

World Bank CAREC MC Statement

Distinguished delegates, it is my pleasure to represent the World Bank Group at this important forum committed to enhance connectivity and economic cooperation between CAREC member countries to support economic transformation. It is a little less than a year since we came together at the last Ministerial meetings in Bishkek. Since then the economic situation in the region has deteriorated due to the halving of the oil prices and the uneven global economic recovery. In Central Asia, this has translated into a slowdown of economic growth, lower remittances and the return of migrants from Russia. These new challenges have increased pressure on countries to carry out urgent measures to address the challenges of economic growth, jobs creation and economic development in general. The task of CAREC of improving trade, energy, and transport connectivity among the countries in Central Asia, as well as with its immediate neighbors and the rest of the world, thus becomes all the more important. In this light, we are pleased to note the high level of commitment shown by the political leadership of China, Pakistan, Mongolia, Afghanistan and Central Asian countries to scale up efforts to enhance connectivity and economic cooperation between them.

The World Bank continues its long standing and strong support of CAREC initiatives for increased economic connectivity and cooperation in the region. Our support has spanned the entire spectrum of development assistance. Since 2001, we have invested about US\$7 billion in support of the trade, transport and energy development program under the CAREC initiative. We continue to scale up our assistance to support CAREC member countries in Central and South Asia to improve their competitiveness and investment climate, connect better to neighboring countries and the world through reduced trade and transport costs, and establish thriving and sustainable trade relations to modernize their economies. In addition to financial resources, we are also making our global expertise and knowledge available to CAREC member countries through an expanding program of analytical and advisory services.

Without trade openness CAREC members cannot achieve connectivity to regional and global markets, and benefit from trade and sustained private sector driven economic growth. In this regard, we have started an exciting four year program, the Pakistan Trade and Investment Policy Program, with the support of Australia, on enhancing Pakistan's capacity to increase trade and investment in the CAREC regions, especially with its Central Asian neighbors. The Government of Pakistan is keen to reform trade policy, regulations and institutions to improve border infrastructure, and to increase the role of private investment. Also, the recently announced Pakistan and China Economic Corridor offers strategic economic opportunities where significant developments can be made with Central Asian countries in the areas of transit, transport, energy-sharing, and trade facilitation. The World Bank Group is providing focused support to the Government of Pakistan to design and implement key interventions for promoting connectivity with Central Asia.

We welcome the member countries' well-integrated and forward looking trade policy action plan and stress the importance of continuing to pursue tariff reforms and membership in the WTO (for those who are still not members). In that regard we congratulate Kazakhstan for its successful efforts to accede to the WTO this year. We reiterate our support of the members' decision to focus on reforms in the services sector and of the non-tariff measures. A first critical step in tackling potential non-tariff barriers to trade and enhancing services sector contribution to trade and growth is to take stock of each country situation. Therefore, we support the knowledge sharing efforts underway to build capacity among CAREC members to undertake this stock taking exercise and move ahead with necessary reforms.

Turning to transport, developed transport routes have a key role in supporting the national and regional development plans. To boost enhanced connectivity, our involvement in Central Asia is focused on the development of economic corridors supported by CAPEX and institutional development interventions on road and rail subsectors. WBG support to the various governments generally aligns with the six CAREC corridors. On road transport, our engagement is long standing and emphasizes safe and sustainable road systems of high quality. Increasingly, we are taking an integrative 'economic corridor' approach, focusing on regional development, job creation, private sector participation and logistics. On railways, we are supporting the PAP-Angren link in Uzbekistan and the Turkmenistan-Afghanistan-Tajikistan (TAT) railway. We are also developing a regional railway connectivity strategy focusing initially on three Central Asian countries, i.e. Kyrgyzstan, Tajikistan and Uzbekistan. This strategy will feed into ADB planned CAREC railway strategy. Increasing intra-country connectivity is also one of the aims of our country programs, in order to facilitate access to larger markets for the benefit of all citizens. One such example is a regional roads project in Uzbekistan that will connect the Ferghana valley with the rest of the country.

On energy, I am pleased to note that the World Bank, ADB and other partners are effectively using the CAREC ESCC platform to promote regional electricity market connecting South, Central and East Asian countries. The World Bank is supporting the implementation of the Central Asia-South Asia Regional Energy Market (CASAREM) through analytic work and investments, including the CASA-1000 project to enable electricity exports of summer surplus clean hydropower energy from the Kyrgyz Republic and Tajikistan to Afghanistan and Pakistan. The 'Open Access' arrangements under CASA-1000 will allow other CA countries to benefit from the project infrastructure and participate in regional power trade. The Bank and ADB are effectively collaborating and building synergies between CASA-1000 and the ADB-led TUTAP initiative, to further optimize and expand energy trade between CA and SA. In addition, the Bank promotes regional power trade between CA countries and is preparing a CA regional water resources management program. The WBG strongly supports the efforts to explore other avenues of exporting central Asia's energy resources to the markets of South Asia. Such regional and inter-regional projects are most aligned to the CAREC vision.

Our partnership with Central Asian countries and with the other development partners for enhanced water and energy security in the framework of the Central Asia Energy and Water Development Program (CAEWDP) is a key instrument in the Bank's regional work, promoting multi-country dialogue, knowledge, learning, and innovation while meeting national interests through regional cooperation. We welcome more members to join this multi-donor trust fund. Since its establishment in 2010, five regional investment projects totaling more than \$200m have been supported, complemented by considerable technical assistance and analytical work. CAREC is an essential part of that program. Specifically, the ESCC and its energy-water linkages pillar, offers a unique and much needed forum for dialogue on the energy-water nexus. The work is long term and challenging but the economic and geopolitical rewards are clear. The Bank will continue to support this unique niche through our partnership with ADB, an expanded CAEWDP program and engaging all countries in regional scale investments. In the near term the Central Asia Water Resources Information Management Program (CAWARIM) is first in a series of projects that focuses on water information. It will help modernize water management systems and strengthen accessibility and reliability of water information, as well as capacity for planning, operations and coordination of water resources. All five Central Asian countries are involved in preparation of this program.

As you know water resources management is essential to regional economic development and stability in Central Asia, with six countries sharing two rivers. This co-dependence is most stark in Turkmenistan where over 90% of all water in the country originates from outside its borders.

Furthermore, we are extending our collaborative efforts to ICT connectivity. We would like to highlight the benefits of a new regional cooperation proposal on optical fiber connectivity network in Central Asia and South Asia (CARFON). This program is important for providing affordable and reliable internet services to citizens in these landlocked countries. The objective of this program is to provide telecom connectivity and to leverage private sector investment in the telecom sector in these countries by creating a suitable policy and regulatory environment. This mobile and internet connectivity platform is to be used to deliver public services to citizens. The proposed terrestrial telecom connectivity will also provide an opportunity for Central Asian Countries to become a regional hub for international and regional internet and telecom traffic.

This brings me to emphasize the importance the World Bank is attaching to the collaboration with the private sector. To leverage the potential of this region in a rapidly changing world, it is of vital importance for the CAREC initiatives to also start engaging with private sector investors, which will help filling the investment gaps, and utilize the useful project management expertise. In last year's intervention we called for a CAREC Business Forum convened on the margins of annual meetings of CAREC, and we are very therefore very pleased to have seen that this year a very successful Investment Forum for Better Connectivity for a More Integrated CAREC Region and Greater Diversification of Mongolia Economy was held to leverage the private sector role in regional economic cooperation.

Now, keeping in mind the strategic location of Afghanistan and Pakistan and the recent openings to enhance economic cooperation, the WBG proposed to increase the presence of CAREC resources in these two countries with an aim to establish strategic linkages between CAREC and SASEC. This will bring an even bigger interest from private sector investors from the region and further afield.

Let me finish by confirming our commitment to continuing the effective and results oriented focus together with all partners in the four sectoral working groups – as demonstrated at the outcomes of the SOM – and to strengthening our partnership even further, to bring about faster economic transformation and strengthened connectivity in CAREC member countries.