



Central Asia Regional Economic Cooperation Program

**13<sup>th</sup> Ministerial Conference on  
Central Asia Regional Economic Cooperation  
Bishkek, Kyrgyz Republic  
6 November 2014**

**Report of the Senior Officials' Meeting to the CAREC Ministers  
Mr. Sanjar Mukanbetov  
Chair, Senior Officials' Meeting**

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

1. A CAREC Senior Officials' Meeting was held yesterday, the 5<sup>th</sup> of November, to review the progress made in CAREC priority areas and discuss initiatives to guide the CAREC Program in "linking connectivity with economic transformation in CAREC". The meeting discussed the establishment of the physical base of the CAREC Institute (CI) and the requisites to make it operational by end 2014 in accordance with the directive of the 12<sup>th</sup> Ministerial Conference. We reviewed proposed changes to the CAREC results monitoring framework, and the 2013 Development Effectiveness Review (DEfR) report based on the new methodology.
2. Honorable Ministers, it is my honor, as Chair of the Senior Officials' Meeting, to report to you the outcomes of our meeting.
3. Significant 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, the cumulative target of 19,200 kilometers (km) of CAREC corridor roads in good condition by 2013 has been achieved as early as 2012. Annual kilometers built in both 2012 and 2013 met targets. The length of expressways or national highways built or upgraded in 2013 was 1,312 km, exceeding the 2013 target of 1,200 km. The refined Transport and Trade Facilitation Strategy 2020 extended the original six corridors resulting in an increase in the total corridor length to 29,350 km by 2020 from 24,000 km by 2017. For railways, annual kilometers built in 2012 met the annual target and good progress continues. By the end of October 2014, about 1,036 km of new railways were built in Kazakhstan and 317 km of railways improved in Azerbaijan. Projects in other transport subsectors (civil aviation, ports and logistics centers) are making good progress. A Geographic Information System is proposed to facilitate planning, monitoring and managing of CAREC corridor-based transportation facilities and their performance.

5. In energy, progress was made in the implementation of the Energy Work Plan 2013–2015, notably, in the initiatives to enhance the Central Asia-South Asia energy corridor, and capacity development activities under the CAREC Energy Sector Capacity Building and Knowledge Framework Program 2013–2015 and the Regional Energy Security, Efficiency and Trade Program. A technical assistance project on mobilizing funds for building energy assets has been approved in September 2014. Several capacity building and knowledge sharing activities were also completed in 2014 in the areas of energy efficiency, regional energy trade, and green energy, among others. The Energy Sector Coordinating Committee has initiated discussions on the formulation of the Energy Work Plan 2016–2020 to be finalized in 2015.

6. In trade facilitation, the average time taken to clear a border crossing via road and rail transport improved by 8% from 10.9 to 10 hours or almost an hour faster. Road border crossing time shortened remarkably, from an average of 8.9 to 5.6 hours due to shorter durations across most corridors. However, average costs at border crossing points increased by 50% from 2012 due to significantly higher fees assessed at certain border crossing points. There was also a 13% overall slowdown in the average speed to travel 500 km on CAREC corridors. Customs cooperation continued to make progress as more border crossing points agreed to implement joint customs control and piloted the electronic exchange of customs cargo manifests. Other customs cooperation initiatives are well underway, namely: support to the accession to the Revised Kyoto Convention by five CAREC countries, assessment of existing risk management systems to formulate improvement plans, and national planning workshops to conduct Customs' Time Release Studies. In addition, implementation of the initiative on promoting cooperation in sanitary and phytosanitary or (SPS) measures for trade facilitation is on track.

7. In trade policy, efforts in liberalizing trade were supported by the implementation of training and knowledge initiatives. In the area of supporting WTO accession and post-accession adaptation, a technical assistance is supporting reforms of the standards agency of Tajikistan (Tajikstandart). Knowledge sharing activities were also conducted on two new areas covered by the Trade Policy Strategic Action Plan 2013–2017, namely: (i) reduction and rationalization of non-tariff barriers such as technical regulations and SPS measures; and (ii) expansion of trade in services. The implementation of policies in these two areas is more challenging and will require close collaboration with, and support from, multilateral development institutions and the donor community.

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

Honorable Ministers:

9. The Senior Officials have discussed the approach for implementing economic corridor development, a key operational priority in CAREC 2020. Based on a study on operationalizing economic corridor development in the CAREC Program, the Senior Officials' Meeting held in Manila in June 2014 endorsed a framework comprising three tracks for developing CAREC corridors: (i) transport corridors to rebuild and reinforce domestic networks; (ii) transit corridors to expand connectivity with neighbors, and (iii) economic corridors to deepen, create and connect markets by leveraging on physical connectivity thus facilitating economic transformation. The study also identified, and recommended piloting an economic corridor between Almaty and Bishkek, two cities served by CAREC Corridor 1. We are pleased to report that the Governments of Kazakhstan and the Kyrgyz Republic have agreed to explore developing an economic corridor between the cities of Almaty and Bishkek. A Memorandum of Understanding on the Almaty-Bishkek Corridor Initiative (ABCI), signed by the two cities, will provide the framework for cooperation, and for collaboration in urban planning, sector economic

and technical analysis, and knowledge sharing. An inter-governmental Working Group on the Almaty-Bishkek Corridor Initiative will be established shortly by the two governments. The Working Group shall work closely with the CAREC Program in directing, monitoring and assessing the next phase to develop the economic corridor, including identifying infrastructure and policy requirements for developing the corridor, and report on the outcomes next year.

10. We are pleased to report that the CI's physical base in Urumqi, Xinjiang Uygur Autonomous Region, the People's Republic of China (PRC) is ready. The PRC has proposed the launching ceremony to take place in December upon the appointment of the Director and Deputy Director 1, followed by an inaugural knowledge sharing on Economic Corridors and Global Value Chains. In the event that there is difficulty in appointing the Director and Deputy Director 1 by the time of the launching of the CI, the Governing Council member of the Kyrgyz Republic and the People's Republic of China will act as the interim Director and Deputy Director 1, respectively. The Senior Officials have agreed on the guiding principles, purpose, governance structure, organization, management, and staffing of the CI, for which we seek the Ministers' approval and subsequent announcement. In this regard, the SOM reiterated that the first Director of the CI will be a national of the Kyrgyz Republic. Further, the Senior Officials have recommended the establishment of the 10-member Governing Council comprising the CAREC National Focal Points to ensure that the CI's activities link with, and support, the CAREC Program's priorities.

11. As part of continuing efforts to enhance the operations of the CAREC Program, the CAREC Secretariat, working closely with the sector committees, reviewed and recommended improvements in methodology and processes, and presented these to the Senior Officials who recommended completion of the final phase in terms of the selection of specific indicators to be completed in 2015. We also reviewed the 2013 Development Effectiveness Review (DEfR) Report, and requested the sector committees to analyze carefully the areas and actions where actions can be undertaken to strengthen the Program's performance.

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

- Support by the CAREC Program for implementation of the Almaty-Bishkek Corridor Initiative;
- The establishment of the CI's Governing Council; the appointment of the National Focal Points as Council members for the interim period; the first Governing Council meeting to be held in conjunction with the launching ceremony of CI's physical base in December 2014; and the preparation of a medium-term work program to augment existing sector priorities, propose new initiatives to complement member countries' efforts to facilitate economic transformation, and identify potential interventions in second tier areas to address social and other aspects of trade expansion and increased competitiveness; and
- Revised methodology for CAREC results monitoring, with indicators finalized for reporting to the Senior Officials Meeting in 2015.

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

Thank you.