

# Mobilizing Resources

## The Existing Portfolio

**T**o date, ADB has funded five investment projects amounting to \$224.1 million. Of this amount, \$122 million was funded through ordinary capital resources while \$102.1 million came from the Asian Development Fund. ADB also leveraged cofinancing amounting to \$135.2 million for two projects.

Since 2000, a total of \$8.7 million has been provided in 14 technical assistance grants in priority areas: \$3.1 million for regional power and gas transmission, \$3.0 million for trade facilitation and customs reform, and \$2.6 million for regional transport projects. In addition, a series of 7 regional technical assistance projects amounting to \$6.1 million, \$3.2 million of which is from the Japan Special Fund, has been used to implement the program including support for the OIF to hold conferences and meetings and to undertake other related activities.

## Overall Assistance for 2004–2006

The regional program for 2004–2006 comprises 14 loan projects amounting to \$295.3 million and \$18.5 million in non-loan technical assistance. It reflects both increased support and a certain degree of over-programming because there is more uncertainty involved in the regional program than in individual country counterparts. Efforts are under way to seek cofinancing for both types of assistance. Project preparatory technical assistance will account for 13.3% of the non-lending program. Regional technical assistance will increase to support expanded regional activities.

## Assistance for Strategic Priorities

The RCSP was endorsed by CAREC members at a special session of the OIF held in April 2004. It has been

**Policies and measures to improve regional energy trade will open new opportunities for the private sector to invest in exports outside the region.**

reviewed by all of ADB's key development partners and incorporates their views and comments. Regional cooperation between Mongolia and the PRC is in initial stages but is poised to expand.<sup>14</sup>

### **Energy Sector**

The medium-term strategy is based on maximizing the use of available regional infrastructure to support economic growth. To that end, ADB approved a loan to modernize the regional transmission networks in Tajikistan and Uzbekistan. Investments in new energy supply projects will be deferred for the time being. Policies and measures to improve regional energy trade will open new opportunities for the private sector to invest in exports outside the region. In the longer term, exploitation of new hydropower resources in the Kyrgyz Republic and Tajikistan—as well as natural gas reserves in Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan—will reduce the use of oil and coal and their potentially harmful environmental impacts.

Specifically the strategy will (i) develop a regional master plan; (ii) reinvigorate regional energy trading for domestic shortfalls; (iii) rehabilitate power substations, gas pipelines, gas treatment projects, and power generation projects; (iv) refurbish power projects to reduce emissions and to strengthen environmental sustainability; (v) upgrade capacities to improve quality, reliability, output, and efficiency; (vi) create third-party access to the existing network and increase the use of renewable energy where possible; and (vii) build skills and capability.

### **Transport Sector**

ADB has emerged as the leading supporter of regional transport projects in the CARs through eight loans worth \$317 million to Kazakhstan, the Kyrgyz Republic, and Tajikistan for the rehabilitation of roads and two loans of \$140 million to Uzbekistan for the rehabilitation of railways. ADB's regional strategy is to provide physical links to all parts of the region including isolated areas; to provide access to external markets; to integrate and

upgrade infrastructure; to enhance competitiveness; and to support policy and institutional reforms. ADB supports internal regional transit and external transport between Central Asia and the outside world.

Priorities are (i) developing east-west and north-south regional transport corridors using existing infrastructure to link state capitals, production centers, markets, and granaries to ports and to regional and international markets; (ii) improving the framework of international agreements to integrate regional operations and to enhance the quality of regional services; (iii) harmonizing the regulatory framework to remove legal obstacles and to promote efficiency; (iv) reducing delays and transport costs caused by customs, visas, and other requirements through capacity building; (v) setting tariffs and market values based on competition to more fully utilize regional transport capacity; and (vi) improving management effectiveness and streamlining financial procedures. Nine projects amounting to \$222.1 million are proposed to support these priorities.

### **Trade Facilitation**

Although total exports from the CARs increased from about \$4.2 billion in 1993 to about \$16.3 billion in 2002, intra-regional trade declined from 13.7% to 7.8% over the same period. This was due to a narrow export base, a lack of trade diversification, infrastructure bottlenecks, inefficient border and transit facilities, and weak institutional support. To address these constraints, ADB has provided technical assistance that promotes regional dialogue; builds capacity through training; and facilitates discussions on the regional transit system, data sharing, and document harmonization. ADB has also lent funds to the Kyrgyz Republic and to Tajikistan to help with the legal reform of customs, the first and most important step toward modernization and harmonization with international practice. ADB is helping both countries design master plans to develop supporting infrastructures for customs modernization.

**ADB supports internal regional transit and external transport between Central Asia and the outside world.**

**ADB will pursue a three-pronged strategy for further trade facilitation and customs modernization**

ADB will pursue a three-pronged strategy for further trade facilitation and customs modernization:

1. development of customs infrastructure (both software and hardware) through legal and procedural reforms, information and communication technology for automated customs services, border development, and provision of special equipment to prevent drug trafficking;
2. development of infrastructure (through various public-private partnership initiatives) to promote brokers' associations and other trade-related associations;
3. development of regional public goods through cooperative initiatives (e.g. harmonized customs legal frameworks and procedures, regional transit systems, and data sharing).

**Donor Coordination**

ADB will actively coordinate and cooperate with regional donors like the Islamic Development Bank, Kuwait, Saudi Arabia, and the Abu Dhabi Funds to maximize cofinancing. Donor coordination will be further strengthened around operations related to and emerging from the workings of the OIF and around joint economic and sector work in the expanded program. Extending the geographic scope of projects to neighboring countries, especially those that are not presently ADB members, will also strengthen coordination.

The strategic agenda presented in this RCSP implies a substantial increase in regional cooperation. The OIF will expand and strengthen its agenda and will require more intensive support from CARECU. Nearly all major development partners have adopted expanded regional programs and have established regional offices to implement them. ADB's enhanced presence in the region will help coordinate its activities with other development partners and will demonstrate ADB's commitment to the expanded CAREC program in the coming years.