



Senior Officials Identify Key Messages in Promoting Regional Cooperation

The Senior Officials' Meeting (SOM) on the Central Asia Regional Economic Cooperation (CAREC) Program was convened in Bishkek, Kyrgyz Republic, on 14 October 2005. Delegates from the eight participating countries of CAREC—Afghanistan, Azerbaijan, People's Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan—attended the meeting. Representatives from the Russian Federation also participated in the proceedings of the meeting.

The senior officials (i) reviewed the progress in transport, energy, trade policy, and trade facilitation; (ii) discussed updates in the regional business roundtable and preparations for a comprehensive action plan; (iii) were briefed on major findings of the United Nations Development Programme (UNDP) *Central Asia Human Development Report*; (iv) endorsed key messages for ministers at the 4th Ministerial Conference (MC); and (v) reviewed arrangements for the 4th MC.

Representatives from multilateral partners to the CAREC Program—Asian Development Bank (ADB), European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, UNDP, and World Bank (WB)—also attended the meeting.

The meeting welcomed the participation of Afghanistan in the CAREC Program as a full participant, and the first-time attendance of the Russian Federation in the proceedings.

Work plans and activities

In the *transport sector*, the SOM endorsed the Transport Sector Coordinating Committee (TSCC) report, including (i) approved regional investments and technical assis-

tance projects planned for 2005 and 2006; (ii) TSCC 2006 Work Program and the Action Plan for implementing the Regional Transport Sector Roadmap; (iii) ADB study on harmonization and simplification of cross-border transport procedures and transport regulations in the road and railway sub-sectors in CAREC participating countries (Phase I); (iv) the criteria for classification of investment projects and studies as regional cooperation in CAREC participating countries; (v) ADB's proposal of regional technical assistance for facilitation of transport cooperation in CAREC participating countries (Phase I); and (vi) information on the progress of the WB study on the potential for liberalization of the aviation sector in Central Asia. The SOM noted the proposed next steps by the TSCC in 2006, including initiating studies on improvements in transport sector funding and management in CAREC countries, and on restructuring and modernizing the railway sector in CAREC countries.

In *trade facilitation*, senior officials broadly endorsed the progress report and welcomed the Customs Cooperation Committee (CCC) efforts to broaden the program in partnership with private sector stakeholders and agencies relevant to program priorities. To further strengthen the coordinating mechanism, senior officials stressed the need to establish an effective national interagency coordinating mechanism and called upon the Customs Administrations to act as the lead agency and champion in establishing such national trade facilitation coordinating mechanisms. Senior officials reaffirmed their support for the Program's phased and pragmatic approach, and their support for a number of

regional events, bilateral initiatives, and in-country activities as endorsed by the CCC.

On *trade policy*, the SOM noted the Trade Policy Coordinating Committee recommendations to pursue studies and discussions of measures aiming at (i) ensuring full compliance of customs services and other agencies; (ii) reducing the rate of charges for customs convoy under the national transit systems in some countries; (iii) abolishing all discriminatory charges and fees on foreign road carriers for entry and transit; (iv) reducing the cost of entry visas for foreign road carriers and simplifying the issuance of their visas; (v) harmonizing transport, customs, and border documentation; and (vi) preventing and eradicating cases of unofficial payments from road carriers in transit. The SOM also encouraged further work on (i) barriers to border trade, (ii) quantitative restrictions to trade in CAREC countries, and (iii) trade taxes in CAREC countries.

In the *energy sector*, progress included (i) drafting a framework agreement on the Water and Energy Consortium to be finalized by January 2006; (ii) disseminating findings of the Regional Electricity Export Potential study; and (iii) recommending the signing by ministers at the 4th MC a memorandum of understanding to establish the CAREC Members Electricity Regulators Forum. The scope of issues to be addressed by the Energy Sector Coordinating Committee (ESCC) in future includes (i) inclusion of oil and gas exports, and energy efficiency, and opportunities afforded by the Clean Development Mechanism in the coverage of the

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ESCC; and (ii) the terms of reference of ESCC to avoid duplicating the work of other regional energy coordinating bodies; and (iii) regional monitoring framework to assess overall performance of the energy sector.

Regional business roundtable and business sector development strategy

Delegates were updated on ongoing preparations for the regional business roundtable (RBR), an initiative designed to enhance business inputs into the CAREC and build private sector networks. The RBR is comprised of CAREC participating countries plus India and Pakistan, with the business communities of Iran and the Russian Federation as observers. An RBR Preliminary Meeting will be convened prior to the 4th MC, to forge the future directions for the RBR.

A preliminary concept identifying the overall approach to support private sector participation in CAREC was presented with two major thrusts: (i) the RBR initiative, and (ii) the development and implementation of the CAREC business sector development strategy (BSDS). The BSDS, with the overarching objective of “Building National and Regional Competitiveness in CAREC,” was proposed to include three elements: (i) improving the policy, legal, and regulatory environment for private sector development in the CAREC economies; (ii) expanding business development services in place to support the CAREC business community; and (iii) strengthening business associations.

UNDP Central Asia Human Development Report

A summary of the UNDP *Central Asia Human Development Report* was presented.

The report provides a comprehensive overview of regional cooperation and integration in Central Asia. It noted that the biggest gains of cooperation come from improved *trade, transport* and *transit* and improved *water/energy* development and use, while the biggest potential threats of non-cooperation are in the areas of *natural disasters, drug trafficking, communicable diseases* (i.e., *HIV/AIDS, TB, and avian flu*), and *regional conflict*. Hence, these are the priority areas for action to remove barriers and create “borders with a human face” in Central Asia.

Comprehensive action plan

The draft interim comprehensive action plan (ICAP) is an initial effort and a work in progress to provide the building blocks for a shared vision or goals and strategic framework to guide CAREC programming. The ICAP describes the areas at stake if regional cooperation is not accelerated and outlines action plans for *transport, trade* and *energy* in the CAREC Program. It emphasizes measures needed to speed up trade openness and other measures essential for rapid economic growth and development in the region. It suggests expanding the CAREC Program to include new sectors (e.g., tourism) and crosscutting issues (e.g., financial sector and environment) and address capacity building.

The next steps in advancing the ICAP include completing the strategic framework/vision statement for CAREC, conducting a gap analysis, and determining ways to mobilize the necessary technical and financial resources to fill the gaps.

Key Messages

Delegates identified and endorsed that the

following strategic messages be conveyed to ministers at the 4th MC.

- **The need to better understand the benefits of regional cooperation.** Facilitating trade, transport and transit, and regional cooperation in other areas, could contribute to doubling the gross domestic product within a decade and significantly reducing poverty from current levels. The meeting noted the importance of greater awareness of what is at stake concerning regional cooperation.
- **The need to accelerate momentum in promoting regional cooperation.** Barriers to trade remain serious, hampering the region’s development and poverty reduction efforts.
- **The need to deepen and broaden the CAREC Program.** Bold moves should strengthen the core sectors, such as trade and power trade agreements for energy. New initiatives could be considered, such as environment, agriculture, tourism, human resource development, and disaster management.
- **The need for a strategic framework.** Participating countries need to clarify a comprehensive action plan for the CAREC Program, specifying expected outputs and outcomes from regional cooperation to facilitate prioritization and sequencing of regional initiatives.
- **The need for more private sector involvement.** Business views must be incorporated and the CAREC Program geared at facilitating growth of the private sector.
- **The need for a more holistic approach.** Trade, transport, and transit initiatives must be integrated, and broad regional development issues addressed (e.g., economic corridors).
- **The need for development partners to be more proactive in supporting regional cooperation.** They must combine more effectively their support for individual countries with their support for regional cooperation initiatives.
- **The need to rationalize regional cooperation programs.** Partnership rather than overlapping functions should characterize CAREC’s relationship with other regional cooperation initiatives. ■



PROMOTING REGIONAL COOPERATION IN CENTRAL ASIA Delegates from the Senior Officials' Meeting on 14 October 2005 in Bishkek, Kyrgyz Republic