

ADB President Visits Kazakhstan

The Asian Development Bank (ADB) has signed a memorandum of understanding to undertake its first public-private investment in Kazakhstan. This was highlighted during the meeting of Kazakhstan President Nursultan Nazarbayev and ADB President Haruhiko Kuroda in November.

Mr. Kuroda said in a meeting that the project with Almaty Power Consolidated highlights ADB's intention to form a long-term partnership with Kazakhstan through investments, particularly in the private sector, which do not rely on sovereign guarantees.

Mr. Kuroda also announced while in Astana that ADB has initiated discussions with Kazakhstan authorities over a possible tenge bond issue, the first by an international financial institution, which would help develop Kazakhstan's capital markets.

Mr. Kuroda said, "With these activities, ADB's partnership with Kazakhstan has entered a new chapter. We will continue to actively explore further opportu-

nities to expand our private sector operations in Kazakhstan."

ADB has already worked closely with the Government to develop laws which may foster successful public-private partnerships.

Mr. Kuroda said, "While private sector operations are strengthening ADB's engagement with Kazakhstan, our public sector activities will deepen our collaboration with Kazakhstan in reducing the urban-rural gap."

He visited Kazakhstan on 11–13 November after attending the Fourth Ministerial Conference for Central Asia Regional Economic Cooperation (CAREC), on 6 November

in Bishkek. He praised Kazakhstan's role in regional cooperation and said ADB would sharpen efforts under CAREC to bring practical benefits to member countries.



COOPERATION FOR DEVELOPMENT Kazakhstan
President Nursultan Nazarbayev (right) with ADB
President Haruhiko Kuroda

President Kuroda also met Prime Minister Daniyal Akhmetov and Finance Minister and ADB Governor Arman Dunayev. ☞

4th Ministerial Conference Held

High-level delegations from Afghanistan, Azerbaijan, People's Republic of China (PRC), Kazakhstan, Kyrgyz Republic, Mongolia, Russian Federation, Tajikistan, and Uzbekistan attended the Fourth Ministerial Conference on the Central Asia Regional Economic Cooperation (CAREC) in Bishkek. They were joined by senior representatives of CAREC's supporting multilateral institutions: ADB, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank.

Ministers called for intensified action at the national and regional levels to overcome trade and other impediments to de-

velopment, including the creation of transport corridors to integrate the region and connect it with international markets.

In a joint statement, ministers (i) endorsed the adoption of a Transport Sector Roadmap (2005–2010) to develop an integrated and efficient multi-modal transport system for the region; (ii) endorsed a work plan on trade for 2006, including continued promotion of bilateral cooperation initiatives, training and regional knowledge forums, and deepening the program in partnership with private sector and other stakeholders; (iii) signed a memorandum of understanding to formally establish the CAREC Members Electricity Regulators Forum.

The Fifth Ministerial Conference will be held in Urumqi, Xinjiang Uygur Autonomous Region, PRC, in 2006. ☞

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In this publication, \$ refers to US dollars.

Inception Mission Held for the Project

The project inception mission of the Asian Development Bank (ADB) Kazakhstan Resident Mission reviewed the status of the Rural Water Supply and Sanitation Sector Project on 31 October–12 November. The project will support the Government's objectives of decentralization, poverty reduction, and human development by providing (i) improved rural water supply and sanitation infrastructure services and (ii) training programs to strengthen institutional capacity in the water supply sector.

The Mission met with the Committee for Water Resources (CWR) of the Ministry of Agriculture (MOA)—the implementing

agency—ministries of finance and health, and the central project management unit to discuss current and planned work programs, project implementation issues, and steps to address them. The Mission visited North Kazakhstan, South Kazakhstan, Akmola, and Karaganda oblasts to discuss the status of project activities with oblast project management units, local governments, sector organizations, and design institutes.

The memorandum of understanding (MOU) signed with the MOA and CWR on 17 November included a time-bound action plan. Implementation of this action plan will enable the executing agency to advance institutional development activities and pro-



FIELD VISIT A project team discusses the plan for water project

ceed with the first contract award in August 2006 and with construction in spring 2007.

The next project review is planned for May 2006. ❧

Speeding Up the Potable Water Sector Program

A set of recommendations on speedy implementation of the Potable Water Sector Program for 2002–2010 (PWSP) was finalized during the workshop held on 10 November in Astana. The recommendations were developed by technical assistance (TA) consultants in collaboration with the Government and the Government of Japan through the technical assistance project of \$150,000 financed under the Japan Special Fund.

Stakeholders from water sector and Government agencies, the President's Office, local authorities, consultants, suppliers, contractors, and donors discussed the TA findings and endorsed a sector agenda to ensure the Program's further progress. The First Secretary of the Embassy of Japan and staff attended. The workshop was chaired by Deputy Chairman CWR Nurlan Atshabarov.

The key recommendations of the consultants included: (i) an imperative to increase the status of CWR and its capacity to implement and monitor its program; (ii) the need to use

negotiated turnkey contracts for whole raions; (iii) the need to use the republican budget funding for PWSP instead of a mixture of oblast and republican budget resulting in no distribution pipework for rural settlements; (iv) O&M arrangements in rural areas to be organized at the local level, funded by the Republic and be the responsibility of CWR; (v) the need for the policy on urban water tariffs to reflect affordability levels and to minimize subsidies. There is also a need to formulate the PWSP policy and monitoring, and make the results of implementation of PWSP publicly available.

A 24-minute video film about the PWSP produced by Khabar Broadcasting Company and funded by the ADB Water Cooperation Fund was shown for the first time at the workshop. The video focused on implementation status of PWSP, issues and the need for capacity building, sustainable O&M practices, use of new technologies and better public awareness. It is planned to air it on local channels in all oblasts of Kazakhstan. Two time spots based on the video will be broadcasted

on Khabar in January 2006. The TA will also fund establishment of a web site for PWSP to increase public awareness of status and progress of PWSP, especially in rural areas. ❧

Reviewing the Water Project Progress

An annual review of the loan project for Water Resources Management and Land Improvement was held on 4–17 November. Koji Kitamura, Project Specialist, ADB East and Central Asia Department (ECRD); Tumurdavaa Bayarsaihan, Senior Agricultural Economist, ECRD; and Tatyana Simonova, Project Implementation Officer, ADB Kazakhstan Resident Mission, examined the progress in its implementation.

They visited project sites in Makhtaaral rayon and Shymkent, and held a series of meetings with local authorities. In Astana, a mission met representatives of the Ministry of Agriculture, Ministry of Finance, and Ministry of Economy and Budget Planning.

ADB specialists found significant progress since the last review in 2004. On 31 October 2005, 98% of the project was implemented. A memorandum of understanding was signed at a meeting on 17 November. ❧

Enhancing Water Sector Management

More than 60 representatives of the President's Office, Government bodies, Parliament, civil society, consultants, and international organizations participated in the final workshop of the technical assistance project totaling \$150,000 for Institutional Strengthening of CWR on 7 December in Astana. The TA project was financed by the Government of Japan through the Japan Spe-

cial Fund. "We hope that TA recommendations will help to address the current constraints in water sector management," said Vice Minister of Agriculture Dulat Aitzhanov in his opening remarks.

The TA consultants have recommended increasing staff of CWR from 34 to 70 persons and an independent State Agency for Water Resources Management. It was also proposed to review tariff setting based on the actual cost of water supply. ❧

Private Sector

Consultations on PPP Projects Continue

Two visits intended to search investment opportunities in the private sector of Kazakhstan were held on 22 October–2 November and 30 November–9 December.

Stephen Wermert, Senior Structured Finance Specialist, Infrastructure Finance Division (PSIF) of the Asian Development Bank (ADB) Private Sector Operations Department; Shantanu Chakraborty, Structured Finance Specialist, PSIF; and Aliya Mukhamedyarova, Economics/Programs Officer, ADB Kazakhstan Resident Mission, had a series of meetings with the Ministry of Finance, Ministry of Economy and Budget Planning, the European Bank for Reconstruction and Development, and private sector enterprises in Astana and Almaty.

ADB specialists conducted at a nearly stage due diligence on several infrastructure projects, and met senior staff of the Almaty Power Consolidated (APC) to discuss the pilot public-private partnership investment project to start in 2006. The first stage of the proposed ADB finance for APC will help upgrade its power transmission and distribution lines. ☞

Local Currency Bond Issue

A series of consultations on the proposed issue of ADB bonds in tenge were held on 5–8 December in Astana and Almaty. This undertaking was to find opportunities to raise tenge financing for potential private sector projects.

ADB's team led by Tobias Hoschka, Senior Treasury Specialist, ADB Treasury Department, met Aidar Arifkhanov, Vice Minister of Finance; Askar Elemensov, Deputy Governor of the National Bank; and Bolat Zhamishev, Chairman of the Agency for Regulation and Supervision of Financial Institutions. They also had discussions with Kazakh Stock Exchange and met major Kazakhstan and international second-tier banks to examine the financial aspects of the local bonds issue.

More detailed discussions on the local currency bond are expected early in 2006. ☞

Regional Road Rehabilitation Project Nears Completion

A review of project implementation on the Regional Road Rehabilitation Project, held on 1–7 October, showed that the project is nearly complete.

Hasan Masood, Senior Transport Specialist, Asian Development Bank (ADB) East and Central Asia Department, and Anar Shaikenova, Project Implementation Specialist, ADB Kazakhstan Resident Mission, visited ongoing civil works on the Almaty-Bishkek road, and met senior officials of the Ministry of Transport and Communications, Committee for Transport Infrastructure



FIELD VISIT Hasan Masood, Senior Transport Specialist (left) discusses the state of the road with a representative of the contractor for civil works

Development, and agencies responsible for road safety and maintenance, and vehicle loading. A memorandum of understanding was signed on 5 October in Astana.

They also met with the consultants and contractors under the project. ☞

First Information Center for Development Opens in Astana

The Information Center for Development (ICD) of three of the largest international development organizations—the Asian Development Bank (ADB), the United Nations Development Programme, and the World Bank—in partnership with the National Academic Library of the Republic of Kazakhstan, opened on 18 October in Astana. This is the first joint public information resources center in Kazakhstan, aimed at widening information dissemination and knowledge transfer, and facilitating learning and capacity building.

Karin Oswald, ADB Senior Project Facilitation Specialist, delivered welcome remarks. She said this collaborative initiative will promote better understanding of the development activities among local stakeholders and enhance their potential in delivering knowledge-based results.

ICD is designed to be a one-stop public point for resources on various social and economic aspects of development. It provides open access to extensive databases on various development topics, world expertise, and

up-to-date statistical and analytical information.

ICD visitors enjoy consultations and assistance in information search, and free Internet connection. ICD's collection comprises more than 1,000 publications, periodicals, and multimedia on developmental topics, economic overviews, and sector analysis; project documents and reports from multiple international organizations active in Kazakhstan; and international publishers' books.

ICD will host public outreach events, such as publications launches, information search trainings, workshops, roundtable discussions on various topics, and group tours in 2006. ☞



KNOWLEDGE SHARING Karin Oswald (left), ADB Special Project Facilitation Specialist; Saule Isabekova, Library Deputy Director; and Gordon Johnson, UNDP Deputy Resident Representative, unveil the ICD signage

News in Brief

Kazakhstan Country Strategy and Program Updated

A new thrust toward private sector operations will be at the forefront of the Asian Development Bank (ADB) operations in Kazakhstan in 2006–2008, according to ADB's Country Strategy and Program Update.

Public sector technical assistance (TA) and investments will create an enabling environment for the private sector, and selected public sector lending programs in rural development and water supply aimed at poverty reduction.

Focal areas for ADB activity will be creating inclusive growth and human development through private sector development, while maintaining environmental sustainability and promoting regional cooperation.

Three loans are planned for the period—one for agriculture and natural resources/rural development on each year from 2006 to 2008, and a water supply, sanitation, and waste management project in 2007. Private sector operations will be emphasized as the main vehicle for future ADB operations in the country and will gradually increase over time.

The nonlending program will continue to be an important instrument for ADB operations, with ADB providing about \$1.5 million a year. The Government will increase its cost sharing for TA projects to 50% in 2007–2008.

Kazakhstan Discusses the Progress on Strategy “Kazakhstan 2030”

Implementation of the long-term development strategy of Kazakhstan was the main topic of the international conference “Kazakhstan 2030 Strategy—In Action” in

Astana on 11 October.

The conference was chaired by Kazakhstan President Nursultan Nazarbayev. The Prime Minister, senior government officials; representatives of Parliament, international organizations, nongovernment organizations (NGOs), business community, and academia participated.

Kazuhiko Higuchi, then Country Director, ADB Kazakhstan Resident Mission (KARM), delivered a speech.

Regional Outreach Sessions

A series of outreach sessions on the consultation phase of the Accountability Mechanism for Central Asia started in Almaty and Astana on 17–19 October.

Karin Oswald, Senior Project Facilitation Specialist, ADB's Office of the Special Project Facilitator, conducted four interactive and stakeholder-specific sessions for executing and implementing government agencies, NGOs, and KARM staff.

The sessions briefed country stakeholders on possibilities to influence decisions involved in ADB operations under its Public Communications Policy.

Information and Communications Technology in Education

Kazakhstan was included in the regional technical assistance (RETA) project for Information and Communications Technology (ICT) in Basic Education.

Lan Wu, Principal Social Sector Economist, East and Central Asia Department (ECRD); and Manuela Prina, Young Economist, ECRD, visited Kazakhstan on 18–19 October to discuss in-country activities under the RETA project. They met senior officials of the Ministry of Education and Science, Ministry of Economy and Budget Planning, NGOs, and international organizations.

The RETA project will enhance the capacity of participating countries for analysis, planning, and effective implementation of projects and programs for ICT in basic education.

TA Project for Financial Sector Governance Phase II Approved

ADB approved a \$500,000 TA project on 2 November through the Japan Special Fund, financed by the Government of Japan. The TA's objective is to foster a sound, efficient, and broad financial system by strengthening the supervision of banks, asset management companies (AMC), and accumulation pension funds (APF). The TA project includes two components: (i) upgrading the capacity of the Kazakhstan Agency on Regulation and Supervision of Financial Markets and Financial Organizations, and (ii) strengthening the regulation of APFs and AMCs.

Proactive Information Delivering

KARM, in cooperation with the Central Asia Regional Economic Cooperation Unit, participated in the first International Forum-Exhibition “Customs 2005” in Almaty on 27–28 October, attended by more than 12,300 visitors. ADB publications on various topics, including regional cooperation, were displayed.

Enhancing Regional Land Management

The second national workshop under the RETA project for Central Asian Countries Initiative for Land Management (CACILM) was held on 25–26 November in Almaty.

The workshop aims to discuss the draft national program framework and the follow-up activities for its completion.

Role Playing on Regional Cooperation

More than 30 master-level students of the Presidential Academy for Governance participated in a play at the Information Center for Development (ICD) at the National Academic Library in Astana. The play was held a day after the presentation of the *Central Asia Human Development Report* by the United Nations Development Programme on 7 December.

A video showing of “Caravan of Dreams,” produced by ADB, was followed by a roundtable discussion and presentation of participants' views on regional integration in Central Asia. ✎

NEWS FROM

Kazakhstan

This issue of the quarterly newsletter of the Asian Development Bank (ADB) Kazakhstan Resident Mission (KARM) aims to enhance communications between ADB and its client groups. *News from Kazakhstan* disseminates information on ADB activities and provides a forum on development issues in Kazakhstan. Articles in the newsletter, however, do not necessarily reflect the official ADB view. We welcome readers' comments and suggestions.

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