



SECOND MINISTERIAL CONFERENCE ON CENTRAL ASIA REGIONAL ECONOMIC COOPERATION (CAREC)

**Keynote Speech by
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At the 2nd Ministerial Conference Central Asia Regional Economic Cooperation

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Your Excellency Deputy Prime Minister Rustam Azimov,
Excellencies, Distinguished Delegates, Ladies and Gentlemen:

It is a great honor to address this 2nd Ministerial Conference on Central Asia Regional Economic Cooperation. The promotion of regional cooperation is identified in the Asian Development Bank's Charter as one of the primary mandates of the institution. In pursuit of this mandate, ADB has devoted substantial resources to the strengthening of regional cooperation in a number of subregions throughout Asia.

In Central Asia, regional cooperation represents one of the most powerful instruments available for achieving accelerated economic growth and reducing poverty. Any contribution that we at ADB can make to the progress of regional economic cooperation in Central Asia will rank among our major accomplishments.

This region, with its proud history, rich tradition and, above all, its dynamic future, is especially close to my heart. I sincerely appreciate your invitation to allow me, and ADB, to participate in this historic task of building deeper regional cooperation—a task that promises to bring peace, prosperity and freedom from poverty to the people of Central Asia.

I would like to express my sincere thanks to President Karimov for the support he has extended to this event. I thank the Government of Uzbekistan for hosting the event in this beautiful city of Tashkent. My special thanks also go to Deputy Prime Minister Azimov for personally supervising the arrangements for the Conference and taking such a deep interest in ensuring its success.

I am very pleased to see again our distinguished participants from Azerbaijan, from Kazakhstan, from Kyrgyz Republic, from Mongolia, from the People's Republic of China, and from Tajikistan, in addition to Uzbekistan. I am also delighted to see our friends from neighboring countries and development partners.

ADB will do its utmost to provide all possible facilities and conditions for sustaining closer cooperation to ensure it effectively achieves its mandate as the designated secretariat for the Overall Institutional Framework, or OIF. Let me thank the representatives from the European Bank for Reconstruction and Development, International Monetary Fund, Islamic

Development Bank, World Bank, and UNDP, for their close collaboration over the past six months in preparation for this important event. This is a clear example of effective donor coordination at the operational level, and augers well for the future.

Progress since the First Ministerial Meeting

Excellencies, let me focus our attention on the shared vision for regional cooperation in Central Asia which was agreed upon at the First Ministerial Conference. We effectively agreed that regional cooperation is vital for the Central Asian Republics. The region's physical location, relatively small markets, and the need to use its natural resources in a mutually beneficial manner make the countries of this region interdependent. In this environment, regional cooperation provides a strategic means to achieving stability and prosperity, and for reducing poverty in Central Asia. We remain committed to working together toward this shared vision.

Our commitment has resulted in notable progress. The establishment of the OIF for guiding and implementing our shared regional cooperation program represents a significant achievement, as it reflects both country ownership and a shared understanding among the participants.

A number of sector working groups attached to the OIF have already contributed to the design and successful implementation of regional projects. In other cases, the meetings of the National Focal Points and working groups are helping create a better understanding of regional priorities and an appropriate agenda for cooperation.

Your Excellencies, by establishing the OIF, you have created a forum that will help strengthen mutual trust and contribute to increased awareness of the "win-win" outcomes of regional cooperation. The existence of such a forum will provide investors with greater confidence and attract foreign direct investment to the region. Most importantly, it signals a readiness to work together that will promote political stability and security in Central Asia.

While reporting on progress since our last meeting, it is worth highlighting the significant progress achieved in donor coordination. It was here in Tashkent in May, at the Annual Meeting of the EBRD, that multilateral institutions reached an agreement to work closely in support of regional cooperation in the region. This represents a real advance, and one that I believe has significant potential in supporting the countries' efforts.

Indeed, it is important to emphasize that the pace, direction and substance of future regional cooperation depends principally on the participating countries themselves. The donors and the international community can only play a supportive role. ADB has learned from more than a decade of work in supporting regional cooperation in the Greater Mekong Subregion that there is simply no substitute for ownership of the program by participating countries.

Excellencies, I am sure that you fully recognize that regional cooperation is not an option, but a necessity for Central Asia. ADB, and the entire donor community, now looks to you for the necessary political will to take the process forward. This Second Ministerial Conference reflects the strengthening of mutual trust among your governments. Its success will send a strong message to the rest of the world about the commitment of all concerned governments to regional cooperation.

With this in mind, we must also recognize that regional cooperation in Central Asia is still in its nascent stages. Meaningful success will require patient and careful nurturing, with a

focus on tangible results and only a gradual widening of our operational focus. This approach is not glamorous, but it is one that is tried and tested in other subregions and has proven effective.

Challenges Ahead

Ladies and gentlemen, I would also like to take this opportunity to focus our attention on some of the major challenges that continue to face this region. First and foremost is the challenge of poverty. Despite its rich natural resource endowments and the advantages of having inherited relatively well-developed infrastructure and high levels of literacy and skills, the region today is home to unacceptable numbers of people living in poverty. I am sure your deliberations will focus on measures for sustained and inclusive growth in the region, and the importance of regional cooperation in achieving this goal.

Second, the countries of Central Asia must effectively integrate with, and compete in, the global market. This reality holds tremendous opportunities, but also poses challenges and risks. Successful integration requires the creation of globally competitive transport networks, adequate capacities for high quality utility and other public services, and the removal of trade and transit barriers. The future of the region is closely tied to trade and the benefits it brings.

Third, the countries must address the critical issue of developing the region's shared endowments of water and energy resources in a mutually beneficial manner, and take urgent steps to safeguard the environment. These are among the core regional issues that must be addressed.

Fourth, several countries are considering, and in some cases already implementing, domestic projects designed to meet immediate needs that could be more optimally met through successful regional cooperation. Such actions are understandable as some of these issues directly affect the lives and welfare of large numbers of people. But deeper understanding of the potential benefits of regional cooperation among the countries concerned, and stronger political will are highly critical.

Fifth, the relative scarcity of investment resources has emerged as a binding constraint, not only on the building of new infrastructure, but also on the maintenance of inherited and existing infrastructure. Resource mobilization to finance key regional initiatives and projects remains a concern and challenge. Multilateral institutions and the international donor community need to strengthen efforts aimed at raising resources, and to help improve absorptive capacities in the region. Similarly, countries in the region should create an appropriate policy and legal environment that will encourage greater private sector development and participation.

Finally, I wish to mention the suggestion from the Central Asia Cooperation Organization (CACO) for the establishment of regional consortia in some critical sectors. ADB has indicated its active support for such an initiative; I believe other partners have voiced their support as well. The possibility of establishing regional consortia to design and implement regional projects, and for mobilizing necessary financial resources from capital markets and donors could be fruitfully examined. After suitable preparatory work it could be very productive for a Summit of CACO Heads of State to be held in order to give the required impetus and political support to this CACO initiative.

Conclusion

Excellencies, ladies and gentlemen, while these challenges require a renewed commitment to work together from all stakeholders, I wish, in conclusion, to reiterate that the most important ingredient for promoting cooperation is the strong political will of participating countries. This is your region, and the future of the region is in your hands. It will be your vision, your commitment, and your concerted actions that will make the region stable and prosperous. I am very encouraged by the strong commitments made by the leaders of Central Asian countries to step up cooperation toward this goal. ADB commits itself, as your development partner of long standing, to continue to support your endeavor with maximum effectiveness. Together, we can strengthen regional cooperation to help achieve a Central Asia free from poverty.

I wish you every success in your deliberations today.

Thank you.