

CENTRAL ASIA REGIONAL ECONOMIC COOPERATION PROGRAM
SENIOR OFFICIALS' MEETING
19–20 July 2016
Islamabad, Pakistan

SUMMARY OF PROCEEDINGS

I. Introduction

1. A Central Asia Regional Economic Cooperation (CAREC) Senior Officials' Meeting (SOM) was held in Islamabad, Pakistan on 19–20 July 2016. Delegations from CAREC's ten member countries participated along with representatives of CAREC multilateral institution (MI) partners. A representative of the Government of Georgia participated as an observer. Ms. Anjum Assad Amin, Additional Secretary, Economic Affairs Division, Ministry of Finance, Revenue, Economic Affairs, Statistics, and Privatization and CAREC National Focal Point (NFP) for Pakistan chaired the SOM. Mr. Sean O'Sullivan, Director General, Central and West Asia Department (CWRD), Asian Development Bank (ADB), and Mr. Ayumi Konishi, Director General, East Asia Department (EARD), ADB, co-chaired the meeting.

2. The objectives of the SOM were to: (i) review progress and discuss key issues in the four priority sectors of CAREC (transport, trade facilitation, energy, and trade policy); (ii) discuss and provide guidance on the Mid-Term Review (MTR) of CAREC 2020; (iii) get updated on the pilot Almaty-Bishkek Corridor Initiative (ABCI) and the ways to replicate it in other countries; and (iv) deliberate on the deliverables and structure of the 15th CAREC Ministerial Conference (MC). The agenda and list of participants are in Appendix 1.

II. SOM Highlights

3. The SOM reviewed progress in the four priority sectors and discussed key issues that need to be addressed.

- a. **In transport**, the SOM noted the significant progress in implementation of the Transport and Trade Facilitation Strategy 2020 (TTFS 2020). On the development of multimodal transport corridors, cumulative roads built, upgraded or improved have reached 93% of the 2020 target, whereas railways newly constructed or improved have already exceeded the 2020 targets. The SOM welcomed the progress made toward the development of the CAREC Road Safety Strategy, following the commitment to road safety by the 14th Ministerial Conference. The SOM recommended the CAREC Road Safety Strategy to be finalized for consideration by the 15th MC. The SOM welcomed the draft CAREC Railway Strategy 2016-2030, along with formation of a Railways Working Group, and endorsed the draft for finalization by the 15th MC. The SOM recognized member countries' efforts to improve cross-border transport facilitation, including Pakistan and PRC's accession to the International Road Transports (TIR) Convention in 2015 and 2016 respectively. The SOM encouraged parties to operationalize the Quadrilateral Traffic in Transit Agreement (QTTA) and accelerate the implementation of actions agreed in consultative workshops facilitated by the CAREC Program in 2015. The CAREC secretariat agreed to continue facilitating the QTTA implementation with strong support from IRU.

- b. **In trade facilitation**, the SOM noted that member countries have taken measures for accession to the Revised Kyoto Convention, simplification of the customs procedures, improving customs control with application of the risk management, expanding joint customs control, automation of operational procedures, implementation of related post-accession measures, adopting national single window systems, and strengthening inter-agency coordination for trade facilitation. The SOM noted that the implementation of the Common Agenda for Modernization of Sanitary and Phytosanitary (SPS) Measures has been initiated through targeted investments in Mongolia and planned policy advisory support across the region. The SOM encouraged the Customs Cooperation Committee (CCC) and other stakeholders in trade facilitation to continue reform efforts in customs and improve regional customs transit and information exchange platforms; strengthen partnership with the private sector; and participate in planning additional investment projects under the Regional Upgrade of SPS Measures for Trade (RUST) and the Regional Improvement of Border Services (RIBS) programs. Coordinated initiatives on RUST and RIBS projects could set the stage for achieving interoperability of the national single windows as well as mutual recognition of export certificates for agricultural products under the Common Agenda for Modernization of SPS Measures.
- c. **In energy**, the SOM noted the activities initiated under the 2016–2020 Energy Work Plan (EWP) including: (i) a study on regional power trade; (ii) funds mobilized under the Power Sector Financing Roadmap; and (iii) steps taken to establish a CAREC Regulators Forum. The SOM welcomed knowledge events consisting of custom-designed technology transfer trainings to promote application of clean energy and energy efficiency technologies. The SOM also welcomed plans for similar capacity building activities and for pilot projects in selected new technologies. The SOM noted important milestones under the Central Asia–South Asia Regional Energy Market (CASAREM) initiative. In particular, the contract award for Component 2 (500kv transmission line between Pule Khumri and Kabul) of the Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan Interconnection Project (TUTAP) funded by ADB was signed in June 2016. The SOM also discussed the 500kv TAP line. The SOM took note of the principal position of Uzbekistan delegates with regards to implementation of certain regional energy projects. The SOM endorsed organization of an Energy Investment Forum in conjunction with the 15th CAREC Ministerial Conference in Pakistan in October 2016.
- d. **In trade policy**, the SOM congratulated Kazakhstan on its accession to the World Trade Organization (WTO) in November 2015 and welcomed Afghanistan's completion of its WTO accession process. The SOM noted ongoing knowledge sharing and capacity building activities of the Trade Policy Coordinating Committee (TPCC) comprising IMF's study on evolving trade patterns, ADB's technical assistance on special economic zone and industrial zone development in the CAREC region, WTO's presentation on trade policy implications of e-commerce, and presentations by Afghanistan, Kazakhstan, and Tajikistan on their WTO accession and post-accession adaptation experience. The SOM took note of progress made on the Trade Policy Strategic Action Plan (TPSAP) while recognizing additional efforts needed to complete the remaining actions. The SOM acknowledged challenges confronting the CAREC countries in fulfilling the policy actions pertaining to SPS and Technical Barriers to Trade

(TBT) measures, and the expansion of services trade. The SOM encouraged the TPCC to deepen collaboration with international development partners in addressing these challenges, starting with initiating a stock taking exercise on TBT and SPS measures building upon existing assessments and findings, and identification of bottlenecks to expansion of trade in services. The SOM encouraged the CAREC countries to participate fully in providing the required data on TPSAP measures targeted at end-2015 to help identify specific challenges and possible solutions. The SOM welcomed the launching of the regional food safety initiative as another concrete step to implement the SPS common agenda.

4. The SOM reviewed the findings and proposed recommendations of the MTR–CAREC 2020. The SOM agreed CAREC needs to explore selective expansion of its agenda in response to changed conditions and country needs. Broadening the agenda would also entail exploring new institutional mechanisms, such as flexible expert groups, and innovations in development partnerships. The SOM recognized these changes would cumulatively translate into a new strategy and decided to accelerate its development. The SOM recommended to finalize the MTR for consideration by the 15th MC and to initiate work on the new strategy immediately after endorsement of the MTR. Discussions also noted potential areas for broadening CAREC agenda such as cross border disease management and CAREC University Network. Developing a regional investment framework with the new strategy would enhance its financing and implementation.

5. The SOM was updated on progress in the Almaty-Bishkek Corridor Initiative (ABCI), the CAREC pilot for development of economic corridors. The ABCI initiates a process of identifying infrastructure investments and policy measures to help Kazakhstan and the Kyrgyz Republic maximize longer-term benefits from regional integration and with potential lessons for replication in other countries.

6. The SOM was briefed on the series of informal discussions of NFPs held in Guangzhou, Almaty, and Bangkok in January, April and May 2016 respectively for the preparation of a legal agreement to enable the physical base of the CAREC Institute ("CI") to operate as a legal entity in accordance with the Ministerial Announcement issued at the 13th Ministerial Meeting of CAREC held in Bishkek, Kyrgyz Republic on 6 November 2014. Specifically, SOM noted that (i) it was considered most appropriate to constitute CI as an inter-governmental organization, under the auspices of the Ministerial Conference of the CAREC Program that can carry out its functions as an entity with full legal personality; (ii) as such, while all CAREC member countries are expected to be the members of CI, an option will be given to CAREC member countries to withdraw from CI while remaining as CAREC member; and (iii) CAREC member countries will aim at signing the Agreement Establishing the CAREC Institute ("the Agreement") at the forthcoming 15th Ministerial Conference of CAREC in Islamabad in October 2016, the draft of which was finalized at the preparatory meeting prior to the SOM. The SOM agreed that the next steps towards the signing of the Agreement include: (i) distribution by PRC of the final draft of the Agreement through official channels to each member by early August 2016; (ii) a further meeting of the duly authorized National Focal Points to be held in early September 2016 to discuss matters raised by governments during their internal review processes; and (iii) at the 15th Ministerial Conference in Islamabad, the signing of the Agreement.

7. The SOM affirmed that the 15th Ministerial Conference (MC) would be held in Islamabad, Pakistan in October 2016 with the long-standing theme – Linking Connectivity with Economic

Transformation in CAREC. It would comprise the Senior Officials' Meeting on 25th October and the Ministerial Meeting on the 26th October including a Ministerial Retreat, complemented by an Energy Investment Forum on 24th October. The proposed deliverables for the 15th MC include: (i) the CAREC Railway Strategy 2016-2030; (ii) CAREC Road Safety Strategy; (iii) MOU on Turkmenistan-Afghanistan-Pakistan transmission line; (iv) launching of the regional food safety initiative; (v) the ABCI Investment Framework; (vi) Mid-Term Review of CAREC 2020; (vii) signing of the Agreement Establishing the CAREC Institute; and (viii) Georgia's membership in CAREC.

8. The SOM expressed its appreciation to the Government of Pakistan, particularly the Ministry of Finance, for hosting the meeting, and its gratitude to ADB for helping organize and conduct the meeting. Recognizing the strong role of partnerships, the SOM extended its appreciation to CAREC's other multilateral development partners present in the meeting, namely, the International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and the World Bank. Finally, the SOM also thanked the representative from the Government of Georgia and CI for participation as observers.