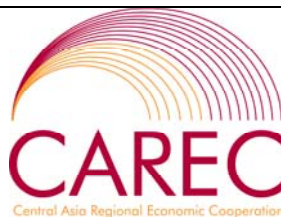


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**Joint Statement of the CAREC Multilateral Institutions
Seventh Ministerial Conference:
Central Asia Regional Economic Cooperation
Baku, Azerbaijan
21 November, 2008**

Chairman, Ladies and Gentlemen,

Once again, in what has now become a tradition, I have the privilege of presenting a Joint MI Statement to a CAREC Ministerial Conference on behalf of the CAREC Multilateral Institutions, consisting of the ADB, EBRD, IMF, IsDB, UNDP and World Bank.

Allow me first to express the Multilateral Institutions' appreciation to Azerbaijan for hosting such a well organized 7th Ministerial Conference. As is our now well established practice, this conference offers the opportunity to review the progress we have made over the last year and consider the main areas where the Multilateral Institutions need to engage in 2009 to help achieve our shared goal of facilitating regional economic development and cooperation, for the benefit of all of the countries in the region.

Over the past year, we have again seen much progress on our Comprehensive Action Plan (CAP), and in particular in each of the three key sectors --transport, trade and energy -- which CAREC is supporting in line with the CAP.

This year important work has focused on the preparation of the trade policy and energy strategies. The trade policy strategy aims at increasing trade openness to stimulate stronger growth and development. To this end, it includes policy actions which recognize different circumstances and national priorities in member countries, based on pragmatism and ownership. The energy strategy outlines a vision for improving energy security in the CAREC countries through the development of energy markets, transit arrangements, and investment in priority projects. Last year the CAREC Transport and Trade Facilitation Strategy was endorsed and we now see this moving forward with the preparation of an implementation action plan. These three strategies provide a foundation for collaborative action and enable the CAREC countries and Multilateral Institutions to prioritize much needed investments, institutional improvements and policy changes that will support the integration of the Central Asian region.

Most importantly, we are now seeing the CAREC agenda moving forward into the implementation phase:

- CAREC transport and trade facilitation corridors are moving into the investment phase in a number of countries, with substantial funds already committed. The proposed investments in corridor 1b and other roads represent promising

examples of the strategy being translated into action, providing provide a critical transport link between Asia and Europe; in time, it will be possible to transport goods and people, by road from Beijing to Berlin. And we also heard about the railways link between Central and South Asia as well.

- In the energy sector progress is being made on the development the Central Asia South Asia regional energy market development, again supported by the Multilateral Institutions. As well, bilateral power purchase agreements are taking place and new transmission routes are being developed.
- In the area of trade facilitation CAREC countries have agreed to implement performance monitoring on CAREC corridors, starting in 2009. The key agencies, in partnership with freight forwarders, will monitor the time and cost of moving goods across the CAREC countries.

We hope next year, to be able to report on many more such initiatives. As the sector committees develop actions plans, we would encourage the inclusion of some benchmarks or indicators, so that we can measure the impact of our work.

A work plan for the establishment of the CAREC Institute has been developed. We look forward to seeing the CAREC Institute play a key role in development of leadership and capacity building to support our regional cooperation efforts. We are very appreciative to the Chinese Government for the substantial Regional Technical Assistance which will be provided to ADB to support this initiative.

Over the past year, the Multilateral Institutions have continued to coordinate our activities supporting regional cooperation, under the CAREC umbrella. We are increasingly working together to develop a common understanding of the challenges that the region is facing and to provide coordinated and effective responses in support of the Government's efforts – an approach which is consistent with global efforts to improve aid effectiveness, as agreed in the Paris Declaration, and again this year in Accra in October. An example this year of our efforts to strengthen the coordination of our support to countries is the UNDP-led, and CAREC-supported, regional risk assessment of the compound water-energy-food situation in Central Asia.

We have also been reaching out to the other regional organizations supporting regional economic development, particularly the Eurasian Economic Community (EURASEC) and the Shanghai Cooperation Organization (SCO), in the hope that we can mobilize the technical and financial resources needed, and to coordinate our regional cooperation efforts.

Last year when we met, we recognized the continuation of favorable economic conditions in the region that allowed CAREC countries to enjoy high rates of economic growth, and we were only just beginning to see the first signs of turbulence in the global financial markets. Today of course, conditions have changed dramatically. CAREC countries are now faced with dealing with the fallout of first, a global financial meltdown, and second, the looming global economic downturn, together with the compound challenges of food price shocks, and in some cases droughts and energy shortages. The financial crisis now has far reaching implications – developed and developing countries alike are significantly impacted. CAREC countries will be impacted to varying extents by the dramatic drops in commodity prices, reduced demand for their exports, and potentially, reductions in remittances which have been providing significant social safety nets to the poorest and most vulnerable living in CAREC countries. Of direct impact on the CAREC action plans, will be an abatement in the flows of

foreign investment, and the increased costs of borrowing, which will affect private sector-led and PPP projects.

As multilateral institutions, we are committed to helping CAREC countries bear the short term brunt of this crisis, and we will continue to support initiatives which will improve the medium term resilience and competitiveness of the region. To this end, we stand ready to provide policy advice in our respective areas of expertise, and/or finance. Many of our institutions have also provided emergency financing to help mitigate the impacts on food security, energy production, and economic security. We are very aware that as domestic revenues shrink, donors will have to play an even greater role. We also recognize the need to balance the short and medium term perspectives, and to align regional strategies and regional planning with country development strategies and to strengthen the regional perspective in both country and multilaterals' programming.

If approached well, this crisis can provide additional impetus and urgency to increase regional economic integration, enhance diversification of economies and improve the investment climate in CAREC countries. This will be essential to position CAREC countries for a rapid return to strong economic growth. This is the very time that countries should be pushing ahead with initiatives to reduce trade costs, including border reforms, customs reform, and improved logistics management, as well as improvements in governance and transparency in economic management.

We all recognize that the huge financing needs which emerge from the sector strategies can only be met if the region succeeds in attracting sizeable private sector participation, in addition to investment by the countries and the Multilateral Institutions. Many of the planned investment projects are very large and, from a commercial perspective, would benefit enormously from private sector participation. This crisis should be used to stimulate policy reform and institutional development in order to further improve the competitiveness of CAREC countries – both for domestic development, as well as for supporting regional integration.

To mitigate the social impacts of the global crisis on the populations of the region, it may also be advisable for countries, especially those that have room for countercyclical fiscal policy stimulus, to consider increasing (non-inflationary) public investment in high priority, labor-intensive projects which support regional integration, such as trade-related infrastructure, regional roads, etc.

Of course this region is not unused to dealing with challenges, and has dealt with some larger challenges in the last 20 years. However, one of the key lessons of the last two decades is that the crises should not become an impediment to closer cooperation. On the contrary, at this time, the CAREC motto that we developed in Urumqi applies in with even greater strength: good neighbors, good partners and good prospects.

We expect that CAREC will continue to provide a forum for open, honest and constructive exchange about matters pertaining to economic development and regional cooperation. We all understand that our discussions are not always easy; the stakes are high and the issues are complex. But we have been encouraged by the way in which countries have cooperated to agree on sector strategies. Looking forward I endorse (and I trust that my colleagues of the Multilateral Institutions do too), the proposals made by President Kuroda this morning, including for CAREC to initiate addressing the implications of climate change on the regional cooperation agenda, in particular water resource management. For our part, the

multilateral institutions will continue to provide technical support and to act as honest brokers, in helping countries to forge ahead with this critical agenda.

In conclusion, Ladies and Gentlemen, let me express our sincere thanks to the Azeri authorities for their generous hospitality and the impeccable organization of this Conference.

Let me also extend thanks to our country counterparts and to the CAREC Secretariat from the ADB for enabling our enhanced cooperation efforts.

Delivered by Shigeo Katsu, Regional Vice President, Eastern Europe and Central Asia,
The World Bank.