

**Central – South Asia Regional Business Roundtable
Draft Bishkek Action Plan
November 2005**

November 4, 2005

I. Preamble

The CAREC Senior Officials Meeting (SOM) 2004 in Almaty called for "...greater participation of the business sector in the CAREC Program..." Subsequently, the 2005 CAREC SOM in Manila fully endorsed the consultative concept paper for the proposed Regional Business Roundtable (RBR). The rationale behind the RBR is to stimulate a greater role for the private sector in regional cooperation programs in Central and South Asia.

Forty regional business leaders from Central and South Asia attended the RBR Preparatory Meeting on 3-4 November 2005. Representatives from eight Central and South Asia governments and eight multilateral institutions operating in Central and South Asia also participated (see attached RBR Preparatory Meeting Report).

Reflecting the public-private sector cooperative spirit, the RBR Preparatory Meeting was co-chaired by Mr. Djoomart Otorbaev, Executive Director of the Kyrgyz Investment Roundtable, and Mr. Robert Bestani, Director General of the Private Sector Operations Department, ADB.

The meeting participants fully endorsed the basic principle of the Central and South Asia Regional Business Roundtable as a mechanism to involve the business communities more closely in regional cooperation in Central and South Asia.

This RBR Bishkek Action Plan derives from the discussions at the RBR Preparatory Meeting, the Concept Paper and Status Reports prepared over the past 12 months, and on the fact-finding missions that were carried out between late 2004 and early 2005.

The participants of the RBR Preparatory Meeting agreed to implement the various activities outlined in this Action Plan as soon as possible.

II. RBR Vision and Objectives

The fundamental long-term purpose of the RBR is to recognize, stimulate, and support a greater role for the private sector¹ in developing Central and South Asia, and in turn progressing towards overall regional economic integration.

The RBR Preparatory Meeting identified the following specific objectives for the RBR:

- (a) Inject private sector inputs into Central and South Asia regional cooperation programs, such as CAREC, the Central and South Asia Transport and Trade Forum, and the Silk Road Initiative.
- (b) Build an effective public-private sector partnership (PPP) mechanism for regional cooperation in Central and South Asia.
- (c) Improve the business environment (e.g., government policies, regulations, and procedures) in Central and South Asia.

¹ The term "private sector" connotes all businesses, including state-owned enterprises.

- (d) Develop the capacities of the business communities to undertake regional business through training on importing/exporting, dissemination of information on trade and investment opportunities, and organization of seminars, exhibitions, and trade fairs.

Participants of the RBR Preparatory Meeting also noted the importance of issues related to the business operations and challenges of SMEs in Central and South Asia.

III. Benefits of an RBR

In order for the RBR to succeed, its activities must be firmly based on the principle of mutual benefit for all members. Among the benefits envisaged are the following:

- (a) A focal point that can serve as an intermediary between the public and private sectors in Central and South Asia. This applies to public agencies at the national, regional, and international levels;
- (b) Higher levels of coordination and networking among business associations and the overall private sectors in Central and South Asia;
- (c) Greater awareness of the common challenges and obstacles of doing business in the region and undertaking concerted action, particularly in cross-border facilitation issues;
- (d) Improved "economies of scale" in investment opportunities, production and trade, training, and donor inputs for business-related activities; and
- (e) Greater access to and linkages with major international organizations contributing to Central and South Asia regional cooperation programs.

IV. The Substantive Activities

The participants of the RBR Preparatory Meeting considered a wide range of activities and issue-areas.

One of the primary activities of the RBR will be to represent the private sector in regional cooperation meetings and channel consolidated perspectives and interests from among the region's domestic and foreign businesses into the various regional cooperation programs.

Another set of priority activities of the RBR must focus on strengthening the networks and exchange of ideas and information across the region's private sectors.

There was a general consensus that the RBR should initially focus on the following three areas which are consistent with the core areas of the various regional cooperation programs: Trade Facilitation and Policy; Energy; and Transport.

(a) Trade Facilitation and Policy

Trade facilitation will be a core area for the RBR because of the extensive obstacles faced by businesses throughout the region. One of the breakout groups during the Preparatory Meeting discussed trade facilitation and related activities in detail, and the participants identified the following seven issues and recommendations for the RBR:

1. It is necessary to participate in the various international forums to share information and experiences on trade.
2. Several customs recommendations are proposed:
 - a. Computerization of customs procedures and electronic declarations of goods.
 - b. One-stop shops for customs, which have been initiated in some of the Central Asian countries, should be expanded in the region.
 - c. Customs authorities should provide more support services instead of merely collecting fees.

- d. Consultative councils related to customs are in effect in some Central Asian countries, and these mechanisms should be expanded in the region.
- e. Forms at customs checkpoints are often in a foreign language for people transporting goods. Therefore, border officials should receive more training in languages or language specialists should be present.
3. The countries in the region should strive to harmonize their legislation and regulations (such as with customs) pertaining to trade and the movement of goods.
4. More logistical infrastructure such as warehouses is needed in the region to facilitate trade.
5. The chambers of commerce in the region should compile and make available key information related to conducting business in their respective countries.
6. Transportation services in much of Central Asia remain in the government domain. Privatization of transport services would be beneficial to the region.
7. Procedures such as visa requirements should be simplified.
8. The number of payments related to the cross-border movement of goods should be reduced. Also, dual taxation should be eliminated, and restrictions on foreign exchange and payment of goods need to be addressed.
9. Trade exhibitions and commercial fairs should be utilized in the region to promote trade.
10. Common standards should be established for weight limits and sizes of vehicles transporting goods across borders.
11. Trade in the region would benefit from effective public-private sector institutions.

(b) Energy

The breakout group on energy concluded that the following issues should be considered by the RBR:

1. Businesses in the region have much potential to be involved in energy sector projects in Central and South Asia.
2. Alternative energy opportunities exist in the region, and all stakeholders must be encouraged to "think outside the box."
3. Promotion of smaller power producers.
4. Advocate market liberalization and competition.
5. Focus initially on reducing commercial losses in the energy sector and improving efficiency.
6. Create awareness of the regional aspects of power production.

(c) Transport

The transport breakout group concluded that the following seven issues should be considered by the RBR:

1. Allow open competition in all transport sectors – especially in air and rail transport, with specific targets to: (a) privatize Kyrgyz Railways and (b) promote competition in Uzbek Railways.
2. Force cooperation in the aviation sector.
3. Provide investment incentives for private sector investment in transport services.
4. Provide the private sector with an integrated information exchange system for passenger and goods traffic for CAREC countries.
5. Bring all transport laws and regulations into compliance with WTO requirements and harmonize as far as possible, with specific targets to: (a) request Uzbekistan to recognize multi-modal transport documents; and (b) request China to allow equal treatment of neighbors' vehicles.
6. Simplify all visa regimes to encourage transport and trade.
7. Harmonize the transport policies and priorities of the various Central Asia regional co-operation groupings.

For each of these three areas, the RBR could undertake a range of activities that include:

- (a) Providing ideas and information to support the preparation and implementation of regional cooperation projects (i.e., inputs to programs for improving cross-border transportation processes);
- (b) Becoming involved directly in the regional cooperation projects (i.e., providing products or services to power distribution projects);
- (c) Using the regional cooperation programs to leverage investment activities (i.e., bringing in foreign construction firms as joint venture partners in building a regional road); and
- (d) Directly supporting the public sector in implementing a regional program (i.e., a freight forwarders supporting efforts to improve shipping procedures).

Additional areas of activity could be considered by the RBR as it develops over time. Some ideas that were mentioned include:

- (a) Finance sector development: banking, finance, securities, etc.
- (b) SME development: supply chain development among SMEs in Central and South Asia and their integration into broader value chains in the region are critical to their sustainability, creating jobs, and alleviating poverty;
- (c) Tourism and related activities; and
- (d) Communications and data transfer services.

V. Critical Issues/Success Factors

- Getting government recognition that private sector involvement is vital to successful regional cooperation.
- Governments and multilateral institutions should accept a formal role of RBR in regional forums and activities and accommodate their full participation in these forums and activities.
- Coordination with business-related institutions and activities, in particular the Shanghai Cooperation Organization Business Council and the Central Asian and Russian Business Association (also called the Business Congress).

VI. The Structure and Mechanisms of the RBR

The following topics were considered and recommendations made as indicated:

Composition – It was agreed that the RBR should comprise Afghanistan, Azerbaijan, India, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Russia, Tajikistan, Uzbekistan, and the Xinjiang Uygur Autonomous Region of the People's Republic of China.

Members – It was agreed that members of the RBR should comprise three carefully selected business leaders from each RBR member economy representing a broad sample of: (a) Chambers of Commerce and business associations; (b) involvement in core CAREC sectors and activities; and (c) foreign business associations and companies.

Chairperson(s) – Each member country will appoint one of the RBR members to serve as country chair, and then the RBR chair will be selected from among the country chairs.

Meetings – It was agreed that, in principle, the RBR should have a full meeting at least once a year, with the meeting possibly being held in advance of the CAREC Ministerial Conference or other major regional cooperation events. The cost of this meeting could be supported either by RBR members or with financial support from multilateral agencies or governments in the region.

Sub-committees or working groups – It was proposed that RBR Working Groups be formed in the three key areas – trade facilitation and policy, transport, and energy – with a view to preparing “RBR Position Papers” on the key issues for transmission to the relevant forums. Each working group will include representatives from each country in the respective area of activity.

Secretariat / facilitation function – It was agreed by the members of the RBR Preparatory Meeting that this function is crucial for the success of the RBR and that a permanent secretariat is required; several participants suggested that it could be usefully implemented by the ADB. The Private Sector Operations Department (PSOD) of ADB offered to carry out the secretariat / facilitation function at the initial stages of the RBR. PSOD will review this possibility further in collaboration with ADB’s multilateral institution partners and submit a concept based on the discussions of the Preparatory Meeting to the CAREC Senior Official Meeting in April 2006.

Communications – It was agreed that the RBR will establish a web-based communication network, with relevant information being made available to all RBR members through the Internet. The RBR Preparatory Meeting also agreed that e-mail would be relied upon for ongoing communication.

Linkages and outreach – It was agreed that the RBR will develop linkages with other appropriate regional business groupings and national business associations, mainly through leveraging the networks and positions of RBR members already on these bodies. This could include a range of associations such as forwarding associations and SME associations.

Governance – It was agreed that the RBR would prepare an RBR Governance Handbook – to ensure that the activities of the RBR are implemented in a transparent and sustainable manner. The Handbook should include sections on: (a) basic principles; (b) services to be provided; (c) organizational structure and roles and responsibilities; (d) operating principles; (e) developing linkages with other groups and agencies.

VII. The Next Steps

- Participants in the RBR Preparatory Meeting will disseminate the information from the Meeting to increase awareness of the regional cooperation programs and the proposed activities of the RBR among the business community.
- Develop the administrative mechanisms to establish the RBR and proceed with RBR activities. This could be done with secretariat support from the PSOD of ADB and also through the preparation of an RBR Governance Handbook. The following activities need to be completed:
 - Selection of RBR members in each country, and appointment of chairpersons;
 - Appoint members to sector working groups; and
 - Identify activities and meetings for 2006.
- Implement specific activities (to be identified based on the substantive activities noted above) that can be accomplished in a relatively short timeframe.
- The multilateral institutions and public sector agencies will prepare and distribute concise, general information on regional cooperation activities, in particular those of interest to business (such as the transportation routes and cross-border developments) to RBR members.

Annex: Principles for the RBR

A number of basic principles were identified that tend to result in successful efforts to involve the business community in public-business partnerships such as the establishment of mechanisms to involve the business community in regional economic cooperation initiatives. While simple, they are highly relevant for the preparation and implementation of the RBR:

- (a) Business people need to see quick and demonstrable results from their participation in any activities outside the purview of their own firms. In the context of the RBR, this could result from enhanced levels of business between member states or through enhancing links between business people and foreign investors.
- (b) The process of identifying programs and sectors proposed under regional cooperation programs should involve and be validated as much as possible by the key business sector players in each respective area.
- (c) The activities carried out under CAREC and related regional cooperation programs in the RBR economies to promote trade and investment must complement, and not duplicate, the activities or resources of other regional groupings. In this regard, the programs should take the maximum advantage of existing institutional structures and minimize the extent to which new structures are created.
- (d) As a critical first step in the RBR public-business partnership process, both public and business sectors must agree on a set of operating procedures and rules. Clear, realistic, and measurable objectives and goals need to be agreed upon. Mechanisms need to be agreed up front as to who will take responsibility for implementing each action and each party must be assigned clear responsibilities for monitoring progress.
- (e) Care must be taken to ensure that the participation of business people is structured in such a way as to make it efficient and productive. This could mean shorter meetings as a result of careful preparation beforehand or multi-faceted programs that offer scope for achieving multiple objectives at the same event.
- (f) The identification of the "right" business sector partners: real entrepreneurs with an interest in collective action and corporate social responsibility, and also having the vision and leadership ability to mobilize portions of the business sector.
- (g) The need to involve a wide range of business associations and groupings that can effectively present a coherent position to public sector policy makers, and often to strengthen the capacity of businesses and business associations in least developed parts of the region to serve as effective partners.
- (h) Recognizing that partnerships and linkages are sensitive to economic conditions, politics, culture, ecology, and authority.

JOINT MINISTERIAL STATEMENT
Fourth Ministerial Conference on Central Asia Regional Economic Cooperation
Bishkek, Kyrgyz Republic
5-6 November 2005

I. The Way Forward

1. The Fourth Ministerial Conference (MC) of Central Asia Regional Economic Cooperation (CAREC) was convened on 5-6 November 2005 in Bishkek, Kyrgyz Republic. Ministers representing the CAREC participating countries agreed that the way forward for Central Asia is "development through cooperation," working together to expand development options in an increasingly competitive and integrated world, and to address shared opportunities and problems that transcend national boundaries. Ministers called for sweeping measures to overcome trade and other impediments to development, and for the creation of transport corridors to integrate the region and to connect it with markets in the People's Republic of China, the Russian Federation, India, the EU and elsewhere. Ministers expressed interest in cooperative initiatives in a wide range of areas, including the environment, agriculture and food security, tourism, telecommunications, human resource development, disaster management and avian flu preparedness.

2. The Conference was attended by high-level delegations from the Islamic Republic of Afghanistan, Republic of Azerbaijan, People's Republic of China, Republic of Kazakhstan, Kyrgyz Republic, Mongolia, Russian Federation, Republic of Tajikistan, and Republic of Uzbekistan. Also included at the Conference were senior level representatives of CAREC's supporting multilateral institutions (MIs): the Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank. Representatives from neighboring countries as well as multilateral, bilateral, and civil society organizations additional to the CAREC Program contributed to the proceedings.

II. New Awareness/Renewed Commitment

3. Ministers called for a much better understanding of potential gains from regional cooperation; bringing the benefits of regional cooperation to a wider audience must be a priority. Regional cooperation momentum must be reinforced.

4. In this connection, Ministers expressed deep appreciation to the UNDP for its presentation of the Central Asia Human Development Report (2005) and its contribution to "bringing down the barriers." The Report, a joint MI endeavor led by the UNDP with inputs from the ADB and the World Bank, convincingly demonstrates what is at stake: facilitating trade, transport and transit, and regional cooperation in other areas such as energy development, water use policy, flood control, and disaster management, could contribute to a doubling of GDP within a decade. Poverty could fall substantially.

~~5. Ministers called for a much better understanding of these potential gains; bringing the benefits of regional cooperation to a wider audience must be a priority. Regional cooperation momentum must be reinforced.~~

6. Ministers stated that regional cooperation needs to be pursued sincerely, effectively, productively and realistically. They agreed that the gains from regional cooperation are dependent upon the continuation of stability, policy reforms, and joint efforts to sustain investment and growth. They renewed their commitment to working together for trade openness, transport corridors for integrating the region and connecting to external markets, and for developing and sharing the region's energy resources. ~~They encourage regional cooperation initiatives in other areas offering practical results.~~

7. Ministers reconfirmed the basic principles of the Overall Institutional Framework are based on consensus, pragmatism and results orientation.

III. New Partnerships

8. Ministers welcomed the participation of Afghanistan in the CAREC Program, and the invitation to the Russian Federation to also participate. Afghanistan serves as a land bridge and important potential trade route to markets in the south. The Russian Federation is Central Asia's largest trading partner and a key link to Europe. The participation of Afghanistan and the possible participation of the Russian Federation present significant new opportunities for expanding the scope and reach of the CAREC Program for the mutual benefit of all countries.

9. Ministers see the private sector as an engine of economic growth for the region and emphasized the importance of ensuring that regional cooperation reflects the needs and interests of the private sector. They welcomed the holding of the Preparatory Regional Business Roundtable (RBR), just prior to the Fourth MC, as a key step in engaging the private sector in CAREC. Ministers requested follow-up actions that will: (i) enable the private sector to respond to economic opportunities generated by CAREC initiatives; (ii) help mobilize domestic and foreign private sector investment participation in CAREC infrastructure projects; (iii) enhance responsiveness of the CAREC Program to the needs of the private sector; and (iv) facilitate linkages among private sectors throughout the region so as to compete more effectively in global markets.

10. Ministers noted that country and regional workshops and roundtables in support of regional cooperation are a priority in helping to reach out to a wider audience. By a more inclusive approach, interest in and endorsement of regional cooperation initiatives will increase – adding to the momentum for regional cooperation.

11. Ministers further noted that partnership rather than competition should characterize CAREC's relationship with other regional cooperation initiatives. They agreed that CAREC should serve as a mechanism in their support, notably for the Shanghai Cooperation Organization (SCO) and the merger of the Central Asia Cooperation Organization (CACO) and the Eurasian Economic Community (EEC). They called upon other regional initiatives to avoid overlap and duplication of effort through further coordination and rationalization.

IV. Progress in Regional Cooperation

12. Ministers expressed optimism, drawing on the opening remarks by ADB President Haruhiko Kuroda, that "the region is well poised to reap the benefits of its strategic location." Through cooperative efforts, the region holds great promise for a bright future. The high rates of economic growth now being experienced in the region reflect a new chapter, wherein growing trade and other forms of openness and modernization are replacing inward preoccupations, in a

virtuous circle of strengthening relationships. While barriers to trade and the costs of shipping goods continue to seriously hamper competitiveness and development in the region, CAREC countries recognize that the way forward is “development through cooperation.”

13. Ministers adopted the Progress Report of Senior Officials, which reviews progress under CAREC since the Third Ministerial Conference in November 2004. They applauded the following regional cooperation initiatives and expressed strong appreciation for the technical and financial support provided by CAREC’s six multilateral partners:

- **Transport:** adoption of a Transport Sector Roadmap (2005–2010), with the goal of developing an integrated and efficient multi-modal transport system for the region; the five strategic priorities of the Roadmap, namely (i) harmonizing and simplifying cross-border transport procedures, (ii) harmonizing transport regulations, (iii) development and improvement of transport corridors, (iv) restructuring and modernization of railways, and (v) improvement of sector funding and management; the action plan for implementation of the Roadmap; the adoption of performance indicators emphasizing outputs and outcomes; the report on the potential for liberalization of the aviation sector in Central Asia; major infrastructure investments over the past year, including the Southern Transport Corridor Road in the Kyrgyz Republic, important road sections in Azerbaijan linking Baku to the Georgian and Russian borders, and the Central North-South Road Corridor in Mongolia.

Ministers endorsed the work on harmonization of transport regulations and simplification of cross-border transport procedures, and assistance to the SCO in support of an Intergovernmental Agreement on Facilitation of International Road Transport; Ministers expressed strong appreciation for the transport sector program for 2005-2006 of CAREC’s six development partners, totaling over \$1 billion for investment projects and \$6.8 million for non-lending projects; performance indicators regarding these investments should be refined, incorporating survey data on transit times and costs.

- **Trade Facilitation:** progress in harmonizing and modernizing customs procedures and establishing a sound legal framework in accordance with the revised Kyoto Convention; bilateral transit and cooperation agreements signed in 2005 between Kyrgyz Republic and Tajikistan, Azerbaijan and PRC, and between Uzbekistan and PRC; pilot testing by Kazakhstan and Kyrgyz Republic for joint customs control at the Kordai-Akzhol border crossing; regional forums and country studies on priority elements of trade facilitation; launch of CAREC’s Trade Facilitation Program website; advisory services on trade finance to banks in the region, along with guarantees for trade finance to facilitate foreign trade; and launching of the second phase of the Silk Road Regional Programme.

Ministers approved CAREC’s phased and pragmatic approach to trade facilitation and endorsed the work plan for 2006, including continued promotion of bilateral cooperation initiatives, training and regional knowledge forums, and broadening the program in partnership with private sector and other stakeholders. Bilateral initiatives will include harmonization of cargo manifests by Kazakhstan and PRC, joint border control between Mongolia and PRC and between Kazakhstan and Kyrgyz Republic, data exchanges for cargo clearance between Kyrgyz Republic and Uzbekistan, customs cooperation between Mongolia and Tajikistan, and a customs modernization and infrastructure project between Kyrgyz Republic and Tajikistan. In-

country activities will include ICT master plans for Kyrgyz Republic and Tajikistan, customs modernization by Mongolia, and accession to the TIR Convention by PRC. Ministers noted the need for establishment of national interagency coordinating mechanisms, led by Customs Administrations.

- **Trade Policy:** background studies instrumental to understanding the barriers to trade in Central Asia and possible measures to facilitate trade, as well as review of regional trade agreements and their potential conflict with WTO accession, and review of the lessons that can be learned from regional trade agreements elsewhere; also, analysis of entrance and transit delays and financial costs, and of barriers to border trade.

Recognizing the potential contribution of these studies, Ministers endorsed the call by Senior Officials for the IMF and ADB to arrange country-level seminars in CAREC-member countries, designed to summarize the work done for the trade policy committee and the implications of this work for CAREC countries. Ministers endorsed six recommendations of Senior Officials aimed at reducing the barriers to transit trade in Central Asia:

- Ensure full compliance with the provisions of the TIR Convention by customs services and other agencies; PRC will make efforts to accelerate TIR accession;
- Reduction in the charges for customs convoys and in the list of goods subject to such convoys;
- Abolition of all other charges and fees on entry and transit of foreign road carriers;
- Reduction of the cost of entry visas for drivers of foreign road carriers and issuance of visas to them at international pass points in a simple way;
- Harmonization of transport, customs and border documentation in order to simplify procedures of control at and to minimize time at the border; and
- Measures to prevent and eradicate unofficial payments from road carriers in transit.

Ministers called on Senior Officials to monitor the implementation of these recommendations by CAREC-member countries, and to report to the Fifth MC on the status of their implementation. Ministers also supported reduction in the cost of non-reciprocal road transport permits to levels that cover related costs without discouraging transit trade. They ~~encouraged~~ recommended further analytical work on removing barriers to cross border trade, especially concerning the legal framework and tax and infrastructure issues, and new work on trade taxes and quantitative restrictions on trade.

- **Energy:** completion of the first phase of the North-South Transmission Line project in Kazakhstan, and progress in discussions for funding the second phase; completion of the Tajikistan-financed 220-kv Batken (Kyrgyz Republic)-Kanibodom (Tajikistan) transmission line; preparations for rehabilitation of the Uzbekistan-Dushanbe gas pipeline; and diagnostic review of regulatory approaches and challenges prepared by the CAREC Members Electricity Regulators Forum (CMERF).

Ministers signed the Memorandum of Understanding for the formal establishment of CMERF; Ministers instructed CAREC's newly formed Energy Sector Coordinating Committee to finalize its terms of reference, clarifying its scope of work beyond the power sector to possibly include oil and gas, energy efficiency, and opportunities afforded by the Clean Development Mechanism of the Kyoto Protocol; Ministers noted the consultations and planning underway, drawing from the Regional Electricity Export Potential Study, for various hydropower projects – including the Sangtuda I project in Tajikistan – and for the export of power to South Asia, Russia and possibly other markets; they urged that all projects should follow the principles underlying the concept of an International Water and Energy Consortium (IWEC); Ministers expressed optimism for finalization of a draft agreement for an IWEC by January 2006, under the merged CACO and EEC organizations.

- **Capacity Building:** the mobilization of \$1.35 million for capacity building, including \$400,000 from the PRC Regional Cooperation and Poverty Reduction Fund, to help participating countries to better identify, evaluate and implement regional initiatives.

Ministers agreed that capacity building should focus on strengthening the National Focal Points (including through the appointment of domestic consultants and frequent in-country roundtable meetings), training workshops and study tours concerning international best practices for regional cooperation, and information exchange and research networks; ~~Ministers further agreed that a review of the Overall Institutional Framework for the Program is needed.~~

- **Interim Comprehensive Action Plan (ICAP):** the draft ICAP for the CAREC Program is viewed as a work in progress.

Ministers called for further work in preparing the action plan, particularly in developing a strategic framework of expected outputs and outcomes from regional cooperation over the medium term. Ministers agreed that their respective governments must provide the necessary guidance in formulating the strategic framework, from which will follow prioritization and sequencing of regional initiatives needed to reach the envisaged outputs and outcomes; in-country consultations and coordination with the MIs will continue over the next several months for this purpose; Ministers endorsed the main thrusts of the ICAP, notably that the benefits of regional cooperation are substantial, that the impediments to trade, transport, transit, energy interchange and other forms of economic cooperation are serious, and that new or reemphasized initiatives are needed under each of the core sectors of the CAREC Program, as well as in additional sectors, to increase the momentum of regional cooperation; they also expressed appreciation for the commitments and plans for 2005-2006, including the \$1.02 billion for transport projects, more than \$200 million for energy, and \$10 million for trade facilitation.

V. New Directions: Broadening and Deepening the CAREC Agenda

14. Building on the significant progress to date, the increasing trust and confidence among CAREC participating countries, and the rapid economic growth now lifting all countries in the region, Ministers called for broadening and deepening of the CAREC agenda. Through coordinated action, Central Asia can build on its strengths and again become a vital trade route linking the countries of the famed Silk Road between Asia and Europe.

15. Ministers agreed that regional cooperation in transport, trade and energy should continue to be the priority sectors for regional cooperation, and that concerted, strategic efforts – or “bold strokes” – should galvanize further progress. Further, pertinent performance indicators should drive effective implementation, contributing to the CAREC Program becoming a model of performance-based regional cooperation.

16. An efficient multi-modal transport system for the region is urgently needed. Ministers called for a transport sector strategy that reflects new trade realities and that will lead to sharp reductions in the time and costs of moving goods/freight to both internal and external markets. Trade openness and a free trade zone, as envisioned by His Excellency ~~Kurmanbek Bakiev~~ Felix Kulov, President, Government Prime Minister of the Kyrgyz Republic, in his opening remarks to the Fourth Ministerial Conference, must be approached holistically. Ministers called for a regional trade strategy and comprehensive trade, transport and transit agreements to facilitate the cross-border movement of goods, vehicles and people. Cooperation in the energy sector must not be frustrated by nationalist strategies and the water-energy nexus. Ministers called on CAREC’s development partners to apply their best auspices in facilitating energy development and transmission solutions for the mutual benefit of all participating countries.

17. Ministers ~~agreed~~ noted that that there is a wide range of other areas suitable for regional cooperation, including the environment, agriculture and food security, tourism, telecommunications, human resource development, disaster management, and preparedness against avian flu. Progress in these areas will contribute to trust and confidence among participating countries, facilitating progress in more difficult areas. Ministers emphasized that all initiatives must be properly resourced and maintain the practical, results- and consensus-based approach to regional economic cooperation that characterizes the CAREC Program.

18. Ministers agreed on the importance of CAREC to move beyond individual sectors and projects in order to realize synergies among initiatives, and to address broader regional development issues. They requested identification of transport corridors – or portions of transport corridors – that could progress to economic corridors through coordinated public and private sector initiatives within specified geographic areas. Ministers called for careful selectivity in this regard, recognizing that the concept of economic corridors requires highly focused planning and sequencing of the necessary supporting infrastructure investments, policy and regulatory changes, and trade facilitation. They agreed on the importance of competitiveness-related issues, including regional initiatives designed to link domestic enterprises, particularly SMEs, to international production systems (e.g. global value chains) and world markets. In this connection, they also called for improved business services to facilitate the logistics of transporting goods to markets, in parallel with individual transport, trade and transit initiatives.

VI. Priorities and Next Steps

19. Ministers agreed that the top priority is mobilizing all stakeholders in support of regional cooperation. The period of uncertainty must be swept aside, replaced by shared goals and clarity of purpose. The interests of new employment and income opportunities and a better future for the people of the region must take precedence. Governments must take leadership in realizing the promising potential of the region, in partnership with the private sector and civil society. The international development community must more effectively combine its support for individual countries with support for regional cooperation.

20. Ministers agreed that a strategic framework for regional cooperation is essential for charting the course ahead, for ensuring that the CAREC Program embraces all stakeholders,

and that all initiatives are pursued in a building-block, results-oriented manner. Ministers agreed on five steps to accelerate the momentum of regional cooperation:

- (i) Formulation of a comprehensive strategic framework for the CAREC Program, including the main investments and policy and regulatory initiatives identified by the participating countries needed to achieve their expected outputs and outcomes from regional cooperation;
- (ii) Prioritization and sequencing of these investments and initiatives – including “bold strokes” – for the short to medium term, together with associated performance indicators;
- (iii) ~~Comparison~~ Mainstreaming of the strategic framework into country-based development plans and public investment programs, and the action plans of CAREC’s development partners, and thereby to determine the gaps in meeting the investments and initiatives identified in steps (i) and (ii);
- (iv) Realignment of plans where necessary, and mobilization of technical and financial resources to ensure all priorities are addressed according to the strategic framework; and
- (v) Capacity building to strengthen the ability of all CAREC countries to fulfill the expectations of them under the strategic framework.

The above steps and initiatives, to be completed by the Fifth Ministerial Conference, provide a practical work program for all stakeholders.

21. Ministers also agreed that the processing and implementation of regional initiatives should be accelerated, especially with regards to priority investment projects. Policy and regulatory work should be extended, as a logical complement to infrastructure investment. In-country workshops and other forms of outreach should be emphasized, so as to build broad-based community interest and support for regional cooperation. They directed Senior Officials to assess options for program expansion and the adoption of new concepts such as economic corridors.

VII. Concluding Remarks

22. Ministers concluded that “development through cooperation” is the way forward; greater momentum in regional cooperation is vital. They welcomed the Joint Statement of CAREC’s development partners and expressed deep appreciation for their commitment to increase their support to ensure CAREC’s continuing success.

23. Ministers expressed their warm appreciation to the Government of Kyrgyz Republic for hosting the Fourth Ministerial Conference, and for their excellent arrangements and kind hospitality.

24. Ministers welcomed the proposal to convene ~~proposed that the~~ Fifth Ministerial Conference ~~be convened in [_ _]~~ at a date to determined later in close consultation with participating countries.