

ADB'S Strategy for Regional Cooperation

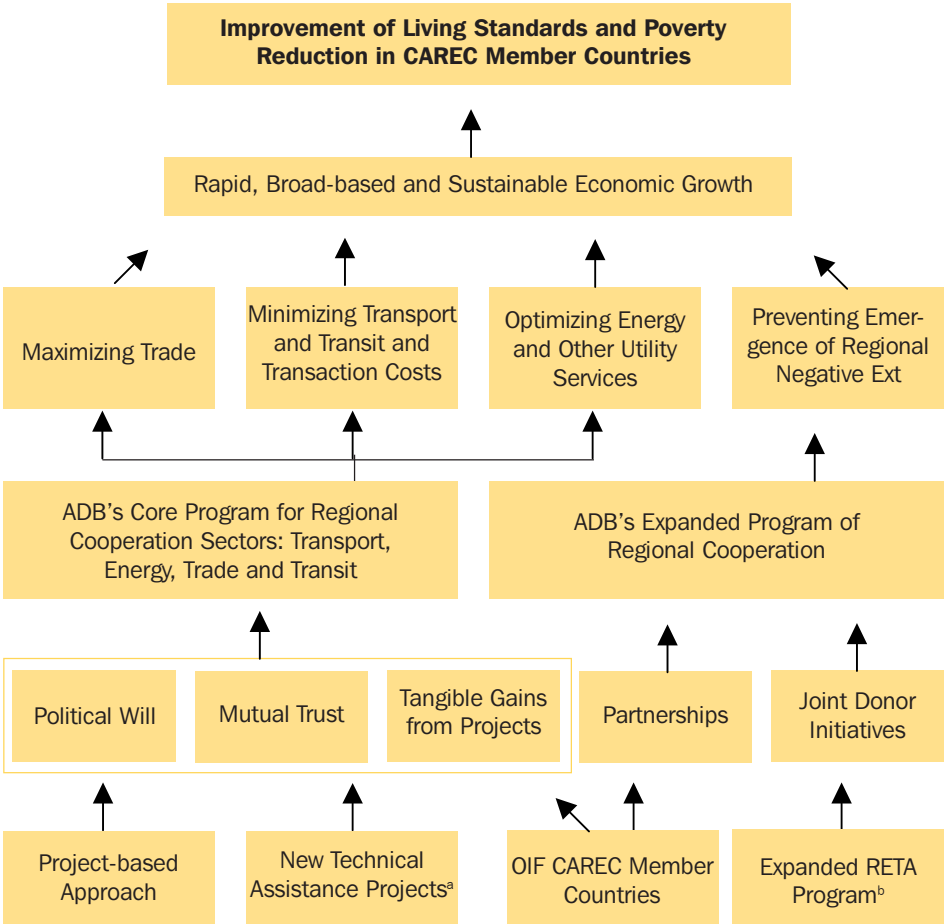
The goal of regional economic cooperation is to improve welfare and to reduce poverty in member countries. The necessary condition for achieving this goal is rapid, broad-based, sustainable economic growth. The role of regional cooperation among CAREC members in this context can be best brought out in a strategic framework with four long-term objectives (Figure 2):

- securing access to profitable export markets;
- reducing transaction costs and facilitating transit and transport across the region;
- improving energy supplies to sustain growth;
- preventing negative regional outcomes.

The first objective is increasing trade and integration with large markets, both globally and in the greater region. The CARs have to secure access to markets in Russia, the PRC, South Asia, Iran, and Turkey to export natural resources, goods, and services. Regime change in Afghanistan and future participation by Turkmenistan will make the region a preferred route for possible north-south and east-west transport corridors. ADB is already supporting some cross-regional initiatives, and these have attracted strong interest both from the CARs and from South Asian countries. These include the Central and South Asia Transport and Trade Forum and the Turkmenistan-Afghanistan-Pakistan natural gas pipeline.

The second objective for regional cooperation is to reduce transaction costs and to facilitate transit. This will allow CAREC members to establish inter-regional corridors to use their location to their advantage and will restore their historical role as a land bridge between some

Figure 2: Framework for Regional Cooperation in CAREC Member Countries

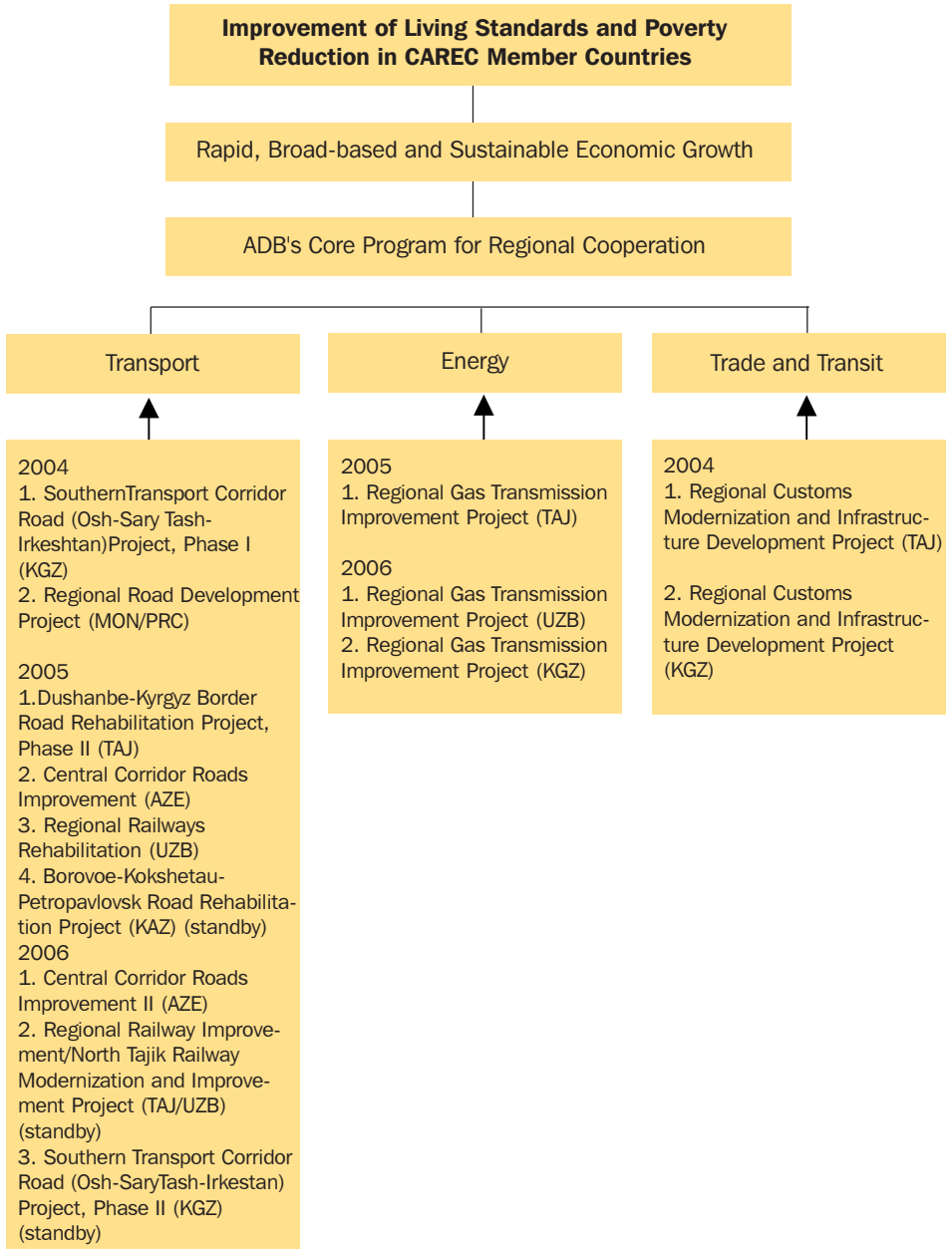


ADB = Asian Development Bank, CARs = Central Asia Regions, OIF = Overall Institutional Framework, RETA = regional technical assistance

a 1) Building Constituencies for Regional Cooperation, 2) Expanding Information Network, and 3) Quantifying gains from Regional Cooperation in Sectors.

b 1) Water Resource Management, 2) Environment Information System, 3) Land Reclamation, 4) Poverty Database, and 5) Communicable Diseases

Figure 3: RCSP—Core Program for 2004–2006



ADB = Asian Development Bank, CARs = Central Asia Regions, KAZ = Kazakhstan, KGZ = Kyrgyz, MON = Mongolia, PRC = People's Republic of China, RCSP = Regional Cooperation Strategy and Program, TAJ = Tajikistan, TKM = Turkmenistan, UZB = Uzbekistan

of the world's most dynamic, large, and emerging economies.

The third objective is to improve supplies of energy (both electricity and gas) not only to sustain growth but also to mitigate harsh climatic conditions. This requires rehabilitation and expansion of generating and transmitting facilities. Central Asia is an energy-surplus region; in the long term it could export significantly to Afghanistan, the PRC, South Asia, and even Eastern Europe via the Russian network. The fourth objective is to address environmental degradation, the spread of communicable diseases like tuberculosis and HIV/AIDS, and trafficking in humans and drugs.

The RCSP supports these four objectives while taking into account lessons learned, resource constraints, and the regional programs of other development partners. It comprises two components. The core program (Figure 3) continues the focus on transport; energy and trade facilitation; and projects with tangible, equitable, positive results. Maintaining adequate capacity in these sectors is essential for private sector SME growth that will generate employment and reduce poverty. Regional infrastructure developed during the Soviet period is in disrepair; rehabilitation and expansion are best undertaken regionally to attract foreign direct investment. Without regional infrastructure and streamlined regulatory frameworks for trade and transit, CAREC countries cannot expect to expand trade with larger neighboring economies. The RCSP also focuses on regional aspects of social sectors that support national efforts. Education and health are, however, at this stage more effectively addressed at the country level and are therefore covered in individual country strategies and programs.

The 2004 lending program will include four loans. A regional customs modernization and infrastructure development project (Kyrgyz Republic) has also been added. The regional road development project (PRC/Mongolia) included in Mongolia's country strategy and program update is also presented here. For 2005–2006 lending, a regional railway development project covering

Afghanistan, Tajikistan, and Uzbekistan has been added to reflect ADB's recent agreement with these governments. The regional gas transmission improvement project for Tajikistan has been moved to 2005, and for Uzbekistan and Kyrgyz Republic to 2006.

The second component is an expanded program of regional cooperation designed to forge partnerships with other development agencies to take advantage of emerging opportunities. Sectors in which other partners have taken the lead—but in which ADB has also been active—are the environment, water resource management (including rehabilitation of irrigation systems), and land management. As part of an expanded program and depending on future requirements, ADB could consider partnerships with other organizations for controlling drug trafficking, preventing desertification, and developing the private sector. Operations will depend upon the outcome of consultations with the parties involved. The expanded program will be supported by regional technical assistance included in the RCSP pipeline. In the context of designing and implementing larger regional projects, ADB and other development partners could follow up on recent suggestions from CACO for establishing regional consortia in specific sectors to develop capacity and mobilize investments. These consortia could be used to deliver larger regional projects that are likely to be concentrated in sectors such as transport, pipelines, energy, telecommunications, and the water-energy nexus.

Close cooperation between CAREC member governments and donor agencies is fundamental to Central Asia's economic development.

