

# **CENTRAL ASIA REGIONAL ECONOMIC COOPERATION PROGRAM CONSULTATION MEETING WITH THE CAREC NATIONAL FOCAL POINTS**

**Issyk Kul, Kyrgyz Republic  
25–26 September 2014**

## **SUMMARY OF DISCUSSIONS**

### **I. Introduction**

1. A Central Asia Regional Economic Cooperation (CAREC) Consultation Meeting with National Focal Points (NFPs) was held in Issyk Kul, Kyrgyz Republic on 25–26 September 2014. The objective of the NFP Consultation Meeting was to prepare for the 13<sup>th</sup> Ministerial Conference on 5-6 November 2014 in Bishkek. Delegations from CAREC's ten member countries participated. Representatives from the World Bank and United Nations Development Programme also attended. Mr. Sanjar Mukanbetov, Vice Minister, Ministry of Economy and CAREC National Focal Point (NFP) for the Kyrgyz Republic, chaired the Meeting. Mr. Klaus Gerhaeusser, Director General, Central and West Asia Department (CWRD), Asian Development Bank (ADB), Mr. Ayumi Konishi, Director General, East Asia Department (EARD), ADB co-chaired the meeting.

### **II. Meeting Highlights**

2. **Economic Corridor Development Study.** The CAREC Secretariat presented the CAREC Economic Corridor Study which provides a framework for corridor development in CAREC along three tracks: transport corridors (Track 1); transit corridors (Track 2); and economic corridors (Track 3). The 3-track corridor-development framework was endorsed at the SOM held in Manila on 26-27 June 2014. The study also analyzed and recommended the development of the Almaty-Bishkek Corridor (ABC) as an economic corridor to pilot the operationalization of Track 3 in CAREC. The study concluded that the economic potential to develop the ABC exists due to their close commercial and cultural links and physical proximity, combined with strong potential for shortening the economic distance between them in the future through Kyrgyz accession to the Customs Union and policy interventions to reduce transaction costs between the cities. Both cities aspire to be regional centers and have ambitious growth plans that will increase their size significantly in the medium term, including through proposed plans of the Government of Kazakhstan for developing

Almaty as a mega city through urban agglomeration with other satellite urban clusters. The presentation also noted the challenges of developing a services-based economic corridor given that both cities are predominantly services economies. The next steps for development of ABC as an economic corridor include preparing a joint platform comprising Almaty and Bishkek to work on detailed sector-level technical, economic, and policy analysis to be supported by technical assistance under the CAREC program.

3. The NFPs expressed support for the ABC as a pilot case for economic corridor development, and expressed the hope that it could help in the development of other economic corridors in the CAREC region, such as those being planned in Tajikistan, and between PRC and Mongolia. The NFPs welcomed that Track 3 economic corridor development under CAREC would include domestic as well as cross-border corridors. The Meeting agreed to seek the approval of the 13th MC for the ABC initiative to serve as a pilot for CAREC Economic Corridor Development, and endorsed the signing by the respective city mayors of a Joint Declaration on the Almaty-Bishkek Corridor Initiative. The Meeting also noted that Almaty and Bishkek administrations and the respective national governments have agreed to establish a joint working group.

**4. Special Presentation: Intelligent Territory Development. Linking Cities for Economic Gains.** Fundacion Metropoli and Microsoft Corporation made a special presentation on a non-traditional approach for the design of “intelligent territories” that juxtaposes the physical and other unique dimensions of cities with information on economic opportunities, infrastructure, and demographics using digital technology (the digital diamond concept). This IT-based platform can be used to model the appropriate approaches to urban development through the impact of changes in infrastructure connectivity (e.g. transport, water, energy), and the exploitation of unique economic, cultural, and natural resources potential. The actual application of this approach was illustrated in selected cities --- the Basque Region (Spain), Singapore, the Malacca Straits (Malaysia), Katatura (Namibia) and Colombia (Carribbean and Santander Region). The presenters also gave their preliminary “intuitions” on Central Asia based on the digital diamond concept. The NFPs noted that while this approach offers an alternative model for urban planning, further discussions on the concept application would be needed to better

understand the data requirements, and the interface with cities in the political context of Central Asian countries.

5. **Sector Updates.** The Secretariat presented updates on energy and trade facilitation sectors. The Energy Sector Coordinating Committee (ESCC), which held its second meeting for the year on 4-5 September 2014 in Beijing, People's Republic of China, updated the six elements of the Energy Sector Work Plan 2013-2015 and reviewed the capacity building activities completed so far in 2014. In trade facilitation, the presentation provided updates on the status of ongoing work in customs cooperation, coordinated border management at country level, issues pertaining to accession to Revised Kyoto Convention, and preparations for the proposed regional project to improve SPS measures. The Secretariat also introduced the Geographic Information System (GIS) and its various applications to the transport sector. The NFPs welcomed the GIS project.

6. **Methodology Review of the CAREC Results Framework.** The Secretariat presented recent refinements to the CAREC Results Framework that incorporated inputs from sectors and development partners as part of the methodology review. The refinements ensure that overlaps are avoided across the five-level structure approved by the June SOM (i.e., CAREC bodies, CAREC interventions, sector outputs, sector outcomes and regional impact) and that results statements are at an appropriate level, with suitable linkages between the five levels. The results statements would be further fine-tuned in the course of developing the indicators and the measurements, which has already started. The Meeting noted the refinements and recognized that the Development Effectiveness Review (DEfR) will continue to evolve to reflect the Program's priorities and the changing environment. The Meeting expressed support for ongoing efforts to develop the indicators and recognized that enhanced implementation of projects would be needed to meet performance results.

7. **Interim 2013 DEfR Report.** In the interim 2013 DEfR presented by the Secretariat, the rationalized set of indicators was used to measure performance in the five levels. A major accomplishment in 2013 was the approval of the Transport and Trade Facilitation Strategy (TTFS) 2020 and the Trade Policy Strategic Action Plan 2013-2017. The Interim Report notes that considerable progress has been achieved in certain areas; for instance, in the implementation of the TTFS and its Action Plan, the average time taken to clear a border crossing improved and road border

crossing times are shortened. Intra-regional trade in the CAREC region has picked up and showed sustained improvement in both 2012 and 2013; the average Human Development Index for the region has maintained steady progress over the last 4 years; CAREC economies registered a combined total GDP of \$1.7 trillion<sup>1</sup> in 2013, growing in real terms by 6.5%; and investments in CAREC-related projects reached a cumulative total of \$22.4 billion at the end of 2013, a 5.5% over the previous year's. However, improvements have to be made in such areas as the average costs incurred at a border crossing point which increased in 2013, and the average speed to travel 500 km on CAREC corridors which slowed down by 13% in 2013 compared to 2012. The annual volume of new investment projects also declined. These areas of shortfall or decline in performance call for a more careful analysis by the sector committees of the underlying reasons that could provide the basis for concrete actions or solutions that could be elevated to the CAREC decision makers.

8. **CAREC Institute.** The PRC reported that domestic consultations on the proposed legal status of the CI as an international organization have been completed, and on this basis, a report has been prepared for approval by the State Council, expected by mid-October 2014. Once approval has been obtained from the State Council, the PRC will send the official letters to the CAREC countries, through diplomatic channels, on the proposed legal status of the CI as an international organization. The PRC also reported substantial progress in the physical preparation of the CI offices, located in a newly developed financial, residential and commercial complex in Urumqi City. The layout, facilities and security system of the CI offices were described.

9. Moving forward, the PRC proposed the following: (i) proceed with the consideration of the legal status of the CI separately, but in parallel with the physical establishment of the CI; (ii) authorize the Secretariat and the PRC to proceed with the recruitment of the Director, Deputy Director 1 (DD1), and the Special Assistant to the DD1; (iii) send the official letter to CAREC countries, through diplomatic channels, seeking approval of the legal status of the CI as an international organization, once this has been approved by the State Council; (iv) establish the Governing Council at the 13<sup>th</sup> Ministerial Conference; (v) appoint the Director and DD1 prior to the launching of the CI in December 2014; (vi) allow the PRC to proceed with

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<sup>1</sup> Note that this excludes subnational data for Xinjiang Uygur Autonomous Region and Inner Mongolia Autonomous Region of the People's Republic of China.

the purchase of office supplies for the CI offices; and (vii) proceed with the launching ceremony and the conduct of a seminar as a first activity of the CI.

10. The Meeting agreed to separate the technical and legal issues pertaining to the establishment of the CI. It was thus agreed to proceed with establishing the CI's physical base and recruiting the Director, the DD1 and his/her Special Assistant, in parallel with continuing discussions on the legal issues. The PRC would explore internally, the options for establishing the legal basis for the CI to operate during the interim period that the legal status of the CI as an international organization is still under consideration. The appointment to the key positions of the CI will be done after the establishment of the Governing Council by the Ministerial Conference. Until such time, the Director will assume the title of Director-designate.

11. Following the request of the SOM in June 2014, the Secretariat presented the draft of a Recruitment and Selection (R&S) Plan to anticipate the filling up of key positions in the CAREC Institute by year end. The initial CI staff would consist of the Director, two Deputy Directors, two unit heads, six technical staff, and 30 support staff. Consistent with the understandings reflected in the CI Discussion Paper concluded at the NFP Meeting in March 2014, the R&S Plan specified the guiding principles, processes and terms of reference of the Director and Deputy Directors. Part of the Plan is to establish an R&S Committee (RSC) from among the members of the Governing Council with a term of three years to provide policy guidance and assist in the recruitment and selection functions. Since the RSC could not be created until after the establishment of the Governing Council by the 13<sup>th</sup> Ministerial Conference, the RSC functions could be performed by NFPs (or a small group of select members of NFPs) assisted by the CAREC Secretariat. The Meeting suggested that the points for clarification and issues raised by the CAREC delegations be reflected in a revised R&S Plan to be circulated in one week's time for review and subsequent endorsement by the CAREC countries.

12. For the 13<sup>th</sup> Ministerial Conference, the Meeting agreed to a draft of a Ministerial Announcement on the Establishment of the Physical Base of the CAREC Institute that would signify compliance with the Ministerial directive for the CI to start operations by 2014. The Ministerial Announcement states that the offices of the CI have been set up in Urumqi, Xinjiang Uygur Autonomous Region, the PRC and will start its first activity by December

2014. It reflects the mission and purposes, guiding principles, governance structure, and the organization, management and staffing of the CI. It was proposed that the composition of the Governing Council would be the National Focal Points. The Meeting endorsed the draft of the Ministerial Announcement, as amended, for the 13<sup>th</sup> Ministerial Conference.

**13. Preparations for the 13th Ministerial Conference.** The Kyrgyz Republic extended the invitation of the government to the CAREC countries to the 13th Ministerial Conference to be held on 5-6 November in Bishkek.

14. Updates were provided on the preparations for the 13<sup>th</sup> MC. The two-day event will comprise the Senior Officials' Meeting on the first day and Ministerial Conference on the second day. The theme of the Ministerial Conference is "Linking Connectivity with Economic Transformation in CAREC". The country delegations thanked the government of the Kyrgyz Republic for the invitation and committed to extend their full cooperation and support for the success of the Ministerial Conference.

15. The NFPs expressed their appreciation to the Government of the Kyrgyz Republic, particularly the Ministry of Economy, for hosting the meeting and providing excellent arrangements. The NFPs likewise expressed their thanks to ADB for helping organize and conduct the meeting.