

Donors' Involvement in Aral Sea Initiatives, Future Tasks and Challenges

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Panel I: Past Experience and Future Challenges

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ABSTRACT

The donor community has been involved in supporting regional cooperation in shared water resources in the Aral Sea Basin since the Central Asia Republics (CAR) achieved independence in 1991. The donors can rightfully claim to have contributed in the preparation of cooperation agreements for shared water, energy and environmental resources, in financing rehabilitation of infrastructure, and in building the capacity of regional and national institutions for the formulation of water resources management strategies.

The future tasks of the donors in the Aral Sea Basin correspond well to the tasks agreed upon by the World Summit on Sustainable Development last September. The donors should: increase their official development assistance where it is effective and well managed; harmonize and coordinate their work; open markets to trade and reduce agricultural subsidies; and strengthen the institutional capacity of the agencies benefiting from their financial support.

Achieving these tasks will require surmounting serious challenges for both the donor community and the decision-makers in the CAR. A vibrant and relevant **partnership and responsibility** among the key stakeholders of the Basin is required to:

- Develop good governance, stability, equity and openness as well as a willingness to use clear and measurable performance targets;
- Harmonize and coordinate the assistance provided by the donor community by establishing a more effective, formal forum of donors that will share a common road map on goals, objectives and outputs, promote a strong ownership by the CAR and share the lessons learned;
- Increase productivity and efficiency at all levels of the agriculture production while waiting for the reduction of subsidies on wheat and cotton by the developed countries; and
- Strengthen the institutional capacity of the key regional institutions to fulfil their tasks of taking decisions on policies and programs prepared by executing agencies with the assistance of the donor community to improve regional cooperation in shared water resources.

1 Introduction

Irrigation development by the former Soviet Union in the Aral Sea Basin caused major economic, social and environmental problems. The President of Kazakhstan, has called the shrinkage of the Aral Sea “**a global disaster**” and, during their meeting in October 2002, the Central Asia Heads of States called for the transforming of regional organizations (IFAS, ICWC) into a “**United Commission on the Aral Sea**” under umbrella of UN.

When the Basin States became independent in December 1991, they were aware that cooperation in shared water resources in the Aral Sea Basin was necessary for the long-term prosperity and security of the Region. In 1992, the Heads of States of the Central Asia Republics (CAR) endorsed the agreement reached by their ministers of water management to cooperate in the use and protection of their shared water resources. On that occasion, the Heads of States also approved the ministers’ proposal to establish the Interstate Commission for Water Coordination (ICWC) and its three executive agencies, the two Basin Water Organizations (BVOs) “Amu Darya” and “Syr Darya” and the Scientific Information Center (SIC). The task of ICWC was to “determine and implement the strategy of transboundary water resources management in the Aral Sea Basin”. The Heads of States have met regularly since 1992 to confirm their objective of cooperation in the management of shared water resources in the Basin. In particular, they have established a number of other regional institutions to complement the role of ICWC and strengthen their cooperation in all fields associated with water, energy and environmental management¹.

In 1994, the Heads of States approved the comprehensive Aral Sea Basin Program (ASBP) that was prepared with the help and subsequently formally presented to the donor community. This program is a transboundary and multi-sectoral agreement. It includes measures devised to: (i) develop sustainable water and related land management

¹Among the organizations established by the Heads of States, one can mention the ICKKU: Interstate Council of Kazakhstan, Kyrgyzstan, and Uzbekistan established in 1993 for creating a comprehensive economic zone between these countries. Tajikistan joined this organization in 1998 when it was called ICKKTU. One of the main results of this structure was the signing of the “Long-Term Water and Energy Agreement” signed in March 1998. ICAS: Interstate Council on the Aral Sea Basin Problems and IFAS: International Fund for the Aral Sea. Both organizations were created in March 1993 together with the signature of an Agreement on “Joint Activities to Address Problems in the Aral Sea and its Surrounding Area”. ISDC: Interstate Sustainable Development Commission established in 1995 to ensure that economic, social and environmental factors are given equal weight in planning decisions. ICAS and IFAS were reorganized in 1997. IFAS took over the responsibilities of the two previous institutions. It has a Board composed of the Deputy Prime Ministers of the five States concerned with agriculture, water and the environment. The Board meets to decide on the policies, programs and institutional proposals recommended by its Executive Committee (EC-IFAS). Moreover, IFAS collects contributions and finances program activities (Laurence Boisson de Chazournes, 2002). In 2002, the Presidents of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan established the Central Asia Cooperation Organization (CACO) to replace the Central Asian Economic Community (CAEC) that, in 1996, had itself replaced the ICKKU. There is apparently no decisions taken yet on how CACO will work and if it will take up the issues of water and energy as CAEC did in the past (McKinney, 2002).

strategies; (ii) improve the information system needed for all planning and management activities; (iii) mitigate the impacts on environment degradation; (iv) ameliorate the conditions in the upper watersheds and the area adjacent to the Sea; and (v) strengthen the implementation capabilities of the competent regional institutions established for that purpose

2 Donors' Involvement

The donor community has been involved in supporting regional cooperation in shared water resources in the Aral Sea Basin since the CAR achieved independence in 1991. At any one time, 15 to 20 donor organizations² are involved in Aral Sea Basin initiatives. The donors can rightfully claim to have contributed to assisting in the preparation of cooperation agreements for shared water, energy and environment resources, in financing rehabilitation of infrastructure, and in building the capacity of regional and national institutions for the formulation of water resources management strategies as well as for the use and protection of water resources in the Basin. For example, the **Aral Sea Basin Program** (ASBP) that was presented to the donor community in 1994 has been largely implemented with \$280 million in loans and \$48 million in grants (Bromhead, 2003).

The donors have also been involved in a number of other initiatives in the Aral Sea Basin that were developed after 1994 to complement the ASBP. Among these initiatives one can mention in the water and agricultural field, the Program on “**Water Resources Management and Agricultural Production**” (WARMAP). The objectives of this Program, launched in 1995, were:

- To provide the administrative and technical framework within which policies, strategies, and development programs for utilization, allocation and management of water resources in the Aral Sea Basin can be developed; and
- To assist at the regional level with the establishment of the institutional structure required for preparing and implementing the policies and associated strategies.

Among the specific objectives of WARMAP was the support for drafting water sharing agreements for international and national water utilization, giving due weight to the environmental needs of the Basin.

Other initiatives supported by the donor community, focussed on the water and environment, included:

- The “**Water and Environment Management Project**” (WEMP) that aims to promote coherent national and regional water and salt management policies;
- The “**Natural Resources Management Project**” (NRMP) designed to increase water management capabilities in the region through pilot projects and by training, public outreach and partnership development throughout the region; and

² Among the donors involved one can mention the World Bank, the Asian Development Bank, the European Union (TACIS Program), the European Bank for Reconstruction and Development, the Global Environment Facility (GEF), NATO, a number of UN Agencies (UNDP, UNEP, UNESCO, FAO, UN-SPECA, etc.), as well as bilateral Aid organizations from the US, the UK, Canada, Switzerland, Netherlands, Japan, etc.

- The “**Regional Environment Action Plan for Central Asia**” adopted in September 2001 designed to address the ecological and socio-economic development of the Basin (Boisson de Chazournes, 2003).

Donors have also supported initiatives focusing on the water and energy nexus including:

- Technical assistance to the formulation of the **1998 Framework Agreement** on the “Use of Water and Energy Resources of the Syr Darya Basin”. This Agreement called for the annual coordination of the decisions on water releases, production, and transit of electricity and compensation of energy losses on the use of water and energy resources of the Basin.
- The 2000 Regional Project on “The **Rational and Efficient Use of Energy and Water Resources in Central Asia**”. The purpose of the project is to foster cooperation and on energy and water resources related issues and to enhance rational and effective use of energy and water resources in the economies of Central Asia³.
- A more recent initiative (2002) is the **Transboundary Water and Energy Project** (TWEP) that supports activities to develop and agree on measures to improve water and energy cooperation in Central Asia. TWEP focuses on the Syr Darya Basin where a conflict has arisen between the energy needs of the Kyrgyz Republic and the irrigation needs of the downstream riparian States. One of the outcomes of the Project might eventually lead to donor support for completing two dams at Kambarata (upstream of the Toktogul reservoir) with a total capacity of 1600 MW at a cost of about \$1.5 billion.

On a broader front to help reduce potential conflicts over water and energy resources, donors are supporting the development of efficient **power and trade** relation agreements that – among other requirements - specify policies and institutional conditions for an integrated water and energy system in the whole of Central Asia. For example the agreement negotiated in November 2002 between Uzbekistan and Tajikistan will reduce electricity costs, improve the use of the region’s water resources and enable the conclusion of a \$175 million loan package (by ADB and EBRD) to renovate the electric transmission network (Lennaerts, 2002).

3 Future Tasks and Challenges

The future tasks of the donors have been laid down at the World Summit on Sustainable Development (WSSD) held last summer at Johannesburg where the development community reaffirmed its commitment to the **Millenium Development Goals** for poverty and hunger, education and health, gender equality and the environment. They agreed that development must be addressed comprehensively and that it must be owned by developing countries. In the field of water resources development, the WSSD translated the need for a comprehensive approach by endorsing the **WEHAB Initiative** (Water, Energy, Health, Agriculture and Biodiversity) that was proposed by the Secretary General of the UN. The Summit decided that the WEHAB Initiative would serve as a

³ The refusal of Turkmenistan and Uzbekistan to participate fully in the Project (they have only an observer status) will make it more difficult to ensure its success

benchmark and for monitoring progress in achieving the Millenium Development Goal of Sustainable Development.

While significant progress has undoubtedly been achieved since the riparian States achieved independence, challenging tasks remain to be addressed by both the CAR and their development partners to meet the objectives of the WEHAB Initiative of managing the shared water resources in a comprehensive and sustainable development that improves the quality of life of its people and protects the environment of the Aral Sea Basin. I propose that, to discuss how the donor community can best address these challenges in partnership with the key stakeholders in the Aral Sea Basin, we use as a framework the four tasks agreed upon by the donor community at the World Summit on Sustainable Development last September (Wolfensohn, 2002), i.e. to:

- Increase official development assistance where it is effective and well managed;
- Harmonize and coordinate their work;
- Open markets to trade and reduce agricultural subsidies; and
- Strengthen the institutional capacity of the agencies benefiting from their financial support.

3.1 Financial Challenges

Although at Johannesburg the donors agreed to increase official development assistance, it remains a challenge for the leaders of the CAR to continue **attracting funds** (both public and private) to support development of shared water resources in the Aral Sea Basin. The hydraulic infrastructure used for irrigation and drainage as well as for hydropower production and for water supply and sanitation is in extremely poor condition and billions of dollars are required to rehabilitate and renovate it⁴. Unfortunately the current economic downturn, coupled with a sluggish global economic outlook with a slower growth in the next 12 to 18 months than previously expected, will impede the already declining flow of both private and public funds to developing countries⁵. It is now becoming clear that the gloomy arithmetic of water in the Aral Sea basin is also a **gloomy arithmetic of water financing**

As developing countries have more needs and less money to meet these needs, there is more competition among countries and therefore more selectivity among donors. Aid is redirected towards countries with good **governance, stability and openness** that offer an attractive investment climate. This new approach requires developing countries to combat corruption, pursue stable, equitable and sustainable economic growth, and agree to international monitoring of the outcomes of aid-financed projects. The donor community considers that investment without reform will be ineffectual. The US for example has highlighted these requirements when it decided to increase its development aid by \$ 5 billion through the establishment of the “**Millenium Development Account**” (Radelet,

⁴ A World Bank 2000 Report on Irrigation and Drainage (I&D) in Uzbekistan estimates that about US\$ 26 billion would be required for the rehabilitation-cum modernization of the I&D systems.

⁵ Net foreign direct investment flows has declined from a peak of \$341 billion to just \$145 billion in 2002 (World Bank Development News 2002)

2003). In the same spirit, with the objective of meeting the millenium development goals, the UK has recently (Development News, 2003) proposed to launch an **International Finance Facility** to raise aid from \$50 billion a year to \$ 100 billion in return for meeting the conditionalities mentioned above through the use of clear and measurable performance targets and indicators.

The renewed attention paid by the donor community to governance, stability, equity and openness as a condition of their financial support to regional cooperation in shared water resources in the Aral Sea Basin is a challenge that will require political will and skill of the leaders of Central Asia. The diverging trend of social and economic development among the CAR ⁶ stemming from a variety of factors including differing development strategies and varied resources endowments add complexity to the pursuit of cooperation.

There is in particular, in some of the CAR, a lack of willingness to go ahead with the substantive structural changes required to ensure that perceived national priorities do not hamper a harmonious sustainable and equitable development of the shared water resources of the Basin. For example the Kyrgyz Republic has enacted in July 2001 a Water Law stating that all the waters in the territory of the country belong to the State and demanding that downstream countries pay for water coming out of their country. Kazakhstan and Uzbekistan on the other hand, require that the Kyrgyz Republic provide water that used to be available before regulation and ensure in-stream needs. The donors will need to renew their efforts at the highest level of the governments of the CAR to associate their financial assistance with the strengthening of the mutual trust, understanding and consensus required to enhance cooperation in sharing water resources in the Aral Sea Basin. The challenge is to arrive at a “win-win” development through cooperation in shared water resources management and development that would be actively seeking all four types of benefits (Sadoff, 2002): “to the river” (enhanced environmental quality), “from the river” (economic benefits), reducing costs “because of the river” (conflicts among riparian states exacerbated by conflicts over water) and “beyond the river” (broader economic cooperation among the CAR. A flexible, patient, practical and pragmatic approach to these four levels of benefits would create an enabling environment to enhance agricultural production, energy availability, industrial and tourism development, and environmental conservation, thus opening the door to a greater economic integration and development of the Region

Another example of the difficulty of cooperation in allocating waters in an equitable way while protecting the environment during dry years is given by a recent report of ICWC. In the dry season of 2001, the upstream areas of Uzbekistan and Turkmenistan got 85 to 100% of their shares while downstream ones (Karalpakstan in Uzbekistan and Tashauz in Turkmenistan) got less than 50%. This experience raises the challenge for donors to foster “hydro-solidarity” among the various stakeholders by promoting wide information

⁶ Tajikistan remains one of the poorest countries of Central Asia, while the Kyrgyz Republic is grappling with significant debt and fiscal management challenges. Uzbekistan has moved only gradually towards economic liberalization. Kazakhstan and Turkmenistan have experienced fast growth powered by their oil exports, but need to diversify their productive base (Asian Development Bank, 2002).

and encouraging governments to ensure that all citizens in the river basin have enough to support life and the environment (Dukhovny, 2002).

In addition, although some progress has been made in establishing water users associations, NGOs and more generally members of civil society are only rarely active participants in water management policies and associated strategies. It will take time and patience on the part of both NGOs and water management officials to develop a complementary relationship with one another (McKinney, 2002). As proposed by Professor Dukhovny (2002), donors should continue their support to increase “public awareness about project implementation combined with involvement of NGOs and public opinion as one of the effective measures to combat corruption, An the most important is the control of project effectiveness in terms of expected results”.

3.2 Harmonization and Coordination Challenges

There is a recognized challenge in most of the world for the donor community to **harmonize the target and goals** they set in return for their money, to ensure that the projects they finance are **owned by the beneficiaries**, and to **better coordinate** their development efforts. The President of the World Bank recently observed that “many of the failures blamed on borrowing countries actually represent the failure of donors to coordinate their efforts. If the international community aims to meet the Millenium Development Goals of halving global poverty by 2015, we must all improve the effectiveness of our aid by improving coordination among donor agencies, multilateral institutions, civil society and the private sector” (Wolfensohn, 2002). The World Bank also recommends that donors should sharply cut the innumerable documents and processes that they demand from recipient countries. These aspects of harmonization and coordination have been recently discussed at a meeting in Rome (on February 24 to 25, 2003) between major international donors and developing nations to hammer out ways to streamline policies attached to aid.

The need for the donor community to better harmonize their target and goals in assisting in the sustainable development of the Aral Sea Basin should be associated with the need to ensure that development is addressed comprehensively and that this development is owned by the riparian States and by the Regional Organizations implementing the development projects. In this connection, ICWC has recommended that donors should associate to the fullest extent possible the participation of local experts in the formulation and implementation of the projects they finance. Examples of good experience with participation of local experts mentioned by ICWC include the “Integrated Water Management in the Fergana Valley”, the “Design of Wetlands of the Saral Sea Coast”, and the “ ICWC Training Program to increase the business capacity of ICWC Executive Agencies” (this Program has been a success and should be continued⁷)

More generally, the donors should ensure that the projects they finance are integrated into a comprehensive and sustainable development strategy for the shared waters of the Aral Sea Basin. All too often, donors have focussed their support to one or two aspects of

⁷ Over 400 specialists have been trained at the Center during the past two years

development such as “water and environment”, “water and agriculture”, “water and energy” without paying enough attention to the consequences these activities might have on each other. For example, the Panel of Experts for the Water and Environment Management Project observed during their first meeting that the energy aspects had not been sufficiently taken into account in analyzing the various development scenarios. In addition, the new developments in Afghanistan that has a significant portion of the flow of the Amu Darya will eventually cause additional demands on the flow of that river. This will require new negotiations of water sharing agreements among the riparian States and possibly a revision of development projects using the flow of the Amu Darya.

To address the donors’ challenge of improving harmonization, coordination, and of monitoring of the effectiveness of their aid in the Aral Sea Basin, the Asian Development Bank (Matsunami, 2002) has proposed the establishment of a more effective, formal forum of Donors⁸. This forum would enable the Donors to agree upon a common road map on goals, objectives and outputs, to promote a strong ownership by the CAR, to share work by thematic strategic focus and by areas, and draw the lessons learned so that development assistance is increasingly performance-based. Regular meetings (possibly twice a year) of donors with representatives of Governments and civil society to discuss programs and get feedback would facilitate more efficient donor coordination.

3.3 Trade and Agricultural Subsidies Challenges

The donors’ commitment at the World Summit on Sustainable Development (WSSD) to open markets to trade and to reduce agricultural subsidies is of particular importance to the management of shared water resources in the Aral Sea Basin where agricultural activities are dependent on water availability. The reduction by developed countries of their agricultural subsidies for cotton and wheat – the main crops in the Aral Sea Basin – would significantly increase the productivity of irrigated agriculture and reduce poverty in the Region. This is all the more important as 70% of the population of the Basin depend on irrigated agriculture and the rural poor represent 80 to 90% of the poor in Central Asia⁹. This task however is likely to take time as subsidies will be phased down very slowly and, in the meantime, the donor community will need to assist the CAR in increasing productivity and efficiency at all levels. This would involve continuing efforts underway by the donor community to support the water saving program by establishing a permanent decision support system network for the agencies involved in water management, by improving canal efficiency through automation of operational control at the headworks, by introducing new irrigation technologies, by strengthening water users’ discipline (including establishment of water users associations), by revising cropping patterns, etc. In addition, donors’ efforts to improve water management by supporting

⁸ At the Regional Consultation Workshop organized by ADB and ICWC last September, Professor Dukhovny proposed the establishment of a “**Coordination Board** to be headed on a rotation basis by representatives of major organizations sponsoring the Aral Sea Basin Program”. Professor McKinney has proposed the establishment of a “**Donors Council**”. It is of interest to note that the donor community for the Nile Basin has established an “**International Consortium for Cooperation**” to bring together the international donor community and NGOs in support of the Nile Basin Initiative

⁹ According to the September 25, 2002 Report by Haskoning on Water and Environmental Management)

development of regular exchange of hydrologic data and information between riparian States need to be strengthened as the present system still leaves room for improvement¹⁰. The donors should also support diversification into other activities, such as tourism, where there can be a competitive advantage.

3.4 Institutional Capacity Challenges

The task of strengthening institutional capacity is a major challenge facing the partnership between the CAR and the donor community. The different stages of development of the CAR and the natural tendencies of putting national priorities above cooperation in shared water resources have limited the ability of the Central Asia Cooperation Organization (CACO) and of the International Fund for Saving the Aral Sea (IFAS) to fulfil their key functions of taking decisions on policies, programs and institutional and legal proposals recommended by ICWC and other agencies under their supervision. In particular, their inability to take decisions on a whole set of draft legal agreements on water sharing prepared with donors' support has caused concerns among some of these donors to the opportunity of continuing their support. In addition, as pointed out by Professor Dukhovny (2002), "the continuous rotation of EC-IFAS location and personnel do not create foundation for successful interaction – engaging every two years new people leads to gaps in succession, loss of knowledge base, communication and resources base necessary for interaction. The donors often do not see clarity and purposefulness in the work of the Executive Committee (EC) of IFAS which should be one of the main agencies coordinating regional cooperation programs for sharing the waters of the Aral Sea Basin"

To address this challenge, the donor community - possibly through its proposed coordinating mechanism to reinforce its message - should use its influence to convince the key decision makers of the CAR of the need to strengthen the status and authority of the CACO and of the IFAS since these two organizations can take decisions on behalf of the governments they represent. This strengthening and status could be developed under the proposal by the Heads of States of the CAR at their October 2002 Meeting to establish a "**United Commission on the Aral Sea**" under a UN umbrella that would regroup IFAS and ICWC". Establishing such an institutional arrangement with the UN is likely however to take time. Another suggestion made by ICWC that the donors could also support would be the establishment of an "**Aral Sea Basin Water Council**" that would work under IFAS. The proposed Council would include ICWC, CSD, as well as power organizations, ecological Centers and NGOs. In the meantime, the donor community should provide training facilities to adapt the knowledge and skills of CACO and IFAS staff to new market and economic conditions, to work out regional priorities for donor support, to better coordinate their work with the ICWC and its agencies, and to elaborate internal rules regulating their activities. institutional capacity building that has

¹⁰ At a Regional Workshop organized by the Asian Development Bank last September, Mr. V.E. Chub stated: "To date the situation is so grave that the hydro-meteorological service of the Republic of Tajikistan has no technical means for the necessary hydro-meteorological information exchange".

4 Conclusions

The tasks and challenges that the Central Asian Republics and the donor community must address to ensure a sustainable development of the shared water resources of the Aral Sea Basin require a vibrant and relevant **partnership and responsibility** among the key stakeholders of the Basin to:

- Develop good governance, stability, equity and openness as well as a willingness to use clear and measurable performance targets in order to attract the billions of dollars needed to rehabilitate and renovate the existing hydraulic infrastructure;
- Harmonize and coordinate the assistance provided by the donor community by establishing a more effective, formal forum of donors that would share a common road map on goals, objectives and outputs, promote a strong ownership by the CAR and share the lessons learned so that development is increasingly performance-based;
- Increase productivity and efficiency at all levels of the agriculture production while waiting for the commitment of developed countries to open their markets and reduce their subsidies on wheat and cotton; and
- Strengthen the institutional capacity of the two key regional organizations (CACO and IFAS) to fulfil their tasks of taking decisions on policies and programs prepared by executing agencies with the help of the donor community to improve regional cooperation in the sharing and management of shared water resources in the Basin

The History of the Aral Sea Basin tells us that its people gave to the world literature, science and art at a time when Europe was still in the Middle-Ages. I am confident that the present generation, with the support of its development partners, will be up to the tasks and challenges described above and that, together, they will strengthen their cooperation to manage and develop the shared water of the Aral Sea Basin as an engine of responsible and sustainable growth that will provide the future generations with a future of greatness.