

RETA 6078: RURAL FINANCE IN CENTRAL ASIA CHANGE IN THE TA AMOUNT AND IMPLEMENTATION ARRANGEMENT

I. INTRODUCTION

1. Regional technical assistance (RETA) 6078: Rural Finance in Central Asia, approved on 18 December 2002, seeks to develop approaches and modalities for efficient intermediation of rural financial resources in the Central Asian Republics (CARs). The technical assistance (TA) has three main activities: (i) diagnose the current state of rural financial systems; (ii) examine the approaches through which the banking system could deliver services more effectively; and (iii) consider ways that alternative financial institutions can provide financial services to people living in rural areas, including the poor, and firms, including micro and small enterprises. The TA of \$600,000, financed on a grant basis by the TA funding program of the Asian Development Bank (ADB), is executed by the East and Central Asia Department of ADB.

II. BACKGROUND

2. Work under the RETA was substantially completed in December 2004. The consultants have produced high quality diagnostic reports on six Central Asian countries. The reports provide a full review of key issues in rural finance. The assessments describe rural and urban financial markets, discuss various constraints to the development of the financial sector in rural areas, and provide practical guidance on market development.

3. Both the country diagnostic reports and the summary final report are of high quality and have provided significant support to country governments wishing to expand rural financial services to poorer clients. Government officials and other stakeholders confirmed the usefulness and guidance contained in these reports during a regional roundtable in October 2004. The Azerbaijan study, along with TA 4093-AZE: Microfinance Sector Development, formed the basis for an ADB TA,¹ a proposed loan,² and a proposed Japan Fund for Poverty Reduction grant.³

4. Because the results are significant and represent the first regional study of this nature, ADB believes that the RETA's findings and recommendations should be synthesized, the analysis developed in greater detail, and the results shared with a wider audience. This step would be particularly appropriate during the United Nation's International Year of Microcredit 2005.⁴ ADB proposes to add funds to the TA to produce a two-volume study on rural finance in Central Asia, intended for a wider audience. Volume one of the proposed book will include two analyses and six ten-page summaries of the country reports. The six detailed country-specific analyses will comprise volume two of the study.

¹ ADB. 2004. *Technical Assistance to the Republic of Azerbaijan for Developing Collateral Framework and Microfinance Regulations*. Manila (TA 4491-AZE, approved on 17 December 2004).

² Micro and Rural Finance Development Project, scheduled for Board consideration in late August 2005 (project number 38110-AZE).

³ Mahalla Business Development Project, tentatively scheduled for Board consideration in mid-September 2005 (project number 38248-AZE).

⁴ The overall goal of the International Year of Microcredit 2005 is to unite member states, UN agencies, and microfinance partners in building sustainable and inclusive financial sectors and achieving the Millennium Development Goals (MDGs).

5. The TA budget paid for the consulting inputs and completion of a summary final report, but funds were not sufficient to complete the proposed document for publication. Accordingly, funds were sought for assistance in publishing these materials for an international audience. The Government of Denmark indicated its willingness to provide supplementary cofinancing for the TA.

III. PROPOSED CHANGE IN THE TA AMOUNT AND IMPLEMENTATION ARRANGEMENT

6. The increase of the TA budget amount by \$50,000 will be entirely financed by the Government of Denmark. ADB will be administering the supplementary funds. The revised total TA amount will be \$650,000.

IV. PRESIDENT'S DECISION

7. The President approved on 7 June 2005 the increase in TA budget amount by \$50,000, through the supplementary co-financing from the Government of Denmark, and ADB administering the said supplementary funds.