



Other Business

**Senior Officials' Meeting on
Central Asia Regional Economic Cooperation
8–9 September 2007
Manila, Philippines**

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I. UPDATE ON SECOND TIER ACTIVITIES

1. The *CAREC Comprehensive Action Plan (CAP)* endorsed at the 5th CAREC Ministerial Conference in October 2006 includes plans to broaden and deepening the program. The CAP states that a two-tiered approach to CAREC activities will be followed. The first tier of activities will be on a sector-wide basis related to transport, trade, and energy. The second tier of activities will be in new sectors, but limited to highly focused projects.

2. This section will provide a short update on activities in the following second-tier areas since the Senior Officials' Meeting in March 2007: (i) human development; (ii) environment; (iii) agriculture; (iv) tourism; and (v) disaster management.

A. Human Development

1. Capacity Development Program

3. The CAREC Capacity Development Program¹ will seek to (a) train senior and mid-level government officials involved in regional cooperation in the skills needed to identify, plan, and effectively implement mutually beneficial initiatives; and (b) deepen understanding of the importance of regional cooperation and the costs of noncooperation. Learning activities will involve both formal training programs and learning experiences in relevant countries and subregions with experience in regional cooperation.

4. **Since the March 2007 SOM**, a Training Needs Assessment was undertaken to determine the relevant needs of senior and mid-level officials (what they need to know to be more effective in promoting practical, project-based regional cooperation) and how best to help them meet these needs.

5. A survey of middle- and senior-level government officials was conducted to solicit information about training activities in general, as well as demand for specific training programs. Most respondents were from central government ministries in positions ranging from head of division/department, to senior adviser and vice-minister. Survey questionnaires were also administered to members of Trade Facilitation Coordinating Committee, the Transport Sector Coordinating Committee, and the Energy Sector Coordinating Committee. Complementary workshops were undertaken in five countries.

6. Priority themes of interest emerging from the surveys and workshops include:

- (i) Intra-country exchange of information covering macroeconomic situation, sector policies, sector regulations;
- (ii) Regional cooperation benefits and achievements;
- (iii) World Trade Organization (WTO) accession;
- (iv) Development of free trade zones, logistics centers, and cross-border trade agreements;
- (v) Tax policy;
- (vi) Energy sector regulation, tariff setting, clean energy, energy efficiency;
- (vii) Management, leadership, public sector reform;

¹ The work is being conducted under regional technical assistance "Central Asia Regional Economic Cooperation: Capacity Development for Regional Cooperation in CAREC Participating Countries, Phase 1." This RETA is co-financed by the People's Republic of China and was approved on 18 December 2006.

- (viii) Financial management; outsourcing; bidding;
- (ix) Investment management assistance.

7. The results of the survey and workshop discussions confirm a high level of demand for specific training programs in two broad categories (i) general management, public policy, economic development, international relations/regional cooperation, and governance; and (ii) specialized training courses in priority sectors, i.e., trade, energy, transport, and infrastructure development.

8. These findings have been fed into the development of the CAREC Institute prospectus for consideration by the SOM.²

9. The following training events were conducted since the March 2007 SOM (see Appendix 1 for list of training events 2005-present):

- (i) **New Ventures in Regional Cooperation: Learning Program for Senior CAREC Officials.** The learning program provided senior CAREC officials with (i) knowledge and perspectives on new initiatives in regional cooperation and integration, and (ii) knowledge on the specific mechanisms and instruments that will transform new ideas into practice for better regional cooperation results. The program was delivered in two (i) Macro perspectives offering (a) a global view of regional cooperation and integration and opportunities for Central Asia and (b) Comparative cases on ASEAN/GMS and EU will also be provided, from which participants can derive applications and lessons; and (ii) Special topics in regional integration featuring discussion of (a) global value chains, (ii) public-private partnerships, and (iii) the role of multilateral developments. Senior officials attended from CAREC participating countries (i.e. Afghanistan, Azerbaijan, People's Republic of China (PRC), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan). (29-30 March 2007, Manila, Philippines).
- (ii) **Trade Policy Challenges: Global and Regional Perspectives.** The seminar explored the benefits of accession to WTO, foreign direct investment, trade facilitation, and trade agreements. Sessions covered (i) Design and implications of preferential trade agreements; (ii) Multilateral trade liberalization and WTO membership; (iii) Trade facilitation in the CAREC region; and (iv) FDI and trade. Participants were senior officials from CAREC participating countries involved in trade facilitation, trade policy, and finance. (27 June 2007, Almaty, Kazakhstan).
- (iii) **The Benefits of Regional Cooperation: An Exchange Learning Program between CAREC and the GMS.** This program shared the achievements of the Greater Mekong Subregion (GMS) program in the areas of transport, customs, transit, and transport agreements. Sessions covered (i) history of the GMS program; (ii) GMS transport strategy and projects; (iii) economic corridors and zones; (iv) cross-border transport agreement; (v) single stop/single window inspections; and (vi) field visit to the east-west economic corridor. Participants were senior and mid-level officials from CAREC participating countries and Turkmenistan involved in transport, trade facilitation, and economic development. (6-10 August 2007, Hue, Vietnam).

² See: *Discussion Paper: CAREC Institute Prospectus*. CAREC SOM, September 2007.

- (iv) **Policy and Management Mechanisms for Economic Development Areas (EDAs).** This seminar explored the benefits and models for setting up and managing economic development areas, with a focus on special economic zones. Sessions covered (i) policy environment for EDAs; (ii) management mechanisms for EDAs; (iii) supply chain management; (iv) logistics management; and (v) field visits to hi-tech development and export processing areas. Participants were senior and mid-level officials from CAREC participating countries and Turkmenistan involved in trade, economic development, and finance. (22-24 August 2007, Urumqi, XUAR, PRC).

2. Cooperation with Central Asian Gateway Project

10. ADB entered a grant agreement to provide the Central Asian Gateway Project (CAG) with financial support to expand its coverage and strengthen efforts to build a network of research institutes in Central Asia and neighboring countries. Under a memorandum of understanding agreed among ADB, CAG, its implementing partner the Uzbekistan Center for Economic Research (CER), and the United Nations Development Programme (UNDP), ADB is providing \$76,500 for the joint project. The UNDP and CAG will support the agreement through \$13,450 worth of inputs of staff time and office facilities. The first tranche of ADB funds (\$45,000) was disbursed in March 2007.

11. The grant will help (i) expand CAG coverage to include all CAREC participating countries; (ii) expand an existing electronic directory of think tanks; (iii) pilot an informal forum of think tanks to support regional cooperation efforts; and (iv) broaden the project's database of statistical information on socio-economic development and cooperation in the CAREC region.

12. **Since the March 2007 SOM**, to expand and strengthen its data collection network, CAG is identifying partners in CAREC countries and the Russian Federation, piloting interaction mechanisms and modes, and establishing a platform and approach for collecting development information from all countries covered under the joint initiative.

13. Two task teams have been formed: (i) one for expanding the existing e-directory of think tanks, and (ii) one for elaborating the electronic platform of statistical information on issues of socio-economic development and cooperation. In consultation with technical experts, the task teams have developed communication and partnership-building strategies, as well as the detailed structure of the statistical database.

14. Eleven national consultants have been engaged to implement the two activities. More than 60 think tanks have been contacted to assess their relevance to the program and readiness to cooperate. Most expressed deep interest in the implementation of joint initiatives in the field of regional cooperation.

15. Preparations for the first informal forum of think tanks in the CAREC region are under way. A preliminary agenda and concept of the meeting have been developed in consultation with potential partners and participants. The forum is expected to be held in mid-November 2007. The forum will be designed as a brain-storming event to formalize further cooperation among think tanks in regional cooperation. It will serve as a platform to present suggestions for joint research projects.

B. Regional Communicable Disease Surveillance (Avian Influenza, HIV/AIDS)

1. Regional coordination: Avian Influenza

16. On **18 May 2007**, representatives of 10 donor agencies and major implementing partners held their fourth coordination meeting to support the fight against avian and human influenza in 10 Central Asian and neighbouring countries. Most participants attended the meeting by teleconference (18 connections). The meeting agreed (i) on the need to regularly exchange information about training activities; (ii) that countries can benefit from a common understanding about what technical approaches and standards are most useful to be recommended for countries (on training for laboratory diagnosis, epidemiology, and on procurement of laboratory diagnostic equipment). Participants advised that the CAREC secretariat, liaising with a regional technical advisory group, would facilitate information exchange about such standards and approaches.

17. The \$38-million ADB grant (*Control and Prevention of Avian Influenza in Asia and the Pacific Project*, approved 14 March 2006) is supporting activities in both animal and human health sectors. Drawing on these funds, the UN Food and Agriculture Organization (FAO) supported representatives from Central Asian countries to develop draft work plans to standardize diagnostic surveillance and reporting systems, and organized three regional trainings on epidemiology and laboratory diagnosis. In addition, the World Health Organization (WHO) conducted regional training on rapid response and containment in the event of an influenza pandemic for representatives from CAREC countries (**2-5 July 2007**, Almaty, Kazakhstan). Both FAO and WHO are supporting activities in-country with locally recruited staff. UNDP will be supported to implement a program assisting Central Asian countries in assessing the socio-economic impact of avian influenza outbreaks. The avian influenza grant of ADB could also be used by government agencies to implement cross-border activities for infectious disease control, such as those discussed on 6 July 2007 in Almaty (see below). ADB has recruited (February 2006) a long-term consultant who is working from the CAREC Secretariat to strengthen regional cooperation among countries and agencies/institutes, and to help harmonize national policies and action plans for communicable disease control.

18. The CAREC capacity development program is supporting two regional meetings of CAREC participating countries to follow up on the "Almaty Declaration" of 13 June 2006, a strategy document on regional collaborative efforts to face influenza threats among CAREC countries (available online: www.adb.org/Documents/Events/2006/avian-influenza-control/). One meeting for human health experts was held on **6 July 2007** in Almaty, Kazakhstan; a second for animal health experts is planned for 26 September 2007 in Harbin, PRC. At the 6 July meeting, delegations from Mongolia and PRC, as well as from Tajikistan and Uzbekistan, expressed interest to strengthen infectious disease control across their borders and are currently drafting funding proposals for a public health program to address this need.

19. By mid-2007, six of the eight CAREC countries had secured funds from the global multidonor influenza trust fund, following country assessments conducted between March and December 2006 by the World Bank, US-Centers for Disease Control and Prevention (CDC) and UN system agencies.

20. From 18-27 September 2007, the Ministry of Agriculture, PRC, (with CAREC support) will organize a training seminar for animal health experts from CAREC countries in Beijing, Qingdao, and Harbin.

2. Regional coordination: HIV-AIDS

21. Between **May and June 2007**, the epidemiology of HIV/AIDS in Kazakhstan, Kyrgyz Republic, and Tajikistan was reviewed in three national meetings, based on data from routine sentinel surveillance and from one outbreak investigation (in Shymkent, Kazakhstan, 2007).

22. On **7 June 2007**, the 2nd Inter-Parliament Conference of Central Asian Countries on HIV/AIDS Problems was held in Astana, Kazakhstan. Senior officials from five Central Asian countries and from Azerbaijan discussed the priorities of regional cooperation, legislative initiatives that can enhance HIV control, and sustainable mechanisms to secure financing for HIV/AIDS control. The meeting was supported by UNAIDS, UN Office on Drugs and Crime, UNDP, and the Central Asia AIDS Control project (CAAP).

23. Four regional training centers for HIV/AIDS-prevention are being established in the region: in Kazakhstan on working with youth; in Uzbekistan on HIV treatment and care; in Kyrgyz Republic on harm reduction; and in Tajikistan on working with migrants.

C. Environment

1. Central Asian Countries Initiative for Land Management (CACILM)

24. Land degradation³—over grazing, soil erosion, salt damage to irrigated land, desertification—is a serious economic, social, and environmental problem in Central Asia.

25. The Central Asian region, comprising Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan, has a fragile ecosystem with arid and semi-arid areas of very low natural productivity. Agricultural and other land-use practices aimed at maximum production with limited regard for sustainability have resulted in severe land degradation.

26. Land degradation directly affects the livelihood of nearly 20 million rural inhabitants by reducing the productivity of land resources and adversely affecting the stability, functions, and services derived from natural systems. Agricultural yields are reported to have declined by 20–30% across the region since these countries achieved independence over a decade ago.

27. The five Central Asian countries have organized themselves, with the support of the international donor community, to work towards sustainable land management and reverse land degradation through the Central Asian Countries Initiative for Land Management (CACILM).

28. Total program financing is up to \$1.4 billion during 2006—2015. Committed funding up to end of 2008 is approximately \$155 million, of which the Global Environment Facility will contribute \$20 million in grant co-financing.

29. CACILM's goal is the restoration, maintenance, and enhancement of the productive functions of land in Central Asia, leading to improved economic and social well being of those who depend on these resources while preserving the ecological functions of the land.

³ Land degradation is defined by GEF as "...any form of deterioration of the natural potential of land that affects ecosystem integrity either in terms of reducing its sustainable ecological productivity or in terms of its native biological richness and maintenance of resilience." Cited in GEF. 2003. *Operational Program on Sustainable Land Management (OP 15)*.

30. CACILM implementation commenced with the approval of the Technical Assistance: *CACILM Multicountry Partnership Framework Support Project* in November 2006. The Steering Committee which will guide the operations of CACILM has been formally organized with representatives from each Government and from development cooperation agencies including ADB; Canadian International Development Agency, German Agency for Technical Cooperation (GTZ), International Center for Agricultural Research in the Dry Areas, International Fund for Agricultural Development, Swiss Agency for Development Cooperation, Global Mechanism, United Nations Development Programme, United Nations Environment Program, UN Food and Agriculture Organization, and World Bank. The First CACILM Steering Committee Meeting is tentatively planned for 2-3 October 2007, in Bishkek, Kyrgyz Republic.

31. The Multicountry Secretariat has been established in Bishkek, Kyrgyz Republic. The Secretariat supports the activities of the Steering Committee and coordinates the national and multicountry activities of CACILM.

32. National Coordinating Councils through their National Secretariats have prepared work plans and started monitoring national sustainable land management activities in all five Central Asian Countries. Progress reports of the National Coordinating Councils will be presented to the CACILM Steering Committee in October 2007.

33. Proposals for multicountry activities (i) Sustainable Land Management (SLM)-Research, (ii) SLM-Information Systems and (iii) SLM-Knowledge Management were prepared and approved by the CACILM Task Force. An Inception Workshop for the SLM-Research component was conducted on **2-4 July 2007** in Tashkent, Uzbekistan. An orientation workshop for the CACILM Knowledge Network was conducted on **10-11 July 2007** in Bishkek, Kyrgyz Republic. Preparations for mobilization of the SLM-Information Systems component are under way.

D. Agriculture

1. Agricultural Trade and Market Development in Central Asia

34. ADB is developing a technical assistance grant on agricultural trade and market development in Central and Eastern Asia. A fact-finding mission to all five Central Asian countries has been completed. The TA will identify key constraints and opportunities for marketing and expanding agricultural trade between the Central Asian countries and current and potentially new trading partners, as a way of increasing economic growth and reducing rural poverty.

35. The TA will be divided into two phases. The key output in Phase I (4 months) will be a comprehensive survey of agriculture production, consumption, and trade in each country. The purpose of this survey is to review the current performance of the agriculture sector, identify the key constraints, assess government policy and regulatory framework, review ongoing and planned investment projects, and review current and potential domestic and export market opportunities, to assess the competitiveness of each country individually and the region as a whole. Phase I will also identify the focus of the study in Phase II.

36. Phase II (12 months) will focus on commodities and niche products with potential for trade and needs for developing markets along the value chain; policy issues that affect regional and international trade in agriculture; institutional issues that affect agriculture trade facilitation and market development; and priority areas of investment in relation to on-going national and

regional efforts. The key output of Phase II will be a competitiveness strategy for each country that will identify the key commodities to pursue in terms of domestic and export marketing, the particular trade policy/facilitation/infrastructure requirements, the weakness/leakages in the value chain that need to be addressed, and public and private investment requirements. Up to three workshops will be held for senior officials from participating countries and key trading partners to discuss the study's findings in Phase I and Phase II. In addition, consideration will be given to a broader regional workshop, perhaps outside the region, to engage prominent private sector stakeholders in understanding the opportunities and the investment requirements of the Central Asian countries.

E. Tourism

37. The UNDP-led Silk Road Initiative (SRI) has been promoting tourism development in the Silk Road region under the following prime threads of activities established by SRI as new traditions in the region:

38. **The Silk Road Investment Fora.** Facilitation of investment for the tourism sector has become a key focus of discussion at the Silk Road Investment Fora. Sustainable tourism development and cultural tourism were at the center of discussion at the first Investment Forum in June 2006 (Xi'an, PRC). The role and necessary conditions for accelerated tourism development are to be discussed at the second Silk Road Investment Forum in Bishkek, Kyrgyz Republic (26-27 October 2007). This component of the programme is implemented in close collaboration with the UN Conference on Trade and Development.

39. The 2006 Forum ended with a two-day study tour to Urumqi and Turpan, PRC, for a cultural tourism development case study and follow-up discussions on tourism in the region among Forum participants.

40. Kazakhstan has volunteered to host a Silk Road Investment Forum in Almaty, likely in September or October 2008.

41. **The Silk Road Mayors' Fora.** First Silk Road Mayors' Forum in Tashkent (October 2006) established a platform for information and experience exchange on sustainable tourism development in the region by cities' Mayors and other representatives of Silk Road communities. This thread of activity was continued through the second Mayors' Forum in Lanzhou, PRC (**July 2007**). In addition to representatives of cities in PRC and Central Asia, the dialogue now includes representatives of cities in Pakistan, Japan (four Mayors of Japanese cities sent special addresses to the participants of the Tashkent Forum), Korea, Iran and Sweden. Representatives of Russian cities also joined the discussion at the 2007 Forum. The city of Voronezh volunteered to coordinate activities within the Russian Silk Road component.

42. The 2006 Tashkent Mayors' Forum was followed by a study tour to Bukhara and Samarkand, where participants learned about the cities' historical significance at times of the ancient trade route. The 2007 event ended with a study tour to Dunhuang, PRC, and created an opening to further Central Asia–Chinese dialogue and potential joint venture initiatives in the field of cultural hotel development in Uzbekistan and other Central Asian countries.

43. **Competition for the title of "UN Silk Road City".** SRI has opened a competition for the official title of "UN Silk Road City". For this purpose an Eminent Persons Group of independent international judges is being formed and will approve selection criteria and allocate awards each year. The title will be granted to cities that are inspired by the unique tradition of the Silk Road in

a most creative way. Successful development of tourism is one of the leading criteria for assessing candidate cities. Each city should prove, for example, that it has launched original initiatives or is committed to preservation of cultural heritage while developing tourism and modern urban centers in a sustainable manner. The first Silk Road Eminent Persons meeting is expected to be held in late 2007 or early 2008.

44. SRI intends to present 10-12 awards each year. This component of the program is implemented in close collaboration with the UN World Tourism Organization.

45. In preparation for the main competition, a Chinese *Silk Road Pearl City Road Show* was organized together with the Chinese New Silk Road national UNDP project in September 2006. A convoy of cars set off from Beijing on a tour along the Chinese Silk Road with the purpose of raising awareness and of mobilizing Chinese Silk Road Cities ahead of the UN Silk Road City award events scheduled for 2007-2008.

46. **Upcoming events.** Eurasia Economic Forum (Xian, PRC; November 2007) UNDP is acting as a co-organizer. The Forum will include a section on tourism development issues.

47. SRI beyond 2007: A concept for the SRI program, Stage III, is under preparation and will be discussed with regional UNDP authorities soon.

F. Disaster Management

1. Development of new disaster risk management framework

48. ADB is developing a framework for sustainable approaches to disaster risk management that will present a set of actions to be undertaken over the next 3-5 years. This framework will build on and seek to implement ADB's Disaster and Emergency Assistance Policy (DEAP). DEAP is a wide-ranging course of actions that bring together natural and non-natural disaster as well as post-conflict situations.

49. An action plan for implementing the DEAP was prepared for inter-departmental review and external comment in late May 2007, and a second draft was due for circulation at the end of August.

50. The focus of the action plan is to

- (i) develop ADB's internal capacity to implement DEAP requirements
- (ii) focus on known high risk DMCs;
- (iii) ensure that vulnerability assessments are undertaken as part of the Country Partnership Strategy process; and
- (iv) ensure that the natural hazard vulnerability of a DMC is taken into consideration as part of program or project designs.

51. Three inter-related objectives over the next 3–5 years will achieve these aims. The DEAP should

- (i) strengthen ADB effectiveness in supporting DMCs to identify and manage natural hazard risks through risk assessment, vulnerability reduction and risk reduction strategies, and to strengthen key DMC institutions involved in DRM and DRR;

- (ii) enhance ADB assistance to DMCs following disaster impact by helping address immediate impact needs, assist early recovery measures, and build-in greater resilience to post-impact reconstruction efforts; and
- (iii) enable ADB to participate as a full partner in actions that assist greater regional cooperation.

52. A report prepared for a regional technical assistance on the development of catastrophe risk insurance mechanisms was finalized in July 2007. The study focuses on insurance and financial mechanisms that could be considered to support catastrophe risk management in developing member countries (DMCs). While insurers are active in DMCs insurance penetration in many is among the lowest in the world, with catastrophe risk lagging behind other forms of insurance. Reinsurance capacity for DMCs is underutilized because relatively few markets offer sufficiently high demands and low fixed costs to be profitable. The review provided potential approaches for ADB to consider.

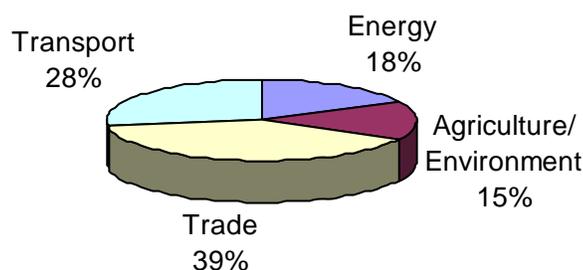
53. In July 2007 ADB hosted a workshop on preparing for large-scale emergencies. The workshop was an exploratory activity with the objective of identifying the current status of emergency preparedness in the Asia-Pacific region, major issues, gaps and priorities for realistic preparedness implementation. Presentations were made on ADB's current procedures for environmental, health, and natural hazard emergencies, all of which have risk reduction components, including preparedness. Representatives of six high-risk DMCs and ADB's Resident Missions and Regional Departments shared insights on how ADB might assist DMCs prepare for large-scale emergencies.

II. UPDATE ON SMALL RESEARCH GRANTS PROGRAM

54. On 18 December 2006, ADB with funding from the People's Republic of China Regional Cooperation and Poverty Reduction Fund, approved the regional technical assistance, "Central Asia Regional Economic Cooperation: Capacity Development for Regional Cooperation in CAREC Participating Countries, Phase I". This technical assistance aims to build capacities in regional cooperation initiatives in senior and mid level officials in CAREC participating countries and research institutes and networks in the region. The CAREC Research Grants Program is one of the key outputs of ADB Regional Technical Assistance (RETA) *Central Asia Regional Economic Cooperation: Capacity Development for Regional Cooperation in CAREC Participating Countries, Phase I* approved in December 2006. The program aims to promote research by experts from CAREC countries on issues of relevance to the CAREC Program. Small grants of up to \$20,000 will be awarded through a competitive selection process.

55. A call for proposals was issued early April 2007 by advertisement in CAREC country newspapers and various web sites. Forty proposals were received. A breakdown of proposals by sector is presented in Figure 1.

Figure 1: Number of Proposals, By Sector



56. The proposals were reviewed by a panel of experts familiar with the CAREC Program and eight proposals were selected to receive grants. All researchers have been notified of the outcome of the review process.

57. The final research reports will remain the property of the researcher(s). Subject to quality, ADB will disseminate the research through publications and forums.

58. A brief introduction to the selected proposals follows.

- (i) **Regional Cooperation Possibilities in the Supply of Renewable Energy in the Central Asia Region Using the Kyrgyz Republic as a Case Study.** The research will assess opportunities for regional cooperation in Central Asia in renewable energy (solar, wind, biomass, small mountain water flows) for providing stable energy supplies in mountainous areas and decentralized rural territories. (Timeframe: 10 months. Budget: \$20,000)

- (ii) **Mechanisms and Potential for Agricultural Commodities Trade in Central Asia.** The research will identify major obstacles to interregional trade in agricultural commodities in the Central Asia region, with a focus on trade between Uzbekistan and Kazakhstan. It will determine the current state of trade in agricultural commodities and explore why previous attempts to establish agricultural commodity exchanges in the region have not been successful. (Timeframe: 9 months. Budget: \$19,600)
- (iii) **Training in Trade, Transport, and Transit for Better Business between PRC and Kyrgyz Entrepreneurs.** The research will provide critical business information to entrepreneurs from the Kyrgyz Republic and PRC on trade, transport, and transit regulations and procedures in both countries. It will develop and conduct a survey, and develop a training curriculum on transportation, trade, and transit issues in the Kyrgyz Republic and PRC aimed at expanding trade relations between the countries. (Timeframe: 5 months. Budget: \$19,500)
- (iv) **Analysis of Barriers to Kyrgyz Transit Transport through Kazakhstan.** The research will analyze barriers to transit trade for Kyrgyz transit transport and customs transit, as well as review bilateral, regional, and international agreements on transit signed by Kyrgyz Republic and its neighbors. It will estimate trade costs pertaining to transit through neighboring countries and analyze the effect on patterns of trade in the Kyrgyz Republic. (Timeframe: 6 months. Budget: \$20,000)
- (v) **Gender Measurement in Central Asia in Relation to Accession to the World Trade Organization (WTO).** The research will examine the effect of trade policy and liberation, in particular WTO accession, on the differentiation of gender roles. It will involve forecasting the prospects of employment change in economies, in particular, in trade and service conditions. The research will involve Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan. (Timeframe: 6 months. Budget: \$19,920)
- (vi) **Monitoring of Transport Corridors of Central Asia.** The research will focus on the development of trade and transport in Central Asia through the identification and eradication of barriers to the movement of goods along transport corridors and other infrastructure. (Timeframe: 5 months. Budget: \$19,980)
- (vii) **Eco-Tourism Based on Transport Corridors in PRC and Kazakhstan.** The research will analyze the market characteristics of eco-tourism and cooperation based on transport corridor development. It will analyze the structure of eco-tourism regions and identify cooperation processes and patterns needed to promote eco-tourism development in Central Asia. The research will involve PRC and Kazakhstan. (Timeframe: 10 months. Budget: \$20,000)
- (viii) **Investigation of the Development of Modern Transport and Logistics Centers (TLC) in Uzbekistan, Tajikistan, and Kyrgyz Republic.** The research will investigate the possibility of setting up TLCs in Central and identify the optimum geographic location of TLCs in Uzbekistan, Tajikistan, and Kyrgyzstan. (Timeframe: 8 months. Budget: \$18,400)

III. UPDATE ON OUTREACH ACTIVITIES

59. Since the March 2007 SOM, the secretariat conducted the following outreach activities:
- (i) Consultation with Azerbaijan: With senior government officials to discuss CAREC activities and forward planning, on 14-15 May in Baku.
 - (ii) Presentation on CAREC's Business Development Forum (October 2006, Urumqi) at the UN Economic and Social Commission for Asia and the Pacific (ESCAP)'s Asia-Pacific Business Forum 2007 on 18-19 May in Almaty, Kazakhstan.
 - (iii) Consultation with Kyrgyz Republic: With senior government officials and civil society representatives to discuss CAREC activities and forward planning on 28 May in Bishkek.
 - (iv) Presentation on the CAREC Program at UNDP/BMZ (Germany) conference on Strengthening Partnerships for Human Development on 29-30 May in Bishkek, Kyrgyz Republic.
 - (v) Presentation on the CAREC Program to NGO and private sector representatives from CAREC countries and Armenia, Georgia, Pakistan, and Turkmenistan on 10 August in Bishkek, Kyrgyz Republic, in coordination with ADB consultations on its Long-Term Strategic Framework.
60. The secretariat is planning more such consultations with Kazakhstan, Tajikistan, and Uzbekistan in September and October.

IV. PROPOSAL FOR A CAREC DEVELOPMENT PARTNERS' FORUM

A. Background

61. CAREC currently has eight participating countries and six participating multilateral institutions (MIs). Two additional countries have been invited to participate (Russia, Turkmenistan). One country (Pakistan) and the European Union (EU) have expressed an interest to participate, but have not been invited to do so. The US has expressed interest in the creation of a forum which would bring together CAREC participants and the EU, Japan and the US.

62. Participating countries and MIs have in the past expressed an interest in keeping CAREC membership limited, so as to permit effective exchanges at Ministerial Meetings, Senior Official Meetings and Sector Coordinating Committees and to ensure a clear focus on Central Asian cooperation and integration.

63. Bilateral donors currently may attend in Ministerial Meetings as observers, but do not participate in the discussions. In connection with past Ministerial Meetings, special side sessions were organized for bilateral donors. The purpose of these sessions was to allow the donors to present their assistance programs to CAREC participants and each other. These sessions were usually sparsely attended at relatively low levels of representation and generally did not entail substantive discussions.

B. Purpose of CAREC Development Partners' Forum

64. The CAREC Development Partners' Forum will bring together a few selected partners who play a major role in supporting regional cooperation among Central Asian countries and in providing market access for Central Asia. The purpose of the forum will be to ensure

- high-level and substantive, strategic and operational exchange among the major partners who have a shared interest in Central Asia's development and integration into the world economy;
- review and discussion of CAREC's strategies, action plans and investments in a timely manner with all major partners; and
- review and discussion of partners' plans and actions in Central Asia or relevant to Central Asia's development needs.

C. Participants in the Forum

65. The number of participants in the Forum should be large enough to encompass the major donors and neighbors for Central Asia, but small enough to ensure effective exchanges. Pending a more careful assessment of donor activity in Central Asia (which is currently difficult to do, due to lack of reliable and comprehensive donor information), these are the partners who should preferably participate:

Bilateral donors:

- EU
- Germany
- Japan
- Switzerland
- US

- [Turkey]
- [Korea]
- [UK]

Neighbors:

- India
- Pakistan [if not a regular participant]
- Russia [if not a regular CAREC participant]

- [Iran]

66. The countries in brackets are those which could be included if one wants to make a somewhat more inclusive, yet still manageable group. The US has shown interest in a forum that would only include the EU, Japan and Germany. The advantage of the somewhat larger groupings is that they would ensure that all major partners are included and that meetings between CAREC participants and the partners adds real substantive value beyond the main CAREC events.

D. Modalities of the Forum

67. The Forum would be held once a year, either in connection with a Ministerial Meeting or on a separate occasion. The latter might be better to ensure that all Forum invitees realize that the event is a different one from the past partner meetings held in conjunction with Ministerial Meetings. The timing and location for the meeting should be determined in terms of maximum convenience for the majority of participants (e.g., in connection with the ADB, EBRD, or IMF/WB Annual Meetings).

68. A concerted effort will have to be made by the MIs, the participating CAREC countries, and by CARECU to attract high-level participation.

69. In order to ensure a substantive discussion, the agenda for the Forum will be structured around major thematic issues consistent with the CAREC Comprehensive Action Plan and with partners' interests. The agenda and relevant documentation would be prepared/assembled by the CAREC Secretariat (CARECU) based on guidance from the SOMs and Ministerial Meetings and based on requests and inputs from the partners.

70. The meeting would be chaired by the co-chairs of the Ministerial Meetings. Chairmen's summaries would be prepared and submitted to the next SOM and Ministerial Meeting for consideration.

E. Expected Benefits of the Forum

71. Adding another meeting to the already overcrowded schedule of senior officials implies real costs. So it is important to be clear and sure about the benefits. The benefits are: (i) an opportunity to bridge what appear to be increasingly wide divisions between key players active in Central Asia; (ii) a better understanding of shared objectives and possible sources of differences among partners; (iii) better information flow about key investments and policy reforms of regional significance supported by various participants; (iv) possible collaboration and co-financing of selected investments; and therefore (v) more consistent, better coordinated,

and possibly more activity in support of regional cooperation and integration in Central Asia. If it appears that the benefits do not outweigh the costs, the Forum will be discontinued.

F. Other aspects

72. The partner event held in the past in connection with the Ministerial Meetings will be discontinued. However, smaller partners not participating in the Forum will continue to be invited to observe the Ministerial Meetings.

73. Partners, including possibly from among the smaller ones, will be invited to participate in the meetings of relevant Sector Coordinating Committee.

V. PROCEDURE FOR APPLICATION FOR PARTICIPATION IN THE CAREC PROGRAM

74. The CAREC Secretariat was requested at the 26-27 March 2007 Senior Officials' Meeting (SOM) of the CAREC Program to (i) prepare a note on proposed steps to guide potential new countries in joining the CAREC Program; and (ii) work with any country that expresses interest in participating in CAREC to develop a concrete proposal for discussion and consideration by CAREC countries.⁴

75. Any decision to admit new countries or development partners into CAREC will account first and foremost for needs for (i) ensuring that ownership and initiatives of regional economic cooperation rest firmly with the participating countries, (ii) facilitating high-level consensus building, and (iii) prioritizing regional needs in infrastructure and mobilizing financial assistance for their implementation.

76. The CAREC Secretariat proposes the following application procedure for participation in the CAREC Program by countries and development partners. The procedure would apply to applications for "observer" or "participant" status. This procedure will be submitted to the SOM in September 2007 for consideration.

77. Procedure:

- (i) Countries and development partners interested in joining the CAREC Program are requested to submit an expression of interest to the Head of the CAREC Secretariat.
- (ii) The Secretariat will inform CAREC participating countries and multilateral institutions of the expression of interest received.
- (iii) A CAREC Senior Officials' Meeting will consider the expression of interest and, at its discretion, invite an applicant to deliver a presentation at a future SOM outlining its interest in participation in the program. (The CAREC Secretariat will provide guidance to the applicant in developing an appropriate presentation, as requested by the applicant.)
- (iv) An applicant whose application is endorsed by the SOM will be invited by the Secretariat to become a "participant" or "observer" in the CAREC Program, as the case may be, effective immediately.

⁴ Summary of Proceedings, CAREC Senior Officials' Meeting, March 2007. Paragraph 16.

**APPENDIX 1: CENTRAL ASIA REGIONAL ECONOMIC COOPERATION
CAPACITY BUILDING ACTIVITIES,
2005-PRESENT**

| Date | Days | Program | Location | No. of Participants | No. of Participant Training Days | Sector |
|----------------|-------------|---|--------------------------------------|----------------------------|---|----------------|
| 26-28 Jan 2005 | 3 | Forums on Trade Facilitation and Customs Modernization | Singapore | 29 | 87 | Customs, Trade |
| 7-10 Jun 2005 | 4 | Seminar on Risk Management and Post-Entry Audit | Shenzhen, People's Republic of China | 22 | 88 | Customs |
| 4-6 Jul 2005 | 3 | CMERF First Annual Meeting | Beijing, PRC | 30 | 90 | Energy |
| 27-29 Jul 2005 | 3 | Seminar on Trade Facilitation and One-Stop Service | Bangkok, Thailand | 24 | 72 | Customs, Trade |
| 7-9 Sep 2005 | 3 | Customs Cooperation Committee Meeting (including forum on capacity building for customs administrations and ASEAN single window initiative) | Ulaanbaatar, Mongolia | 27 | 81 | Customs, Trade |
| 19-21 Oct 2005 | 3 | Forum on TIR Customs Transit System | Shanghai, People's Republic of China | 29 | 87 | Customs, Trade |
| 5-8 Dec 2005 | 4 | Seminar on Trade Facilitation and E-Governance | Daejeon and Seoul, Republic of Korea | 29 | 116 | Customs, Trade |
| 24-27 Jan 2006 | 4 | Forum on eGovernment and Trade Facilitation | Singapore | 22 | 88 | Customs, Trade |
| 7 Feb 2006 | 1 | IMF: Trade Policy Outreach | Almaty, Kazakhstan | 30 | 30 | Trade Policy |
| 8 Feb 2006 | 1 | Mongolia Trade Logistics Consultation Seminar | Ulaanbaatar, Mongolia | 40 | 40 | Customs, Trade |
| 9 Feb 2006 | 1 | IMF: Trade Policy Outreach | Bishkek, Kyrgyz Republic | 30 | 30 | Trade Policy |
| 9 Feb 2006 | 1 | Finalization Workshop on Customs Modernization | Ulaanbaatar, Mongolia | 40 | 40 | Customs |

| Date | Days | Program | Location | No. of Participants | No. of Participant Training Days | Sector |
|----------------|------|---|--|---------------------|----------------------------------|--|
| 9 Apr 2006 | 1 | In-Country Workshop on Xinjiang Trade Logistics Development | Urumqi, PRC | 45 | 45 | Customs, Trade |
| 13 Apr 2006 | 1 | IMF: Trade Policy Outreach | Beijing, PRC | 30 | 30 | Trade Policy |
| 17-19 Apr 2006 | 3 | Forum on Trade Facilitation and Customs Reform and Modernization | Tokyo, Japan | 15 | 45 | Customs |
| 12-14 Jul 2006 | 3 | Seminar on WCO's Framework of Standards and Customs Data Model | Urumqi, PRC | 27 | 81 | Customs |
| 2 Oct 2006 | 1 | IMF: Trade Policy Outreach | Ulaanbaatar, Mongolia | 33 | 33 | Trade Policy |
| 11-13 Oct 2006 | 3 | Customs Cooperation Committee Meeting (including forum on logistics development and integrated border management) | Astana, Kazakhstan | 27 | 81 | Customs, Trade |
| 10-11 Nov 2006 | 2 | International Conference on the PRC and Mongolia Trade Facilitation and Trade Logistics Development | Erenhot, Inner Mongolia Autonomous Region, PRC | 70 | 140 | Customs, Trade |
| 11-13 Sep 2006 | 3 | CMERF Second Annual Meeting | Almaty, Kazakhstan | 31 | 93 | Energy |
| 26 Sep 2006 | 1 | IMF: Trade Policy Outreach | Tashkent, Uzbekistan | 30 | 30 | Trade Policy |
| 28 Sep 2006 | 1 | IMF: Trade Policy Outreach | Dushanbe, Tajikistan | 25 | 25 | Trade Policy |
| 28 Sep 2006 | 1 | IMF: Trade Policy Outreach | Baku, Azerbaijan | 30 | 30 | Trade Policy |
| 7-9 Feb 2007 | 3 | Seminar on Implementation Challenges in Joint Customs Control, Risk Management and Post Entry Audit | Bangkok, Thailand | 30 | 90 | Customs |
| 29-30 Mar 2007 | 2 | New Ventures in Regional Cooperation: Learning Program for CAREC Senior Officials | Manila, Philippines | 18 | 36 | Regional Cooperation, Trade, Energy, PPP |
| 21-22 May 2007 | 2 | 6th Energy Regulation and Investment Conference | Istanbul, Turkey | 2 | 4 | Energy |

| Date | Days | Program | Location | No. of Participants | No. of Participant Training Days | Sector |
|----------------|------|---|-----------------------|---------------------|----------------------------------|------------------|
| 23 May 2007 | 1 | Energy Regulators Regional Association General Assembly | Istanbul, Turkey | 2 | 2 | Energy |
| 24 May 2007 | 1 | Licensing/Competition Committee Meeting | Istanbul, Turkey | 2 | 2 | Energy |
| 25 May 2007 | 1 | USAID Regional Energy Markets Assistance Program for Central Asia Workshop | Istanbul, Turkey | 2 | 2 | Energy |
| 23-25 May 2007 | 3 | Customs Automation | Beijing, PRC | 30 | 90 | Customs |
| 27 Jun 2007 | 1 | IMF: Trade Policy Challenges - Global and Regional Perspectives | Almaty, Kazakhstan | 23 | 23 | Trade Policy |
| 2-5 Jul 2007 | 4 | Pandemic Influenza - Rapid Containment International Workshop | Almaty, Kazakhstan | 2 | 8 | Health |
| 6-10 Aug 2007 | 4.5 | The Benefits of Regional Cooperation: An Exchange Learning Program between CAREC and the GMS | Hue, Vietnam | 18 | 81 | Trade, Transport |
| 22-24 Aug 2007 | 3 | Policy and Management Mechanisms for Economic Development Areas | Urumqi, PRC | 27 | 81 | Trade |
| 10-14 Sep 2007 | 5 | CMERF Energy Regulation Training Workshops | Ulaanbaatar, Mongolia | 40 | 200 | Energy |
| 17-19 Sep 2007 | 3 | Working with ADB-Government-NGO/CSOs: Strengthening Tripartite Partnerships for Development Results | Dushanbe, Tajikistan | 20 | 60 | NGO |