

## CAREC Adopts Comprehensive Action Plan to Propel Regional Cooperation

**M**inisters from the eight participating countries of the Central Asia Regional Economic Cooperation (CAREC) Program endorsed and adopted a comprehensive action plan (CAP) at the 5<sup>th</sup> CAREC Ministerial Conference held on 20 October in Urumqi, People's Republic of China (PRC). The CAREC countries are Afghanistan, Azerbaijan, PRC, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan.

"The CAREC CAP we endorsed today will propel regional cooperation forward in new and inspiring ways, contributing to the realization of our long-term vision of 'Good Neighbors, Good Partners, and Good Prospects'," says the Urumqi Declaration issued at the conclusion of the 5<sup>th</sup> CAREC Ministerial Conference.

The CAP is a milestone in the development of the CAREC Program. It marks the transition to a results-oriented program with tangible targets and outputs based on strong country ownership, pragmatic

approaches, and mutual accountability. The CAP was developed through a series of intensive consultations with participating countries, broadening the Program's area of coverage while continuing to focus on specific regional initiatives in CAREC's priority sectors—transport, trade facilitation, trade policy, and energy.

The strategic framework outlines the main elements of the CAP, including (i) four pillars of activity as medium-term guidelines for the CAREC Program, (ii) a two-tier system to broaden and deepen the Program, and (iii) measures to ensure strategic direction and management.

### Four Action Pillars

Development through cooperation will be based on four action pillars.

- The **knowledge/capacity-building pillar** will combine the research strengths of the region and the six multilateral institutions (MIs)<sup>1</sup> to increase the capacity for designing and implementing mutually beneficial regional initiatives. To coordinate the research, training, and dialogue activities, steps will be taken to form an independent CAREC Institute, with advisory supervision by eminent persons from within and outside the region.
- The **regional infrastructure networks pillar** will mainstream country and MI support for transport corridors, energy markets, and trade-related infrastructure projects integrating the region. Connectivity is a unifying theme of the CAP, reflecting the objective of reinforcing the region's strategic location as a land link

for Asia and Europe. The focus will increasingly shift to region-based programming and public-private sector partnerships, complementing country-based programming.

- The **trade, investment, and business development pillar** will provide a more integrated framework to improve the investment climate in Central Asia, and the access of business enterprises to markets. The needs of the business community will be more clearly defined, including logistical requirements, to enable participation in global value chains and other trade opportunities.
- The **regional public goods pillar** will expand the CAREC Program on a project-specific basis to address trans-boundary issues, such environmental protection and natural resource management.

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**"The CAREC CAP will propel regional cooperation forward in new and inspiring ways, contributing to the realization of our long-term vision of 'Good Neighbors, Good Partners, and Good Prospects'."**

Urumqi Declaration  
5<sup>th</sup> Ministerial Conference

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# Seminar on Transport and Trade Facilitation Held



**PROMOTING TRANSPORT AND TRADE FACILITATION** The TIR Transport and Trade Facilitation National Seminar was organized to further support the implementation of TIR system for efficient transport of goods

The International Road Transport Union (IRU), the German Technical Cooperation (GTZ), and the Asian Development Bank (ADB) sponsored an in-country seminar on Transport Internationaux Routiers (TIR) Transport and Trade Facilitation held on 25–26 October in Ulaanbaatar, Mongolia to further support implementation of the TIR customs transit system and help facilitate the international movement of goods in Central Asia.

The seminar brought together participants from the Government of Mongolia and the private sector. Participants included high-level representatives from the customs administration; state border protection and inspection agencies; Ministry of Roads, Transport and Tourism; Ministry of Trade and Industry; transport associations; and transport companies. Officials from the United Nations Development Programme and other nongovernment organizations also attended the event.

The seminar provided information on the TIR customs transit regime, presented its advantages to customs authorities in Mongolia, and identified roles and responsibilities of various sectors involved in transit operations.

Speakers from the United Nations Economic Commission for Europe (UNECE), which supports the TIR Convention, and the IRU, which administers the transit system for about 66 adopting countries (55 have operational systems), presented an overview and the processes involved in the TIR regime.

The seminar provided detailed guides to TIR operations, particularly on (i) customs control measures; (ii) completion of TIR carnets; (iii) technical regulations on load com-

partments and containers; (iv) completion of certified reports in cases of accidents and *force majeure*; (v) discharge and claims procedures; and (vi) SafeTIR, a risk management tool that allows for early detection of fraud in the TIR system.

The speakers emphasized the specific roles and responsibilities of various sectors involved in TIR customs transit operations, namely, member governments,

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## Efficient Transport of Goods through the TIR System

The TIR system was developed to facilitate the transport of goods through simplified procedures for transit traffic. Its five pillars are (i) secure vehicles or containers, (ii) TIR guarantee, (iii) TIR Carnet, (iv) mutual recognition of customs control measures, and (v) authorized access to the TIR regime.

Goods are carried in sealed vehicles or containers and accompanied by TIR carnet, a document accepted by customs authorities in countries of departure, transit, and destination. An international guarantee chain secures customs duties and taxes in case of an irregularity during the journey.

Countries that adopt the TIR system recognize customs control measures at the country of departure. Consequently, sealed loads are not subject to examination at customs offices, whether these are en route or at destination, except for special cases.

Benefits of the TIR regime include (i) fewer delays in goods transit, (ii) protection of customs revenues, (iii) reduction of physical inspection of goods, and (iv) efficient customs control and documentation. The system reduces expenses of customs administration and the transport sector and, with efficient movement of goods, it encourages the development of international trade.

## CAREC Adopts Comprehensive Action Plan *(continued from page 1)*

### Broadening and Deepening the CAREC Program

The strategic framework will help broaden and deepen the Program, while continuing to focus on regional initiatives on transport, trade, and energy linkages. 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 will be on new sectors, such as human development, agriculture, environment, and tourism, but limited to highly focused projects, such as training for government officials involved in regional cooperation. Projects (including regional public goods) in the second tier will not require CAREC coordinating committees, as sector-wide issues are not involved (e.g., HIV/AIDS versus the health sector as a whole). Second-tier special projects will be managed as provided for in the project preparation/implementation provisions agreed on with participating countries. The CAREC Secretariat will monitor and report on activities under the second tier. Second-tier projects may include those supported by international assistance agencies in addition to those supported by MIs.

To deepen the Program, greater attention to the policy dimension, complement-

ing regional investment projects, is needed. Also, new approaches will be undertaken, including economic corridors and integrated transport/trade/transit initiatives.

### CAREC Program's Strategic Management and Direction

The CAP provides strategic direction for the CAREC Program for the medium to long term, setting out the goals, objectives, and expected outputs and outcomes in a results-based format. Operationalizing the CAP will require strategic management by ministers and senior officials, in consultation with the MIs. The CAP will be flexible, and updated annually to reflect developments in the region, new interests, and changing priorities. Strategic management in this context may require some modification and strengthening of the Overall Institutional Framework (OIF) for the CAREC Program.

While the OIF has been effective in identifying regional projects and initiatives, the preparation of transport, trade, and energy sector strategies will elevate the overall regional perspective of the Program. Further, the CAP will call for a more integrated approach on the core sectors and address new challenges and opportunities.

The SOM needs to prepare to play a key role in helping prioritize and sequence

regional projects and initiatives, and in ensuring that country development plans and public investment programs complement these projects and initiatives. In turn, Ministers need to be prepared to consider, on behalf of their respective governments, options for regional development and resource use.

It was recommended that the SOM Strategic Management and Priorities Subcommittee be convened, as needed, to (i) identify key regional needs/opportunities and potential gaps in the CAREC Program; (ii) initiate and structure processes to address cross-cutting issues; (iii) review MI pipeline country development plans to ensure consistency; (iv) prioritize national budget; and (v) provide options for Ministerial consideration.

The Subcommittee will work under the guidance of and report to the SOM on the above responsibilities. It will also report to the MC on particular issues as directed by the SOM. The Subcommittee will work with the sector committees, which will continue to report directly to the SOM. ■

<sup>1</sup> The CAREC is also an alliance of multilateral institutions comprising the Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank.

## Seminar on Transport and Trade Facilitation

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the TIR Administrative Committee, the TIR Executive Board, transport operators, national transport associations, insurance companies, and the IRU.

The seminar emphasized that authorization for access to TIR procedures does not constitute the right to obtain TIR carnets from national transport associations. These associations still have the authority to refuse authorization and suspend or exclude a transport company from the TIR system at any time if warranted.

The National Association of Road Transporters of Mongolia and local customs authorities also presented during the seminar the current status of TIR usage in Mongolia. ■

## Roles and Responsibilities in the TIR System

In the public sector, participating governments and TIR convention bodies are responsible for supervising admission to and implementation of the customs transit system. Access of national issuing and guaranteeing associations to the TIR system is given by competent national authorities, and, in the case of transport operators, by national customs authorities through the national transport association.

In the private sector, the IRU, which is made up of national transport associations, centrally prints and distributes TIR carnets under the authority granted by the TIR Administrative Committee. It also monitors the status of holders of these documents and administers the international guarantee system.

National transport associations authorized by customs authorities to serve as issuing and guaranteeing bodies are responsible for handling TIR admission procedures, granting TIR carnets to reliable holders, and securing payment of obligations to national customs.

## TIR Usage in Mongolia

Mongolia acceded to the TIR Convention in October 2002. The customs transit system became operational in 2004 with the National Association of Road Transporters of Mongolia as the authorized issuing and guaranteeing association in the private sector.

While Mongolia has issued only one TIR carnet since 2004, it has benefited from observance of about 160 TIR shipments during the period. With the accession of the People's Republic of China (PRC) to the TIR Convention and completion of the Central North-South Corridor Road financed by ADB that links Russia and the PRC's Tianjin port through Ulaanbaatar, the number of locally issued TIR carnets are expected to increase significantly.

# Improving Trade Logistics in the PRC and Mongolia

The Asian Development Bank (ADB) has recently completed two trade logistic studies for Mongolia and the Inner Mongolian Autonomous Region (IMAR) of the People's Republic of China (PRC). The trade logistic industry comprises different service providers, including parcel express companies, freight forwarders, transport lines, contract logistics companies, local transport operators, terminal facilities, and distribution centers.

The PRC and Mongolia share common borders running to several thousand kilometers. Bilateral trade volume between the PRC and Mongolia increased from \$323 million to \$840 million in 2005. About half of PRC-Mongolia trade is between bordering provinces of the respective countries. Economic development in the bordering regions of the two countries is generally lagging behind other areas.

Strong complementarities exist between the two economies that will benefit from regional trade and economic integration. While political relationship between the PRC and Mongolia exists, their trade and other economic cooperation needs to be strengthened. This is partly due to the lack of basic cross-border infrastructure and numerous bottlenecks in trade facilitation and trade logistics.

Studies on IMAR and Mongolia examined existing trade logistic situations and advocated a series of recommendations to promote the supply and demand factors for the trade logistic sector.

A joint conference on Trade Facilitation and Logistics Development was organized to maximize the synergy of the two studies and to facilitate better understanding of issues and induce coordinated policy changes in both countries. The conference was held in Erenhot, which is directly across the PRC-Mongolia border from Zamyn Uud. Erenhot is a key link of the north-south corridor, which connects the Russian Federation to the PRC via Mongolia's capital, Ulaanbaatar, and eventually connects Mongolia through Beijing to Tianjin seaport.

The IMAR, the Government in Erenhot, and ADB hosted the conference. The IMAR Government Finance Office, Erenhot Mayor's Office, and the Regional Cooperation Coordinator of the Central Asia Regional Economic Cooperation Unit of ADB's Mongolia Resident Mission provided logistics support for the conference. The conference and the studies were funded through ADB's technical assistance project on Trade Facilitation and Customs Cooperation.

The conference was attended by over 40 delegates from the PRC and 30 from Mongolia, representing government agencies of industry and trade, transportation (road and railway), customs, quarantine, and special economic zones. Chambers of commerce and industries and trade logistic companies of both sides also participated.

Recent progress in both countries has been noted at the local, national, and international levels to improve basic infrastructure and policy environment for trade facilitation and trade logistic development. However, major infrastructure bottlenecks need to be addressed and cooperation improved between the IMAR and Mongolia.

At the conference, the areas requiring further cooperation were identified: (i) key road and rail transport links; (ii) special economic zones and logistic infrastructure; (iii) cross-border financial services, payment, and settlement system; and (iv) coordination and information exchange in customs administration.

Subsequently, a preliminary joint action plan has been developed, and will be submitted to the two governments for review. The action plan proposes to (i) coordinate efforts in establishing conducive legal and policy framework, leading to the finalization of transport agreements; (ii) improve transport networks and corridors; (iii) expand dry ports and inland depots, build refrigeration capacity as part of cold chain development and collaboration, and promote inter-modalism; (iv) build logistics and transport information systems aimed at process optimization; (v) harmonize documentation and information systems leading to efficient data exchange and integration; (vi) build capacity and develop logistics human resources; and (vii) accelerate special economic zones development.

The delegates appreciated ADB's support and expressed hope that ADB would continue to support trade facilitation and logistic development. A new regional technical assistance project for the PRC and Mongolia on regional cooperation programs is now being formulated, and is closely aligned with priorities identified at the conference. ■



**JOINT EFFORTS** The PRC and Mongolia discuss ways to benefit from regional trade and economic integration

# Learning from Australia to Revitalize Tajikistan's Cotton Industry

**C**otton is one of Tajikistan's key agricultural exports. It is a major source of farm income and employment in the rural areas, where about 70% of the country's population lives. The cotton subsector, however, has been underperforming as yield and profitability continue to decline due to increasing farm debt, government interference in the cotton sector, lack of access to alternative crop financing, and market distortions in the processing and marketing sides of the value chain.

## Cotton Sector Study Tour to Australia

On 9-23 November, a group of government officials from Tajikistan visited Australia to study its cotton sector, particularly the post-farm gate cotton management issues and processes, such as cotton storage and ginning, grading and classing, and marketing. The study tour aims to familiarize key government officials with advanced policy management of Australia's cotton sector and, as applicable, adopt policies in Tajikistan.

The Asian Development Bank (ADB) organized the study tour in line with current reforms being considered in the Tajikistan's cotton industry and ADB's project on Sustainable Cotton Subsector. The latter has a specific market reform program to introduce Universal Cotton Grade Standards and establish bonded warehouses for cotton marketing to increase market competitiveness for Tajikistan's cotton.

## Australia's Cotton Industry and its Application to Tajikistan

The delegation from Tajikistan visited cotton-growing farms—including family-owned and corporate farms that run a complete cycle of cotton production, ginning, and marketing—and inspected seed production and distribution facilities. Participants observed every stage of cotton production and marketing cycle in Australia. Many of these practices in the cotton industry could be applied to Tajikistan. Some recommendations on the application to Tajikistan were cited.<sup>1</sup>

**Quality of Cotton Seed.** Australia's experts cite that 40% of cotton yield is dependent on the quality of seeds. Majority of Australia's cotton is produced from genetically modified seeds that are supplied by seed distributors. Organizations involved in cotton seed breeding focus on improving disease and insect resistance, herbicide resistance, and regional adaptation.

Developing the national seed breeding sector in Tajikistan will require significant resources. Thus, it may consider importing high-quality cotton seeds that are adaptable to Tajikistan's climate. Some of Australia's cotton seed samples have already been tested in Azerbaijan and Uzbekistan last year with positive results. Tajikistan may develop its seed sector by (i) amending legislation related to import and introduction of cotton seed; (ii) supporting trials of cotton seed varieties; (iii) developing a long-term strategy for seed-breeding sector; (iv) allowing private sector participation in cotton seed breeding; and (v) supporting seed-breeding farms through technical assistance projects.

**Crop Rotation.** A key technology to higher cotton yield in Australia is the adoption of minimum tillage and sound crop rotation. After each cotton production, Australia's cotton farmers plant other crops

such as cereals or legumes and apply minimum tillage technology that allows consecutive crops to be planted and harvested in the same ridges again. This process allows the soil to rehabilitate, get higher moisture, and consequently, grow deeper cotton roots and produce higher yield.

In Tajikistan, when land has been used consecutively for many years for cotton production, the quality of soil deteriorates and the soil loses its organic matter. Thus, crop rotation will assist in restoring the soil and improve its quality. Crop rotation also allows farmers to spend less fuel for land farming and results in more efficient crop use. In Tajikistan, where consumption of wheat flour is very high, cotton, followed by wheat production, can help ensure food security.

**Cotton Classing and Grading.** Australia has adopted cotton classing and grading in accordance with standards of the United States Department of Agriculture (USDA) (same as Universal Cotton Grade Standards). High-volume instrument (HVI) testing equipment is applied for cotton classing and grading. HVI is carried out for quality control purposes and used to define micronaire, length, short fiber index and strength, and color grade.

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**AUSTRALIA'S COTTON INDUSTRY** Tajikistan's delegation visits a cotton factory in Australia to observe cotton classing and grading according to USDA standards

# Food Fortification to Improve Nutrition in Central Asia

To reduce poverty, the Asian Development Bank (ADB) helps address nutrition problems, particularly of women and children in Central Asia and surrounding areas through a food fortification project. ADB's assistance in food fortification started with a project for Improving Nutrition of Poor Mothers and Children in Asian Countries in Transition (ACT) in 2001, supported by a \$6.8 million assistance from the Japan Fund for Poverty Reduction (JFPR). This was followed by a \$2.0 million assistance for a project for sustainable food fortification 2004.

## Malnutrition Problem in Central Asia

The most serious nutrition problems in the region are iodine deficiency disorders (IDD) and iron deficiency anemia (IDA). IDD causes stillbirths, spontaneous abortions, and premature births; contributes to stunted growth; and affects the intelligence of newborn children.

Before 2002, severe IDD was prevalent among more than half of the child population in Central Asia, affecting over 90% of children. When severe micronutrient deficiency affects nearly half of a vulnerable

group, almost the whole population is believed to be afflicted with some form of the deficiency. Iodine deficiency was a pervasive national crisis in Central Asia years after the breakup of the Soviet Union in 1989. The economic losses from IDD in the nineties exceeded \$10 billion in Eastern Europe (particularly in Turkey) and the former Soviet Union.

More than half of women of reproductive age and young children are anemic in Central Asia, adversely affecting women's health and children's ability to learn in school. At that prevalence level, IDA costs the region's economy 2% to 3% of its gross domestic product based on comparable results in other parts of the world. Folic acid deficiency causes 2,000 birth defects annually in Central Asia, and stroke deaths that drain another 2% from the region's economy.

## Food Fortification: The Cheapest Solution

Food fortification is seen as the most direct and cheapest solution to malnutrition. Adding iodine in salt and iron in wheat flour costs \$0.05 and \$0.08 per person per year, respectively. In contrast, supplements in health

programs cost at least 20 times more, unaffordable in Central Asia.

Fortifying both salt and flour will improve maternal health, reduce maternal and infant deaths, decrease goiter cases, and enhance cognitive development of young children. A recent analysis, prepared by ADB based on five Asian countries' investment plans for food fortification, concluded that for every dollar invested, the overall regional benefit is \$7.

In terms of iodized salt consumption, the world has changed but not Central Asia and environs through 2001. The regions with the lowest consumption level of iodized salt were Central and Eastern Europe and the Commonwealth of Independent States (39%), South Asia (49%), Middle East and North Africa (51%), and East Asia (excluding People's Republic of China) and Pacific (53%). Central Asia's level was even lower, at 20%–25%. Flour fortification had long ceased to exist when the JFPR project started.

## Improving Nutrition of Poor Mothers and Children

Since 2001, ADB—with support from JFPR and in partnership with the United Nations Children's Fund—has created the policy and regulatory environment for introducing iodine, iron, folic acid, and other trace minerals and vitamins to the daily diet of poor mothers and children in Central Asia and parts of the Caucasus through salt and flour fortification. ADB provided assistance to Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan.

The first JFPR project aims to reduce the prevalence of iodine deficiency disorders and iron deficiency anemia in ACT to reduce the prevalence of poverty through raised intelligence, improved learning, and greater productivity.

The follow-on project aims to further build institutional capacity to sustain food fortification to reduce the incidence of mental retardation in children and deteriorating health of women of reproductive age in former Soviet territories.



**FOOD FORTIFICATION IN MONGOLIA** B. Batbayar, Mayor of Ulaanbaatar (second from right), and D. Terbishdagva, Minister of Food and Agriculture (third from right), inspect fortified food products in the market

## Project Results

A strong model for regional consensus and management of country performance has emerged under the project. The regional approach addresses a “malnutrition hotspot” with lessons learned to be applied on other crisis areas. The quality of iodized salt and fortified flour has been upgraded through surveillance of fortification processes and consumer testing. Universal Salt Iodization (USI) certification for the region may be possible by 2007, and universal flour fortification legislation may be passed by 2010. Consequently, iodine deficiencies and anemia may be virtually eliminated by 2010 at one-twentieth of the cost of medical programs. Specific achievements of the project include:

- **Strengthening regional vision to improve nutrition.** The Almaty Forum in October 2001 provided for the first time the regional vision and strengthened country agreements to boost production, distribution, and consumption of iodized salt and iron-enriched wheat flour in the region.
- **Improving iodized salt consumption and flour fortification.** The project has increased iodized salt consumption in most countries, with over 90% in Kazakhstan and the Kyrgyz Republic. This brings added protection to about 700,000 newborns each year and an average increase of 10 IQ points for each child whose mother is now consuming iodized salt. Fortified flour is a new technology; and start-up time has been considerable, but all countries are engaged in adopting the technology. Coverage ranges from 6% in the Kyrgyz Republic to 20% in Kazakhstan. Both industries shared the cost of premix.
- **Adopting mandatory fortification legislation.** All countries, except Uzbekistan,<sup>1</sup> have adopted USI, leading to a marked improvement in the salt industry’s performance in volume and quality of salt. Kazakhstan has joined about 50 countries—including Canada, United Kingdom, and United States—that mandate flour fortification, by passing a mandatory flour fortification law; and others are preparing one.
- **Standardizing methods of food fortification.** All countries will likely agree on standardized methods of fortification, regulation, surveillance, cus-



toms protocols, and trade practice to facilitate subregional trade in food products. As an example, the six countries have adopted the iron-based premix recommended after extensive testing by the Kazakh Academy of Nutrition, without prior experience. The added cost is less than \$.0006 per kilogram of processed flour in Kazakhstan.

- **Sectoral involvement.** The Almaty Forum established country teams covering government, private industry, civil society, and professional health community. The project has been guided by national steering committees that have attracted other donors (e.g., Global Alliance for Improved Nutrition, Gates Foundation’s nutrition center) because of country commitment. The private sector’s initiative has also increased, as the Government creates conducive public policy environment. Salt industries, which were dependent on free supply of potassium iodide from donors, are now purchasing their own. National associations of salt industries and flourmills have been established; and now, the creation of regional associations is being discussed.
- **Capacity building.** Regional workshops and intensive in-service training programs have strengthened performance in food production, proper use of project-provided fortificant premixes and fortification equipment, quality assurance and quality control testing by industry and health ministries, nutrition surveillance of

poor consumers to prove nutrition benefit, and empowerment of civil society through communication campaigns to create consumer demand and pressure legislature to support fortification.

- **Educating the public.** Nongovernment organizations throughout the region have become major players through the project, leading national education campaigns for legislation and testing salt quality at local levels and initiating health committees with local governments to serve as watchdog for the salt and flour industry. In the Kyrgyz Republic, local health committees test salt quality, and are legally authorized to reject imports that are fraudulently labeled.
  - **Trade of fortified foods.** Most participating countries are net importers of flour and salt, and have realized that importing fortified flour and iodized salt is one of the quickest ways to expand availability of fortified foods in the country. In Mongolia, IDD prevention committees were collectively responsible for pushing the Parliament to adopt a USI law. This has been beneficial since over 90% of Mongolia’s salt is imported from the China Salt Corporation. Before the law was passed, the PRC did not export iodized salt; now it does to Mongolia. Mongolia and Tajikistan have imported fortified flour from Kazakhstan, although the amount is still very limited.
  - **Health improvement as shown in studies.** Studies in all CAREC countries have shown dramatic improvements in health. These proofs of concept studies of families in focus groups are an inexpensive and flexible method to convince political leaders to do more.
- These JFPR projects have improved nutrition throughout the six CAREC countries (Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan) and linked health, labor productivity, and economic growth well into the future. The prospect of direct foreign investment flowing into these CAREC countries is enhanced by this achievement. ■

<sup>1</sup> Uzbekistan is expected to adopt USI legislation in 2007.



The logo is used by all countries for healthy quality fortified foods.

# Trans-Asian Railway Network Connects Asia and Europe

**A**t the Ministerial Conference on Transport held in Busan, Republic of Korea, transportation and railway ministers of 17 Asian countries and Russia signed the Intergovernmental Agreement on Trans-Asian Railway (TAR) Network. The agreement will pave the way to further connect a network comprising 81,000 kilometers, originating from the Pacific seaboard of Asia to the doorstep of Europe.

The agreement, regarded as a major breakthrough in accelerating the establishment of an international transport system in

the Asia and Pacific region, was signed by 18 members of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)—Armenia, Azerbaijan, Cambodia, People's Republic of China (PRC), Indonesia, Iran, Kazakhstan, Republic of Korea, Lao People's Democratic Republic, Mongolia, Nepal, Russia, Sri Lanka, Tajikistan, Thailand, Turkey, Uzbekistan, and Viet Nam.

Azerbaijan, PRC (focusing on Xinjiang Uygur Autonomous Region), Kazakhstan, Mongolia, Tajikistan, and Uzbekistan are among the eight participating countries of

the Central Asia Regional Economic Cooperation Program.

“The Trans-Asian Railway Network Agreement constitutes another step toward the identification of a trans-continental, integrated, international, intermodal network to facilitate international trade and tourism,” said UNESCAP Executive Secretary Kim Hak-Su.

“TAR is crucial for landlocked countries whose access to world markets is heavily dependent on efficient links to the region's main international ports. Twelve of the world's 30 landlocked countries are in Asia, and 10 are TAR members. With 60% of the world's population generating 26% of its gross domestic product, Asia's demand for efficient transport is greater,” Mr. Kim said.

A similar agreement under UNESCAP's auspices on the Asian Highway Network took effect in July 2005. The two agreements are seen as the major building blocks for further developing an international transport system in the Asia and Pacific region.

According to UNESCAP, the TAR agreement will be deposited with the United Nations Secretary-General in New York, and will remain open for signature for 2 years. Transport ministers at the conference adopted two declarations to address the region's growing transport needs: the Busan Declaration on Transport Development and the Ministerial Declaration on Improving Road Safety in Asia and the Pacific. ■

## Learning from Australia

In Tajikistan, the adoption of USDA standards is currently under way; and ADB's Sustainable Cotton Subsector project will assist Tajikistan's Government in setting up laboratories and purchasing HVI equipment.

**Policy and Governance.** The interference of the Government of Australia in the cotton industry is very limited; and such involvement is on the taxation of the industry. All of Australia's businesses are subject to goods and services tax or value-added tax (VAT) and profit tax.

In Tajikistan, taxation is complicated and needs to simplify the correct imposition of VAT. Currently, Tajikistan's cotton

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growers pay the state budget unified land tax (for cotton cropping, with a 50% discount for other crops) and sales tax (10%), based on the freight-on-board value of the product.

The delegation gained useful information on good practices that can be adopted in Tajikistan. Recently, issues related to creating a competitive environment in Tajikistan's cotton sector have been reflected in the road map for a farm debt resolution strategy, which is a first step in further developing the country's cotton sector. ■

<sup>1</sup> Based on the report on the cotton sector study tour to Australia, prepared by Shuhrat Nurubloev, Consultant on the Farm Debt Resolution Strategy.



The quarterly newsletter of CAREC is a joint effort of multilateral institutions (MIs)—ADB, EBRD, IMF, IsDB, UNDP, and WB—aimed at enhancing communications among MIs and CAREC participating countries. *News from CAREC* disseminates information on CAREC activities and provides a forum on development issues in the CARs. Articles in the newsletter, however, do not necessarily reflect the

official views of the MIs and participating governments. We welcome readers' comments and suggestions.

For more information, contact **Craig Steffensen, Head,** Central Asia Regional Economic Cooperation Unit (CARECU), at [csteffensen@adb.org](mailto:csteffensen@adb.org) or visit [www.adb.org/carec](http://www.adb.org/carec)

## New Publication

The Central Asia Regional Economic Cooperation (CAREC) Comprehensive Action Plan is a milestone in the development of the CAREC Program, marking the transition to a results-oriented program with tangible targets and outputs, based on strong country ownership, pragmatic approaches, and mutual accountability.

See [www.adb.org/Documents/Books/CAREC-Comprehensive-Action-Plan/](http://www.adb.org/Documents/Books/CAREC-Comprehensive-Action-Plan/)

