



## **Joint Statement of the CAREC Multilateral Institutions<sup>1</sup>**

### **Fifth Ministerial Conference: Central Asia Regional Economic Cooperation Urumqi, Xinjiang Uygur Autonomous Region, People's Republic of China 20 October 2006**

Chairman, Ladies and Gentlemen,

1. In keeping with a now established tradition, I am very pleased to present a joint statement on behalf of CAREC's partner Multilateral Institutions, consisting of ADB, EBRD, IMF, IsDB, UNDP and WB. CAREC is providing an effective forum for the eight participating countries and our six multilateral institutions for real progress in regional cooperation and integration. Although the Program has responded effectively to the interest and requests expressed by Ministers during the fourth Ministerial Conference in 2005, sustained joint efforts will be needed to accelerate economic development and poverty reduction. Moreover, it is becoming evident that relations between CAREC and formal regional organizations such as ECO, EURASEC and SCO, as well as with bilateral partners, including Russia must be strengthened.

2. The MIs principles of engagement in regional cooperation in Central Asia are firmly grounded in the lessons learnt from the past. Over the past few months, these principles have been tested during various forums held with the participation of policy makers, development partners and civil society.<sup>2</sup>

3. First, the foundations for effective regional cooperation are policies that promote growth and development at the country level, which require both political commitment and strong institutions. With sound policies at the country level, it will be feasible to address development needs at both the national and regional levels. Consideration should therefore be given to establishing strong synergies between national and regional interventions.

4. As regional cooperation is part of the national interest, we need to raise the ownership and visibility of the regional cooperation agenda at the country level. All countries and MIs should raise the profile of CAREC as a forum for strengthening regional cooperation in the areas of trade, transport and energy.

---

<sup>1</sup> Delivered by Mr. Shigeo Katsu, Regional Vice President, Europe and Central Asia Region, World Bank, on behalf of the alliance of multilateral institutions operating under CAREC comprising Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank.

<sup>2</sup> Most recently at the Brookings Institution in March in Berlin, in May at the Inwent Forum, and video conferences with CAREC country counterparts in June organized by the World Bank/UNDP.

5. Experience has shown that building regional cooperation is not an easy undertaking; it is a long-term agenda. The MIs are fully aware of the challenges of the process and re-affirm their commitment to promote and support regional cooperation and integration.

6. The MIs welcome the fact that the CAREC Program is focusing on the results and impact of regional cooperation activities. In this respect, we recognize the importance of the Comprehensive Action Plan (CAP) and its results-based Strategic Framework. The CAP broadens and deepens the CAREC program to include selective activities in new areas. The Report of Senior Officials provides a detailed account of our past and planned initiatives in support of regional cooperation. Clearly, the MIs have greatly increased their resource commitments to the Program, both technical and financial.

7. Now that CAREC countries have achieved strong economic growth, sustained over a number of years, the countries of the region are well positioned to make informed policy and investment choices. In this context, let me make a few points:

8. First, it is **vital that policy, regulatory and institutional reforms accompany investments in regional infrastructure**. In the absence of reforms in transport, trade and energy, the benefits from investments in these fields will fall short of expectations and countries may risk accumulating unsustainable debt. The next phase of the CAREC Program will need to emphasize these policies, regulatory and institutional reforms much more extensively than has been the case to date. This has been done recently by the Trade Policy Coordinating Committee which has managed to set policy objectives concerning transit trade and trade taxes. We encourage all Governments in the region to continue deepening reform in key development sectors, which will benefit individual countries and the region as a whole. Although we recognize that regional cooperation is a long-term agenda, the pace of overall progress needs to be accelerated.

9. Second, there is a need **for mainstreaming of regional cooperation** by CAREC countries as well as MI partners to the CAREC Program. Notwithstanding recent increase of activities in regional cooperation, we still have a long way to go in developing policy and investment programs which promote synergies at country and regional level.

10. Third, it is important to ensure that activities in new sectors meet CAREC's **results-based criteria for project selection; this is a shared responsibility for all of us**. As MIs we should harmonize our activities and procedures to strengthen our focus on results. In this regard, we welcome the endorsement of Senior Officials for expanding CAREC's program in selected areas, in particular with respect to regional public goods, including human development and the commitment to harmonize infectious disease surveillance, agriculture, disaster management and preparedness, environment and tourism. There is considerable scope for well defined cooperative actions as highlighted in the Central Asia Human Development Report. The activities should result in clear benefits for CAREC countries, contributing to trust and confidence and thereby enabling more difficult issues – such as the energy/water nexus – to be addressed in time.

11. Fourth, there is a need to better **integrate the interests of the business community in the CAREC Program**. The Business Development Forum here in Urumqi earlier this week, and the UNDP-sponsored Silk Road Investment Forum in Xi'an earlier this year, represent good steps in this direction. Periodic investment forums can play an important role in providing feedback to Governments on ways to promote a favorable investment environment, which includes addressing the issue of corruption.

12. Finally, it is essential to have a **stronger results orientation** for the Program and a continuous **assessment of its performance and overall impact**. While the annual Report of Senior Officials to the Ministerial Conference provides an excellent review of initiatives in response to the requests and interests of Ministers, progress should be evaluated with regards to agreed upon performance indicators. We urge the transport, trade and energy coordinating committees to push ahead in developing a limited number of well-targeted indicators. As MIs, we need to hold ourselves accountable for achieving results and our challenge for the future will be to report on results on the ground, rather than reporting on investments only.

13. We welcome the presence of regional organizations, EURASEC, SCO, the UN Regional Commissions as well as bilateral partners, marking the beginning of close cooperation. CAREC should continue to strengthen its engagement with bilateral partners. In particular, we hope that the Russian Federation will agree to participate in CAREC.

14. In concluding, Ladies and Gentlemen, let me express our sincere thanks to the People's Republic of China and the Xinjiang Uygur Autonomous Region for their generous hospitality and the excellent organization of this Conference. Let me also extend thanks to our country counterparts and to the CAREC Secretariat. The MIs are pleased to be partners with CAREC countries in promoting and facilitating regional cooperation in our combined endeavor to raise the standards of living of the people of the region.

The views expressed in this presentation are the views of the author and do not necessarily reflect the views or policies of the Asian Development Bank (ADB), or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequence of their use. Terminology used may not necessarily be consistent with ADB official terms.