

III. ADB INITIATIVE IN SUPPORT OF REGIONAL ECONOMIC COOPERATION

Following the mandate of its Charter, the ADB initiated a program (the Program) in early 1997 to encourage economic cooperation among its member countries in the Central Asia region. The Program addresses one of the most daunting development challenges of the region: its isolated and remote location. It focuses on large infrastructure needs and related policy issues in transport, energy and trade. A phased approach is followed to ensure country ownership, effective coordination and sustainable implementation.

Activities under Phase I of the Program concentrated on identifying infrastructure needs and policy issues impeding cross-border trade and traffic. In a series of five workshops in 1998, the findings of those studies were reviewed and policy issues were pursued with the participating governments.

Phase II began in early 1999. Its early activities consisted of appraising projects singled out as priority in Phase I as well as continuing to promote policy reforms that would remove cross-border barriers to both goods and people. The high-level regional transport conference in September 2000 endorsed the implementation of key projects, which include:

- *regional railway improvement for the Northern Tajikistan railway;*
- *road rehabilitation of the Almaty — Horgos road;*
- *improvement of the Andijan — Osh — Irkeshtam road and extension road in Xinjiang Uygur Autonomous Region, PRC;*
- *rehabilitation of the Lugovoy — Bishkek — Balykchy rail line;*
- *construction of Uzbekistan — Kyrgyz Republic — PRC railway (for which a working group already exists); and*
- *rehabilitation of the Dushanbe — Sarytash road.*

In November 2000, the ADB Board approved a loan for the Almaty — Bishkek Regional Road Rehabilitation Project. Also in progress is a feasibility study of the investment project for rehabilitating and improving the Central Asia Power Transmission System. In 1999, Tajikistan joined the Program after it became an ADB member. With Azerbaijan and Turkmenistan joining the ADB in 1999 and 2000, respectively, the Program now includes the entire Central Asia region.

Elevating the Program

After almost a decade of transition, the focus of the countries of the former Soviet republics has increasingly shifted to the long-term development challenge of sustainable economic growth and raising living standards. Recently, the PRC has embarked on a strategic drive to develop its northwest regions, of which Xinjiang Uygur Autonomous Region is an important part.

To assist in meeting these development challenges, the ADB is elevating its support for regional economic cooperation. While continuing to address large infrastructure needs, especially in the energy and transport sectors through the ADB's unique mix of instruments, the Program has broadened to include:

- human development, such as education, health and nutrition, key aspects of poverty reduction;
- rural finance and tourism to support private sector development;
- water-use management, a top regional issue;
- trade and investment facilitation, where efforts are being directed at improving the overall policy environment, key institutions, information flows and capacity building. As a milestone, a Central Asia Trade and Investment Conference at the ministerial level will be conducted in 2001 in Urumqi, PRC.

As the Program moves forward, it faces several challenges. Internally, the ADB needs to ensure adequate and effective use of resources for regional cooperation. A significant step taken has been to allocate separate loan funds for regional projects.

The key to the initial success of the Program lies in close and effective coordination with participating countries. It is also a precondition for future success. As the Program is growing in breadth and depth, there is an increasing need for an effective and flexible mechanism. This mechanism would be essential for ensuring overall planning, prioritization and implementation of future activities of regional economic cooperation.

Supporting Regional Cooperation in Other Areas

The ADB's initiative in support of regional cooperation in Central Asia will stay tightly focused, emphasizing the areas of trade, transport and energy. However, modest, measured activities will also be undertaken in response to the needs of the region. In particular, the ADB plans to complement and support strong country-specific assistance programs with regional projects where appropriate. In this spirit, a workshop on rural financial systems development convened in Bishkek in October 1999 to support cross-country discussion concerning policy and institutional needs in the sector. This is expected to lead to further work in this area. A workshop on education reforms and policies is planned for later this year. Other potential activities might include agricultural development, especially water use.

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