

**Memorandum of Understanding with regard to Cooperation between
the Asian Development Bank (ADB)
and
the European Bank for Reconstruction and Development (EBRD)**

1. In August 1993, three of the Central Asian Republics (CARs), Kazakhstan, Kyrgyzstan and Uzbekistan, were accepted as members of the Asian Development Bank (ADB). The remaining three Republics – Azerbaijan, Tajikistan and Turkmenistan – are expected to finalize their membership in the ADB in the near future. These six CARs are members of the European Bank for Reconstruction and Development. Consequently, in view of the dual membership of these republics in both ADB and EBRD, arrangements for cooperation between the two institutions with respect to their future operational activities are considered to be desirable.

2. Both institutions attach a high priority to responding to the developmental needs of the Central Asian Republics, particularly through mobilizing financial and other resources, promoting domestic savings and investment and for facilitating a greater flow of funds into the Republics.

3. Although the development needs of the CARs are vast and wide ranging, it is proposed that both institutions take all necessary steps to avoid overlapping and duplication of efforts in carrying out their respective operations in these countries. Both institutions will establish and maintain transparency in dealing with the CARs. To this end, the following approach has been agreed upon:

3.1 General understanding on all Central Asian Republics

3.1.1 Both institutions will meet periodically to exchange views on areas of common interest and exchange information and documents on a regular basis in those areas of work in the CARs which may be of mutual interest including loans, equity investments and technical co-operation (TC):

3.1.2 Both institutions will co-ordinate their efforts in assisting the CARs in funding technical co-operation and training in their respective areas of expertise, including institutional development, environment, development of infrastructure, and development of the private sector in the CARs. Lists of TC projects should be exchanged periodically and both institutions will co-ordinate their economic and sector work in the CARs.

3.1.3 Both institutions will develop country strategies and country programmes to ensure complementarity and enhance the development efforts of each institution for the benefit of the CARs.

3.1.4 Both institutions will assess the desirability of co-financing.

3.1.5 To facilitate the above, both institutions will consider mounting joint missions whenever feasible.

3.1.6 The country specific guidelines presented below are for purpose of setting internal priority operations to both institutions. They should, however, not prevent

one institution to be active in an area not specifically described as its priority subject to consultations.

These guidelines are interim in nature and subject to a review after completion of the first programming cycle of ADB's operation in each CAR.

3.2 Country specific understanding for Kyrgyzstan (and for Tajikistan when it becomes a member of ADB)

3.2.1 Public sector activities:

- (i) ADB will cover social sector needs;
- (ii) EBRD will focus on public sector projects generating foreign exchange revenues sufficient to repay the Bank loan;
- (iii) ADB will take the overall lead in infrastructure projects once and if ADF resources are made available for use in the CARs, inviting EBRD involvement if cofinancing is needed.

3.2.2 Private sector and financial sector activities: EBRD will take the overall lead in private sector activities as well as in the financial sector, inviting ADB involvement if cofinancing opportunities arise. ADB will take up opportunities for policy reform based programme loans in the industrial and financial sectors in full consultation with EBRD, particularly when such programme loans will enhance the effectiveness of EBRD operations.

3.3 Country specific understanding for Kazakhstan and Uzbekistan (and for Azerbaijan and Turkmenistan when they become members of ADB).

3.3.1 Public sector activities:

- (i) ADB will cover social sector needs;
- (ii) both institutions will co-operate in the development of specific infrastructure projects, particularly when cofinancing possibilities exist or are desirable.

3.3.2 Private sector and financial sector activities: EBRD will take the overall lead in private sector activities as well as in the financial sector, inviting ADB involvement if cofinancing opportunities arise. ADB may take up opportunities for policy reform based programme loans in the industrial and financial sectors in full consultation with EBRD, particularly when such programme loans will enhance the effectiveness of EBRD operations.

3.4 **Technical Co-operation Projects:** both institutions will focus on areas of direct relevance to their respective lending activities. The results of all TC projects undertaken by one institution will be made available to the other upon request.

3.5 In the interest of facilitating close co-operation between the two institutions, the following contact persons have been designated:

EBRD



Joachim Jahnke
Deputy Vice President

ADB



Eiichi Watanabe
Director
Programs Department (East)