

## Accelerating the Momentum of Regional Cooperation

**A** new sense of optimism and enthusiasm marked the Fourth Ministerial Conference in Bishkek in November 2005. After taking stock of past and current initiatives of the Central Asian Regional Economic Cooperation (CAREC) Program and looking forward, Ministers and their country delegations recognized the progress, the commitment of CAREC's development partners, and the opportunity to pick up the momentum.

President Kuroda, in his keynote address to the conference, helped set the tone. Imagine, he said, the galvanizing effect of a master strategy for road, rail, and air transport that responds to the region's rapidly

growing trade with PRC, Russia and Europe. Imagine the significant impact that full integration of transport and trade would have on growth for the region. Imagine if all the region's energy needs could be reliably supplied.

In their Joint Ministerial Statement following the conference, Ministers agreed on five steps to accelerate the momentum of regional cooperation. First among these is the formulation of a comprehensive strategic framework for the CAREC Program, including "bold strokes" in the priority sectors (transport, energy and trade) to spur progress in overcoming barriers to trade and in forging a highly competitive region.

The strategic framework should include consensus on goals and objectives for regional cooperation, and the outputs and outcomes expected over the short, medium, and long term. Further, the framework should identify the priority investments and policy and regulatory reforms needed to realize these outputs and outcomes, sequenced in

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**TRANSPORTATION** A modern train travelling on an ADB-rehabilitated railway line from Tashkent to Samarkand

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# Effective Regional Cooperation: Vital to Kyrgyz Republic's Development

**T**he Kyrgyz Republic's intricate geography, poor transport network, economic dependence on export of hydropower resources, and lack of oil and gas underscores the need for effective regional economic cooperation, particularly in trade and transit, transport, energy, and water.

As a small, landlocked country, the Kyrgyz Republic will benefit from good political and economic relationships with its neighbors. Located in the heart of Central Asia, the Kyrgyz Republic is surrounded by the People's Republic of China (PRC), Kazakhstan, Tajikistan, and Uzbekistan. It is one of the countries of the Great Silk Road, sharing the Fergana Valley with Tajikistan and Uzbekistan.

To boost its economic development, the Kyrgyz Republic needs to address the following concerns.

- First, create a favorable trade regime in the region. Bilateral and transit trade barriers, both official and unofficial, seriously impact the country's export potential in the regional and global markets. Priorities include unifying and simplifying customs legislation and procedures and cross-border transit of goods and services.
- Second, provide urgently better maintenance of the railway and road systems in the Kyrgyz Republic. The development of and linkage to international transport corridors (both road and rail) should be one of the Government's key objectives.
- Third, focus the country's regional energy policy on promoting electricity exports and providing adequate supplies of natural gas and coal from Kazakhstan and Uzbekistan.

Regional cooperation—particularly in areas of trade and transit, transport, energy and water with neighboring countries, including those beyond its borders (i.e., Afghanistan, Pakistan, and Russia)—is critical to resolving various impediments to economic growth.

For trade and transit, the Kyrgyz Republic is developing extensive economic and trade

relations with its neighbors and Russia. Although it has a liberal trade policy, difficulties—with border crossing, customs clearance, and unofficial charges—make trade with neighboring countries and transit trade to more distant markets difficult and undermine the competitiveness of Kyrgyz exports.

The Transport network in the Kyrgyz Republic is not properly maintained and lacks efficient connections to major transport corridors. Kyrgyz goods are transported to the north by trucks and railway through Kazakhstan and further to other Commonwealth of Independent States countries. In the south, exporters use the Bishkek-Torugart or Osh-Sarytash-Irkeshtam roads to get to the PRC's border. While the rehabilitation and upgrading of the Bishkek-Almaty highway is nearing completion, the southern roads to the PRC need to be improved as they are not suitable for heavy trucks. The upgrading of the Osh-Sarytash-Irkeshtam and Bishkek-Torugart roads, and the construction of Uzbekistan-Kyrgyz Republic-PRC railway are considered priority projects by the Kyrgyz Republic to effectively link the country with major southern markets.

The energy sector is one of the most important sectors of the Kyrgyz economy, given its potential to increase exports of hydroelectricity. The Kyrgyz Republic has a fairly well-developed electricity transmission and distribution network and almost 100% access to electricity. However, depreciation of assets due to tariff and collection problems, poor maintenance, and management weaknesses affect both domestic and external development opportunities.

Despite vast hydroelectricity potential and a developed energy infrastructure, the country is still highly dependent on imported fossil fuel for domestic thermal generation. Traditionally, the Kyrgyz Republic has imported coal, gasoline, and kerosene from Kazakhstan, and natural gas from Uzbekistan.

To increase hydroelectricity exports within and beyond the region, the Government is negotiating with potential private investors to finance the construction of the

Kambarata Hydro Power Stations to enable the export of sufficient volumes of hydroelectricity to neighboring countries, including Afghanistan and Pakistan.

The Kyrgyz Republic has also reached agreements to supply electricity to Russia during summer until autumn through the territory of Kazakhstan. To ensure sustainability of electricity supply to Russia, the Government has to secure appropriate and effective transmission arrangements with Kazakhstan. It also needs to negotiate a better price for the electricity it sells to Russia. ■

## Tajikistan Opens Up Skies to Turkish Airline

**T**ajikistan's reputation as a travel and business destination has long suffered due to its physical isolation as a landlocked country, lack of modern hotels, and Tajik Air's near-monopoly on flights and its old and outdated fleet. Thus, opening up the airline industry to the Turkish Airline—Türk Hava Yolları—was a welcome move to improve the airline industry in Tajikistan. The Turkish airline started operating weekly direct flights between Istanbul and Dushanbe on 3 February.

The new flight will allow businessmen in Dushanbe to save both time and money. With the new flight, agricultural exporters have a new cargo option to ship their produce more reliably. Farmers in this mostly agricultural country often prefer to ship their produce to Moscow.

A recent aviation sector review predicts that a gradual liberalization of the aviation sector will increase foreign direct investment (FDI), help workers travel more cheaply and frequently, and facilitate the transfer of technology and ideas. ■

# CAREC's Trade Policy Outreach Seminars in Astana and Bishkek

**T**he Asian Development Bank (ADB) and the International Monetary Fund (IMF) jointly conducted outreach seminars on the Trade Policy Coordinating Committee (TPCC), following the call during the Fourth Ministerial Conference of the Central Asia Regional Economic Cooperation (CAREC) Program in November 2005 to increase awareness of TPCC's analytical work.

The seminars were held on 7–9 February in Astana and Bishkek, designed to present the work done by TPCC to date and the implications on trade policy in various CAREC participating countries.

During the past year, TPCC has prepared studies on trade policy issues, particularly on transit barriers, trade integration, and World Trade Organization (WTO) accession. The TPCC outreach seminars were chaired by the vice ministers of trade and attended by senior officials, private sector, and academe.

Craig Steffensen, Head, ADB's CAREC Unit, gave an overview of the CAREC Program; and Sena Eken, Assistant Director of the Middle East and Central Asia Department, IMF, presented the results of the studies on trade policy.

The highlights of the studies on (i) recent trade performance, (ii) regional integration schemes, (iii) WTO accession, and (iv) trade barriers are discussed below.

**Recent trade performance.** The favorable trade performance of the Central Asian republics (CARs) was noted, particularly the favorable impact of (i) developments in primary commodity prices, (ii) increasing reliance on a limited primary commodity exports, and (iii) continued lackluster intraregional trade despite a surge in various regional trade arrangements.

**Regional integration schemes.** The large number of often inconsistent regional integration schemes, the varying degrees of commitments to them by member countries,

and the tradeoffs between customs areas versus free trade areas were discussed.

**WTO accession.** The welfare effects of different sequencing scenarios for accession to the WTO were highlighted, and emphasis was on the need for the CARs to give priority to WTO accession and regional cooperation in trade policy within a multilateral framework.

**Trade barriers.** The discussion covers trade barriers in Central Asia related to trade policy, transport and transit, border crossing and customs clearance, payments and foreign exchange regulations, market entry into international trade, weakness of institutions, and their implications. In this context, it was emphasized that to enhance competitiveness and ensure stability, trade liberalization must be supported by structural reforms and appropriate macroeconomic policies.

TPCC seminars will also be conducted in other CAREC member countries during the year. ■

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a pragmatic, building-block manner. Performance indicators are also needed, because without them, it is all too easy to claim progress in terms of inputs (upgraded road segments or new customs facilities) rather than outputs (cuts in the cost and time of transporting goods).

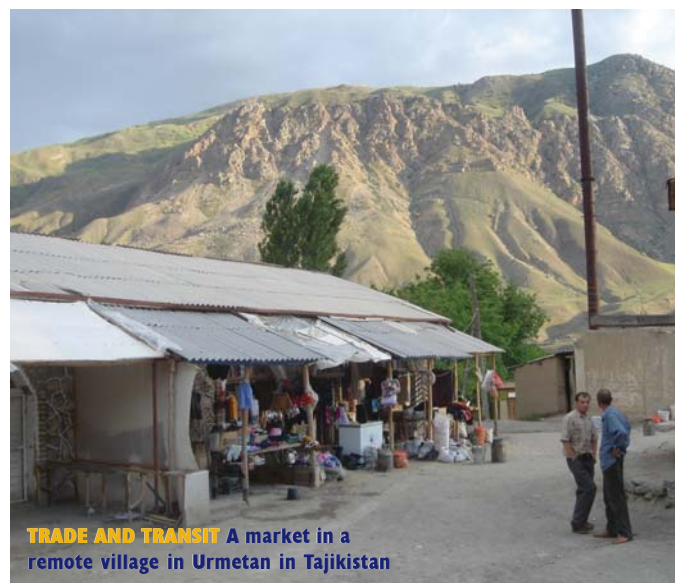
In other steps to spur momentum, Ministers requested that the comprehensive strategic framework be extended to mainstream country-based development plans and public investment programs, and the programs of CAREC's development partners. In this way, gaps in the framework can be identified, both in terms of needed investments and of policy and regulatory changes. Careful stocktaking of regional development initiatives is needed. Ministers also agreed that resource mobilization must be part of the strategic framework, as well as capacity building to enable CAREC

countries to keep pace with accelerated regional cooperation.

Strong ownership of the comprehensive strategic framework is essential—requiring considerable consultation and consensus building on an ongoing basis—to reflect the changing circumstances of each CAREC country, and the regional and global context. The framework must also reflect the views of the region's political, community, and business leaders.

Ministers will review the comprehensive

strategic framework during the Fifth Ministerial Conference, to be held in Urumqi, People's Republic of China in November 2006. It will chart the course for accelerating the momentum of regional cooperation. ■



**TRADE AND TRANSIT** A market in a remote village in Urmetan in Tajikistan

# ICT Master Plan: Essential for Customs and Tax Reforms and Modernization

**M**ost modernization programs on revenue administration include the adoption of information and communication technology (ICT) to integrate traditional manual customs and tax processes and procedures into a unified automated information system (UAIS). This requires a holistic and integrated ICT master plan to guide the revenue administration's strategic investment and usage of ICT.

The ICT master plan should be developed within the broader context of the customs and tax reform and modernization master plan. Experiences in the Republic of Korea and Singapore show that having an ICT master plan is crucial in ensuring the success of customs and tax administration.

The ICT master plan aims to define the directions of revenue administration through UAIS, and subsequently address the gap between the current situation and the desired state, based on a comprehensive assessment and a diagnostic study of the current situation.

**Components.** The components of an ICT master plan include the (i) UAIS architectural design, (ii) legal framework, (iii) se-

curity, (iv) implementation strategy, (v) maintenance plan, and (vi) other elements.

**UAIS architecture.** The ICT master plan should describe clearly the overall proposed UAIS architecture, with detailed functional and technical specification of key modules of customs and tax regimes, and how automation will benefit the revenue administration and trade community.

**Legal framework.** The master plan should address issues such as the legality of electronic data, elimination of paper documents, and manual signatures and stamps. It should also assess the current legislation pertaining to acceptance and recognition of electronic data, and propose changes, if needed.

**Security.** The master plan should ensure that (i) data sent across and stored in the system are protected, (ii) users are authenticated, (iii) data confidentiality and integrity are preserved, and (iv) non-repudiation is achieved.

**Implementation strategy.** An implementation plan should include (i) phased implementation that will prioritize functions that get implemented, (ii) change management that will identify whose and what concerns have to be addressed first;

(iii) interim measures to achieve the full plan; and (iv) proposed timetable or scheduled targets.

**Maintenance plan.** Systems are implemented and left to use and deteriorate in some cases without support, upgrade, and enhancement to meet business environment changes. To prevent this, a maintenance plan should be in place for (i) hardware maintenance by making available parts and back-up equipment; and (ii) software with vendor support (on-site/off-site) to fix bugs/resolve problems, helpdesk/call center support, scalability, and support for system software upgrades such as a new version of the database or operating system.

**Other elements.** Depending on the situation and sensitivity of the systems, a business continuity plan or disaster recovery plan may have to be included to address full data duplication, and the timeframe within which the system must be recovered in degraded or full operational mode.

## Singapore's experience

Singapore's track record in harnessing ICT, particularly, TradeNet and E-Customs Management, resulted to significant improvements in the (i) efficiency of customs inspection and risk management procedures, (ii) turnaround time for processing trade documentation, and (iii) approval of applications submitted by shippers and freight forwarders.

Singapore has deployed an automated immigration clearance system using smart cards and biometrics at key immigration and customs checkpoints. Recently, the Government has commissioned the development and operation of Trade Xchange, the next-generation ICT platform for trade and logistics to facilitate information exchange among commercial

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**RAPID GROWTH MOMENTUM** Trade facilitation is promoted through a mega-port, export-oriented economic zone and integrated customs clearance system in Shanghai, PRC's Waigaoqiao port. **Inset** Tuas Checkpoint officer demonstrates the automated vehicle screening system implemented in Singapore during the forum in January 2006

# Improving Investment Climate through CAREC's Trade Facilitation Program

All participating countries of the Central Asia Regional Economic Cooperation (CAREC) Program are in transition from a centrally planned to market and private sector-led development. A critical element to improving the investment climate is developing an enabling trade environment through trade policy reforms and trade facilitation measures, as pursued by CAREC participating countries.

Trade facilitation through measures—such as (i) simplified cross-border procedures, (ii) “one-stop” and “single electronic window” services, and (iii) concerted customs reforms and modernization—help enhance the investment climate by reducing transaction costs and corruption, and improving overall competitiveness of businesses in the region.

## Simplified procedures

Simplification and harmonization of customs procedures have been achieved principally through reforms of the customs legal frame-

works in line with the International Convention on the Simplification and Harmonization of Customs Procedures, commonly known as the Revised Kyoto Convention. To date, three participating countries (Kazakhstan, Kyrgyz Republic, and Tajikistan) have revised their Customs Codes, and several others drafted their Customs Codes for consultation.

The adoption of modern customs techniques such as joint customs control and risk management has accelerated the reform process. Joint customs control, being pilot-tested by Kazakhstan and the Kyrgyz Republic, further simplifies bilateral customs procedures. Moreover, all CAREC participating countries support risk management to move to a new paradigm of selective inspection and informed-compliance by the business community.

## Information systems

Developing information systems for automated customs services is another major ini-

tiative to help improve efficiency and governance practices of customs services. A major source of revenue loss and corruption at border posts is direct contact between traders and customs officers, and lack of technological capacity to capture importers' data entry for customs declaration in a centralized place for calculating duties and taxes and validating the entry. With financial assistance from the Asian Development Bank, the Kyrgyz Republic and Tajikistan jointly launched a Regional Customs Modernization and Infrastructure Development Project to automate customs services and improve border-post facilities. These efforts have been improving the business climate by reducing corruption and transparency of customs services.

## Transit development

Promoting transit development is another key area for CAREC's trade facilitation program since the majority of CAREC's participating countries are landlocked economies and transit trade is a major part of international trade. The CAREC Program has been supporting transit development by assisting the People's Republic of China's accession to the Transport International Routiers Agreement (TIR) Convention and the effective implementation of the TIR Customs Transit System by other participating countries.

Over the last 3 years, most Central Asian countries witnessed significant increase in the issuance of the TIR Carnets, signaling improved business environment for transit trade in the region.

## Trade Logistics Development

Broad-based participation and public-private partnership are two key factors of an integrated and effective trade facilitation program. In this effort, ADB spearheaded two studies on trade logistics development for Mongolia and Xinjiang Uygur Autonomous Region of the PRC to cement trade facilitation initiatives by private and public sectors and embrace a broad trade facilitation approach to promote an enabling business environment. ■

## ICT Master Plan: Essential for Customs and Tax Reforms

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entities and government agencies that will enable more efficient movement of goods within, and in and out of Singapore.

The success of Singapore's ICT master planning and e-trade and customs initiatives is attributed to a strong partnership among government agencies, private industry, academia, research institutes, community groups, and civic and voluntary organizations.

Each player will contribute toward developing the initial concept of the ICT master plan and refining the strategies and plans.

## Promoting ICT master planning through regional activities

The development of customs ICT master plans is a key activity for the participating countries of the Central Asia Regional Economic Cooperation Program. Currently, the Asian Development Bank is supporting the Kyrgyz Republic and Tajikistan in line with

the implementation of the regional customs modernization and infrastructure development project; and jointly with the Government of the Republic of Korea, the development of ICT master plans for Azerbaijan and Mongolia customs. The Government of Korea likewise supports the customs ICT master plan for Kazakhstan.

Since the 4<sup>th</sup> Customs Cooperation Committee Meeting in September 2005, two regional activities have been organized in the Republic of Korea and Singapore to provide training and raise awareness of customs and tax officials on the ICT master plan. Specifically, these training programs aimed to (i) help officials in preparing and implementing their revenue modernization master plans, (ii) assist them in embarking on broader trade facilitation reforms, and (iii) provide training on broader integrated trade facilitation strategies and practices. ■

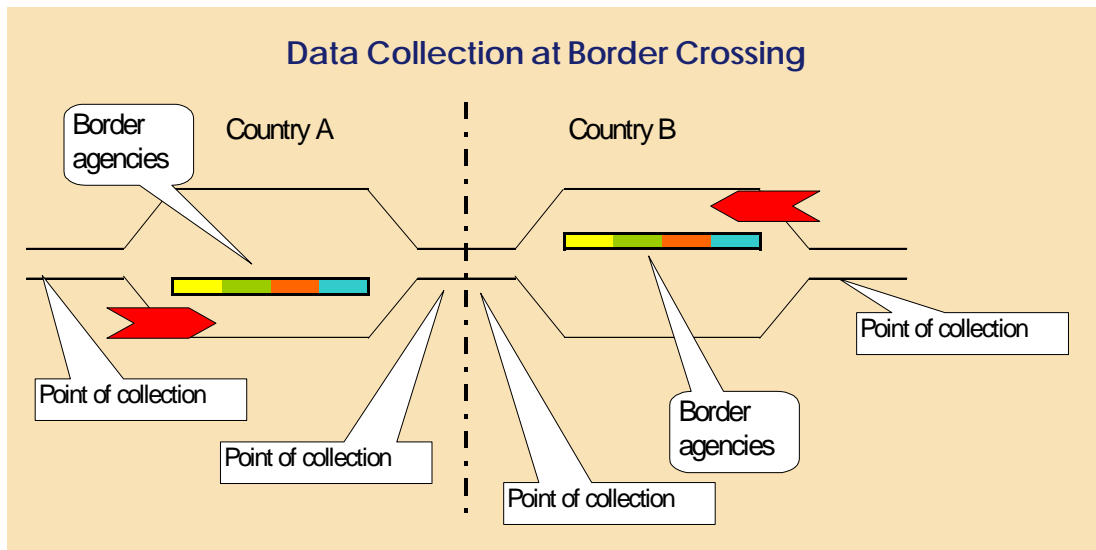
# Measuring Transport Corridor Performance in Central Asia

**P**roducers and consumers in Central Asia are being severely penalized by very high transport costs related to domestic, regional, and international trade. Deeper problems of payment difficulties, price distortions, border conflicts, and complex and restrictive administrative barriers hamper economic cooperation. The private sector suffers from commercially damaging delays and lack of predictability in terms of delivery time and costs because of inefficient border processes and transit procedures.

The World Bank has issued a report “Trade and Transport Facilitation in Central Asia: Reducing the Economic Distance to Markets” that contains recommendations to address transport issues. The report was presented to Central Asia Regional Economic Cooperation (CAREC) countries in March 2005, and is included in CAREC’s technical assistance activities for 2005-2006.

In response, the World Bank is financing a study to measure the performance of major trade and transit corridors across the region. The study aims to (i) establish reliable baseline data for the Central Asian sub-region, (ii) build local capacity to frequently update and monitor progress, and (iii) help improve policy and investment decisions in trade and transport facilitation using this tool. Appropriate performance indicators could ultimately form the basis for “service agreements” between the public and private sectors.

Past experience in applying this methodology in Southeast Europe has shown the importance of establishing a performance measurement system, including specific targets, for improved trade and transit. The same approach will be pilot-tested along selected road and rail corridors from February to March 2006, and adapted to suit the specific circumstances of Central Asia.



Travel times along transport corridors and at border crossings will be measured, and will involve (i) systematic data collection at customs checkpoints and those of other border agencies such as border police and immigration, truck drivers’ trip diaries, and interviews; and (ii) identification of institutional and financial settings, and key incentives for sustaining a comprehensive regional performance measurement system. The diagram above demonstrates the data collection scheme at a typical border crossing.

The exercise will be conducted during 5 consecutive weekday periods. Upon completion, it is expected to establish reliable baseline figures for the performance of border management, customs clearances, and transit on domestic and international routes, tools to streamline procedures, and a basis for international comparison. The findings and conclusions from the study will be aggregated and presented to the region’s governments, and the baseline figures will be used for progress monitoring of regional and national projects.

The study is being carried out by the Central Asia Congress of Business Associations, with technical assistance from World Bank trade and transport specialists and in close cooperation with customs ad-

ministrations. Five coordinators, representing business associations from Kazakhstan and the Kyrgyz Republic have been trained in the methodology, and who in turn will train other surveyors. Both the private sector and customs representatives, who attended the inception workshop in Almaty in October 2005, acknowledged that the results of this study would be of mutual interest, leading to improved efficiency of procedures and freight traffic movement.

The Bishkek–Almaty–Petropavlovsk road and Tashkent–Shymkent rail corridors were selected as pilot routes during the October workshop. The pilot measurement sites include (i) inland and roving checkpoints, (ii) Almaty and Bishkek inland clearance terminals, and (iii) border crossings at Akjol–Korday near the Kyrgyz/Kazakh border and Kayrak near the Kazakh/Russian border. After the pilot phase, the approach will be expanded to other strategic rail and road corridors in the region.

The study is being coordinated closely with ADB, United Nations Economic and Social Commission for Asia and the Pacific, and United States Agency for International Development. Progress and outcome are to be presented to the Transport and the Customs Coordination Committees of CAREC. ■

# Extractive Industries Transparency Initiative: Improving Access to Information in the Oil, Gas, and Mining Industries

Several participating countries of the Central Asia Regional Economic Cooperation Program will benefit from the Extractive Industries Transparency Initiative (EITI)—a partnership between governments, natural resource-extracting companies, and nongovernment organizations (NGOs)—aimed at improving access to information in the oil, gas, and mining industries.

This initiative will have an impact in Central Asia, considering the important role of these industries in Central Asian economies. Studies have shown that improving transparency and governance in these sectors can significantly improve economic growth and reduce poverty. In contrast, weak governance and lack of transparency can lead to corruption and conflict—the so-called “resource curse.”

Publishing financial information on revenues and payments in extractive industries is a critical first step in improving transparency and accountability. In turn, countries which adopt EITI principles can benefit from an improved investment climate; companies and investors, which support EITI principles in countries where they operate, can help mitigate investment risk; and civil society benefits from increased public information on revenues that governments manage on behalf of its citizens.

EITI is supported by international donors, many of the largest oil and mining companies, investors, and a number of civil society groups working under the umbrella of the “Publish What You Pay Coalition.” About 20 countries have either endorsed, or are now actively implementing EITI around the world, including Azerbaijan, Kazakhstan, Kyrgyz Republic, and Mongolia.

**Azerbaijan:** Oil and gas receipts now account for over 70% of Azerbaijan’s exports, while oil-related income makes up nearly 50% of budget revenues. Azerbaijan announced its decision to pilot EITI implementation in June 2003, and formed the National Committee on EITI as a section of the State Oil Fund of Azerbaijan. In November 2004, the Government, local and foreign companies, and a coalition of civil society organizations signed a memorandum of understanding (MOU), defining the rules for the EITI process.

**Kazakhstan:** President Nursultan Nazarbayev announced Kazakhstan’s intention to become an EITI—implementing country on 15 June 2005 at the Asia Society conference in Almaty. Subsequent consultations between the Ministry of Energy, the Kazakhstan Petroleum Association, a coalition of NGOs focusing on transparency issues, and parliamentarians led to the signing

of an MOU in October 2005. The first audit for 2004 and 2005 is due to be published in the second quarter of 2006.

**Kyrgyz Republic:** In October 2004, the Government released its first official EITI report, focusing on the gold mining sector, making the Kyrgyz Republic the first country to publish information in the general form recommended under the EITI. Publication of EITI data collected in 2005 has been delayed because of the need to modify the existing reporting mechanism, but the new Government has clearly stated to the international community its intention to abide by all previous obligations under EITI.

**Mongolia:** Mongolia is a significant producer of copper and gold. In 2000–2003, mineral revenues accounted for 46% of total exports and 24% of gross domestic product. On 2 December 2005, the Government committed to implementing EITI at a conference in Ulaanbaatar. Prime Minister Tsakhiagiyn Elbegdorj has stated that the Government is keen to move quickly to implement EITI. On 4 January 2006, a government order was issued, establishing a National EITI Council that is mandated to implement this initiative.

Further information on EITI can be found at [www.eitransparency.org](http://www.eitransparency.org). ■



**SALYAN OIL FIELDS SOUTHEAST OF AZERBAIJAN** Energy resources brighten long-term development prospects as long as revenues are properly managed

# Transport Projects Approved and in the Pipeline

### Approved Project: Azerbaijan's East-West Highway

The Asian Development Bank (ADB) will help Azerbaijan improve the last two sections of its major East-West Highway and associated local roads through a new \$52 million loan package approved on 9 December 2005. The project will improve 127 kilometers (km) of a two-lane paved road on the Yevlakh-Ganja and Qazakh-Georgian border sections of the highway and 65 km connecting local roads. The project will also support policy reform and improved governance by strengthening the country's institutions working in the road subsector.

The project will help reorganize regional maintenance, prioritize sections requiring attention, and identify alternative sources of funds. It will also assist the Government to establish and operate vehicle weight stations to address the axle overloading problem, and improve overall monitoring of overloading.

To address the increasing number of road accidents, the lack of safety features and facilities, and weak enforcement of regulations, the project will implement a road safety program. It will improve the laws and regulations on road safety, develop accident monitoring, and provide staff training.

The Government has requested two loans from ADB: \$49 million from ADB's ordinary capital resources for road improvement and cross-border facilitation components and \$3.0 million equivalent from the

concessional Asian Development Fund for institutional strengthening. ADB financing accounts for 55.8% of the total project cost of \$93.2 million. The Islamic Development Bank (\$10.4 million), Saudi Fund for Development (\$11.0 million), and Azerbaijan Government (\$19.8 million) will provide the balance.

The executing agencies are the Road Transport Service Department under the Ministry of Transport for the road improvement and institutional strengthening components, while the State Customs Committee for the cross-border facilitation component of the project that is due for completion in May 2010.

### Proposed Project: Mongolia—Western Regional Road Development Project

Mongolia's remote and isolated western region will be linked to the People's Republic of China (PRC) and the Russian Federation by a new highway. ADB will provide technical assistance to the Government to help prepare a western regional road development project in 2006. The proposed road will cover about 750 km from the border with the PRC at Yarant, through Hovd and Olgiy, to the border with the Russian Federation at Tsagaannuur. The PRC and Russia have built paved roads to the Mongolian borders, but both roads need to be upgraded if traffic volumes are to increase significantly.

### Proposed Project: PRC—Regional Highway Linking Xinjiang to Central and South Asia

ADB is helping the Government prepare an investment project to improve Highway 314, a regional highway linking Xinjiang Uygur Autonomous Region (Xinjiang) in northwest People's Republic of China (PRC) to Central and South Asia.

Highway 314 is part of the Asian highway network and one of Xinjiang's two key regional roads included in the PRC's National Expressway Network Plan, connecting Urumqi to the Kyrgyz Republic, Pakistan, and Tajikistan. It will also link these counties to Mongolia and the Russian Federation through the highway in northern Xinjiang and the proposed road in western Mongolia, potentially serving as a route for regional transit traffic.

The project will upgrade a 296.5-km section between Korla and Kuqa of Highway 314 from a class-II road to a four-lane expressway, and improve the roads from Kashgar to the Kyrgyz Republic border. Recent traffic counts show that daily road traffic is about 4,500 vehicles and is projected to increase to about 30,000 by 2030.

The project, ADB's first in Xinjiang's transport sector, is expected to be considered by ADB's Board of Directors in the first half of 2007. ■

## CAREC NEWS

The quarterly newsletter of CAREC is a joint effort of multilateral institutions (MIs)—ADB, EBRD, IMF, IsDB, UNDP, and WB—aimed at enhancing communications among MIs and CAREC participating countries. *News from CAREC* disseminates information on CAREC activities and provides a forum on development issues in the CARs. Articles in the newsletter, however, do not necessarily reflect the

official views of the MIs and participating governments. We welcome readers' comments and suggestions.

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