priority areas and scope of work with CITA 2030 in response to the evolving trade landscape. The second Regional Trade Group (RTG) meeting was convened on 26 June 2019 and discussed the implementation, monitoring, and coordination of overall trade work, as well as targets for CITA 2030 results framework.

15. Noteworthy progress include: (i) the Rolling Strategic Action Plan (RSAP) 2018–2020 has been updated to cover 2019–2021 and is tabled for the SOM’s approval; (ii) all CAREC countries have established their Sanitary and Phytosanitary (SPS) national working groups and the inaugural meeting of the CAREC SPS Regional Working Group was held on 24–25 June 2019 in Tashkent; (iii) to support the alignment of SPS measures with international standards and the WTO SPS Agreement, sector-specific regional programs are being developed for

animal and plant health, and the CAREC Regional Food Safety Network is being conceptualized; (iv) the study on “*Modernizing Sanitary and Phytosanitary Measures in CAREC: An Assessment and the Way Forward*” was published in May 2019; (v) following the successful organization of the inter-subregional forum on the WTO Trade Facilitation Agreement (TFA) in October 2018, a follow-up joint CAREC-South Asia Subregional Economic Cooperation (SASEC) TFA knowledge- and experience-sharing workshop will be organized in October 2019; (vi) the CAREC Corridor Performance Measurement and Monitoring (CPMM) 2018 Annual Report is being published; (vii) the CAREC Federation of Carrier and Forwarder Associations (CFCFA) is piloting new multimodal corridors to reduce the time and cost of trade, and will circulate logistics operational standards for review by national associations of CFCFA; and (viii) signing of the Agreement for the CAREC Advanced Transit System and Information Common Exchange (CATS/ICE) Pilot is anticipated by the 18th CAREC MC with the pilot test to be launched by end 2019.

E. Economic and Financial Stability

16. Following last year’s dialogue on “*Lessons from Fiscal and Monetary Policy Responses to External Shocks*” and a panel discussion on promoting export diversification in CAREC countries during the 17th CAREC MC, the Asian Development Bank (ADB), International Monetary Fund (IMF), and the World Bank jointly organized another high-level CAREC forum in Nur-Sultan, Kazakhstan on 15 May 2019 to discuss infrastructure financing needs, fiscal constraints, debt sustainability, and the need for more private sector involvement in infrastructure financing. Central bank governors, ministers, and high-level attendees from CAREC countries participated.

17. The forum discussed sustainable infrastructure finance in three panel sessions. The first panel discussed the magnitude of infrastructure gaps in the CAREC region and identified critical regional infrastructure projects and reforms to capitalize on the improving economic cooperation prospects in the CAREC region. The second panel discussed how to find the right balance between needed infrastructure investments and long-term fiscal and debt sustainability. The discussions evolved around two aspects: effective debt management and prioritizing feasible projects to close the infrastructure gap. The third panel discussed ways to attract domestic and foreign investments into infrastructure projects, public-private partnerships (PPP) modalities and associated risks. The panel concluded that well-designed PPPs can ease the burden on public finances and shift risks to the private sector, but poorly designed ones can result in substantial fiscal risks and nonperformance. For domestic private investors to play a stronger role in infrastructure financing, accelerated reforms of banking sector and capital markets are required.

18. Given the above, the Securities and Exchange Commission of Pakistan (SECP) plans to host the First CAREC Capital Market Regulators’ Forum in August, in Pakistan.

F. CAREC Scoping Study on Tourism

19. The CAREC 2030 strategy advocates a regional approach to tourism development. To initiate activities in this area, a scoping study on “*Promoting Regional Tourism Cooperation under CAREC 2030*” has been conducted. The scoping study aimed at identifying potential areas for collaborative actions in the tourism sector going forward. These include: (i) simplification of visa and entry procedures, infrastructure development on cross-border routes, and improvement of air transport connectivity; (ii) development of common standards and certification schemes for tourist facilities; (iii) development of tourism education and training courses with common curricula and qualifications; (iv) joint marketing and promotion activities under the “Silk Road” umbrella in collaboration with the United Nations World Tourism

Organization (UNWTO) Silk Road Programme; and (v) promotion of regulatory reforms and creation of an enabling environment for tourism investments.

20. Key findings of this study were presented at the first CAREC Regional Tourism Workshop, held on 23–24 October 2018 in Tashkent, Uzbekistan. In addition, a high-level session on Sustainable Tourism Development was held during the 52nd ADB Annual Meeting, in Nadi, Fiji on 1 May 2019, to continue dialogue on how a regional approach to sustainable tourism development can lead to increased socio-economic development and job creation in the region. Building upon the findings of this scoping study, a \$2.0 million TA is expected to be approved by July 2019 to advance the CAREC tourism agenda.

G. CAREC Scoping Study on Education

21. Promoting cooperation in education and skills development is one of the operational priorities under CAREC 2030. To initiate activities in this new operational area, a scoping study on *“Enhancing Regional Cooperation in Education and Skills under CAREC”* has been formulated. The scoping study seeks to identify regional initiatives for enhancing and expanding cooperation among member countries in skills development and higher education. Initial areas for collaboration identified in the study include: (i) mutual recognition of qualifications and skills; (ii) quality assurance and harmonization of standards; (iii) promotion of student, faculty, and worker mobility; (iv) improvement of labor market information and services; and (v) exchange of information, knowledge, and educational innovations.

22. Key findings of the study were presented at the first CAREC Regional Education Workshop, held on 27–28 March 2019 in Bishkek, Kyrgyz Republic. During the workshop, member countries and development partners deliberated on key challenges and opportunities for regional initiatives and collaborative actions in skills development, and higher education in the region. Participants agreed that the overall objective should focus on improving movement of faculty, students, and workers across countries and enhancing responsiveness to the rapidly evolving regional labor market needs.

H. CAREC Economic Corridor Development (ECD) progress

23. The pilot **Almaty-Bishkek Economic Corridor (ABEC)** implementation has gained new momentum through the creation of the Kazakhstan–Kyrgyz Republic ABEC Subcommittee by both countries’ Prime Ministers in 2017. The agreements of the ABEC Subcommittee are recorded through a bilateral protocol, which is signed by both countries’ CAREC national focal points and its findings are reported to the regular meeting of both countries’ Prime Ministers.

24. The third ABEC Subcommittee meeting, held on 22 February 2019 in Bishkek, agreed on developing a joint mountain tourism cluster between Almaty and Issyk-Kul. A master plan for the cluster is being developed that includes spatial plans, environmental frameworks, and suggest concession design for tourism investments of regional scale. A skill gap analysis for the tourism sector for both countries has been prepared. To modernize border crossing points (BCP) between Almaty and Bishkek, suggestions for infrastructure and process improvements have been developed. Both countries have agreed to modernize two mutual BCPs following the design proposals. The ABEC Subcommittee recognized the approved ADB investment project concept paper and \$2 million transactional technical assistance grant for both countries to prepare the ABEC modern agricultural wholesale market development project.

25. The second pilot ECD initiative, the **Shymkent-Tashkent-Khujand** Economic Corridor initiative aims to support the assessment of ECD potential among the targeted cities and their neighboring oblasts in Kazakhstan, Uzbekistan, and Tajikistan.

26. An inception mission, including national workshops and multi-stakeholder consultations, was conducted last 20–31 May 2019 to solicit views on potential areas for cross-border collaboration along the envisaged corridor and identify pressing challenges to be addressed through collective efforts. A few priority sectors and areas were suggested by stakeholders during the mission including cross-border infrastructure connectivity; cross-border agricultural value chains, regional tourism development, economic and industrial zones development, border crossing points improvement, as well as policy harmonization and border procedures simplification to improve business climate and facilitate movement of goods and people. An inception report is under development to reflect the findings of the consultations and suggest scope of work moving forward. A regional workshop is being planned in September 2019 to continue the discussions.