

ASIAN DEVELOPMENT BANK

COUNTRY STRATEGY AND PROGRAM UPDATE (2003–2005)

REPUBLIC OF AZERBAIJAN

August 2002

CURRENCY EQUIVALENTS

(as of 14 August 2002)

Currency Unit	–	Manat (AZM)
AZM1.00	=	\$0.000205
\$1.00	=	AZM4,887

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ADTA	–	advisory technical assistance
ANB	–	Azerbaijan National Bank
CSP	–	country strategy and program
DMC	–	developing member country
ESW	–	economic and sector work
ETSW	–	economic, thematic and sector work
FDI	–	foreign direct investment
GDP	–	gross domestic product
IDP	–	internally displaced person
IMF	–	International Monetary Fund
IOS	–	interim operational strategy
JFPR	–	Japanese Fund for Poverty Reduction
MOED	–	Ministry of Economic Development
MOF	–	Ministry of Finance
MPG	–	Macroeconomic Policy Group
NPPR	–	National Program for Poverty Reduction
PPP	–	purchasing power parity
PPTA	–	project/program preparatory technical assistance
PRGF	–	poverty reduction growth facility
SAC	–	structural adjustment credit
SME	–	small and medium-sized enterprise
TA	–	technical assistance
UNDP	–	United Nations Development Programme
UNICEF	–	United Nations Children's Fund

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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I. CURRENT DEVELOPMENT TRENDS AND ISSUES

A. Recent Political and Social Developments

1. The political situation in Azerbaijan is generally stable, with the main political uncertainty being the still unsettled Nagorno-Karabakh dispute with Armenia. The Minsk Group, under the auspices of the Organization for Security and Cooperation in Europe (OSCE), stepped up efforts to resolve the dispute in early 2001, but these were put on hold in May 2001 largely because of domestic hostility in both Azerbaijan and Armenia to what was perceived as a compromise deal. Talks resumed over a three-day meeting in the Czech Republic in May 2002. The appointment of presidential representatives at the level of deputy foreign ministers to attend the May 2002 meeting was a positive development. Both the Minsk Group and the United States (US) are expected to make further efforts toward negotiation of a settlement.

2. Disagreement over the division of the Caspian Sea's oil resources continues, as apparent in the collapse of the Caspian Summit in Turkmenistan in April 2002. Azerbaijan, Kazakhstan, and the Russian Federation have agreed to divide their parts of the Caspian Sea into national zones for the exploration of the oil-rich seabed based on the "medium-line" principle.¹ However, relations with the Caspian's other two littoral states, Iran and Turkmenistan, remain strained. Turkmenistan has called for dividing up the sea in a manner that is unacceptable to Azerbaijan, as it would lose its largest offshore fields. As for Iran, it demands that the Caspian be divided into five equal shares, a proposal that is unacceptable to the other littoral states given that Iran holds only 11% of the shoreline. Recently, Azerbaijan objected to Iran's decision to award a license to foreign oil companies to conduct seismic surveys in a region that Azerbaijan considers to fall within its territory.

3. On the domestic front, the Government has progressed with its efforts to reform the Government's institutional structure. The first stage of this effort, the restructuring of the line ministries and agencies, was initiated in 2001 and is now completed. The centerpiece of this restructuring was the creation of a new Ministry of Economic Development (MOED), with a very broad mandate to manage overall economic development, including coordination of foreign investment. MOED needs considerable strengthening to fulfill its mandate. The next stage of the institutional reform, the restructuring of the Cabinet of Ministers apparatus, is expected to commence in late 2002.

B. Economic Assessment and Outlook

4. Azerbaijan's economic performance in 2001 remained strong. Although, gross domestic product (GDP) growth slowed to 9.9% compared to 11.1% in 2000, it nonetheless remained robust despite the global economic downturn and the impact of the September 11 attacks. Growth was considerable in services (11%, driven mainly by oil sector developments) and agriculture (8%). The growth in the agriculture sector is mainly attributable to much-improved grain production owing to the expansion of cultivation areas, introduction of new technology, and favorable weather conditions. By contrast, real growth in the industry sector was more modest at only 5%. This reflects a more moderate pace of growth in the oil and gas sector due to capacity constraints and a decrease in manufacturing output outside of the oil and gas sector. Azerbaijan's progress toward the Millennium Development Goals and Targets is shown in

¹ The median line is defined as those points that are all equidistant from the nearest point of the baseline from which the breadth of the territorial sea of each State is measured.

Appendix 1, Table A1.1, while detailed economic indicators are provided in Appendix 1, Table A1.2.

5. Macroeconomic stabilization has largely been achieved. The sound anti-inflationary policy of the Azerbaijan National Bank (ANB) combined with a strong Azerbaijan manat and falling commodity prices helped keep inflation subdued at 1.5% by the end of 2001 compared to 1.8% a year earlier. The general government deficit (excluding the state oil fund) narrowed to 2.1% of GDP in 2001 from 2.2% in the previous year, following a strengthened effort to contain general expenditures. The current account balance also improved with the deficit falling from 3.4% of GDP in 2000 to 2.3% in 2001. This was primarily due to the turnaround in balance of trade. After falling sharply, investment has started to grow again, reflecting the investment cycle of the oil sector. Gross domestic investment reached 20.1% of GDP in 2001, up from 19.0% a year earlier. Capital investment is dominated by foreign direct investment (FDI). Gross national savings increased sharply over the past 2 years, but from an extremely low base. External debt levels remained unchanged at a relatively low level of 22% of GDP overall, the debt service ratio is expected to remain at a comfortable level (around 5%). Foreign exchange reserves increased significantly, reaching \$744 million in 2001 compared to \$680 million in 2000, as a result of oil-related inflows. Real exchange rate stability against the dollar has been successfully achieved. While the manat depreciated slightly in nominal terms, low inflation, ample reserves, and relative political stability have all contributed to public confidence in the currency.

6. Despite the favorable macroeconomic indicators, Azerbaijan continues to have a low level of per capita income (about \$700 in 2001) and a high level of unemployment. While registered unemployment is only 1.2%, other estimates put unemployment as high as 25%. This reflects a high level of underemployment, particularly in the agriculture sector, which employs about 40% of the labor force. In addition, the poor performance of labor-intensive sectors such as manufacturing and light industry has further aggravated the unemployment situation in urban areas. As a result, a large number of individuals have given up hope of finding a job and have moved out of the currently active population. This highlights an important dichotomy between oil and non-oil sectors. The strong growth in the oil sector, contributing to overall GDP growth since 1997, has not been accompanied by a reduction in income inequality: 50% of internally displaced persons (IDPs), estimated at about 1 million or 12% of Azerbaijan's total population, are reported to be jobless and living on small government allowances.

7. Overall, the short- to medium-term economic outlook for Azerbaijan is positive. Given the size of its proven oil and gas reserves, Azerbaijan is a resource-rich economy. The full realization of this potential, however, depends upon the development of four major projects: (i) full development of the Azeri-Chirag-Guneshli oil field; (ii) construction of the Baku-Tbilisi-Ceyhan (BTC) pipeline to transport oil from this field to the Mediterranean; (iii) development of the Shah Deniz gas field; and (iv) a gas pipeline from Baku to Turkey parallel to the new oil pipeline. Uncertainties about the timing of these projects exist but best estimates envisage both the Shah Deniz and BTC pipelines coming onstream by about 2005. Until then, growth in the oil sector is likely to slow down because of capacity constraints. Nevertheless, increased levels of FDI, in particular oil-related FDI due to the start of the Azerbaijan International Operating Company (AIOC) phase I expansion program, will ensure continued macroeconomic stability and relatively high growth rates.

8. The Government's current tight macroeconomic policy (or fiscal and monetary policies) is expected to continue in 2002. The draft budget, which was approved by the Parliament in November 2001, targets a budget deficit equivalent to 1.2% of GDP. The challenge for the Government will be to make the much needed increase in social expenditures (especially on

education and health care) while keeping the fiscal deficit under control. Azerbaijan's monetary stance is also expected to remain unchanged. The main objective of the ANB is to ensure real exchange rate stability against the dollar, and it appears unwilling to cut interest rates so as to increase credit to the real economy to limit the danger of inflation. On the external front, higher import volumes, owing to large investment in the oil and gas sector, coupled with the slowdown in oil sector growth and lower oil prices, are expected to increase pressure on current account balance. The expected increase in the current account deficit is to be financed by FDI and official lending.

C. Implications for Country Strategy and Program

9. The Country Strategy and Program Update (2001-2004) was based on the interim operational strategy (IOS)² and provides solid justification for ADB assistance in the four strategically selected areas/sectors, i.e., assistance for IDPs, rural development, water supply and sanitation, and roads. These sectors will continue to be the focus of ADB operations for the period 2003–2005. In 2003, a full country strategy and program (CSP) will be prepared in dialogue with the Government, which will review the strategic direction of the IOS. The Government's ongoing work to formulate the national program for poverty reduction will be taken into full account in preparing the CSP.

10. To address poverty and unemployment in a comprehensive fashion, the Government launched, in summer 2001, a national program for poverty reduction emphasizing non-oil sector development. A full poverty reduction strategy is to be completed by September 2002. Following these positive developments, the International Monetary Fund (IMF) and the World Bank re-engaged with the Government to develop a medium-term development strategy. In July 2001, IMF approved a new poverty reduction growth facility (PRGF) program. In March 2002, the World Bank approved a second structural adjustment credit program (SAC-II) in the amount of \$60 million to support structural reforms, especially in the area of private sector development in the utility industries. The Government has agreed to a number of reforms as a condition for receiving credits under both programs. These include reform of the customs regime, energy sector reform, and institution-building measures to improve governance. The release of the third tranche of credit under the IMF PRGF program, that was due in May 2002, has been withheld, owing to a failure to agree on a timetable for unifying crude oil and electricity prices with international prices. The Government and IMF are trying to resolve the issue. If both programs are successfully implemented, this should result in significant improvements in the enabling policy environment, both for broad-based private-sector led growth and poverty reduction.

11. The emergence of MOED as the agency primarily responsible for economic development in Azerbaijan is a positive signal that the Government is pushing forward on its reform agenda. In addition, MOED's mandate for coordinating foreign investment, when fully operationalized, should also lead to a more effective flow and use of foreign funds. In the past year, uncertainty in ADB's relationship with the main relevant government agencies has negatively impacted the agreed program. The Government's clarification of this relationship is necessary to ensure the smooth implementation of the ADB's 2003-2005 lending and technical assistance program.

² ADB. 2000. *Economic Report and Interim Operational Strategy for Azerbaijan*, December.

II. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM

A. Progress on Poverty Reduction, Poverty Partnership Agreement

12. In mid-2001, the Government formally launched the National Program for Poverty Reduction (NPPR). An NPPR Secretariat was established to guide the process of preparing the NPPR and 15 sector working groups were formed to prepare the sector inputs for the NPPR. The final NPPR will then be prepared on the basis of these inputs and unveiled at a national conference in September 2002. ADB is assisting the Government in preparing the NPPR, through assistance to the NPPR Secretariat and five of the sector working groups, as well as financing of a national workshop.³ ADB's involvement is closely coordinated with the Government's Steering Committee for NPPR and other external agencies such as the World Bank and United Nations Development Programme (UNDP). In response to Government's request, ADB will provide assistance for a follow-on technical assistance (TA) to assist with the implementation of the NPPR. In parallel with its assistance for the NPPR, ADB is initiating its poverty reduction partnership process in Azerbaijan. The preparation of a poverty analysis paper will be undertaken in fourth quarter 2002. The National NPPR Conference scheduled in September 2002 will serve as the high-level poverty forum. A poverty reduction partnership agreement is scheduled for finalization late in the fourth quarter of 2002.

13. The Government has also made considerable headway in its efforts to improve the estimates of poverty in the country. Whereas the previous most reliable official statistics dated from 1995, the State Committee for Statistics (SCS) has been able to generate reliable data from the 2001 annual household income and expenditure surveys. These new data have been made available to policymakers in the context of the preparation of the NPPR and indicate that the poverty head count has declined to 49% from the 1995 level of 61.5%. In addition, the new data indicates that an estimated 17% of Azerbaijanis lived in extreme poverty in 2001. ADB has supported the efforts of the SCS through a small-scale TA, which has helped build capacity within the agency to improve the quality of the statistical data stemming from the surveys.⁴

14. In the last 12 months, the Government has issued a number of presidential decrees to improve the situation of refugees and IDPs in Azerbaijan. These decrees have allocated a total of AZM391 billion (\$90 million) to build 19 settlements in Bilasuvar and Fizuli regions and 1,400 houses in Goranboy region, as well as to provide food for 160,000 IDPs in resettlement camps. The greater part of the funds was sourced from the State Oil Fund of Azerbaijan, although the State Oil Company of Azerbaijan also provided assistance. ADB is currently providing support to the Government in its efforts to assist IDPs. With financing from the Japanese Fund for Poverty Reduction (JFPR), ADB has already started implementation of a project to aid IDPs in Mingechevir City⁵ reintegrate themselves into the economic mainstream. The project is expected to assist 403 IDP households currently crowded into a number of schools and public buildings by relocating them to a new settlement area. The school buildings will then be refurbished and made available to schoolchildren. A second project to finance new IDP settlements in Fizuli and Agdam regions is expected to be undertaken in 2005. The processing of this second project will take into account the experience with the pilot project in Mingechevir, the activities currently being implemented by the Government to assist the IDPs in Fizuli region,

³ TA 3788-AZE: *Preparation of the Medium-Term National Poverty Reduction Strategy*, for \$150,000, approved on 15 December 2001. The sector working groups which ADB is supporting are those for refugees and internally displaced persons, rural development, poverty monitoring, regional development, and fiscal policy.

⁴ TA 3664-AZE: *Capacity Building for Poverty Data Analysis*, for \$150,000, approved on 6 June 2001.

⁵ JFPR 9013-AZE: *Integration of Internally Displaced Persons in Mingechevir Rayon*, for \$2.5 million, approved on 30 January 2002.

as well as other matters such as resettlement issues, future economic activity prospects for IDPs in the new settlement areas, and IDPs' legal title to the property in the new areas.

B. Progress in the Country Strategy and Program Focus Areas

15. Although ADB has approved six TA projects and two JFPR grants, ADB's lending operations in Azerbaijan have not yet begun. Delays in processing of project preparatory TAs due to uncertainty over which government agency will sign project-related documents is the main cause for this slowdown. This uncertain nature of lending operations in Azerbaijan makes it difficult to systematically pursue strategic sector objectives as envisaged in the IOS. ADB has maintained regular dialogue with the Government to minimize these uncertainties. The momentum will be sustained and additional efforts made to engage the Government on outstanding issues affecting lending and non-lending operations during the high level missions in the last quarter of 2002 for finalization of NPPR and the poverty partnership agreement. The planned setting up of a resident mission in late 2002 or early 2003 and the initiation of analytical work during 2003 for CSP planned for 2004, would also provide an opportunity to deepen ADB's dialogue with the Government and review and improve the strategic partnership with World Bank and EBRD. Within the above context, ADB has kept its focus in the next year's operations on assistance for IDPs, and three sector priorities: agriculture and rural development, water supply and sanitation, and roads.

1. Sector Priorities

16. Given the reasons stated above, ADB's progress to date in meeting the sector objectives of the existing IOS is relatively modest. In the agriculture and rural development sector, ADB has recently approved a project preparatory TA to assist the Government prepare an investment project to reduce the adverse impacts of flooding in the northwest region of Azerbaijan.⁶ In the water supply and sanitation sector, ADB approved in November 2001 a project preparatory TA to assist the Government identify and prepare an investment project to rehabilitate water supply and sanitation services and provide institutional restructuring in selected towns.⁷ In addition, the project will analyze the water supply and sanitation sector in secondary towns to identify the main institutional, technical, and financial constraints to efficient service delivery. In the road sector, ADB is planning to finance two loans for improving the central and the southern Azerbaijan road systems. These would be aimed at rehabilitating and improving existing highway infrastructure, as well as improving rural roads connected to the main road network. ADB's policy dialogue in the sector would include enhancing the policy-making and regulatory capacity of the newly established transportation ministry, improving road safety, reducing vehicle emissions, and introducing private participation, especially in road maintenance and the financing of road projects.

2. Thematic Priorities

17. The analysis provided in the Country Strategy and Program Update (2001-2004) regarding ADB operations vis-à-vis thematic priorities remains valid. Updating is provided on a selective basis, to present some specific progress or issues that may have particular implications for future operations.

⁶ TA 3864-AZE: *Flood Mitigation Project*, for \$700,000, approved on 15 May 2002.

⁷ TA 3774-AZE: *Urban Water Supply and Sanitation*, for \$740,000, approved on 15 November 2001.

(i) Human Development

18. Although Azerbaijan's human development index improved marginally from 0.738 in 1999 to 0.741 in 2000, social indicators, including the infant and maternal mortality rates, in Azerbaijan have not improved significantly in recent years. The main reason for the lack of improvement is the continuing decline in the budget for social services, in particular for health care, compared to the levels existing during the Soviet period. For instance, the Government budget for health care represented only 1.0% of GDP in 1999, compared to 1.5% in 1996 and 2.6% in 1990. Azerbaijan's budget share for health care is currently the second lowest among the former Soviet republics, and far below the average of neighboring Central and Eastern European countries. Public health expenditure per capita was \$146 in purchasing power parity (PPP) terms in 1990 and was \$26 in PPP terms in 1997. State education expenditure in 1999 was 3.4% of GDP, a decline from 6.9% in 1990. Better quality of education and efficient allocation of budgets are needed to sustain the high achievements in the past and further improve human capital development in the country. Social and environmental indicators are given in Appendix 1, Table A1.3 and Table A1.4.⁸

19. In pursuit of the IOS objective of enhancing human development, ADB's assistance will focus on addressing the most pressing basic needs of the population. As described earlier, ADB's assistance for the IDPs, through development of social infrastructure in selected locations, will address the basic human needs of this severely disadvantaged group. ADB's planned assistance in developing basic infrastructure services, such as water supply and sanitation in secondary towns, will also improve the living conditions of the affected population. Finally, ADB's assistance for early childhood development will aim at providing integrated child development support for children between 0 and 8 years of age. The project is expected to be policy-oriented, community-based, and to cover various areas, such as maternal and child health (including immunization), micronutrient deficiency, and early child care and education at the community level as well as at state-run preschool institutions. ADB will work closely with UNICEF, which is providing assistance for maternal and child health care.

(ii) Good Governance

20. The Government has recently undertaken a major restructuring exercise and the World Bank is assisting the Government with public sector reform. ADB's assistance for governance will carefully take into account these activities, as well as the results of the Government's NPPR, in determining its future strategy. ADB has initiated work on a governance assessment and this work will be completed in 2003. The governance assessment will be a key input into future policy dialogue and ADB operations.

(iii) Private Sector Development

21. In line with the IOS strategy for assisting non-oil sector development, ADB will help develop small and medium-sized enterprises (SMEs). As a first step, ADB will provide capacity-building assistance for MOED, which is responsible for SME development. Second, advisory TA will be given to MOED in 2003 to examine and further develop the recently prepared State Program for the Development of Small and Medium Enterprises in Azerbaijan (2001–2003) and to formulate a policy on competition. Depending on the results of these activities, a loan for SME development could be considered in 2006 (project preparatory TA is scheduled in 2005).

⁸ Official indicators should be regarded with caution since they differ quite significantly from field observations and data collected by other sources.

Assistance to SMEs will have an important impact on the country by helping it achieve more balanced sector and regional development.

22. ADB will closely investigate possible support for private sector activities in Azerbaijan. A private sector assessment, planned to start in the fourth quarter of 2002, will review the Government's policy on restructuring and privatization in the various sectors.

(iv) Environmental Protection

23. Environmental degradation is widespread in Azerbaijan, and little progress has so far been made during the ongoing transition to a market economy. Among the many problems are the issues of quantity and quality of water resources, wastewater treatment, and land degradation. In its proposed assistance for flood mitigation, ADB will assist in addressing related land degradation issues, including inefficient watershed management. In addition, ADB will investigate possible support for environment activities in Azerbaijan. An environment assessment planned for the fourth quarter of 2002 will review the Government's policy on the environment and recommend areas where ADB may be able to assist.

(v) Regional Cooperation

24. Due to Azerbaijan's geographic proximity and similarities in terms of transition experiences, ADB's support will have a strong focus on subregional economic cooperation with ADB's developing member countries in Central Asia. Following the Ministerial Conference on Economic Cooperation in March 2002, Azerbaijan formally joined the Central Asia Regional Economic Cooperation Program. Prior to being a full participating country, Azerbaijan had taken an active part in several important regional activities such as the consultation session at the Annual Meeting in May 2001, the senior officials' meeting in August 2001, and the customs cooperation meeting in January 2002. Important areas of regional cooperation may include energy, transport, and trade. ADB could also facilitate sharing of development experience. One policy issue common to several developing member countries relates to administration of oil and mineral funds in Central Asia. A list of subregional projects that are subject to the Government's confirmation is included in the tables on lending and nonlending products and services.

C. Highlights in Coordination of External Funding

25. The process of formulating the NPPR, which calls for close consultation and involvement of the international aid community, has brought about significant improvements in aid coordination over the last year. International agencies have met on numerous occasions to review the progress of the NPPR Secretariat and sector working groups, and will continue coordinating activities during the finalization of the NPPR. There is close coordination between ADB and the representative offices of the major funding agencies in the country.⁹ In addition to coordination with funding agencies, ADB missions meet regularly with representatives of the National NGO Forum of Azerbaijan and the major international nongovernment organizations (NGOs) such as Mercy Corps and World Vision. The activities of the major agencies in Azerbaijan may be seen from the Development Coordination Matrix in Appendix 1, Table A1.5.

26. Over the past year, ADB has had detailed discussions with KfW on potential cofinancing of the Urban Water Supply and Sanitation Project. In addition, cofinancing of the Southern Azerbaijan Roads Improvement Project and the Samur-Apsheeron Water Supply and Irrigation

⁹ Such as the World Bank, IMF, UNDP, UNICEF, European Bank for Reconstruction and Development (EBRD), EU (European Union) Tacis, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Kreditanstalt für Wiederaufbau (KfW), and Department for International Development (DFID).

Project had been discussed with several agencies. The proposed nonlending program is in excess of the TA indicative planning figure available for Azerbaijan and will require cofinancing.

III. PORTFOLIO MANAGEMENT ISSUES

27. Azerbaijan has not yet received a loan project. Implementation of the TA and JFPR program has experienced some delays due to the lack of familiarity with ADB procedures. A resident mission will be set up in late 2002 or early 2003.

IV. COUNTRY PERFORMANCE AND ASSISTANCE LEVELS

A. Lending Level Proposed

28. Paras. 11 and 15 presented the uncertainties affecting the ADB program in Azerbaijan. Under these circumstances, it is difficult to reasonably project the exact size and composition of the annual lending program. A close and sustained dialogue with the Government is needed to resolve the uncertainties. Azerbaijan is classified as a B1 country, which makes it eligible for resources from the Asian Development Fund (ADF). Under a base case scenario, ADF assistance would be expected to be about \$75 million over the period 2003–2005, while a high case scenario could raise lending to as high as \$90 million over 3 years; a low case scenario would put lending as low as \$60–65 million over the same period. The lending level for 2004¹⁰ will be determined on the basis of the performance triggers as set in Appendix 1, Table A1.6.

29. Azerbaijan is also eligible for ADB's assistance funded by its ordinary capital resources (OCR) for revenue-earning projects. The 2003–2005 program includes three loan projects, which the Government has agreed could be financed on OCR terms. Appendix 1, Table A1.7 shows the lending program for the country for 2003–2005.

1. Nonlending Program

30. The TA program for 2003–2005 covers 9 projects totaling nearly \$7 million (Appendix 1, Table A1.8). Delivery of the planned TA program will require resources beyond the annual TA resource envelope. All efforts will be made to seek cofinancing.

31. The nonlending support includes a range of economic, thematic and sector work (ETSW). ADB has helped the Government in preparing its poverty reduction strategy and will produce a poverty analysis paper. Governance, private sector, and environment assessments are planned for the second half of the year. Major sector work will be devoted to developing sector strategies and road maps for key sectors.

B. Summary of Changes

32. This is the second year in which a country programming paper is being prepared for Azerbaijan. While there has been delay in processing the 2002 loan program, there is no major change in the composition of the loan or TA pipeline vis-à-vis the Country Strategy and Program Update (2001-2004).

¹⁰ The lending level for 2003 will be determined based on the country's performance, which is to be evaluated against the triggers that were set in the last country strategy and program update.

Table A1.1: Progress Toward the Millennium Development Goals and Targets

Goals and Targets	Country Status
Goal 1: Eradicate Extreme Poverty and Hunger	
Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1/day.	The incidence of income poverty was stable at 62% in 1995, according to latest preliminary data from the 2001 household income and expenditure surveys.
Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.	There is no specific target for reducing nutrition-based poverty.
Goal 2: Achieve Universal Primary Education	
Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.	Net enrollment rates in primary education are about 88%, according to the United Nations Children's Fund (UNICEF) survey in 2000. The gross enrollment rate according to the Ministry of Education (MOE) was 106% in 2000.
Goal 3: Promote Gender Equality and Empower Women	
Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.	There is no significant recorded gender disparity in enrollment at all levels.
Goal 4: Reduce Child Mortality^a	
Target 5: Reduce by two thirds, between 1990 and 2015, the under-five mortality rate.	The infant mortality rate was estimated at 102 in 1996 (UNICEF). The infant mortality rate declined from 43 in 1990 to 21 in 1999 (World Health Organization [WHO]).
Goal 5: Improve Maternal Health^a	
Target 6: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio (MMR).	The MMR was reported at 79 in 1998 (UNICEF); MMR increased from 10.4 in 1990 and 37.6 in 2000 (Ministry of Health).
Goal 6: Combat HIV/AIDS, Malaria and Other Diseases	
Target 7: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS.	The number of adult cases reported increased from 2 (1995) to 20 (1999). It is a growing problem.
Target 8: Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.	The reported cases of malaria were 19 per 100,000, or about 1,600 cases in 2000. WHO reports that the number of malaria cases were 667 in 1994, 13,000 in 1996, 10,000 in 1998, and 5,100 in 1999.
Goal 7: Ensure Environmental Sustainability	
Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.	The Government's National Environment Action Plan (NEAP) formulated in 1998 integrated the principles of sustainable development. The NEAP is being updated.

^a Azerbaijan is switching to WHO standard rates from the Soviet standard in 2002. The infant mortality rate and the MMR are much higher according to the WHO standard than those based on the Soviet standard.

Goals and Targets	Country Status
Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water.	Population access to piped network is about 80% in urban areas and 11% in rural areas. The water supply is unreliable and often unsafe. The Government plans to improve access to clean water supply in urban areas.
Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.	Although Azerbaijan does not have slum dwellers, it does have an estimated 600,000 internally displaced persons living for the most part in poor conditions. The Government plans to increase the average dwelling space per family and to improve the living conditions of the internally displaced person families by relocating them into 19 newly built settlements in Bilasuvar and Fizuli regions.

HIV/AIDS = human immunodeficiency virus/acquired immunodeficiency syndrome.

Table A1.2: Country Economic Indicators

Item	Fiscal Year				
	1997	1998	1999	2000	2001
A. Income and Growth					
1. GDP per Capita (\$, current)	505.0	562.0	557.0	650.0	702.0
2. GDP Growth (% , in constant prices)	6.0	10.0	9.5	11.1	9.9
3. GDP Growth (% , nominal)	15.6	8.9	10.0	24.6	12.8
Agriculture	(7.2)	5.8	14.1	(1.4)	11.1
Industry and Construction	21.2	11.2	(14.5)	81.2	10.5
Services	24.8	8.5	29.6	2.3	15.9
B. Saving and Investment (current and market prices)					
	(% of GDP)				
1. Gross Domestic Investment	38.3	38.1	24.0	20.0	23.3
2. Gross Domestic Saving	14.3	6.3	10.1	21.8	28.1
C. Money and Inflation					
	(annual % change)				
1. Consumer Price Index ^a	3.6	(0.8)	(8.5)	1.8	1.5
2. Total Liquidity (M2)	29.2	(21.7)	15.2	18.3	5.7
D. Government Finance					
	(% of GDP)				
1. Revenue and Grants	20.2	20.3	19.0	18.6	18.0
2. Expenditure and Onlending	20.7	22.9	23.5	20.8	20.1
3. Overall Fiscal Surplus (Deficit)	(0.5)	(2.6)	(4.5)	(2.2)	(2.1)
E. Balance of Payments					
1. Merchandise Trade Balance (% of GDP)	(14.3)	(23.5)	(8.9)	6.1	10.7
2. Current Account Balance (% of GDP)	(23.1)	(30.7)	(13.1)	(3.2)	(0.9)
3. Merchandise Export (\$) Growth (annual % change)	25.5	(16.1)	51.2	81.3	11.9
4. Merchandise Import (\$) Growth (annual % change)	2.8	25.4	(16.9)	7.4	(4.8)
F. External Payments Indicators					
1. Gross Official Reserves (including gold, \$ million)	467.50	448.7	676.6	679.8	724.9
(weeks of current year's imports of goods)	11.5	9.4	18.0	17.1	21.4
2. External Debt Service (% of exports of goods and services)	5.8	1.2	4.2	4.5	4.8
3. Total External Debt (% of GDP)	14.0	15.0	21.2	22.0	22.0
G. Memorandum Items					
1. GDP (current prices, AZM billion)	15,791	17,203	18,927	23,592	26,620
2. Exchange Rate (AZM per \$, average)	3,985.0	3,869.0	4,126.0	4,474.0	4,656.0
3. Population (million)	7.84	7.91	7.98	8.11	8.14

GDP=gross domestic product.

^a Annual % change (period average)

Sources: Azerbaijan authorities, International Monetary Fund, ADB staff estimates.

Table A1.3: Country Poverty and Social Indicators^a

Item	Period			
	1985	1990	Latest Year	
A. Population Indicators				
1. Total Population (million)	6.69	7.16	(1991)	8.14 (end-2001)
2. Annual Population Growth Rate (% change)	1.60	1.04	(1995)	0.8 (2001)
B. Social Indicators				
1. Total Fertility Rate (births/woman)	2.91	2.74		2.0 (2000)
2. Maternal Mortality Ratio (per 100,000 live births) ^b	—	22.0		37.6 (2000)
3. Infant Mortality Rate (below 1 year/1,000 live births) ^b	29.4	23.0		12.8 (2000)
Under 5 Child Mortality Rate	—	43.1	(1993)	21.0 (1999)
4. Life Expectancy at Birth (years)	69.5	71.1		71.9 (2001)
Female	73.4	74.8		75.2 (2001)
Male	65.7	67.0		68.6 (2001)
5. Adult Literacy (%)	—	—		97.3 (1999)
Female				
Male				
6. Primary School Gross Enrollment (%)	118.3	113.7		106.0 (1997)
7. Secondary School Gross Enrollment (%)	96.8	89.7		77.0 (1997)
8. Child Malnutrition (% below age 5)	—	—		10.0 (1996)
9. Public Education Expenditure (% of GDP)	—	6.9		3.4 (1999)
Public Expenditure on Health (% of GDP)	—	2.6		1.0 (1999)
10. Human Development Index	—	0.755		0.741 (2000)
Rank	—	62		88 (2000)
11. Gender-Related Development Index		—		—
Rank		—		—
C. Poverty Indicators				
1. Income Poverty Incidence (households)		61.5	(1995)	49.0 (2001)
2. Percent of Poor to Total Population				68.1 (1995)
Baku				67.0 (1995)
Outside Baku				66.0 (1995)
Internally Displaced Persons				79.2 (1995)
3. Poverty Gap				
4. Poverty Severity Index				
5. Inequality (Theil L Index)				
6. Human Poverty Index				26.9 (1997)
Rank				

— = not available, GDP=gross domestic product.

Sources: Asian Development Bank. 2000. *Economic Report and Interim Operational Strategy for Azerbaijan*; State Committee for Statistics of the Azerbaijan Republic. *2000 Statistical Yearbook*; *2001 Household Income and Expenditure Survey*. United Nations Development Programme. 2001. *Azerbaijan Human Development Report 2000*; World Bank. 1999–2001. *World Development Indicators*.

^a Official indicators should be regarded with caution since they differ quite significantly from field observations and data collected by other sources.

^b The Ministry of Health's data were used for the infant mortality rate and maternal mortality ratios in this table as no other data show the trend for the last 15 years.

Table A1.4: Country Environment Indicators^a

Indicator	1990	Latest Year
A. Energy Efficiency of Emissions		
1. GDP/Unit of Energy Use (PPP\$/kgoe)		1.5 (1998)
2. Traditional Fuel Use (% of total energy use)		0.0 (1997)
3. Carbon Dioxide Emissions		
Million metric tons		32.0 (1997)
Tons per capita		4.1 (1997)
B. Water Pollution: Water and Sanitation		
1. % Urban Population with Access to Safe Water		
2. % Rural Population with Access to Safe Water		63.0 (1996)
3. % Urban Population with Access to Sanitation		
C. Land Use and Deforestation		
1. Forest Area (million hectares)	10.0 (1995)	11.0 (2000)
2. Average Annual Deforestation		
Square kilometers		(130.0) (1990–2000)
% change		(1.3) (1990–2000)
3. Rural Population Density (people/km ² of arable land)		205.0 (1998)
4. Arable Land (% of total land)	12.4 (1994)	111.8 (1999)
5. Permanent Cropland (% of total land)	6.8 (1994)	91.5 (1999)
D. Biodiversity and Protected Areas		
1. Nationally Protected Area		
Million hectares	4.8 (1996)	4.8 (1999)
% of total land	5.5 (1996)	5.5 (1999)
2. Mammals (number of threatened species)		13 (2000)
3. Birds (number of threatened species)		8 (2000)
4. Higher Plants (number of threatened species)		28 (1997)
5. Reptiles (number of threatened species)		
6. Amphibians (number of threatened species)		
E. Urban Areas		
1. Urban Population		
Million	3.3 (1980)	4.5 (1999)
% of total population	53.0 (1980)	57.0 (1999)
2. Per Capita Water Use (liters/day)		
3. Wastewater Treated (%)		
4. Solid Waste Generated Per Capita (kg/day)		

kg=kilogram, kgoe=kilograms of oil equivalent, km²=square kilometer, PPP=purchasing power parity.

Sources: Asian Development Bank. 2000. *Economic Report and Interim Operational Strategy for Azerbaijan*; State Committee for Statistics of the Azerbaijan Republic. 2000. *2000 Statistical Yearbook*; United Nations Development Programme. 2001. *Azerbaijan Human Development Report 2000*; World Bank. 1999–2001. *World Development Indicators*.

^a Official indicators should be regarded with caution since they differ quite significantly from field observations and data collected by other sources.

Table A1.5: Development Coordination Matrix

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
<p>Macroeconomic Stabilization, Structural Reforms, and Public Sector Reforms</p>	<p>Supporting good governance and institutional strengthening is one of the main strategic objectives of the interim operational strategy of the Asian Development Bank (ADB). ADB's initial activities would include assistance for economic policy formulation, public investment program, and strengthening the Government's ability to undertake effective public budget management.</p>	<p>The International Monetary Fund (IMF) has taken the lead on stabilization. A comprehensive poverty reduction facility program (PRGF) was launched in July 2001 to succeed the previous enhanced structural adjustment facility program provided during 1999–2001. IMF has been collaborating with the World Bank on effort to reform the financial sector. In addition, IMF has been providing assistance to improve tax administration, especially tax collection and reduction of fiscal evasion.</p> <p>The World Bank is also implementing a comprehensive reform program. The structural adjustment credit (SAC-I), for \$70 million, approved in July 1997, focused on trade liberalization, privatization, legal, and banking sector reforms. A follow-up structural adjustment credit program (SAC-II) for \$60 million, was approved in March 2002. The program focuses on public sector reforms and accelerated development of the non-oil sector through improvement of the business environment. The program is to be supported by a comprehensive institution building and technical assistance program.</p> <p>The UK Know-How Fund provided an adviser for budget and public expenditure management in the Ministry of Finance.</p> <p>European Union (EU) Tacis is currently working on the implementation of the economic strategy and pay policy for the civil service and the restructuring and</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		modernization of the Cabinet of Ministers.
Agriculture and Irrigation	This is one of the four focuses of ADB's near-term country program. ADB's assistance is initially aimed at flood mitigation and irrigation development.	<p>The World Bank has targeted its assistance on privatization, land reform, farm restructuring and development of rural business advisory services, and rural credit schemes (various loans for a total amount of \$45 million; additional loans are planned for the near future). Assistance is also provided for the rehabilitation of irrigation and drainage system (\$42 million in FY2002; additional funding also planned for 2003).</p> <p>The European Bank for Reconstruction and Development (EBRD) has provided credit lines for small and medium-sized enterprises in agro-processing and agribusiness.</p> <p>The Islamic Development Bank funded a drainage canal project, and provided technical assistance (TA) for agribusiness development.</p> <p>The International Fund for Agricultural Development (IFAD) and the United Nations Development Programme (UNDP) have provided assistance in community development and rural micro-finance.</p> <p>EU Tacis assisted with the establishment of a rural credit institution and provided advisory services for agriculture reforms, in addition to direct budgetary support under the food security program.</p>
Basic Urban Social Infrastructure	This is one of the four focuses of ADB's near-term country program. ADB's assistance is aimed at rehabilitation of water supply and	The World Bank and EBRD provide assistance for the Greater Baku Water System Rehabilitation Project (loan, \$84 million total).

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
	sanitation services in secondary towns.	<p>The World Bank also completed a study on the water and water supply and sanitation sector.</p> <p>Kreditanstalt für Wiederaufbau (KfW) is providing support for the rehabilitation of water supply in several cities/districts outside Apsheron Peninsula.</p>
Education	Since other agencies are currently covering this sector, ADB's assistance would be limited to education as a part of early childhood development.	<p>The World Bank focuses on policy dialogue and sector reforms. A \$5 million credit for the Education Reform Project was approved in 1999 to support reforms in curriculum development and teacher education and training. Further assistance (\$14 million) is planned for FY2003.</p> <p>UNICEF is supporting the piloting of decentralized management and community-level financing programs in five primary and secondary schools.</p> <p>The Soros Foundation is providing support in a number of areas including local textbook development, printing capacity development, preschool education, and civic education management.</p>
Health	This is a sector which may be covered in the latter part of ADB's country program. ADB has already provided some assistance through a regional grant to arrest the trend of micronutrient deficiencies in Central Asia. Future assistance for early childhood development is also envisaged.	<p>The World Bank has provided assistance to rehabilitate health facilities as part of a reconstruction project for refugees and internally displaced persons (IDPs), and has initiated a policy dialogue with the Government on health sector reforms.</p> <p>UNICEF and the World Health Organization (WHO) are implementing pilot district health programs, and are providing support for maternal and child health care.</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<p>EBRD is financing the establishment of a modern hospital/diagnostic center in Baku.</p> <p>The Japan International Cooperation Agency (JICA) has provided support for the rehabilitation of the Center for Tuberculosis and Lung Diseases in Baku, a children's hospital, a maternity house, and a health training and service center. Further assistance is provided for the purchase of medical equipment and the preparation of comprehensive plan of reforms in the Health Sector.</p> <p>Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) has provided support for an international training and service center, the establishment of a national system of health monitoring and training for medical staff.</p> <p>UNDP and the United Nations Population Fund (UNFPA) are providing assistance in reproductive health care and the establishment of a network of family clinics.</p>
Social Protection /Pension	The World Bank is covering this sector. ADB does not plan to be active in this sector.	<p>The World Bank has made detailed recommendations on reforming social protection and is preparing a \$17 million credit for FY2003.</p> <p>EU Tacis is providing TA for pension system development and labor protection. It also provided support for the establishment of employment services centers in various cities.</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
Poverty Alleviation	<p>Since 2000, ADB projects, in keeping with its overarching objective, have had a significant focus on poverty reduction. ADB has provided support for the Government's National Program for Poverty Reduction.</p>	<p>World Bank SAC-II and IMF PRGF programs were designed to support the national program for poverty reduction. The World Bank is currently preparing a poverty assessment. A poverty alleviation infrastructure program (\$20 million) is also planned for FY2004.</p> <p>The International Labour Organization (ILO) conducted a social sector review in 1997 and provided assistance for improving labor market statistics.</p> <p>UNICEF provided support for the development of a social statistics database.</p>
Assistance for Refugees and IDPs	<p>This is one of the four focuses of ADB's near-term country program. ADB's assistance is aimed at helping the IDPs to : (i) gain equal access to essential public services that are available to other population groups in local communities, and (ii) achieve self-reliance and reintegration into the economic mainstream.</p>	<p>The World Bank provided assistance through various projects: a pilot reconstruction project for \$20 million, approved in 1998, and a supplement project for \$10 million for the establishment of a social fund for IDPs. A permanent resettlement project for \$20 million is planned for FY2005.</p> <p>UNDP and other United Nations agencies play a leading role in coordinating humanitarian and emergency aid for refugees and IDPs. These include resettlement activities, a pilot program in liberated areas, a de-mining program by UNDP, and a shelter program by the United Nations High Commissioner for Refugees (UNHCR).</p> <p>The World Food Program is also active through various food supply initiatives.</p> <p>The EU funded about \$11 million for improvement of basic infrastructure in the Agdam and Fizuli districts.</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<p>GTZ participated in resettlement activities in the Fizuli and Horadiz districts.</p> <p>Japan gave grant assistance (¥10.5 million) including humanitarian assistance (emergency food supply, de-mining, immunization for children), and human development activities.</p> <p>International NGOs provided emergency and humanitarian aid.</p>
Oil and gas	<p>ADB's interim strategy expressly mentioned that ADB will not be involved in this sector, except as it may relate to cross-cutting areas such as environmental protection, private sector development and/or regional cooperation.</p>	<p>The World Bank provided two loans to support the development of the oil and gas sector: the petroleum TA project (\$21 million, approved in 1995) to encourage foreign direct investment (FDI) and the gas system rehabilitation project (\$21 million, approved in 1996) to support commercialization of the gas industry.</p> <p>EBRD has provided financing arrangement of the Azerbaijan International Operating Company to develop the Azeri and Chirag oil fields, and is considering financing small onshore oil upgrading projects as well as additional export pipelines.</p> <p>Japan has provided ¥20.7 billion to help finance the Svernaya gas combined cycle power plant project and will provide an approximately equivalent amount for a gas pipeline to the plant.</p> <p>EU Tacis has provided assistance to modernize the gas transmission network under the INOGATE program. EU Tacis also provides support to the Ministry of Fuel and Energy and for the rehabilitation of oil contaminated land.</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
Energy	<p>Since other aid agencies are currently covering this sector, ADB would only consider projects in the sector if they are closely related to thematic areas such regional cooperation, private sector development, and/or environmental protection.</p>	<p>The World Bank provides support to improve the management of domestic energy systems and to restructure the relevant institutions.</p> <p>EBRD approved a loan of ECU48 million for the Yenikend hydropower station completion and in 1997 it provided a loan of ECU20 million to finance the Mingechevir hydropower project. The latter loan also financed the restructuring of the electricity sector.</p> <p>KfW committed DM30 million for a power transmission rehabilitation program in 1998.</p> <p>JICA financed a power transmission rehabilitation project in Baku.</p> <p>EU Tacis provided TA on legislation in the electricity sector.</p>
Transport	<p>This is one of the four focuses of ADB's near-term country program. ADB's assistance is aimed at rehabilitation of main road corridors, including the construction of rural roads to hinterland areas.</p>	<p>The World Bank is financing a project for rehabilitation of the Ganja-Qazakh section of the central corridor highway.</p> <p>The focus of EU assistance is through the TRACECA program, which involved ferry improvements at Baku Port and improvements to the east-way highway and railway. The EU is also providing assistance for establishing the functions, organization, and operations of the Ministry of Transport.</p> <p>Kuwait Fund and Islamic Development Bank provided assistance for the upgrading of various segments of the central corridor highway.</p> <p>EBRD financed the Trans-Caucasian Rail Link</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<p>Project, part of the EU Tacis program; a Baku port development project; and an air navigation systems upgrading project. EBRD is considering providing assistance for the Gazimamed to Kyurdamir section of the central corridor highway.</p>
Finance Privatization/Private Sector Development	<p>In the latter part of its country program, ADB will provide assistance for small and medium-sized enterprise (SME) development and capacity building of key government financial institutions.</p>	<p>The World Bank is supporting bank restructuring and pre-privatization programs for the state-owned banks. The World Bank's activities aim to ensure that banks and firms that are to be privatized are adequately financed and properly evaluated prior to privatization.</p> <p>IMF has been providing TA for banking regulation and supervision and upgrading of the payments system.</p> <p>EBRD provided support for financial sector institutional building and SME development. and was involved in the privatization of the International Bank of Azerbaijan.</p> <p>EBRD, International Finance Corporation (IFC), and Black Sea Trade and Development Bank have combined to set up the Micro Finance Bank of Azerbaijan. The new bank will support the development of a viable micro and small enterprise sector in Azerbaijan by providing entrepreneurs with access to finance from the formal banking sector.</p> <p>EU Tacis/UNDP have extended small-scale TA for the development of banking skills (including the preparation of the new chart of accounts based on International Accounting Standards</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<p>(IAS).</p> <p>EU Tacis provided support on the regulation of post-privatization activities of joint-stock companies and the development of a securities market.</p> <p>The United States Agency for International Development (USAID) provides financial support (loans) to SMEs, particularly in the agricultural sector. Training is also provided in marketing, financial management, production, and quality control.</p>
Environment	<p>ADB's strategy stresses the importance of sound management of natural resources and protection of environment to promote sustainable development. Importance is given to addressing environmental concerns relating to its own projects.</p>	<p>The World Bank, along with the Global Environment Facility (GEF) and other bodies such as the EU, supports the environmentally sustainable development and management of the Caspian environment through the regional Caspian Environment Program. The World Bank further supports Azerbaijan's participation in the Caspian Environment Program through priority investment under the environmental investment and management program and other initiatives (urgent environment improvement program, lead phase-out program, and Shah-Dag rural environment project).</p> <p>JICA provided support for the development of an environment master plan in Baku.</p> <p>UNDP provided support for the establishment of an Environment Center and the environmental rehabilitation of Sumgayit.</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		<p>EU Tacis financed the rehabilitation of oil-contaminated land.</p> <p>EBRD is providing support for the development of a national oil spill contingency plan.</p>
Law and Development	<p>Since other agencies are currently covering this sector, ADB will not be active.</p>	<p>The World Bank addresses various aspects of legal and judicial reforms under its SAC-II program.</p> <p>EBRD assisted with the development of the Secured Transactions Law, the Bankruptcy Law, and the Foreign Investment Law.</p> <p>GTZ provided assistance in the drafting of basic statutes such as the Civil Code, Civil Procedure Code, and Criminal Code.</p> <p>The Council of Europe provided assistance and comments on various draft laws.</p> <p>EU Tacis provided assistance for the establishment of an Azerbaijani Policy and Legal Advice Center and supported the modernization and reform of the legal and judicial system.</p> <p>The American Chamber of Commerce provided assistance on the drafting of the new tax code.</p>
Gender and Development		<p>UNDP provided support through various capacity building activities, working with NGOs.</p>
Cultural Heritage	<p>Since other agencies are currently covering this sector, ADB will not be active.</p>	<p>The World Bank approved a Culture Heritage Project in 1999 for \$7.5 million to support the Government's efforts in the conservation and partial reconstruction of four historical</p>

Sector/Thematic/Area	ADB Strategy/Activities	Other Development Partners' Strategy/Activities
		monuments. UNESCO assisted the Government in thinking of ways to restore and preserve cultural monuments.

EBRD = European Bank for Reconstruction and Development, EU = European Union, EU Tacis = European Union Technical Assistance to Commonwealth of Independent States, GTZ = German Technical Cooperation, IFAD = International Fund for Agricultural Development, ILO = International Labour Organization, JICA = Japan International Cooperation Agency, KfW = Kreditanstalt für Wiederaufbau, TA = technical assistance, UNDP = United Nations Development Programme, UNESCO = United Nations Educational, Scientific and Cultural Organization, UNFPA = United Nations Population Fund, UNICEF = United Nations Children's Fund, WHO = World Health Organization.

Table A1.6: Lending Scenarios and Performance Triggers

Low Case	Base Case	High Case
<ul style="list-style-type: none"> • Significant deterioration of broad macroeconomic framework. 	<ul style="list-style-type: none"> • Continued sound macroeconomic performance (low inflation, stable currency, stable fiscal deficit, and maintenance of essential expenditures levels — education, health, social protection). 	<ul style="list-style-type: none"> • Continued sound macroeconomic performance. Enhanced conditions for private enterprises and foreign investment in the non-oil sectors. Increased essential expenditure levels with manageable fiscal deficit.
<ul style="list-style-type: none"> • Significant slowdown in pace of structural reforms leading to a derailment of International Monetary Fund (IMF) poverty reduction and growth facility (PRGF) program and/or the World Bank second structural adjustment credit (SAC-II) program with no prospect of getting back on track. 	<ul style="list-style-type: none"> • Stable progress with respect to key structural reforms. 	<ul style="list-style-type: none"> • Stable progress with respect to structural reforms. Compliance with all recommended structural benchmarks under the World Bank SAC-II and IMF PRGF programs.
<ul style="list-style-type: none"> • Limited progress in preparing the National Program for Poverty Reduction (NPPR), including non-completion of the poverty reduction strategy paper (PRSP). 	<ul style="list-style-type: none"> • Successful completion of the PRSP and subsequent poverty reduction partnership agreement (PPA). 	<ul style="list-style-type: none"> • Successful completion of both PRSP and the PPA. Satisfactory progress with implementation of both programs.
<ul style="list-style-type: none"> • Limited effort in adopting measures to improve governance. 	<ul style="list-style-type: none"> • Continued effort to improve governance, especially transparency of public finances and better targeting of public expenditures policies. Continue ongoing government restructuring and public administration reforms. 	<ul style="list-style-type: none"> • Significant improvement in institutional capacity of public investment and expenditures management. Successful implementation of government restructuring program.

Note: The proposed triggers emphasize the same key areas for monitoring country performances as in 2001. Specific references are made to the World Bank SAC-II and IMF PRGF programs. Both programs were launched over the past year and provide a very comprehensive set of criteria (both quantitative and structural) against which Azerbaijan's performance will be evaluated.

Table A1.7: Assistance Pipeline for Lending Products, 2003–2005

Sector Project/Program Name	Poverty Classifi- cation	Thematic Priority	Division	Year of PPTA	Total	Cost (\$million)				
						ADB			Gov't	Cofi- nancing
						OCR	ADF	Total		
2003 Firm Loans										
Social Infrastructure										
Urban Water Supply and Sanitation	PI	HD	ECSS	2001	28.75	–	23.0	23.0	5.75	0.0
Subtotal					28.75	0.0	23.0	23.0	5.75	0.0
Total					28.75	0.0	23.0	23.0	5.75	0.0
2003 Standby Loans										
Agriculture and Rural Development										
Flood Mitigation	PI	HD/ENV	ECAE	2002	27.5	–	22.0	22.0	5.5	0.0
Subtotal					27.5	0.0	22.0	22.0	5.5	0.0
Total					27.5	0.0	22.0	22.0	5.5	0.0
2004 Firm Loans										
Agriculture and Rural Development										
Flood Mitigation	PI	HD/ENV	ECAE	2002	27.5	0.0	22.0	22.0	5.5	0.0
Subtotal					27.5	0.0	22.0	22.0	5.5	0.0
Transport and Communications										
Central Corridor Roads Improvement	OTH	ECO	ECID	2002	22.5	18.0	–	18.0	4.5	0.0
Subtotal					22.5	18.0	0.0	18.0	4.5	0.0
Total					50.0	18.0	22.0	40.0	10.0	0.0
2004 Standby Loans										
Social Infrastructure										
New Settlements Basic Infrastructure	CPI	HD	ECSS	2003	12.5	–	10.0	10.0	2.5	0.0
Subtotal					12.5	0.0	10.0	10.0	2.5	0.0
Total					12.5	0.0	10.0	10.0	2.5	0.0
2005 Firm Loans										
Social Infrastructure										
New Settlements Basic Infrastructure	CPI	HD	ECSS	2003	12.5	–	10.0	10.0	2.5	0.0
Early Childhood Development	PI	HD/GAD	ECSS	2003	18.75	–	15.0	15.0	3.75	0.0
Subtotal					31.25	0.0	25.0	25.0	6.25	0.0

Sector Project/Program Name	Poverty Classifi- cation	Thematic Priority	Division	Year of PPTA	Total	Cost (\$million)				
						ADB		Gov't	Cofi- nancing	
						OCR	ADF			Total
Transport and Communications										
Southern Azerbaijan Road Improvement	OTH	ECO/REG	ECID	2004	35.0	20.0	–	20.0	5.0	10.0
Subtotal					35.0	20.0	0.0	20.0	5.0	10.0
Total					66.25	20.0	25.0	45.0	11.25	10.0
2005 Standby Loans										
Social Infrastructure										
Samur-Apsheron Water Supply and Irrigation (First Stage)	PI	HD	ECAE	2004	47.5	7.0	23.0	30.0	7.5	10.0
Subtotal					47.5	7.0	23.0	30.0	7.5	10.0
Total					47.5	7.0	23.0	30.0	7.5	10.0

ADB = Asian Development Bank, ADF = Asian Development Fund, ECAE = Agriculture, Environment, and Natural Resources Division East, ECID = Infrastructure Division East, ECO = economic growth, ECSS = Social Sectors Division East, ENV = environment protection, CPI = core poverty intervention, GAD = gender and development, GG = good governance, HD = human development, IETC = Transport and Communication Division East, OCR = ordinary capital resources, OTH = others, PI = poverty intervention, PPTA = project/program preparatory technical assistance, REG = regional cooperation, TBD = to be determined.

Table A1.8: Assistance Pipeline for Nonlending Products and Services, 2003–2005

Sector Assistance Name	Responsible Division	Assistance Type	ADB	Amount (\$ '000)	
				Others	Total
2003					
Social Infrastructure					
1. New Settlements Basic Infrastructure	ECSS	PP	800.0	–	800.0
2. Strengthening Early Childhood Development	ECSS	PP	600.0	–	600.0
Subtotal			1,400.0	0.0	1,400.0
Finance					
1. Capacity Building for SME Development and Formulation of a Competition Policy	ECGF	ID	600.0	–	600.0
Subtotal			600.0	0.0	600.0
Others					
1. Capacity Building for Key Sector Agencies	ECOC	ID	450.0	–	450.0
2. Capacity Building for Public Investment Program	ECOC	ID	500.0	–	500.0
Subtotal			950.0	0.0	950.0
Total			2,950.0		2,950.0
2004					
Agriculture and Rural Development					
1. Samur-Apsheron Water Channel	ECAE	PP	800.0	–	800.0
Subtotal			800.0	0.0	800.0
Transport and Communications					
1. Southern Azerbaijan Roads Development	ECID	PP	700.0	–	700.0
Subtotal			700.0	0.0	700.0
Others					
1. Capacity Building for Ministry of Finance	ECOC	ID	800.0	–	800.0
2. Capacity Building for Public Budget Management and Municipal Reform	ECGF	ID	700.0	–	700.0
Subtotal			1,500.0	0.0	1,500.0
Total			3,000.0		3,000.0

Sector Assistance Name	Responsible Division	Assistance Type	Amount (\$ '000)		Total
			ADB	Others	
2005					
Finance					
1. Small and Medium Enterprise Development	ECGF	PP	600.0	–	600.0
2. Strengthening of Financial Institutions	ECGF	ID	300.0	–	300.0
Total			900.0	0.0	900.0
<hr/>					
Subregional^a					
2003					
Finance and Industry					
1. Regional Private Sector Development	ECGF	RETA			
2. Regional Financial Sector Development, Phase I	ECGF	RETA			
Others					
1. Capacity Building in Priority Areas of Regional Cooperation	CARECU	RETA			
2004					
Trade Facilitation Sector					
1. Trade Facilitation and Customs Cooperation Program, Phase II	ECGF	RETA			
2005					
Finance and Industry					
1. Regional Financial Sector Development, Phase II	ECGF	RETA			
Trade Facilitation Sector					
2. Trade Facilitation and Customs Cooperation Program, Phase III	ECGF	RETA			

ADB = Asian Development Bank, CARECU = Central Asia Regional Cooperation Unit, ECAE = Agriculture, Environment, and Natural Resources Division East, ECGF = Governance, Finance and Trade Division, ECOC = Operations Coordination Division East, ECID = Infrastructure Division East, ECSS = Social Sectors Division East, ID = institutional development, PPTA = project/program preparatory technical assistance, RETA = regional technical assistance.

^a Provisionally included in the list and subject to further discussions with the Government.

CONCEPT PAPERS FOR LENDING PRODUCTS

This appendix contains the concept papers for the following lending products:

- (i) Table A2.1: Urban Water Supply and Sanitation Project
- (ii) Table A2.2: Flood Mitigation Project
- (iii) Table A2.3: Central Corridor Roads Improvement
- (iv) Table A2.4: New Settlements Basic Infrastructure
- (v) Table A2.5: Early Childhood Development
- (vi) Table A2.6: Southern Azerbaijan Roads Improvement
- (vii) Table A2.7: Samur-Apsheron Water Supply and Irrigation Project (First Stage)

**Table A2.1: Urban Water Supply and Sanitation Project
Concept Paper**

Date: 14 June 2002

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p> <input checked="" type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other</p> <p><input type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Social Infrastructure Subsector: Water Supply and Sanitation, Urban and Rural Infrastructure</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country Azerbaijan <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Social Sectors Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): L. Sabyrova</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Since independence in 1991, expenditure on basic infrastructure services such as water supply, sewerage, and sanitation has been severely cut back, resulting in deterioration in both physical assets and services. There is significant loss of water from aging and poorly maintained pipes and distribution system. As a result, many households outside of the Baku area have access to water only 2–4 hours a day. Waterborne diseases are widespread, especially in smaller towns and rural areas with a larger share of poor people and internally displaced persons (IDPs). For some of these people, water consumption barely reaches 20–25 liters per capita per day. The activities of the international funding community have concentrated mainly in the greater Baku area (World Bank and European Bank for Reconstruction and Development), with little progress in other parts of the country.</p> <p>This project is in line with the overall ADB strategy toward Azerbaijan of reducing poverty through improving</p>										

human development. It is also in line with the Government's poverty reduction strategy, which emphasizes improvement of basic infrastructure services including water supply and sanitation services in small towns.

b. Goal and purpose: The proposed project will improve the living and health conditions in selected urban areas, in particular for the poor and IDPs, through the provision of improved water supply and/or sanitation services.

c. Components and outputs: A PPTA will determine the scope of the project which could include water supply and sanitation in 3–4 secondary towns.

d. Expected results and deliverables:

e. Social or environmental issues or concerns: Poverty and cost recovery issues.

f. Plans for disseminating results/deliverables:

7. Proposed executing/implementing agencies: State Committee on Architecture and Construction (for basic infrastructure components)

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001

b. Expected date of submission for approval
 Lending: 2003
 Nonlending (project preparatory)
 Nonlending (other than project preparatory):

c. Period and duration of assistance
 Lending: 2003–2007
 Nonlending:

10. Financing Plan

- a. For lending
- Ordinary capital resources: \$
 - Asian Development Fund: \$23 million
 - Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
 - ADB's administrative budget: \$
 - Grant TA funds

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.2: Flood Mitigation Project
Concept Paper**

Date: 14 June 2002

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Agriculture, Water Resources Management Subsector: Flood Control, Irrigation</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input checked="" type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input checked="" type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input checked="" type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country Azerbaijan <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Agriculture, Environment, and Natural Resources Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): M. A. Malik</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: In Azerbaijan, irrigation systems were developed during the former Soviet period. Operation and maintenance has been less than required and consequently the irrigation systems and drainage channels are deteriorating. In some parts of the country, severe flooding destroys crops and rural infrastructure, threatens communities, and endangers lives.</p> <p>This project is in line with the overall ADB strategy toward Azerbaijan of reducing poverty through improving human development. It is also in line with the first prong of ADB's strategy of strengthening the effective provision of essential public goods and services to those in greatest need.</p> <p>b. Goal and purpose: The proposed project will support the introduction of flood control measures and/or the rehabilitation of key irrigation areas. The Project will minimize flood damage in such areas as Sheki-Zagatala and elsewhere, and increase the efficiency of water use for irrigation in selected systems such as Airychai,</p>										

<p>Shamkir, and Tovuzchai.</p> <p>c. Components and outputs: A PPTA will determine the scope of the project which could include flood mitigation measures; drainage and irrigation system rehabilitation and/or completion; and institutional development, including water user associations and capacity building at national and local agency level.</p> <p>d. Expected results and deliverables:</p> <p>e. Social or environmental issues or concerns:</p> <p>f. Plans for disseminating results/deliverables:</p>
<p>7. Proposed executing/implementing agencies: State Committee for Water Resources Management</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001</p> <p>b. Expected date of submission for approval Lending: 2004 Nonlending (project preparatory): Nonlending (other than project preparatory):</p> <p>c. Period and duration of assistance{s} Lending: 2004–2008 Nonlending:</p>
<p>10. Financing Plan</p> <p>a. For lending <input type="checkbox"/> Ordinary capital resources: <input checked="" type="checkbox"/> Asian Development Fund: \$22 million <input type="checkbox"/> Other: \$</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending <input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget: \$ <input type="checkbox"/> Grant TA funds</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):</p>

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.3: Central Corridor Roads Improvement
Concept Paper**

Date: 14 June 2002

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport Subsector: Roads</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country Azerbaijan <input type="checkbox"/> Subregional <input checked="" type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Infrastructure Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): J. Miller</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Given Azerbaijan's geographic and political isolation in the Caucasus region, efficient road infrastructure is of vital importance to ensure efficient trade flows and, thereby, balanced development of Azerbaijan's economy. Existing major roads need repair in many parts of the country and the deterioration appears to be accelerating. The IOS supported the need for road rehabilitation, including the improvement of rural roads connected to the main road network.</p> <p>This project is in line with the overall ADB strategy toward Azerbaijan of reducing poverty through enhanced economic growth. It is also in line with the second prong of ADB's strategy, which is to help correct for imbalanced growth.</p> <p>b. Goal and purpose: The Project will contribute to the expansion of trade and transport services by improving the central corridor highway between Baku and Tbilisi, Georgia, which is currently in dilapidated condition.</p>										

c. Components and outputs: The Project will rehabilitate the Kyurdamir-Ujar segment of the Baku-Tbilisi highway and provide connector roads in the adjoining districts.

ADB's policy dialogue in the sector would include enhancing the policy-making and regulatory capacity of the already established (but as yet unstaffed) transportation ministry, improving road safety, reducing vehicle emissions, and introducing private participation especially in road maintenance and the financing of road projects.

d. Expected results and deliverables:

e. Social or environmental issues or concerns:

f. Plans for disseminating results/deliverables:

7. Proposed executing/implementing agencies: Azerbaijan State Road Concern (Azeravtoyol)

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001

b. Expected date of submission for approval
 Lending: 2004
 Nonlending (project preparatory):
 Nonlending (other than project preparatory):

c. Period and duration of assistance(s)
 Lending: 2004–2008
 Nonlending:

10. Financing Plan

a. For lending
 Ordinary capital resources: \$18 million
 Asian Development Fund: \$
 Other: \$

If cofinancing is required indicate sources, and amount sought:
 If known, provide cost estimates and financing arrangements.

b. For nonlending
 No resources required, other than ADB staff
 ADB's administrative budget: \$
 Grant TA funds

If cofinancing is required indicate sources, and amount sought:
 If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.4: New Settlements Basic Infrastructure
Concept Paper**

Date: 14 June 2002

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Social Infrastructure Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input checked="" type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country Azerbaijan <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Social Sectors Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): To be determined</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: A decade after the beginning of the conflict over Nagorny-Karabakh, approximately 800,000 refugees and internally displaced persons (IDPs) still live in temporary shelters where living conditions are deplorable. They lack safe (and sometimes, any) drinking water and sewage, food security, basic education and health services, and employment opportunities. If not properly addressed, this situation will lead to increased poverty and limited economic activity of the current IDPs and their future generations.</p> <p>This project is in line with the overall ADB strategy toward Azerbaijan of reducing poverty through improving human development. It is also in line with the first prong of ADB's strategy of strengthening the effective provision of essential public goods and services to those in greatest need.</p> <p>b. Goal and purpose: This project will establish several new permanent settlements in the liberated areas of</p>										

<p>Fizuli and Agdam.</p> <p>c. Components and outputs: A PPTA will determine the scope of the project, which could include construction of new economic and social infrastructure (public schools, housing, sanitation facilities, etc.), or extension of existing infrastructure facilities (water supply, local roads) from nearby villages.</p> <p>d. Expected results and deliverables:</p> <p>e. Social or environmental issues or concerns:</p> <p>f. Plans for disseminating results/deliverables: Participation of IDPs and local communities will be crucial in ensuring success of the Project.</p>
<p>7. Proposed executing/implementing agencies: To be determined</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001</p> <p>b. Expected date of submission for approval Lending: 2005 Nonlending (project preparatory): 2003 Nonlending (other than project preparatory):</p> <p>c. Period and duration of assistance(s) Lending: 2005–2009 Nonlending: 2003, 8 months</p>
<p>10. Financing Plan</p> <p>a. For lending <input type="checkbox"/> Ordinary capital resources: \$ <input checked="" type="checkbox"/> Asian Development Fund: \$10 million <input type="checkbox"/> Other: \$</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending <input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget: \$ <input checked="" type="checkbox"/> Grant TA funds: \$800,000</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):</p>

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.5: Early Childhood Development
Concept Paper**

Date: 14 June 2002

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Health, Early Childhood Development Subsector: Poverty Intervention, Human Development, Gender and Development</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input checked="" type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input checked="" type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country Azerbaijan <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Social Sectors Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): R. Hiraoka</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The conflict with Armenia and the process of transition from centrally planned to a market economy has severely deteriorated the health situation of population, especially among the most vulnerable groups, including the IDPs, unemployed, women, and children.</p> <p>This project is in line with the overall ADB strategy toward Azerbaijan of reducing poverty through improving human development. It is also in line with the first prong of ADB's strategy of strengthening the effective provision of essential public goods and services to those in greatest need.</p> <p>b. Goal and purpose: The proposed Project is aimed at enhancing human development by providing services and supporting activities that ensure survival and promote development of Azeri children, particularly those who are most vulnerable and disadvantaged, including internally displaced children.</p>										

c. Components and outputs: A PPTA will determine the scope of the project which is expected to include development, provision, and promotion of an integrated set of early childhood development service delivery packages to address health, nutrition, and cognitive and psychosocial development needs of children under six at various stages of growth and development, particularly those in IDP camps and settlements.

The participating localities will be selected based on a national assessment of administrative districts according to at-risk children in need of early child development services, and agreed-upon criteria (infant and child mortality rates, protein-energy malnutrition, high dropout rates, etc.).

d. Expected results and deliverables:

e. Social or environmental issues or concerns:

f. Plans for disseminating results/deliverables:

7. Proposed executing/implementing agencies: Ministry of Health

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001

b. Expected date of submission for approval
 Lending: 2005
 Nonlending (project preparatory): 2003
 Nonlending (other than project preparatory):

c. Period and duration of assistance(s)
 Lending: 2005–2009 years
 Nonlending: 2003, 8 months

10. Financing Plan

- a. For lending
- Ordinary capital resources: \$
 - Asian Development Fund: \$15 million
 - Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
 - ADB's administrative budget: \$
 - Grant TA funds: \$600,000

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.6: Southern Azerbaijan Roads Improvement
Concept Paper**

Date: 14 June 2002

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport Subsector: Roads</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country Azerbaijan <input type="checkbox"/> Subregional <input checked="" type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Infrastructure Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): To be determined</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Given Azerbaijan's geographic and political isolation in the Caucasus Region, efficient road infrastructure is of vital importance to ensure efficient trade flows and, thereby, balanced development of Azerbaijan's economy. Existing major roads need repair in many parts of the country and the deterioration appears to be accelerating. The IOS supported the need for road rehabilitation, including the improvement of rural roads connected to the main road network.</p> <p>This project is in line with the overall ADB strategy toward Azerbaijan of reducing poverty through enhanced economic growth. It is also in line with the second prong of ADB's strategy, which is to help correct for imbalanced growth.</p> <p>b. Goal and purpose: The Project will contribute to the expansion of trade and transport services by improving the southern corridor highway between Baku and Astana, on the border with Iran.</p>										

<p>c. Components and outputs: The Project will rehabilitate the Alyat-Salyan segment of the Baku-Astara highway and provide connector roads in the adjoining districts.</p> <p>ADB's policy dialogue in the sector would include enhancing the policy-making and regulatory capacity of the already established (but as yet unstaffed) transportation ministry, improving road safety, reducing vehicle emissions, and introducing private participation especially in road maintenance and the financing of road projects.</p> <p>d. Expected results and deliverables:</p> <p>e. Social or environmental issues or concerns:</p> <p>f. Plans for disseminating results/deliverables:</p>
<p>7. Proposed executing/implementing agencies: Azerbaijan State Road Concern (Azeravtoyol)</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001</p> <p>b. Expected date of submission for approval Lending: 2005 Nonlending (project preparatory): 2004 Nonlending (other than project preparatory):</p> <p>c. Period and duration of assistance{s} Lending: 2005–2009 Nonlending: 2004, 8 months</p>
<p>10. Financing Plan</p> <p>a. For lending <input checked="" type="checkbox"/> Ordinary capital resources: \$20 million <input type="checkbox"/> Asian Development Fund: \$ <input type="checkbox"/> Other: \$</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending <input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget: \$ <input checked="" type="checkbox"/> Grant TA funds: \$700,000</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):</p>

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A2.7: Samur-Apsheron Water Supply and Irrigation Project (First Stage)
Concept Paper**

Date: 14 June 2002

<p>1. Type/modality of assistance</p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input checked="" type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Activities financed by JFICT or JFPR</p>											
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Water Resources Subsector: Water Supply, Irrigation</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input checked="" type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>		<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development										
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance										
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development										
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection										
<input type="checkbox"/> Other:											
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country Azerbaijan <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>											
<p>4. Responsible division/department: Agriculture, Environment, and Natural Resources Division, East and Central Asia Department</p>											
<p>5. Responsible ADB officer(s): B. Tambunan</p>											
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The Samur-Apsheron canal system is a major source of water for Baku and for irrigation in northeast Azerbaijan. The system has deteriorated and threatens the continued supply of drinking water to Baku and irrigation water to farmers. Currently, the World Bank is financing the rehabilitation of the headworks on the system, while the Islamic Development Bank is financing the rehabilitation of the Khanarkh canal, up to the town of Deveji. The Japanese Government is considering providing assistance to finance the construction of a new canal from Deveji into a new storage reservoir at Takhtakorpu river. The Government has requested ADB to finance construction of the remaining Samur-Apsheron canal system of about 80 kms. From Takhtakorpu reservoir to Jeyranbatan reservoir, the estimated cost is \$80.0 million. It is proposed that the Project be done in two phases.</p>											

This project is in line with the overall ADB strategy toward Azerbaijan of reducing poverty through improving human development. It is also in line with the first prong of ADB's strategy of strengthening the effective provision of essential public goods and services to those in greatest need.

b. Goal and purpose: Improvement in the reliability and quality of drinking water in Baku and provision of irrigation water to farmers through construction of the last stretch of the Samur-Apshehon Canal System.

c. Components and outputs: A PPTA will determine the scope of the Project which is expected to include construction of about 80 kms of the water channel from the Takhtakorpu Reservoir to the Jeyranbatan Reservoir outside of Baku, as well as dismantling of two oil-fired pumping stations along the existing canal route.

d. Expected results and deliverables: More efficient and ensured water supply and irrigation water.

e. Social or environmental issues or concerns: An environmental impact assessment is required.

f. Plans for disseminating results/deliverables: Participatory workshops will be conducted to include all stakeholders.

7. Proposed executing/implementing agencies: State Committee for Water Resources Management

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

The World Bank is currently reviewing the technical, environmental, social, and economic viability of the expansion of the system. The study is expected to be completed by the end of 2002.

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001

b. Expected date of submission for approval
 Lending: 2005/2006
 Nonlending (project preparatory): 2004
 Nonlending (other than project preparatory):

c. Period and duration of assistance(s)
 Lending: 2005–2009
 Nonlending: 2004, 8 months

10. Financing Plan

a. For lending
 Ordinary capital resources: \$7 million
 Asian Development Fund: \$23 million
 Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending
 No resources required, other than ADB staff
 ADB's administrative budget: \$
 Grant TA funds: \$800,000

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES

This appendix contains the concept papers for the following nonlending products:

- (i) Table A3.1: Capacity Building for Small and Medium Enterprise Development and Formulation of a Competition Policy
- (ii) Table A3.2: Capacity Building for Key Sector Agencies
- (iii) Table A3.3: Capacity Building for Public Investment Program
- (iv) Table A3.4: Capacity Building for Ministry of Finance
- (v) Table A3.5: Capacity Building for Public Management and Municipal Reform
- (vi) Table A3.6: Small and Medium Enterprise Development
- (vii) Table A3.7: Strengthening of Financial Institutions
- (viii) Table A3.8: Regional Private Sector Development
- (ix) Table A3.9: Regional Financial Sector Development, Phase I
- (x) Table A3.10: Capacity Building in Priority Areas of Regional Cooperation
- (xi) Table A3.11: Trade Facilitation and Customs Cooperation Program, Phase II
- (xii) Table A3.12: Regional Financial Sector Development, Phase II
- (xiii) Table A3.13: Trade Facilitation and Customs Cooperation Program, Phase III

Table A3.1: Capacity Building for Small and Medium Enterprise Development and Formulation of a Competition Policy Concept Paper

Date: June 2002

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input checked="" type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Finance and Industry Subsector: Small and Medium Enterprise</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country Azerbaijan <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Governance, Finance and Trade Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): to be determined</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: SME development is a vital part of the national strategy to achieve balanced sector development. The Government of Azerbaijan has prepared a state program for the development of SMEs in Azerbaijan (2001–2003). In addition, a well-developed legislative framework established in recent years supports SME development. Major pieces of legislation enacted recently include laws on entrepreneurship, enterprises, joint-stock companies, unfair competition, and state support to small enterprises. Notwithstanding these accomplishments, several problems obstruct the development of SMEs, including: (i) a highly distorted policy environment; (ii) too ambiguous national program; (iii) ineffective legal enforcements; (iv) poor access to high-quality business advisory services; (v) lack of coordination among various</p>										

funding agencies involved in the sector; (vi) unclear investment and financing mechanism including poor access to financing; and (vii) need for business service and management skills development.

b. Goal and purpose: The objective of the TA is to support economic growth by promoting development of the micro, small and medium-sized enterprise sector. The TA will review the status of micro and SME development in Azerbaijan, and its policy, legal, and regulatory framework with a specific emphasis on policies that will promote and strengthen competition for SMEs. The TA will also identify and evaluate appropriate financial institutions that could act as intermediaries in the delivery of finance to micro and SMEs. The TA will provide a basis for formulating an assistance program that will include a set of policy and regulatory recommendations, a plan for business development services in selected urban areas, and approaches and modalities for meeting the equity and debt requirements of SMEs.

c. Components and outputs:

- (i) **Component A: Facilitation of Regional Business Development Services (BDS).** Under this component, the TA will provide capacity building/training to a core group of BDS providers to train SMEs in a wide range of areas such as international marketing, basic accounting, preparation of feasibility studies and business plans, and use of information technology in business operations in the selected urban areas.
- (ii) **Component B: Climate for SMEs.** This component of the TA will address the following issues: (i) legal enforcement; (ii) support for the deepening of regulatory reform by reviewing and simplifying regulations and licensing; (iii) potential investment and financing mechanisms for SMEs; (iii) support for private sector investments; and (iv) capacity building. The SME framework will focus on rationalizing the institutional mandate for SME policy formulation and implementation, and the provision of business and financial support in accordance with international best practice.
- (iii) **Component C: Development of Competition Policy.** The objective is to support sustained growth by encouraging a more diversified and efficient SME structure through adoption of policies that promote and strengthen competition, and provide a level playing field for SMEs. The TA will promote competition policy in accordance with best practice, and develop capacity to review commercial laws and regulations that impede competition, with a view to eliminating those that cannot be justified in terms of net public benefits.

d. Expected results and deliverables:

- (i) Sector profiles of microenterprises and SMEs identifying policy, regulatory, taxation, institutional, and gender-specific issues facing microenterprises, and SMEs in Azerbaijan;
- (ii) A review of financial services available for SMEs and an identification of their shortcomings;
- (iii) A policy matrix for a policy, regulatory, and institutional framework;
- (iv) Review of financial intermediaries for possible micro and SME financing facility;
- (v) Proposal for establishment of business development centers in selected urban areas, including business plans and 3-year budget; and
- (vi) An assessment of the role of other agencies supporting micro and SME sector and evaluation of lessons learned and experience gained.

e. Social or environmental issues or concerns: Environmental degradation is widespread in Azerbaijan and has not fundamentally improved during the transition to a market economy. ADB addresses environmental concerns by carefully designing its activities to ensure that none has negative environmental components in its operations. ADB support for government initiatives on environmental protection emphasize: (i) environmental legislation and institutional strengthening; and (ii) improved management of water, land, energy, and other natural resources by integrating environmental considerations into projects.

f. Plans for disseminating results/deliverables: Workshops will be conducted presenting the results of the TA to government staff, NGOs, and international development agencies.

<p>7. Proposed executing/implementing agencies: Ministry of Economic Development</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</p> <p>The Ministry of Economic Development, which is responsible for SME policies in Azerbaijan, requested ADB's support for SME development and the formulation of a competition policy.</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001</p> <p>b. Expected date of submission for approval</p> <p>Lending</p> <p>Nonlending (project preparatory)</p> <p>Nonlending (other than project preparatory): Q2 2003</p> <p>c. Period and duration of assistance (s)</p> <p>Lending</p> <p>Nonlending 6 months</p>
<p>10. Financing Plan</p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources: \$</p> <p><input type="checkbox"/> Asian Development Fund: \$</p> <p><input type="checkbox"/> Other: \$</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget: \$</p> <p><input checked="" type="checkbox"/> Grant TA funds: \$600,000</p> <p>If cofinancing is required indicate sources, and amount sought: If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):</p>

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.2: Capacity Building for Key Sector Agencies
Concept Paper**

Date: 14 June 2002

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input checked="" type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input checked="" type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Multisector Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input checked="" type="checkbox"/> Other: Institutional Development</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input checked="" type="checkbox"/> Other: Institutional Development	
<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input checked="" type="checkbox"/> Other: Institutional Development										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country Azerbaijan <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Operations Coordination Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): M. Gatti</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Appropriate and effective institutions are fundamental to the provision of appropriate levels of support to the emerging market economy. The level of institutional change and capacity building required are substantial and the Government in cooperation with external agencies will need to devote substantial effort and resources to this task. ADB's interim operational strategy supports Government's efforts to build institutional capacity, particularly within the key sector agencies with which ADB will be working.</p> <p>b. Goal and purpose: The objective of the TA is to build capacity within three to four key Government agencies with which ADB would be implementing its first loan and/or Japan Fund for Poverty Reduction projects in Azerbaijan. The purpose of the TA is to provide complementary capacity building activities in parallel with ADB's lending/JFPR grant assistance projects in order that these initial operations would be rendered more effective.</p>										

c. Components and outputs:

A needs and stakeholder analysis will be conducted in each of the key sectors (assistance for internally displaced persons (IDPs), agriculture and rural development, water supply and sanitation and roads) to identify weaknesses and areas where capacity building are most needed. Examples of components which may be included in the project include:

- (i) building capacity for formulating and implementing sectoral poverty strategies. In particular, assistance for the implementation of the future national program for poverty reduction (i.e., build capacity in State Committee for Refugees and Internally Displaced Persons to strengthen their capacity to implement the 20 activities listed in the national program);
- (ii) building capacity in governance-related areas (i.e., strengthen State Committee for Architecture and Construction in the area of water tariffs – related to proposed Urban Water Supply and Sanitation Project);
- (iii) building capacity for redressing institutional weaknesses related to other key thematic areas of ADB projects (i.e., build capacity in State Committee for Water Resources Management for assessing flood damage in Sheki-Zagatala watershed – related to proposed Flood Management Project); and
- (iv) assisting to build capacity for more effective project management.

d. Expected results and deliverables: The TA is expected to build up institutional capacity in several Government Ministries/agencies. The expected results and deliverables may include: (i) concerned staff systematically and appropriately trained; (ii) improved coordination/cooperation between relevant Ministries/Government agencies and ADB; and (iii) improved coordination/cooperation amongst Ministries/Government agencies.

e. Social or environmental issues or concerns: No social or environmental issues

f. Plans for disseminating results/deliverables: Consultant reports.

7. Proposed executing/implementing agencies: State Committee for Refugees and Internally Displaced Persons, State Committee for Architecture and Construction, State Committee for Water Resources Management, Ministry of Transportation (when constituted)

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: Initial consultations have been held with State Committee for Refugees and Internally Displaced Persons, State Committee for Architecture and Construction, and State Committee for Water Resources Management

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): II-IIIQ 2003
- c. Period and duration of assistance(s)
 - Lending:
 - Nonlending: 8 months

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending

- Ordinary capital resources: \$
- Asian Development Fund: \$
- Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget: \$
- Grant TA funds: \$450,000

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.3: Capacity Building for Public Investment Program
Concept Paper**

Date: June 2002

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Operations Coordination Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): V. Reppelin-Hill</p>										
<p>6. Description of assistance(s)</p> <p>b. Background/linkage to country/regional strategy: ADB's interim operational strategy (IOS) for Azerbaijan was endorsed by the Board in December 2000. The overarching goal of the IOS is to reduce poverty and raise the people's living standards in Azerbaijan. This is to be achieved through (i) enhancing human development, (ii) supporting good governance and institutional strengthening, and (iii) promoting sustainable growth. Initially, ADB's operations are to be policy driven, with a special emphasis on good governance and strengthening institutions.</p> <p>The Country Strategy and Program Update (2001–2004) for Azerbaijan includes in the Technical Assistance Program for 2003–2004 an advisory technical assistance (ADTA) project for capacity building for public investment program in the amount of \$500,000. This ADTA is being advanced to late 2002/early 2003. The establishment of a public investment program (PIP) is critical to facilitate the implementation of the Government's economic program (including the PRSP) in terms of prioritizing the proposed activities.</p>										

c. Goal and purpose: The TA aims to strengthen the capacity of the Government to formulate and implement PIPs that are consistent with the country's development priorities and closely linked to the state budget.

d. Components and outputs: The TA may include the following:

- (i) making an organizational assessment within MOED and if necessary assisting in organizational adjustment within MOED to clearly allocate PIP responsibilities (formulation and implementation of PIP, investment planning and budgeting, coordination and management of external assistance, etc.) among various departments;
- (ii) developing an effective planning systems framework to help establish strong links among MOED, MOF, line ministries, and local governments in formulating and implementing PIPs (ensure quality information flows in a timely and regular manner, integrate PIP prioritization into annual budget development and beyond in the medium-term framework); establish links between PIP and external debt management departments;
- (iii) strengthening/institutionalizing PIP process and procedures by introducing standard procedures for project submission, selection, evaluation, and prioritization; and
- (iv) training government officials involved in formulating and implementing PIPs (within MOED, MOF, line ministries, and selected local governments). Subject areas could include: public investment planning; project appraisal, evaluation and prioritization; financial and economic analyses of projects; resource planning and budgeting; and incorporation of social and environmental impacts of projects into PIP preparation.

e. Expected results and deliverables: The TA is expected to build up the capacity of MOED for financial management and planning of the PIP. The expected results and deliverables may include: (i) appropriate institutional adjustments to clearly define responsibilities related to the PIP among concerned MOED departments; (ii) an effective reporting and monitoring system of financial information on the PIP maintained by local staff (iii) improved coordination/cooperation between relevant Ministries/Government agencies; and (iv) concerned staff systematically and appropriately trained.

f. Social or environmental issues or concerns: None

g. Plans for disseminating results/deliverables: Consultant reports. Development of manuals (user's manual for PIP database for example)

7. Proposed executing/implementing agencies: Ministry of Economic Development

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

Consultation with Ministry of Economic Development over the course of country programming missions.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2003
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): III-IVQ 2003
- c. Period and duration of assistance
 - Lending:
 - Nonlending: 12-14 months

10. Financing Plan

a. For lending

- Ordinary capital resources:
- Asian Development Fund:
- Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget:
- Grant TA funds: \$500,000

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.4: Capacity Building for Ministry of Finance
Concept Paper**

Date: 14 June 2002

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Operations Coordination Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): V. Reppelin-Hill</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: ADB's interim operational strategy (IOS) for Azerbaijan, which was endorsed by the Board in December 2000, places a special emphasis on good governance and strengthening institutions. ADB has been assisting the Macroeconomic Policy Group (MPG) Ministry of Finance (MOF) since beginning of 2002 through its <i>Capacity Building for Strategic Economic Policy Advise in the Ministry of Finance project (TA 3661)</i>.</p> <p>b. Goal and purpose: The project would continue the assistance currently being provided under ADB's ongoing TA. The objectives of the TA are to support the development of a sound economic policy framework so as to strengthen economic policy-making capacity within MOF and improve the quality of economic advice.</p> <p>c. Components and outputs:</p> <p>(i) Assistance to develop a sustainable MPG with a strongly entrenched institutional role capable</p>										

<p>of delivering relevant advice to high-level officials;</p> <p>(ii) Provision of strategic policy advice on matters of structural reform and macroeconomic policy;</p> <p>(iii) Improvement in the economic information base; and</p> <p>(iv) Enhancing forecasting and program design in MOF and improved policy analysis in key areas of fiscal reform;</p> <p>d. Expected results and deliverables: The TA is expected to continue to build up the capacity of MOF. The expected results and deliverables include: (i) the smooth functioning of MPG and improvement in its ability to provide high-level policy advice to MOED officials; (ii) staff receiving training retained by MPG; (iii) improved capacities and skills of MOF staff; (iv) improved cooperation and coordination between MOF and other government agencies; (v) regular internal MOF memos advising on strategic policy issues; (vi) submission of specialist reports by short-term advisers on selected policy issues; and (vii) well-developed economic information base which is widely used by MOF staff.</p> <p>e. Social or environmental issues or concerns: No social or environmental issues</p> <p>f. Plans for disseminating results/deliverables: Periodic memos advising on strategic policy issues will be circulated within MOF. Specialist reports by short-term advisers on selected policy issues will be widely circulated within MOF and other relevant government agencies/ministries. Statistical information/forecasts will be published periodically.</p>
<p>7. Proposed executing/implementing agencies: Ministry of Finance</p>
<p>9. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</p> <p>Consultations with Ministry of Finance, Department for International Development (DFID), International Monetary Fund and World Bank.</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2002</p> <p>b. Expected date of submission for approval</p> <p>Lending: Nonlending (project preparatory): Nonlending (other than project preparatory): IQ 2004</p> <p>c. Period and duration of assistance Lending: Nonlending: 18 months</p>
<p>10. Financing Plan</p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources: <input type="checkbox"/> Asian Development Fund: <input type="checkbox"/> Other:</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget: <input checked="" type="checkbox"/> Grant TA funds: \$800,000</p>

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.5: Capacity Building for Public Sector Management and Municipal Reform
Concept Paper**

Date: July 2002

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input checked="" type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Social Sectors Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): L. Sabyrova</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/sub-regional/interregional strategy: The Government of Azerbaijan is currently undertaking a major restructuring of the public sector. To assist the Government in this process, one of the directions of the ADB's Interim Operational Strategy (IOS) for Azerbaijan is to support good governance and institutional strengthening.</p> <p>Efficient provision of municipal services is a significant part and an outcome of the ongoing public sector reform. Despite recently adopted pieces of legislature on municipalities, the provision of urban municipal services is often inadequate both in terms of efficiency and coverage. Among major deficiencies are unclear delineation of responsibilities between central and local authorities resulting in a frequent overlap of functions; weak financial position of municipal governments; and pervasive rent-seeking among municipal officials. This situation leads to a distorted policy environment for the development of the urban private sector, inefficient provision of municipal social services, and a burden on the public finance system.</p>										

b. Goal and purpose: The TA aims to strengthen the capacity of the Government in the efficient provision of municipal services and in the development of financially sound municipal authorities.

c. Components and outputs

The TA may include the following components:

(i) Assessment of the current state of municipal authorities, including their organizational structures, review of responsibilities and functions between various agencies on central and local levels, evaluation of municipal budgets with detailed analysis of revenues and expenditures, and links with the state budget. The latter analysis may take place in the selected municipalities.

(ii) Identification and evaluation of the ways to improve the administrative structure of municipalities, prioritization of functions and selection of the core activities, and proposals to improve financial positions of municipal governments.

(iii) Training program for government officials involved in the implementation of the municipal reform, including training of officials in municipal finance.

d. Expected results and deliverables: The TA is expected to contribute to the efficient provision of municipal services in Azerbaijan, and through that, to an appropriate policy environment for the economic development of municipalities. Among major expected results are the streamlining of the administrative system of municipal authorities and their improved financial positions.

e. Social or environmental issues or concerns: No social or environmental issues

f. Plans for disseminating results/deliverables: Consultants reports and recommendation, and workshops for the policy discussion and presentation of the results of the TA to the concerned government officials.

7. Proposed executing/implementing agencies: to be determined

10. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

Consultations with Ministry of Economic Development, Cabinet of Ministers and State Committee for Architecture and Construction.

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001

b. Expected date of submission for approval

Lending:

Nonlending (project preparatory):

Nonlending (other than project preparatory): IQ 2004

c. Period and duration of assistance

Lending:

Nonlending: to be determined

10. Financing Plan

- a. For lending
- Ordinary capital resources:
 - Asian Development Fund:
 - Other:
- b. For nonlending
- No resources required, other than ADB staff
 - ADB's administrative budget:
 - Grant TA funds: \$700,000

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.6: Small and Medium Enterprise Development
Concept Paper**

Date: June 2002

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input checked="" type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Finance and Industry Subsector: Small and Medium Enterprise</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country Azerbaijan <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Governance, Finance and Trade Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): to be determined</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: SME development is a vital part of the national strategy to achieve balanced sector development. The Government of Azerbaijan has prepared a state program for the development of SMEs in Azerbaijan (2001–2003). In addition, a well-developed legislative framework established in recent years supports SME development. Major pieces of legislation enacted recently include laws on entrepreneurship, enterprises, joint-stock companies, unfair competition, and state support to small enterprises. Notwithstanding these accomplishments, several problems obstruct the development of SMEs, including: (i) a highly distorted policy environment; (ii) too ambiguous national program; (iii) ineffective legal enforcements; (iv) poor access to high-quality business advisory services; (v) lack of coordination among various funding agencies involved in the sector; (vi) unclear investment and financing mechanism including poor access to financing; and (vii) need for business service and management skills development. This TA will build on the results of the work accomplished under the Capacity Building for Small and Medium Enterprise Development</p>										

and Formulation of a Competition Policy TA.

b. Goal and purpose: The overall goal is to create a viable and sustainable institutional framework for effective delivery of financial services to the poor, low-income households and small and micro enterprises. The immediate purpose of the TA is to prepare a suitable loan project aimed at promoting development of small and micro enterprises.

c. Components and outputs: The detailed components will be determined upon completion of the 2003 Financial Sector TA and subsequent fact-finding. Possible components include:

- (i) Development of an enabling, legal and regulatory cum supervisory framework;
- (ii) Promotion of the establishment of an institutionally and financially sustainable network of savings and credit unions;
- (iii) Development of institutional capacities of the designated commercial banks to serve as intermediaries for mobilizing deposits from households, and micro and small enterprises; and
- (iv) Institutional capacity building both at the banks and credit unions.

d. Expected results and deliverables: The results will depend on the actual components chosen. Possible results include:

- (i) Credit union network that is financially sound and institutionally stable;
- (ii) Establishment of enabling legal and regulatory framework;
- (iii) Enhance microfinance delivery functions in commercial banks.

e. Social or environmental issues or concerns: Environmental degradation is widespread in Azerbaijan and has not fundamentally improved during the transition to a market economy. ADB addresses environmental concerns by carefully designing its activities to ensure that none has negative environmental components in its operations. ADB support for government initiatives on environmental protection emphasize: (i) environmental legislation and institutional strengthening; and (ii) improved management of water, land, energy, and other natural resources by integrating environmental considerations into projects.

f. Plans for disseminating results/deliverables:

7. Proposed executing/implementing agencies: Ministry of Economic Development

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

The Ministry of Economic Development, which is responsible for SME policies in Azerbaijan, requested ADB's support for SME development.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001
- b. Expected date of submission for approval
 - Lending
 - Nonlending (project preparatory)
 - Nonlending (other than project preparatory): Q2 2005
- c. Period and duration of assistance (s)
 - Lending
 - Nonlending: To be determined

10. Financing Plan

a. For lending

- Ordinary capital resources: \$
- Asian Development Fund: \$
- Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending

- No resources required, other than ADB staff
- ADB's administrative budget: \$
- Grant TA funds: \$600,000

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.7: Strengthening of Financial Institutions
Concept Paper**

Date: July 2002

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input checked="" type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Finance Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input checked="" type="checkbox"/> Country <input type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Governance, Finance and Trade Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): To be determined.</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The country strategy for Azerbaijan emphasizes good governance and institutional strengthening and a key theme is private sector development. Strengthening of the National Bank of Azerbaijan (NBA) contributes to institutional strengthening and good governance in the banking sector. A financially strong, well-regulated and supervised banking sector is vital to support private sector development through resource mobilization and intermediation. In Azerbaijan, the commercial banks are the key financial intermediaries and thus have a vital role in private sector development, in providing financial services to the growing enterprise sector. The Azeri banking sector is being reformed and liberalized as state-owned banks are due to be privatized by 2004, and the banking sector has become more open for foreign banks. These changes will require the National Bank to upgrade its regulation and supervision as well as continued</p>										

development of the payment system which will have more participating banks.

b. Goal and purpose: The goal is to facilitate financial sector development by strengthening the capacity of NBA capacity to regulate and supervise a diversified and liberalized banking sector.

c. Components and outputs: The details of the components will be determined upon completion of the 2003 Financial sector TA and subsequent fact-finding.

d. Expected results and deliverables: The results will depend on the actual components chosen.

e. Social or environmental issues or concerns: No social or environmental concerns.

f. Plans for disseminating results/deliverables: The National Bank bulletin disseminates information about the financial viability of commercial banks, and the banking system, and the financial stability in the system.

7. Proposed executing/implementing agencies: National Bank of Azerbaijan

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

Consultations with the National Bank of Azerbaijan, commercial banks, and the banking association

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001

b. Expected date of submission for approval

Lending:

Nonlending (project preparatory):

Nonlending (other than project preparatory): II – III Q 2005

c. Period and duration of assistance

Lending:

Nonlending: To be determined.

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

a. For lending

Ordinary capital resources: \$

Asian Development Fund: \$

Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending

No resources required, other than ADB staff

ADB's administrative budget: \$

Grant TA funds: \$300,000

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements. (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.8: Regional Private Sector Development
Concept Paper**

Date: May 2002

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input checked="" type="checkbox"/> Other: RETA</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the</p> <p>Sector: Trade</p> <p>Subsector: Customs</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development									
<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Governance, Finance and Trade Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): To be determined.</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: A vibrant private sector is vital to growth and development in the Central Asian republics (CARs). While the share of the private sector in GDP in the CARs has increased, large state-owned enterprises dominate in the industrial sectors. These sectors tend to be heavily concentrated with few enterprises as well. Resource-rich countries like Kazakhstan and Azerbaijan have attracted foreign direct investment (FDI) in their oil industries but the other countries have received comparatively small amounts of FDI and there is a lack of private financing for infrastructure, for example. Lack of coherent investment and competition policies hamper private sector development and investments, both domestic and foreign. Furthermore, these countries have to exploit the options for public-private partnerships in infrastructure finance. Private capital is necessary to complement the scarcity of government funding for investments and infrastructure in particular.</p> <p>b. Goal and purpose: The goal is to promote private sector development in the region to enhance trade,</p>										

investments, and growth. The purpose of the TA is to identify the constraints to investment and private sector development and develop measures and actions to address these in a regional context.

c. Components and outputs: The TA will (i) examine investment policies, competition policies, the legal framework for public-private partnership for infrastructure financing, and the potential for the region's economies to attract private capital, both FDI and financing for infrastructure; and (ii) develop recommendations for policies and guidelines for investment and competition policies in line with proposed World Trade Organization recommendations, and measures to facilitate and enhance the flow of FDI and promote private-public partnerships for infrastructure finance.

d. Expected results and deliverables: Reports, workshops

e. Social or environmental issues or concerns: None

f. Plans for disseminating results/deliverables: To be determined.

7. Proposed executing/implementing agencies: The ADB will execute the overall TA. The ministries of trade and industry, chambers of commerce or equivalent, industry associations or equivalent in the respective countries in the East and Central Asia region will be the implementing agencies.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: Chambers of commerce (and equivalents) and industry associations have been consulted in the preparation of the initial concept.

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001

b. Expected date of submission for approval

Lending:

Nonlending (project preparatory):

Nonlending (other than project preparatory): 2003

c. Period and duration of assistance

Lending:

Nonlending: To be determined.

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

a. For lending

Ordinary capital resources: \$

Asian Development Fund: \$

Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

b. For nonlending

No resources required, other than ADB staff

ADB's administrative budget: \$

Grant TA funds: To be determined.

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.9: Regional Financial Sector Development, Phase I
Concept Paper**

Date: May 2002

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input checked="" type="checkbox"/> Other: RETA</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the</p> <p>Sector: Trade</p> <p>Subsector: Customs</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Governance, Finance and Trade Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): To be determined.</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The financial sectors in the Central Asian republics are dominated by banks that provide basic financial services, but the financial sectors are shallow as indicated by low ratios of deposits and credit to GDP, ineffective in financial intermediation due to inadequate experience in credit risk and management, and ineffective in providing credit and trade finance to the private sector. While efforts have been made to upgrade regulation and supervision of financial institutions, enforcement is still lagging. The financial institutions are not effective in providing financing and catalyzing private sector development in the region, and capital markets have yet to develop to broaden and deepen the financial sectors. Effective financial sectors and institutions will catalyze private sector development and facilitate regional trade and growth.</p> <p>b. Goal and purpose: The goal is to promote effective financial sectors in the region that can catalyze private sector development, regional trade, and growth. The purpose is to identify weaknesses in the financial sectors in</p>										

the region that are obstacles to private sector development and develop recommendations and actions to address these. The TA will also complement the private sector and financial management assessments being undertaken for each of the countries in the region.

c. Components and outputs: The TA will have two components. The first component is a diagnostic study of the financial sectors in the region to (i) assess the capability of financial institutions in the region to provide financing (working capital, medium-term credits, trade finance) to support private sector development, (ii) the state of regulation and supervision of financial institutions and need for capacity building, and (iii) the options and role of the capital markets to support enterprise growth and development in a regional context. The second component will be development of a blueprint for (i) capacity building for financial sector regulators, (ii) harmonization of banking sector policies, and (iii) development and integration of capital markets.

d. Expected results and deliverables: Reports

e. Social or environmental issues or concerns: None

f. Plans for disseminating results/deliverables: To be determined.

7. Proposed executing/implementing agencies: The ADB will execute the overall TA. The ministries of finance, central banks, and other regulatory agencies in the respective countries in the East and Central Asia region will be the implementing agencies.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

9. Timetable for assistance design, processing, and implementation

a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2001

b. Expected date of submission for approval
Lending:
Nonlending (project preparatory):
Nonlending (other than project preparatory): 2003

c. Period and duration of assistance
Lending:
Nonlending: To be determined

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
- Ordinary capital resources: \$
 - Asian Development Fund: \$
 - Other:

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
- No resources required, other than ADB staff
 - ADB's administrative budget: \$
 - Grant TA funds: To be determined

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.10: Capacity Building in Priority Areas of Regional Cooperation
Concept Paper**

Date: 26 July 2002

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input checked="" type="checkbox"/> Institutional development</p> <p> <input type="checkbox"/> Other:</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input type="checkbox"/> Economic growth</td> <td><input checked="" type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input type="checkbox"/> Economic growth	<input checked="" type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Operations Coordination Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): Lan Wu</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Supporting regional economic cooperation is one of the three pillars of ADB's poverty reduction strategy and a strategic focus in ADB operations as enunciated in the Long-Term Strategic Framework (LTSF). Under the overall objective of promoting sustained economic growth and poverty reduction, ADB has provided support for economic cooperation in Central Asia since 1997. Its operational focus is on three areas: transport—to alleviate the region's locational disadvantage; energy—to encourage rational use of vital resources of energy and water; and trade facilitation—to promote trade within the region and with outside world. To date, modest success has been achieved, as evidenced in (i) increased awareness and understanding of cooperation, with an overall framework established to further cooperation; and (ii) a preliminary set of priority regional projects identified in each of the focused areas, which are now at various stages of implementation.</p>										

With the gradual return of peace to Afghanistan, renewed world focus on Central Asia, and a general climate more conducive to cooperation in the region, ADB faces new challenges: principally, how to advance cooperation to assist the countries in seizing this historical opportunity to achieve and maintain peace, stability, and prosperity through cooperation? One key to future success on a sustainable basis lies in the strengthening of capacity of the countries participating in the ADB-supported Central Asia Regional Cooperation Program. Specifically, the institutional capacity of government agencies involved in regional cooperation, i.e., the capacity of the officials in charge of or participating in regional cooperation (policy making and implementation), would be the basis for bringing forward the cause of regional cooperation.

This important role of capacity for regional cooperation has been clearly recognized by the participating governments, and the request for ADB to assist in capacity building for regional cooperation, especially in the three priority areas of cooperation, was reflected in the Ministerial Statement issued at the Ministerial Conference on Economic Cooperation in Central Asia held on 25–26 March 2002.

b. Goal and purpose: The overall goal of the TA is to promote economic growth and reduce poverty in Central Asia. The specific purpose of the TA is to promote economic cooperation through strengthening the capacity of the participating governments for regional cooperation, particularly in the areas of transport, energy, and trade facilitation.

c. Components and outputs: The TA will have the following components and corresponding outputs:

- (i) A comprehensive assessment of capacity-building needs—the output will be a comprehensive capacity-building plan. The plan will identify and analyze the medium- and longer-term needs for institutional and technical capacity building. The plan will aim to meet these needs with sequenced steps of implementation, with clear monitorable indicators.
- (ii) Capacity-building activities for national focal points (NFPs)—as NFPs are a central part of the overall framework and are key to the coordination of cooperation activities in their respective governments, their capacity both as an institution and as individual officials would be crucial to future success of cooperation. The capacity-building needs, including training needs, would need to be tailored to suit the specific mandate of the NFPs.
- (iii) Sector capacity building activities—two sets of activities including training courses will be important: one more focused on skills and capacity in the more general area of administration and management pertinent to economic cooperation; and the other more focused on technical skills and capacity specific to their respective sectors.
- (iv) Supporting activities—based on the assessment, some support for equipment may be necessary in order to ensure the effectiveness of capacity-building activities.

d. Expected results and deliverables: The TA is expected to generate (i) enhanced institutional capacity of the governments in furthering regional cooperation in general and (ii) strengthened technical and institutional capacity of the priority sectors of economic cooperation.

e. Social or environmental issues or concerns: None foreseen.

f. Plans for disseminating results/deliverables: Dissemination will be through workshops, meetings, publications and other means including ADB websites, in addition to wide circulation of materials (including consultant reports) within each government and among donors and other stakeholders.

7. Proposed executing/implementing agencies: Operations Coordination Division, East and Central Asia Department

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance: ADB has committed to developing capacity building at the request of the governments as explicitly stated in the Ministerial Statement of the Ministerial Conference on Economic Cooperation in Central Asia.

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2002
- b. Expected date of submission for approval
 - Lending:
 - Nonlending (project preparatory):
 - Nonlending (other than project preparatory): 1st half 2003
- c. Period and duration of assistance
 - Lending:
 - Nonlending: 2003–2005

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 - Ordinary capital resources: \$
 - Asian Development Fund: \$
 - Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
 - No resources required, other than ADB staff
 - ADB's administrative budget: \$
 - Grant TA funds: To be determined.

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.11: Trade Facilitation and Customs Cooperation Program, Phase II
Concept Paper**

Date: May 2002

<p>1. Type/modality of assistance (double-click on appropriate box)</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input checked="" type="checkbox"/> Other: RETA</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Trade Subsector: Customs</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input type="checkbox"/> Private sector development									
<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Governance, Finance and Trade Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): To be determined.</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Supporting regional economic co-operation to promote sustainable economic growth and poverty reduction is a key objective of ADB's operations. Facilitating trade, especially cross-border trade, has been a focus of ADB's program in the Central Asian region since 1997. Since 2000, ADB's trade facilitation has focused on the potential for customs modernization and cooperation. The first phase of technical assistance for regional trade facilitation and customs cooperation is being processed in 2002 comprising the following components: (i) harmonization and simplification of documentation; (ii) simplification of border and transit procedures; (iii) establishment of data transfer protocols; (iv) coordinated data gathering and information systems; (v) development of common performance standards; (vi) effective use of technical resources; (vii) possible regional initiatives to promote post-transit/entry compliance audits; (viii) establishing pilot joint processing centers of customs; and (ix) regional capacity building and training initiatives.</p>										

- b. Goal and purpose:** The goal is to establish efficient and effective customs arrangements in the region that will facilitate foreign trade and investment, encourage movement of goods and people, and promote economic growth.
- c. Components and outputs:** The Phase II TA will build on and carry forward the activities started in Phase I, but expand issues related to the WTO. Phase II will tentatively focus on (i) continued capacity building for customs officials, (ii) information and communication technology applications for trade facilitation and customs and regional information linkages, (iii) continue and expand pilot joint processing centers, (iv) support implementation of simplified border and transit procedures, and (v) assessment of issues relating to WTO accession for applicant countries and development of action plans to support applicant countries in their preparations for WTO accession. The details will be decided upon completion of Phase I TA.
- d. Expected results and deliverables:** Reports, workshops and seminars.
- e. Social or environmental issues or concerns:** none
- f. Plans for disseminating results/deliverables:** To be determined.

7. Proposed executing/implementing agencies: The Ministries for Trade and State Customs Administrations in the respective countries in the East and Central Asian Region will be the implementing agencies. The ADB will execute the overall TA.

8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2002
- b. Expected date of submission for approval
Lending:
Nonlending (project preparatory):
Nonlending (other than project preparatory): 2004
- c. Period and duration of assistance
Lending:
Nonlending: To be determined

10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)

- a. For lending
 Ordinary capital resources: \$
 Asian Development Fund: \$
 Other: \$

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

- b. For nonlending
 No resources required, other than ADB staff
 ADB's administrative budget: \$
 Grant TA funds: To be determined.

If cofinancing is required indicate sources, and amount sought:

If known, provide cost estimates and financing arrangements (e.g., total cost, ADB financing, other financing, and government financing):

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.12: Regional Financial Sector Development, Phase II
Concept Paper**

Date: May 2002

<p>1. Type/modality of assistance</p> <p><input type="checkbox"/> Lending</p> <p> <input type="checkbox"/> Project loan</p> <p> <input type="checkbox"/> Program loan</p> <p> <input type="checkbox"/> Sector loan</p> <p> <input type="checkbox"/> Sector development program loan</p> <p> <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p> <input type="checkbox"/> Project preparatory</p> <p> <input type="checkbox"/> Other than project preparatory</p> <p> <input type="checkbox"/> Economic, thematic, and sector work</p> <p> <input type="checkbox"/> Institutional development</p> <p> <input checked="" type="checkbox"/> Other: RETA</p>										
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Trade Subsector: Customs</p> <p>b. For project preparatory and lending, classification</p> <p> <input type="checkbox"/> Core poverty intervention</p> <p> <input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development									
<input type="checkbox"/> Gender and development	<input type="checkbox"/> Good governance									
<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development									
<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection									
<input type="checkbox"/> Other:										
<p>3. Coverage</p> <p><input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>										
<p>4. Responsible division/department: Governance, Finance and Trade Division, East and Central Asia Department</p>										
<p>5. Responsible ADB officer(s): To be determined</p>										
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: The financial sectors in the Central Asian republics are dominated by banks that provide basic financial services, but the financial sectors are shallow as indicated by low ratios of deposits and credit to GDP, and are ineffective in financial intermediation due to inadequate experience in credit risk management; they are ineffective in providing credit and trade finance to the private sector. While efforts have been made to upgrade regulation and supervision of financial institutions, enforcement is still lagging. The financial institutions are ineffective in providing financing and catalyzing private sector development in the region, and capital markets have yet to develop to broaden and deepen the financial sectors. Effective financial sectors and institutions will catalyze private sector development and facilitate regional trade and growth.</p> <p>b. Goal and purpose: The goal is to promote effective financial sectors in the region that can catalyze private sector development, regional trade, and growth.</p>										

<p>c. Components and outputs: The second phase of assistance for the region's financial sectors will aim to implement reforms identified during phase I in the areas of (i) harmonization of banking sector policies, (ii) capacity building for regulators, and (iii) development and integration of capital markets. The details will be decided on completion of the first phase TA in 2003.</p> <p>d. Expected results and deliverables: To be determined</p> <p>e. Social or environmental issues or concerns: None</p> <p>f. Plans for disseminating results/deliverables: To be determined.</p>
<p>7. Proposed executing/implementing agencies: ADB will execute the overall TA. The ministries of finance, central banks, and other regulatory agencies in the various countries in the East and Central Asia region will be the implementing agencies.</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2002</p> <p>b. Expected date of submission for approval Lending: Nonlending (project preparatory): Nonlending (other than project preparatory): 2005</p> <p>c. Period and duration of assistance Lending: Nonlending: To be determined</p>
<p>10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending <input type="checkbox"/> Ordinary capital resources: \$ <input type="checkbox"/> Asian Development Fund: \$ <input type="checkbox"/> Other: \$</p> <p>b. For nonlending <input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget: \$ <input checked="" type="checkbox"/> Grant TA funds: To be determined.</p>

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.

**Table A3.13: Regional Trade Facilitation and Customs
Cooperation Program, Phase III
Concept Paper**

Date: May 2002

<p>1. Type/modality of assistance (double-click on appropriate box)</p> <p><input type="checkbox"/> Lending</p> <p><input type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input checked="" type="checkbox"/> Other: RETA</p>											
<p>2. Assistance Focus</p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Trade Subsector: Customs</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p>c. Key thematic area(s)</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Economic growth</td> <td><input type="checkbox"/> Human development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td><input checked="" type="checkbox"/> Good governance</td> </tr> <tr> <td><input type="checkbox"/> Environmental protection</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Regional cooperation</td> <td><input type="checkbox"/> Social protection</td> </tr> <tr> <td><input type="checkbox"/> Other:</td> <td></td> </tr> </table>		<input checked="" type="checkbox"/> Economic growth	<input type="checkbox"/> Human development	<input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Good governance	<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection	<input type="checkbox"/> Other:	
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<input type="checkbox"/> Environmental protection	<input checked="" type="checkbox"/> Private sector development										
<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Social protection										
<input type="checkbox"/> Other:											
<p>3. Coverage</p> <p><input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>											
<p>4. Responsible division/department: Governance, Finance and Trade Division, East and Central Asia Department</p>											
<p>5. Responsible ADB officer(s): To be determined.</p>											
<p>6. Description of assistance(s)</p> <p>a. Background/linkage to country/regional strategy: Supporting regional economic co-operation to promote sustainable economic growth and poverty reduction is a key objective of ADB's operations. Facilitating trade, especially cross-border trade, has been a focus of ADB's program in the region since 1997. Since 2000, ADB's trade facilitation has focused on the potential for customs modernization and cooperation. The first phase of technical assistance for regional trade facilitation and customs cooperation is being processed in 2002 comprising the following components: (i) harmonization and simplification of documentation; (ii) simplification of border and transit procedures; (iii) establishment of data transfer protocols; (iv) coordinated data gathering and information systems; (v) development of common performance standards; (vi) effective use of technical resources; (vii) possible regional initiatives to promote</p>											

<p>post-transit/entry compliance audits; (viii) establishing pilot joint processing centers of customs; and (ix) regional capacity building and training initiatives. Phase II TA in 2004 aims to carry forward these initiatives to ensure continuity and expand more on WTO related issues, and the proposed Phase III will further expand and carry forward these initiatives and strengthen regional cooperation.</p> <p>b. Goal and purpose: The goal is to establish efficient and effective trade and customs arrangements in the region that will facilitate foreign trade and investment, encourage movement of goods and people, and promote economic growth.</p> <p>c. Components and outputs: Phase III will carry forward the components initiated in phase I and II to ensure continuity in capacity building, harmonization of procedures, data sharing. Phase III will have a stronger focus on WTO accession matters for applicant countries, by providing more capacity building for the applicant countries to facilitate necessary adjustments in policies, regulations and standards to comply with WTO requirements. The details will be decided upon completion of Phase II TA in 2004.</p> <p>d. Expected results and deliverables: Reports, workshops and seminars.</p> <p>e. Social or environmental issues or concerns: none</p> <p>f. Plans for disseminating results/deliverables: To be determined.</p>
<p>7. Proposed executing/implementing agencies: The State Customs Administrations in the respective countries in the East and Central Asian Region will be the implementing agencies. The ADB will execute the overall TA.</p>
<p>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</p>
<p>9. Timetable for assistance design, processing, and implementation</p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2002</p> <p>b. Expected date of submission for approval Lending: Nonlending (project preparatory): Nonlending (other than project preparatory): 2005</p> <p>c. Period and duration of assistance Lending: Nonlending: To be determined.</p>
<p>10. Financing Plan (Indicate possible financing sources and amount of assistance, cost estimates, and financing arrangements)</p> <p>a. For lending <input type="checkbox"/> Ordinary capital resources: <input type="checkbox"/> Asian Development Fund: <input type="checkbox"/> Other:</p> <p>b. For nonlending <input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget: <input checked="" type="checkbox"/> Grant TA funds:</p>

ADB = Asian Development Bank, CSP = country strategy and program, SCSP = subregional cooperation strategy and program, TA = technical assistance.