



Central Asia Regional Economic Cooperation Program

**15th Ministerial Conference on
Central Asia Regional Economic Cooperation
Islamabad, Pakistan
26 October 2016**

**Report of the Senior Officials' Meeting to the CAREC Ministers
Ms. Anjum Assad Amin
Chair, Senior Officials' Meeting**

Senator Mohammad Ishaq Dar, Minister for Finance; Mr. Takehiko Nakao, President of ADB; Mr. Wencai Zhang, Vice President of ADB; Honorable Ministers, Ladies and Gentlemen. Good morning.

1. A CAREC Senior Officials Meeting was held yesterday to review the progress made in priority areas, including new initiatives, towards CAREC 2020 goals of increased trade and improved competitiveness.
2. Honorable Ministers, it is my privilege, as Chair of the Senior Officials' Meeting, to report to you the outcome of our meeting.
3. Noteworthy progress continues to be made in implementing priority projects and initiatives under the four areas of CAREC cooperation – transport, energy, trade facilitation, and trade policy.
4. In transport, the total length of roads built, upgraded or improved is over 7,200 kilometers or 93% of the target for 2020. Newly constructed or improved railways in the six designated rail corridors have surpassed the 2020 targets, well ahead of schedule. We are submitting two key documents for your consideration. One is the CAREC Road Safety Strategy 2017–2030 which seeks to make CAREC transport corridors safe, efficient, and attractive for all road users and halve road fatalities in the region. The other is the CAREC Railway Strategy 2017–2030 which envisions rail transport that is accessible, quick and efficient for customers throughout the region. In cross-border transport, the SOM welcomed the accession to the TIR Convention (Transports Internationaux Routiers) by Pakistan and the People's Republic of China, making all CAREC countries party to the TIR Convention. The SOM encouraged all member countries and development partners to implement the aforementioned strategies.
5. In energy, work has started on the 500-kV transmission line between Pule Khumri and Kabul and the associated substations and will be completed by December 2018. This line is part of the Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan Interconnection Project (TUTAP) and will have a transmission capacity of 1,000 MW enabling year-round energy export. Under the Turkmenistan-Afghanistan-Pakistan Power Interconnection Project (TAP), Turkmenistan will be able to export electricity to Afghanistan and to Pakistan. In September 2016, ADB approved a regional technical assistance to pilot off-grid solar power in 5 CAREC countries: Afghanistan, Kyrgyz Republic, Mongolia, Pakistan and Tajikistan. The pilot project will demonstrate technical viability and design business models for scaling up off-grid

electrification as an option to increase electricity access to millions in the CAREC region. Following COP21 and Intended Nationally Determined Contributions (INDC) commitments made by the countries, ESCC will have elements to support this effort. A Regulators Forum was conducted in April 2016 as part of the efforts to establish a CAREC regional regulators network and provide capacity development for regulators. I am also very pleased to report to you the successful conduct of the Energy Investment Forum (EIF) which was organized jointly by ADB and the Pakistan Private Power and Infrastructure Board two days ago which brought together senior government officials in the power sector, international financial institutions, private investors, contractors, and suppliers. The SOM supported the proposal to annually convene the EIF to further private sector's participation in the energy sector.

6. In trade facilitation, member countries have taken measures towards accession to the Revised Kyoto Convention by phasing out manual-based systems while adopting electronic online declarations, and strengthening risk management systems. Targeted investments were made in Mongolia along with policy advisory support. We launched the Regional Food Safety Initiative with the support of ADB to improve institutional systems for operationalization of international food safety standards. The SOM encouraged the Customs Cooperation Committee, CAREC Federation of Carrier and Forwarder Associations and other stakeholders to continue the simplification and harmonization of customs and other trade related procedures, improve regional transit and information exchange platforms, strengthen partnership with the private sector, and expand the coverage of the Corridor Performance Measurement and Monitoring. The SOM also called on building project pipelines under the Regional Upgrade of Sanitary and Phytosanitary Measures for Trade and the Regional Improvement of Border Services project to seek interoperability of the national single windows.

7. In trade policy, the SOM congratulated Kazakhstan and Afghanistan on their accession to the World Trade Organization (WTO) which expands the number of WTO members in CAREC family to seven. Knowledge sharing and capacity-building activities continued to be important components of the Trade Policy Coordinating Committee (TPCC). Experiences and lessons from Tajikistan, Kazakhstan, and Afghanistan's WTO accession and post-accession adaptation were shared; preliminary findings of the technical assistance on special economic zone development in Kazakhstan and Kyrgyz Republic were discussed; and e-commerce development challenges and opportunities were introduced. The SOM encouraged the TPCC to further align its regional trade policy agenda with the national trade policy reforms in CAREC countries and further deepen collaboration with international development partners, particularly in the challenging areas of SPS, TBT and expansion of services trade. The SOM also encouraged the countries to conduct public-private dialogue to help improve the doing business environment and trade promotion.

8. We request the Honorable Ministers to note the foregoing progress reports.

Honorable Ministers,

9. The SOM reviewed and supported the findings and recommendations of the Mid-Term Review (MTR) of CAREC 2020. Noting the changed economic conditions and prospects in the region, as well as the evolving landscape for regional cooperation, the MTR has recommended accelerating the formulation of a new long-term CAREC strategy for the region. The SOM recognized that the new strategy for the region's sustainable and inclusive development, must explore selective expansion of the CAREC agenda to enhance relevance of the program while taking into account national strategies of member countries and priorities of development partners. Any expansion of the CAREC agenda would also entail exploring new institutional mechanisms, such as flexible expert groups, to make the program more effective in responding

to country needs. To better tap into new opportunities of the changing regional landscape, the new long-term strategy would also need to explore innovations in development partnerships. The SOM suggested work on the new strategy to start as soon as possible after the endorsement of the MTR to ensure the new long-term strategy is in place in 2018. In the meantime, priority actions to complete the CAREC 2020 agenda should be continued.

10. The SOM was pleased with the progress made in the Almaty-Bishkek Corridor Initiative (ABCI), the pilot for CAREC economic corridor development. Under the efforts of the Steering Committee for the ABCI, the SOM endorsed the submitted ABCI Investment Framework and its vision of the Almaty-Bishkek Corridor as a dynamic and diversified region anchored on export-oriented, knowledge- and skill-intensive services, modernized agriculture-cum-agri-business and tourism as new growth drivers. The ABCI Steering Committee endorsed a list of prioritized projects and actions from the Investment Framework to initiate development of the economic corridor. Both Kazakhstan and the Kyrgyz Republic have stated their intention to institutionalize the ABCI by establishing a Corridor Development Authority with coordination at the higher level. Both countries have also requested preparation of a detailed implementation plan that will address medium- and longer-term sequencing of projects, policy reforms, institutional innovations and capacity building. The SOM looks forward to drawing lessons from this pilot initiative for applications in other parts of CAREC.

11. After long negotiations, the member countries have finalized the Intergovernmental Agreement (IGA) Establishing the CAREC Institute. This Agreement offers CI a legal personality with preferential treatment and privileges as an intergovernmental organization. CAREC countries have initiated necessary internal procedures so as to sign and ratify the Agreement at the earliest. The SOM welcomed the signing of the Agreement to start on 26 October 2016. The SOM is looking forward to the Agreement becoming effective following ratification by at least three members including the host country of the CI headquarters. Following the Ministerial Announcement on the Establishment of the Physical Base of the CAREC Institute in 2014, CI reports to CAREC Ministerial Conference through its two-tier governing structure. The SOM supported the proposal of Kazakhstan to open the first CI branch office.

12. The SOM is pleased to report that the Government of Georgia expressed its interest in joining CAREC following participation of its officials in this year's CAREC events as observer. The SOM welcomed Georgia as the 11th member country of CAREC and looks forward to its valuable contributions

13. Based on the foregoing report, the CAREC Senior Officials recommended the following for endorsement by the 15th Ministerial Conference:

- CAREC Road Safety Strategy 2017-2030;
- CAREC Railway Strategy 2017-2030;
- The CAREC 2020 Mid-Term Review;
- The ABCI Investment Framework;
- Launching of the Regional Food Safety Initiative; and
- Georgia's membership in CAREC

14. Honorable Ministers, on behalf of the CAREC Senior Officials, I respectfully submit the above recommendations for your consideration.

Thank you.