



Chapter 7

CENTRAL AND WEST ASIA

Afghanistan, Armenia, Azerbaijan, Georgia,
Kazakhstan, the Kyrgyz Republic, Pakistan,
Tajikistan, Turkmenistan, Uzbekistan

The provision of regional transport connectivity, energy security and efficiency, urban services, and finance sector and government reforms formed the bedrock of ADB assistance. Approval was given to build a railway linking Uzbekistan and Afghanistan as a flagship transport project for the region. The eight countries in the Central Asia Regional Economic Cooperation program endorsed an action plan for the energy sector.

OVERVIEW

ADB strategy highlights transport and logistics, energy security and efficiency, urban services (water, wastewater, and urban transport), and reforms (government efficiency, access to credit, and capital markets development). The strategy is delivered through transactions structured around debt and equity finance, guarantees, and grants. Accompanying technical assistance grants train clients in planning, project management, monitoring, evaluation, and reporting. Regional cooperation, environmental sustainability, climate change, and gender are emphasized.

Disbursements rose to \$2.2 billion (Table 10). New lending for public sector projects and reforms reached \$3.1 billion.

PORTFOLIO PERFORMANCE

More effective project management resulted from cooperation between client and ADB teams, supported by an improved management information system covering project performance. A “no extension” policy on poorly performing projects ensured timely, within-budget project execution. Portfolio performance also benefited from clearer readiness filters, simplified design, and advance actions on procurement, safeguards compliance, and timely counterpart finance. ADB continued to rely on programmatic financing approaches, using multitranche financing facilities and cluster program loans. The analyt-

ical work shifted to the start of the project, increasing time and resources for implementation, and paving the way for longer term partnerships and faster approval. Total multitranche financing in 2009 reached almost \$3 billion.

REGIONAL COOPERATION

The Eighth Ministerial Conference on Central Asia Regional Economic Cooperation (CAREC), held in Ulaanbaatar, Mongolia, deepened cooperation among CAREC countries (Afghanistan, Azerbaijan, the People’s Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan). The conference endorsed an action plan for the energy sector and agreed on the establishment of a comprehensive results framework for the CAREC program. A yearly effectiveness report will become a standard feature of the program.

ADB approved a flagship regional transport project—a new railway line connecting Hairatan in Uzbekistan to Mazar-e-Sharif in Afghanistan. This initiated a three-phase program to develop a rail network

ADB approved a flagship regional transport project—a new railway line connecting Uzbekistan to Afghanistan. This will connect Central Asia to ports in South Asia and the Caucasus

TABLE 9 Central and West Asia: Grant-Financed Project Approvals by Country, 2009
(\$ million)

Country	ADF	Other Sources ^a	Total
Afghanistan			
Hairatan to Mazar-e-Sharif Railway	165.0	–	165.0
Water Resources Development Investment Program – Tranche 1	86.6	3.3	89.9
Energy Sector Development Investment Program – Tranche 2	81.5	–	81.5
Kyrgyz Republic			
CAREC Transport Corridor 1 (Bishkek–Torugart Road) Project 2 ^b	22.0	–	22.0
Issyk-Kul Sustainable Development	13.5	–	13.5
Tajikistan			
Crisis Recovery Support Program	40.0	–	40.0
Dushanbe–Kyrgyz Border Road Rehabilitation (Phase II) (Supplementary) ^b	20.0	–	20.0
Regional Customs Modernization and Infrastructure Development ^b	–	1.6	1.6
Total	428.6	4.9	433.5

– = nil, ADF = Asian Development Fund, CAREC = Central Asia Regional Economic Cooperation.

a Officially cofinanced by external sources, and fully or partially administered by ADB.

b Grant component of a loan project.

HIGHLIGHTS

- Continued to support Pakistan's economic stabilization and key reforms in the electricity, finance, and agriculture sectors, as well as social protection systems through a new subprogram of \$500 million under the cluster Accelerated Economic Transformation Program
- Provided an \$81 million grant to improve energy transmission and supply in Afghanistan, and the first tranche of \$60 million under a new multitranche financing for energy efficiency in Pakistan
- Extended substantial support to improve road and railway networks, including a \$165 million regional railway project in Afghanistan connecting Mazar-e-Sharif in Afghanistan and Hairatan in Uzbekistan, which is the beginning of a network into Herat, Tajikistan, and Pakistan
- Made major advances in regional cooperation on trade policy, transport, and energy under the CAREC program; CAREC-participating countries endorsed an action plan for energy and the establishment of a results framework
- Greatly improved portfolio quality, closed 39 sovereign loans, 4 grants, and 51 technical assistance projects; contract awards exceeded the annual target by 6% and disbursements by 8%

across northern and southern Afghanistan, and improve transit and open up routes for Central Asia to access ports in South Asia and the Caucasus. The railway will dispense with the unloading and reloading of cargo onto trucks at Hairatan and will connect cargo and people to Mazar-e-Sharif airport and the country's ring road.

COUNTRY HIGHLIGHTS

Afghanistan

Partnership priorities. The 2009–2013 country partnership strategy, approved in January, complements the national development strategy. ADB will extend \$1.5 billion for transport, energy, and irrigation; and will provide institutional and capacity-building assistance. Most of the assistance is via multitranche financing, to

The Global Economic Crisis: ADB's Response

Armenia

- With an \$80 million loan, supported critical crisis recovery measures that targeted social protection and job creation, and helped maintain critical public expenditures

Georgia

- With three loans totaling \$150 million, sustained social protection measures and aided in timely pension and social security payments

Kazakhstan

- With a \$500 million loan from the Countercyclical Support Facility, supplemented and sustained job creation and other social protection programs, and helped the government build public and investor confidence as it implemented an ambitious crisis recovery program

The Kyrgyz Republic

- With a \$15 million grant, supported reforms to restore investor confidence, and supplemented the government's crisis mitigation measures

Pakistan

- With a \$500 million loan, helped expand the social protection program and restructure power sector debt overhang, identified impediments to industrial diversification, and supported economic transformation

Tajikistan

- With a \$40 million grant, helped meet critical social protection expenditures, including for job creation, social assistance to vulnerable groups, fiscal subvention support for poor regions, and supplementary assistance to educational and health institutions

ensure continuity and timely implementation, and better partnerships.

Impact of operations. The portfolio comprises 19 sovereign loan and grant projects totaling \$1.7 billion. ADB approved a \$165 million grant to lay a 75-kilometer (km) single railway line between Mazar-e-Sharif and Hairatan—a town at the Uzbekistan border that is the

TABLE 10 Central and West Asia: Portfolio Performance Indicators for Sovereign Lending, 2008–2009

Country	Ongoing Loans as of 31 Dec 2009 (no.)	Contract Awards/ Commitments		Disbursements		Loans at Risk	
		2009 (\$ million)	2008 (\$ million)	2009 (\$ million)	2008 (\$ million)	2009 (%)	2008 (%)
Afghanistan	11	37.1	53.2	74.3	51.8	18.2	9.1
Armenia	4	117.0	23.0	119.1	8.0	–	–
Azerbaijan	10	149.0	31.8	58.5	20.8	–	–
Georgia	3	111.1	69.9	111.4	69.9	–	–
Kazakhstan	3	700.9	10.6	542.5	8.3	–	–
Kyrgyz Republic	7	14.1	9.6	24.0	27.1	–	28.6
Pakistan	42	1,178.9	1,799.7	1,093.3	1,873.2	21.4	16.1
Tajikistan	11	40.5	66.8	67.1	50.0	–	7.7
Uzbekistan	20	137.8	58.7	125.9	49.0	–	–
Total	111	2,486.3	2,123.3	2,216.1	2,158.1	9.9	10.8

– = nil.

Note: Totals may not add up because of rounding.

gateway for half of Afghanistan's imports and for humanitarian relief goods. This is the beginning of a network linking to Herat, Tajikistan, and Pakistan. In addition, with support by ADB and other donors, the North East Power System was commissioned. This serves Kabul and other cities, stimulating economic growth and job creation.

Armenia

Partnership priorities. ADB's engagement with Armenia expanded beyond rural transport and water supply with the approval of a \$500 million multitranchise financing facility (see Glossary) for a regional transport corridor. The 7-year program will build 550 km of high-speed road extending from south to north, connecting to Georgia's highway, and reaching Black Sea ports. The first \$60 million tranche will upgrade selected road sections. Work also began on improving urban transport in Yerevan.

The Eighth Ministerial Conference on Central Asia Regional Economic Cooperation (CAREC) endorsed an action plan for the energy sector and agreed on the establishment of a comprehensive results framework for the CAREC program. A yearly effectiveness report will become a standard feature of the program

Impact of operations. In response to the government's request, the \$80 million crisis recovery loan was quickly prepared, approved, and disbursed, helping meet social expenditures and implement anti-crisis measures.

Azerbaijan

Partnership priorities. ADB focuses on transport, energy, and urban services. Three transport projects were funded, two of them under the \$500 million multi-tranche financing facility for roads. In the water sector, ADB approved a \$600 million facility targeting secondary towns, benefiting 500,000 residents. ADB's cooperation in the energy sector will improve the transmission system and lead to a new master plan for power distribution.

Impact of operations. The completed Flood Mitigation Project reduced poverty and increased incomes. The government estimates that 241,900 people have a safer living environment. Undeveloped land came into productive use, and water and wastewater services and transport connectivity improved because of ADB assistance.

Georgia

Partnership priorities. Since Georgia joined ADB in 2007, loans worth \$339 million were approved for transport, urban services, and crisis support. ADB's resident mission opened in January 2009. ADB approved loans worth \$228.8 million: \$80.0 million for growth recovery in response to the global financial crisis, \$30.0 million for municipal services (for transport and to resolve traffic

TABLE 11 Central and West Asia: Sovereign Loan Approvals by Country, 2009
(\$ million)

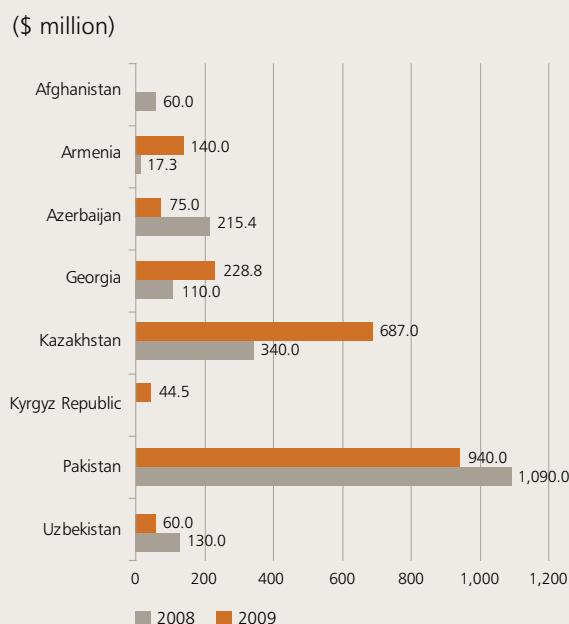
Country	OCR	ADF	Total
SOVEREIGN			
Armenia			
Crisis Recovery Support Program ^a	–	80.0	80.0
North–South Road Corridor Investment Program – Tranche 1	–	60.0	60.0
Azerbaijan			
Water Supply and Sanitation Investment Program – Tranche 1	75.0	–	75.0
Georgia			
Growth Recovery Support Program ^a	–	80.0	80.0
Municipal Services Development – Phase 2	–	30.0	30.0
Road Corridor Investment Program – Tranche 1	–	118.8	118.8
Kazakhstan			
Kazakhstan Countercyclical Support	500.0	–	500.0
CAREC Transport Corridor I (Zhambyl Oblast Section) [Western Europe–Western People's Republic of China International Transit Corridor] Investment Program – Tranche 2	187.0	–	187.0
Kyrgyz Republic			
CAREC Transport Corridor I (Bishkek–Torugart Road) – Project 2	–	28.0	28.0
Issyk-Kul Sustainable Development	–	16.5	16.5
Pakistan			
Accelerating Economic Transformation Program (Subprogram 2)	350.0	150.0	500.0
National Highway Development Sector Investment Program – Tranche 2	230.0	–	230.0
Punjab Government Efficiency Improvement Program (Subprogram 2)	75.0	75.0	150.0
Energy Efficiency Investment Program – Tranche 1	40.0	20.0	60.0
Uzbekistan			
Water Supply and Sanitation Services Investment Program – Tranche 1	–	60.0	60.0
Total	1,457.0	718.3	2,175.3

– = nil, ADF = Asian Development Fund, CAREC = Central Asia Regional Economic Cooperation, OCR = ordinary capital resources.
a Consists of two ADF loans.



An ADB-funded water station in Sindh province, Pakistan, improves villagers' health

FIGURE 1 Central and West Asia: ADB Lending by Country, 2008–2009 (Sovereign and Nonsovereign)



problems), and a \$500.0 million multitranche financing facility to develop regional transport corridors. The first tranche (\$118.8 million) financed a road linking Black Sea ports and connecting Georgia with neighboring countries.

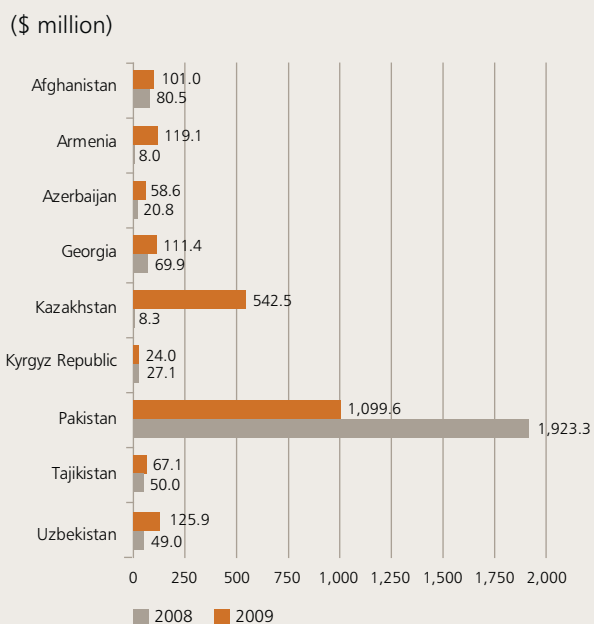
Impact of operations. The Growth Recovery Support Program allowed the government to deal with revenue gaps and thereby maintain core spending for key social needs, including welfare payments and services for vulnerable groups.

Kazakhstan

Partnership priorities. Transport and water supply are strategic priorities. Two tranches were signed under a \$700 million multitranche financing facility for the CAREC Transport Corridor 1 Investment Program. This will improve transit across Kazakhstan, linking

Transport and water are priorities in Kazakhstan, and infrastructure, investment climate, and regional cooperation in the Kyrgyz Republic

FIGURE 2 Central and West Asia: ADB Disbursements by Country, 2008–2009 (Sovereign and Nonsovereign)

TABLE 12 Central and West Asia: Cumulative Lending and Disbursements by Country as of the end of 2009 (\$ million)^{a, b}

Country	Lending	Disbursements
Afghanistan	952.3	660.4
Armenia	223.9	127.2
Azerbaijan	660.4	146.4
Georgia	363.8	206.3
Kazakhstan	1,703.6	1,161.6
Kyrgyz Republic	648.0	576.2
Pakistan	20,245.8	15,334.2
Tajikistan	372.5	290.2
Uzbekistan	1,290.9	659.9
Regional	20.0	3.0
Total	26,481.3	19,165.2

Note: Totals may not add up because of rounding.

a Loan component of regional projects distributed to the countries whenever possible.

b Includes nonsovereign (public and private) sector loans specific to the region.

eastern and western neighbors, and will open up north-south routes. It will be complemented by a loan for reconstruction of the Aktau–Beineu Road connecting Kazakhstan to its neighbors and the Caspian Sea.

Impact of operations. ADB provided a \$500 million loan under the Countercyclical Support Facility to mitigate impacts of the global economic crisis, support the government's crisis-mitigation plan, and create jobs.

The Kyrgyz Republic

Partnership priorities. Infrastructure remains a priority. Reforms to improve the investment climate are also part of the strategic initiatives. Regional cooperation is integral to ADB's partnership with the Kyrgyz Republic.

Impact of operations. ADB financing improved infrastructure and the tax and customs services. It supported policies to reduce investment barriers, lowered compliance costs, and enhanced access to finance. ADB

assistance upgraded rural drinking water, education, and early childhood development. A \$30 million project was approved to protect Lake Issy-Kul from untreated wastewater discharges.

Pakistan

Partnership priorities. A new strategy prioritized energy, transport, irrigation, urban development, and government efficiency. A facility for energy efficiency, cofinanced by the Agence Française de Développement and with multitranché

Clean Water on Tap

A program in the Kyrgyz Republic is providing standpipes that connect villagers to clean spring water stored in reservoirs above their villages

Some of the richest water resources in Central Asia can be found in the mountains of the Kyrgyz Republic, yet most people must walk miles to the nearest river to meet their daily needs. Thanks to an ADB grant, water is coming closer to home.

Abdymanap lives with his family in Josholu, a village in the mountainous Alai district in the south of the country. Before ADB helped the village construct a pipe as part of a project to improve rural water supply and sanitation, the local river served villagers' needs. "Water in the river was not bad," he says. "But during the rainy season it turned brown because of the dirt." Villagers had to leave the water in

buckets for a few hours for the dirt to settle, Abdymanap explains. In any case, cows and sheep would drink from the river and pollute it with their wastes.

"People were getting infections from the water before the water pipe was built," says Janargul, a nurse at the local hospital. Diarrhea was common and the hospital was so short of water that nurses had to carry bucketfuls from the nearest river 3 kilometers away.

The ADB-financed project, known as Tazasuu (clean water), enabled local communities to construct water pipes.

Josholu is typical of the many communities across the country that have benefited from the project. The village now boasts 56 standpipes, which provide its 4,500 inhabitants with fresh, clean spring water from the mountains. The source springs are protected by a tent to keep out rainwater and animal waste, and pipes carry the water from the spring to a reservoir above the village. The reservoir can hold up to 500,000 liters, enough to provide water to the village for 1 day, in case the springs stop running.

Abdashym, who takes care of the reservoir, does not believe the springs will run dry. "It will never happen," he says. "But even if it does, the village will not stay without water for very long."

Supplies are assured by a backup system that can take water from the river, filter it, and take it to the village.

Fetching water is no longer a big issue for the women, as water is readily available at the standpipe just around the corner. Children have less work to do and more time to play and study—and they have water on tap to drink whenever they like.

Supplies are assured by a backup system that can take water from the river, filter it, and take it to the village



Villagers in Josholu queue for water: clean water from convenient standpipes frees time for more productive activities

support for renewable energy and power transmission, broadened the energy partnership. Leaders of the Friends of Democratic Pakistan assigned ADB a lead role in helping prepare a master plan targeting international assistance in energy. ADB supported economic stabilization reforms under a program of the International Monetary Fund,

ADB's share focusing on reforms in electricity, finance, agriculture, and social protection. ADB signed agreements with Pakistan banks to provide finance and guarantees for letters of credit with international banks. ADB also helped mobilize international financing for the first private sector hydropower project. With the World Bank, ADB completed

Learning in the 21st Century

An ADB project in Uzbekistan brings education into the 21st century by providing computers, internet connectivity, and training to schools, even in rural areas

At Secondary School Number 94 in Tashkent City, Rogova Nadejda Viktorovna moves among students working on computers, supervising their multimedia lessons in mathematics.

A teacher since 1990, she completed in-service teacher training in information technology in June 2009, part of the ongoing ADB-funded Information and Communication Technology in Basic Education Project.

"Learning is more interactive using computers, and students learn far faster than the old ways," Viktorovna says. "They are able to access a lot more information on various subjects, too."

Under the umbrella of the government's National Program for Basic Education Development, the project aimed to put information and communication technology (ICT) in schools. Before the project began in 2006, computer access for students was limited to 18% of secondary and half of all schools.

Computers installed in September 2009 are already improving education for 1,700 students, says Tamara

Samoylovich, head of the teaching department at Tashkent's Secondary School Number 94. Hers is one of 860 cluster leader schools—hubs for an average of 11 other schools—where the government is providing ICT.

When the entire network is operational, 540,000 students in 9,757 cluster leader schools will directly benefit. Their central role means all students and teachers—about 6 million students and 200,000 teachers over 5 years—will gain computer skills. ADB financed \$30 million of the \$43 million cost of the project.

Cluster leader schools act as resource centers for surrounding schools typically up to 30 kilometers away. By offering two computer classes—one for students and another for teachers—to surrounding schools, the opportunity for teachers to train and spread knowledge is readily available.

The project contains specific measures that directly impact about 165,000 poor students in grades five through nine. For example, the project ensures 70% of the cluster leader schools are in rural and poor areas.

Materials in languages, including Karakalpak, Kazakh, Korean, Kyrgyz, Russian, Tajik, and Turkmen, provide a leg up for minority students. Pilot projects are also testing alternative ways of connecting remote schools, including the use of digitized phone lines, or mobile and wireless connections.

"ICT literacy has increased dramatically since the project was launched," says Sayora Melikova, director of School Number 21 in Samarkand City. "Before, computers were for grades eight and nine, but now grades five through nine have them, too," she says. Tertiary education is computer-based these days, so ICT study is critical to students' further education.

"This project is giving them a head start," says Melikova.

"Learning is more interactive using computers, and students learn far faster than the old ways"

—Rogova Nadejda Viktorovna, teacher



Uzbek students hone their information technology skills

a preliminary damage needs assessment for conflict-affected areas in northern Pakistan.

Impact of operations. ADB disbursed \$1.1 billion for investments and reforms. An electricity project is upgrading grid connectivity. Transport projects rehabilitated 400 km of roads and 300 rural access links. Support for a major cash transfer program assisted poor women. A rural development project provided electricity, extending productive work hours and raising living standards. The Pakistan Institute of Corporate Governance, established with ADB assistance, increased market efficiency. Safeguard training raised the awareness of public officials about compliance with ADB's policies.

Tajikistan

Partnership priorities. ADB will adopt a new country partnership strategy (2010–2014) in early 2010. Priorities include roads, energy, and investment climate reforms. To enhance aid efficiency and improve donor coordination, ADB and 11 development partners signed the Joint Country Partnership Strategy 2010–2012.

Impact of operations. ADB projects improved transport connectivity and energy security. Irrigation and flood protection projects increased agricultural productivity. ADB approved a \$40 million program to sustain social spending imperiled by the global economic crisis, helping the government manage budget shortfalls and supporting public investments that preserve and create jobs. ADB provided a \$20 million grant to supplement the Dushanbe–Kyrgyz Border Road Rehabilitation Project, which is upgrading highways within the CAREC corridor.



Educational benefits: poor women learn with ADB support

In Uzbekistan, resource transfers more than doubled from 2008 as more frequent interactions between government officials and ADB improved portfolio performance

Turkmenistan

Partnership priorities. The strategy focuses on transport, including construction of road corridors and a railway. The partnership will expand after ADB's resident mission in Ashgabat opens in 2010.

Impact of operations. ADB has yet to begin its lending operations in Turkmenistan.

Uzbekistan

Partnership priorities. Priorities include transport, energy, sanitation, irrigation rehabilitation, and water management. Access to credit is also vital. ADB responded to private sector development opportunities, regional connectivity, and energy security and trade. ADB also provided a \$300 million multitranchise financing facility for water supply and sanitation, and began preparing for environmentally sustainable power generation and regional highway corridors.

Impact of operations. Since 1996, ADB has financed 30 loans totaling \$1.3 billion. Resource transfers more than doubled from 2008 as more frequent interactions between government officials and ADB improved portfolio performance. Farmers' income increased because of a near doubling of wheat yields under the Grain Productivity Improvement Project, which introduced new farming equipment. ADB support also provided safe drinking water and sanitation. Women in rural communities started cottage industries and small businesses with support from the Small Microfinance Development Project. The Textbook Development Project implemented an innovative textbook rental scheme, providing textbooks to almost all needy students.