October 2015

Central Asia Regional Economic Cooperation Program
14th Ministerial Conference

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Asian Development Bank
I. Introduction

1. The 14th Central Asia Regional Economic Cooperation Program (CAREC)\(^1\) Ministerial Conference (the Conference) was held on 23–25 September 2015 in Ulaanbaatar, Mongolia. The Conference consisted of three related events: (i) the Senior Officials’ Meeting (SOM) on 23 September, (ii) the Investment Forum on 24 September, and (iii) the Ministerial Meeting on 25 September. Reference materials have been posted in [http://carecprogram.org](http://carecprogram.org).

2. The Conference carried the long standing theme until 2020—“Linking Connectivity with Economic Transformation in CAREC”—adopted by the Senior Officials’ Meeting in June 2014. The Conference objectives were to: (i) exchange views on recent economic developments that have affected the CAREC region and the challenges ahead, (ii) review the progress of cooperation in the CAREC Program since the last Conference in 2014, (iii) consider the Energy Strategy and Work Plan 2016–2020, (iv) consider new sector initiatives on road safety and common agenda on modernization of sanitary and phytosanitary (SPS) measures for trade, and (v) promote private sector’s awareness of, and attraction to, investment opportunities in the CAREC region.

3. The Prime Minister of Mongolia, Mr. Chimed Saikhanbileg, gave the inaugural address at the Ministerial Meeting and also the keynote speech at the Investment Forum. ADB President Takehiko Nakao gave the keynote address at the Ministerial Meeting. Mr. Bayarbaatar Boldor, Minister of Finance and ADB Vice-President Wencai Zhang co-chaired the Ministerial Meeting.

4. ADB, as CAREC Secretariat, provided financial, technical, and secretariat support for the Conference.\(^2\) The list of heads of delegations is in Appendix 1.

II. Highlights of the Conference

5. President Nakao discussed three issues in his keynote address (Appendix 2), namely (i) economic prospects for the CAREC region, (ii) progress of the CAREC agenda, and (iii) ADB’s support for regional cooperation. CAREC countries have been experiencing difficulties as a result of the decline in primary commodity prices, lower remittances, and slower economic growth in neighboring countries. Recovery of advanced economies was less than expected. To help affected countries cope with difficulties, ADB has extended $1 billion in counter-cyclical support to Kazakhstan in 2015 and is working on a $150 million policy-based loan for Mongolia’s social welfare programs.\(^3\) It was noted that much progress has been achieved in all of the priority areas of cooperation since the last Conference. The CAREC Program is expecting additional investments of $3.7 billion in 2015, bringing the cumulative investments in the priority areas of transport, energy, trade facilitation, and trade policy to $28.3 billion. ADB has financed more than $10 billion of this total. In the coming years, ADB is prepared to provide additional resources to regional cooperation and integration with the expansion of its capital base through the merger of the Asian Development Fund (ADF) lending operations with the Ordinary Capital Resources (OCR) balance sheet. The merger has allowed ADB to increase annual operations to as much as $20 billion, or 50% above the current level.

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1. The CAREC member countries are Afghanistan, Azerbaijan, the People’s Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. ADB is CAREC Secretariat.


3. ADB. 2015. *Social Welfare Support Program* (Loan No. 3297), was approved by the Board of Directors on 29 September 2015.
As an incentive for regional projects, a sovereign OCR set-aside facility of $500 million has been earmarked annually between 2015 and 2017, for sovereign regional cooperation projects for all OCR borrowers. ADB has been actively mobilizing cofinancing with partners, including with the Asian Infrastructure Investment Bank. ADB is currently preparing a Regional Cooperation and Integration Operational Plan which will provide improved guidance to ADB’s regional cooperation initiatives, including the CAREC program.

6. The CAREC Ministers exchanged views on the recent economic developments that have affected the region’s economic performance. The economic outlook for the region, presented by the International Monetary Fund, highlighted the confluence of external shocks that are likely to weigh down on growth, external and fiscal balances. The decline in oil prices, combined with the economic slowdown in key trading partners, has affected a number of CAREC countries in terms of low export revenues and remittances. These developments are likely to usher in a sustained period of sluggish growth, requiring CAREC members to consolidate efforts at structural reforms, economic diversification, and ensuring medium-term macroeconomic stability. The scale and pattern of infrastructure investment is likely to be affected. Views were expressed that individual country efforts combined with regional cooperation initiatives can further enhance connectivity as a means to expand access to external markets that could help cushion the impact of the economic downturn. Recent positive developments about the prospects of increased resources for infrastructure finance could help meet the huge demand for infrastructure. Apart from investments in physical assets, investments in human assets are equally important as CAREC economies continue to diversify and modernize their economies over the longer term. Investments in education and health will be important in generating jobs and enhancing productivity which could lead to increased consumption demand and growth.

7. The CAREC delegations were satisfied with the progress achieved in the four areas of cooperation—transport, trade facilitation, energy and trade policy. In transport, road and railway construction has exceeded 2014 targets. For roads, 1,450 kilometers of expressways or national highways was built, upgraded or improved in 2014, as against the target of 475 km for the year. For railways, about 1,036 km of new railways were built in Kazakhstan, and 317 km of railways were improved in Azerbaijan during 2014, which also exceeded targets of 58 km for new railways construction, and 30 km for railways improvement, respectively. Under the updated Transport Sector Work Plan for 2015–2017, priority infrastructure projects and a set of complementary soft sector initiatives have been identified in the areas of (i) road safety, (ii) railway development strategy, (iii) road asset management, and (iv) transport facilitation. With regard to road safety, the Ministers committed to a 10-point action plan for safer CAREC roads. In trade facilitation, performance indicators showed notable improvements. CAREC countries are making good progress towards (i) improved facilities at border crossing points, (ii) adoption of new and/or amended customs codes, (iii) investments in the modernization and automation of customs information systems, (iv) establishment of national single windows, and (v) upgraded border control risk management systems. The Ministers endorsed a new initiative on SPS measures that seeks to have a common agenda that would facilitate the required improvements and reforms in SPS modernization consistent with international standards.

8. In energy, progress in implementing the Energy Work Plan 2013–2015 included the implementation of various cross-border projects between Central Asia and South Asia aimed at (i) increasing energy trade, (ii) resolving energy dispatch and trade issues, and (iii) improving capacity for managing energy-water linkages. The Ministers endorsed the Energy Strategy and Work Plan 2016–2020 in which a new element on energy efficiency technologies has been
added to support technology leapfrogging in the region. In trade policy, majority of the CAREC countries have completed the eight-point actions specified under the Trade Policy Strategic Action Plan 2013–2017. World Trade Organization (WTO) accession and post-accession adaptation measures continue to be promoted. The accession protocol of Kazakhstan has been approved by the WTO General Council in July 2015, while Afghanistan, Azerbaijan, and Uzbekistan continue to work on the required legal and institutional changes to achieve WTO membership.

9. The Almaty-Bishkek Corridor Initiative, endorsed by the 13th Ministerial Conference in 2014, is making good progress towards the completion of a comprehensive report by early 2016. The report will reflect a holistic and multisectoral approach to economic corridor development and will identify the policy, institutional, and infrastructure requirements for the pilot initiative.

10. The Investment Forum provided a platform for engaging the private sector to become more aware of Central Asia, the investment policy regimes of the CAREC countries, and specific investment opportunities in Mongolia and other CAREC countries. The forum highlighted the importance of regional program to improve economic linkages and to create a conducive environment for private sector. ADB collaborated with Erdenes Mongol, the State asset holding company, in organizing the Forum as part of efforts to broaden CAREC’s engagement with the private sector in mobilizing investments to the region.

11. The physical base of the CAREC Institute (CI) was launched in March 2015 in Urumqi, Xinjiang Uygur Autonomous Region, the People’s Republic of China (PRC). The Director of the CI assumed his post beginning July 2015. The CAREC Institute Governing Council met twice and reached agreements on the following: (i) the establishment of the Recruitment and Selection Committee, and the Budget and Audit Committee including their composition and chairmanship; (ii) adoption of the Rules of Procedure of the Governing Council; and (iii) endorsement of the CI’s operational work program for 2015. Work continues on a legal agreement establishing the CI based on the decisions made by the 12th and 13th Ministerial Conference to provide the CI a legal personality.

12. The Ministers endorsed the conduct of a midterm review of the CAREC Strategy 2020. The review will take stock of the CAREC Program’s achievements since 2010 when the strategy was endorsed, examine the relevance of present strategies in light of economic developments in the CAREC countries in the regional and global context, and lay the groundwork in preparation of the next 10-year strategy, CAREC 2030. ADB, as the CAREC Secretariat, was requested to conduct the review of the CAREC Strategy 2020, under the guidance of, and working closely with, the CAREC countries, for the consideration of the 15th Ministerial Conference in 2016.

13. Senior representatives of the CAREC Program’s partner multilateral institutions (MIs) and other donor agencies expressed their continued strong support for CAREC initiatives, indicating areas where they could lend specific support, as well as new initiatives where CAREC program could synergize and coordinate. These include the One Belt One Road initiative of the PRC, the Eurasia Initiative of South Korea, the High Quality infrastructure Investment initiative

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4 These are the Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme and the World Bank.

of Japan, the New Silk Road initiative of the United States, and the formation of new development banks such as Asian Infrastructure Investment Bank and the New Development Bank of the BRICS.

14. For the very first time, the Government of Georgia participated as an observer at this 14th Ministerial Conference.

III. Conclusion

15. The Conference continued to sustain the momentum of cooperation in the CAREC Program with the endorsement of new initiatives that continue to broaden and deepen the areas of cooperation. With the endorsement of the Energy Strategy and Work Plan 2016–2020, the strategies and work plans in all four sectors are now fully aligned with the objectives of CAREC 2020. The Investment Forum reaffirmed the CAREC Program’s role as a platform in enabling investment mobilization in the region. The CAREC Ministers were convinced that the difficult prospects facing the region require further strengthening of regional cooperation as a strategy to help build the CAREC countries’ resiliency to external shocks. The midterm review of the CAREC 2020 is envisaged to look into possible adjustments in the CAREC Program strategies in light of the changes in the Program’s environment.

16. The CAREC heads of delegations issued a Joint Ministerial Statement (Appendix 3) at the conclusion of the Ministerial Meeting.
Heads of Delegations of the Ministerial Meeting

Country Delegations

1. Mr. Mahmood Baligh, Minister, Ministry of Public Works, Afghanistan
2. Mr. Samir Veliyev, Head of Administration, Ministry of Economy and Industry/CAREC National Focal Point (NFP), Azerbaijan
3. Ms. Zou Jiayi, Assistant Minister, Ministry of Finance, People’s Republic of China
4. Mr. Kalybek Koblandin, Ambassador of Kazakhstan to Mongolia
5. Mr. Kylychbek Dzhakypov, Deputy Minister of Economy/CAREC NFP, The Kyrgyz Republic
6. Mr. Bolor Bayarbaatar, Minister, Ministry of Finance, Mongolia
7. Ms. Anjum Assad Amin, Additional Secretary, Economic Affairs Division, Ministry of Finance, Revenue, Economic Affairs, Statistics, and Privatization/CAREC NFP, Pakistan
8. Mr. Sherali Ganjalzoda, Minister, Ministry of Transport, Tajikistan
9. Mr. Yoldash Sheripov, Minister of Economy and Development/CAREC NFP, Turkmenistan
10. Mr. Elyar Ganiev, Minister, Ministry of Foreign Economic Relations, Investments and Trade, Uzbekistan

Development Partners

11. Ms. Natalia Khanjenkova, Managing Director for Turkey and Central Asia, European Bank for Reconstruction and Development
12. Mr. Juha Kähkönen, Deputy Director, Middle East and Central Asia Department, International Monetary Fund
13. Mr. Rustam Eshonkhujaaev, Country Manager for Central Asian Region, Regional Office–Almaty, Islamic Development Bank
14. Mr. Thomas Eriksson, UNDP Deputy Resident Representative, United Nations Development Programme
15. Mr. Saroj Kumar Jha, Regional Director for Central Asia, World Bank
16. Mr. Lars Gronvald, Head of Cooperation, European Union Delegation to China and Mongolia
17. Mr. Alexey Cherekayev, Director, Investment Project Group, Eurasian Fund for Stabilization and Development, Eurasian Development Bank
18. Mr. Takenori Shimizu, Ambassador Extraordinary and Plenipotentiary of Japan to Mongolia, Japan Ministry of Foreign Affairs
19. Mr. Toshinobu Kato, Director General, East and Central Asia and Caucasus Department, Japan International Cooperation Agency
20. Mr. Peter Wickenden, Deputy Head of Mission, British Embassy to Mongolia
21. Mr. Robert G. Burgess, Office Director, South Central Asia Regional Affairs, U.S. Department of State
22. Mr. David Brown, Acting Regional Mission Director, USAID/Central Asia
23. Mr. Xiaozhun Yi, Deputy Director General, World Trade Organization
Keynote Address
by Mr. Takehiko Nakao
President, Asian Development Bank

at the 14th CAREC Ministerial Conference
25 September 2015
Ulaanbaatar, Mongolia

I. Introduction

Your Excellency Prime Minister Saikhanbileg, Ministers and delegates from the CAREC countries, development partners, honored guests, ladies and gentlemen:

I am very pleased to join you at this 14th CAREC Ministerial Conference. On behalf of all of us, I sincerely thank the Government of Mongolia for hosting this Ministerial Conference, and the people of Mongolia for their gracious hospitality. I am very proud of the strong partnership that ADB and Mongolia have forged, and appreciate Mongolia’s intention to step up its support to CAREC.

Today, I will discuss three issues: economic prospects for the CAREC region; progress on the CAREC agenda; and ADB’s support for regional cooperation.

II. Economic Prospects for CAREC Countries and Role of Regional Cooperation

Developing Asia has been the main source of global economic growth in recent years. Good domestic policy reforms, concerted development efforts, benign primary commodity prices, and some strengthening of demand from the advanced economies have supported the region’s growth.

The current global economic landscape with lower primary commodity prices, lower remittances, and slower economic growth in trade partners is creating immediate additional difficulties for a number of CAREC countries. In response to the immediate difficulties, ADB extended $1 billion in counter-cyclical support to Kazakhstan this year. And we are working on a $150 million budget support loan for Mongolia’s social welfare programs.

In this rather difficult global economic environment, CAREC countries should further strengthen regional cooperation and integration efforts. Enhancing the subregion’s connectivity, promoting trade and investment across borders, and improving access to external markets will help improve the prospects of the subregion as a whole.

III. Progress under the CAREC Program

Today, I am happy to see that much progress has been made in all the priority areas of the CAREC program since we met in Bishkek last year.

Overall, the CAREC Program is expecting additional investments of $3.7 billion in 2015. Cumulative investments have reached $28.3 billion in the priority areas of transport, energy, trade facilitation, and trade policy. ADB has financed more than $10 billion of this total.

Implementation of the Transport and Trade Facilitation Strategy 2020 (TTFS 2020) and its Action Plan has been satisfactory. Implementation of road and rail projects continues along
all corridors. Progress is being made in ports, logistics, border crossing points, and aviation. And the initial groundwork has been laid to launch a new initiative on improving road safety in the CAREC countries. This initiative is expected to be endorsed by the ministers today.

In the energy sector, various projects are being implemented or prepared to promote energy and power trade between the Central Asia and South Asia, and to develop a regional power market.

In trade facilitation, we are seeing progress in customs cooperation, especially in aligning national customs policies and procedures with the Revised Kyoto Convention. We also see good progress in modernizing customs information systems, and in pilot-testing of the joint customs control and coordinated border management. Most CAREC countries have either started, or plan to develop, national single window systems.

Countries have also accelerated their efforts to cooperate in the sanitary and phytosanitary (SPS) area. Today, a Common Agenda for Modernization of SPS Measures will be recommended for ministers’ endorsement. An ADB loan of $15 million for modernizing Mongolia’s SPS system will be approved before the end of this year. We are hoping to see the formulation of similar projects in other CAREC countries.

In trade policy, Kazakhstan completed key steps towards accession to the World Trade Organization (WTO) in July this year, and Azerbaijan and Uzbekistan have made good progress toward this goal.

CAREC has also increased its efforts to generate and disseminate knowledge for regional cooperation. Various training and capacity building activities were organized in the past year in the four priority sectors. Most importantly, the CAREC Institute’s physical base in Urumqi was officially launched in March this year.

IV. Increased Support by ADB for Regional Cooperation

ADB is committed to supporting regional cooperation. The midterm review of ADB’s Strategy 2020, approved in April 2014, reaffirmed the priority we accord to regional cooperation and integration. We are now developing a new Operational Plan for Regional Cooperation and Integration, which will provide improved guidance to ADB’s regional cooperation initiatives, including the CAREC program.

While ADB will continue to support improvement of physical connectivity across borders, we will need to take a step further toward “connectivity ++”. The first plus is trade facilitation. The second plus is developing economic corridors by creating regional and global value chains, special and border economic zones, and multimodal logistics facilities.

We will also expand our support for regional public goods, including the control of transboundary diseases and adoption of clean, efficient and low-carbon energy technologies.

In order to scale up our support in the CAREC region, we need a bigger lending capacity. During ADB’s 48th Annual Meeting held in Baku in May this year, ADB’s Board of Governors approved the proposal to merge the Asian Development Fund (ADF) lending operations with the Ordinary Capital Resources (OCR) balance sheet. The merger will allow us to increase our annual operations to as much as $20 billion, or 50% above the current level.
Earlier this year, I approved a proposal to establish a sovereign OCR set-aside facility to provide additional incentives for regional projects. We will pilot this facility between 2015 and 2017, earmarking an annual allocation of $500 million for sovereign regional cooperation projects for all OCR borrowers. I hope CAREC countries will be successful in tapping into these additional funds to support more regional projects.

ADB will also seek to increase co-financing with partners. For instance, in Baku in May and in Beijing this week, I met with Mr. Jin Liqun, who recently became AIIB’s President-Designate, and ADB and AIIB are already working together to identify co-financing opportunities including CAREC countries.

V. Conclusion

Ladies and gentlemen, the CAREC program has a vision of “Good Neighbors, Good Partners, and Good Prospects”. By working closely together, let us test the possible, tap the potential, and see what we can achieve for greater prosperity in CAREC.

Thank you.
Joint Ministerial Statement  
14th Ministerial Conference on  
Central Asia Regional Economic Cooperation  
Ulaanbaatar, Mongolia  
25 September 2015

Linking Connectivity with Economic Transformation in CAREC

Representing the Governments of Afghanistan, Azerbaijan, the People’s Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan, Ministers adopted the following statement at the conclusion of the 14th Ministerial Meeting on Central Asia Regional Economic Cooperation (CAREC) in Ulaanbaatar, Mongolia on 25 September 2015.

I. Better Connectivity for a More Integrated CAREC Region and Greater Diversification of the CAREC Economies

1. We exchanged views on recent economic developments that have affected our economic performance and appreciated the challenges of continuing reforms to make our economies more resilient towards sustainable growth in the long-term. We recognized the need to step up efforts to meet the increasing infrastructure requirements of economic diversification and expansion. We reaffirmed the important role of regional cooperation in promoting greater connectivity in CAREC and with its neighbors to boost trade and enhance competitiveness.

2. We welcomed the gathering of CAREC government officials, business leaders, and multilateral and bilateral development institutions in the Investment Forum held on 24 September 2015 which provided an opportunity to showcase the successes of Mongolia and other CAREC countries, and to exchange views on investment policies and business opportunities, including for infrastructure development, in the region. We are committed to make every endeavor to broaden and deepen the private sector engagement in the CAREC Program. We were encouraged by the success of the Forum organized by the ADB and the Erdenes Mongol LLC. The Investment Forum strongly reaffirmed the CAREC Program’s important role in enabling investment mobilization. We were encouraged to see the CAREC Program has mobilized about $3.7 billion of investments in 2015 leading to a cumulative investment of $28.3 billion. We resolved to promote CAREC as an effective platform to coordinate increasing international interest in stepping up efforts in investing further in infrastructure connectivity with regional perspective.

II. Sustaining the Implementation Momentum

3. We welcomed the progress made in the four priority areas as well as the new initiatives that have been taken. In transport, we commended initiatives to develop multimodal transport corridor networks through investment projects in road and railway construction, rehabilitation
and upgrading; and through implementing a set of complementary soft sector initiatives. In energy, we endorsed the Energy Strategy and Work Plan (2016–2020) in general, in which clean energy and energy efficiency technologies have been added as a new element to support technology leapfrogging in the region. In trade facilitation, we noted the progress made in customs cooperation initiatives which demonstrates the increasing importance of the integrated approach to transport and trade facilitation, combining infrastructure connectivity with complementary policy and regulatory reforms. In trade policy, we commended the approval of the accession protocol of Kazakhstan by the General Council of the World Trade Organization (WTO) after two decades of negotiations. We were encouraged to witness CAREC countries progressing steadily towards WTO accession and post-accession adaptation. We noted the satisfactory progress being made in implementing the Almaty-Bishkek Corridor Initiative (ABCI) and looked forward to a comprehensive study identifying policy, institutional and infrastructure requirements for the development of this pilot CAREC economic corridor.

4. We supported strongly the conduct of a midterm review of the CAREC 2020 in light of economic developments in the regional and global environment of the CAREC countries and in anticipation of developing the next 10-year strategy, CAREC 2030. We requested the ADB, as CAREC Secretariat, working under the guidance of member countries, to present the review at the 15th Ministerial Conference.

III. A Platform for Action on Road Safety

5. Being cognizant of the fact that incidents of road casualties and injuries are preventable, we resolved to take collective action to improve road safety by adopting the “safe systems” approach which combines improvements in road design, safer vehicle design, enforcement of traffic laws, and provision of adequate post-collision care facilities. We committed to implement a 10-point action program for safer CAREC roads in full support of the United Nations Decade of Action on Road Safety.

IV. Safer Food, Better Trade

6. We welcomed the initiative to strengthen cooperation in sanitary and phytosanitary (SPS) measures to complement Customs-related trade facilitation measures. We called on our Senior Officials to implement a common agenda that would facilitate the required improvements and reforms in the modernization of SPS measures consistent with international standards that facilitates safe trade.

V. CAREC Institute

7. We are pleased that the physical base of the CAREC Institute has been launched in March 2015 in Urumqi, Xinjiang Uygur Autonomous Region, the People’s Republic of China, and that the Director has assumed his post beginning July 2015. We look forward to the active engagement of the CAREC Institute in providing knowledge support to the sector coordinating committees in the course of implementing their respective strategies and action plans, and in the generation of knowledge to foster policies promoting enhanced economic and trade cooperation in CAREC region. Work will continue towards a legal agreement based on the decisions made by the 12th and 13th Ministerial Conference to provide the CI a legal personality.
VI. Enhancing Institutional Mechanisms

8. We thank the CAREC Secretariat and the sector coordinating committees and the CAREC Institute for their dedicated support to the goals of the CAREC Program. We are grateful for the continued technical and financial support of our multilateral institution partners, and to participating bilateral development partners active in the region. We look forward to increasing engagement with the private sector to encourage innovation and enterprise, and as a partner in development finance.

Conclusions and Acknowledgement

9. The 14th CAREC Ministerial Conference marks another milestone for the CAREC Program. The new initiatives and strategies that we have endorsed today have set the bar higher for the Program. As we continue to broaden the scope of our work, and deepen our partnerships with other stakeholders, we are confident that we can help secure the future of CAREC in realizing the good prospects that the region has to offer. We appreciate the interest of the Government of Georgia in the CAREC Program and its participation as an observer at this 14th Ministerial Conference.

10. We thank the Government of Mongolia for chairing and hosting our 14th Ministerial Conference, and our Secretariat, the Asian Development Bank, for the excellent arrangements made. We look forward to our 15th meeting to be held in 2016 in Pakistan.