

# **ASIAN DEVELOPMENT BANK**

**REGIONAL COOPERATION STRATEGY AND PROGRAM  
FOR CENTRAL ASIA REGIONAL ECONOMIC COOPERATION (CAREC)  
MEMBER COUNTRIES  
(AZERBAIJAN, KAZAKHSTAN, KYRGYZ REPUBLIC, MONGOLIA,  
PEOPLE'S REPUBLIC OF CHINA, TAJIKISTAN, UZBEKISTAN)  
2005–2007**

**July 2004**

## **CURRENCY EQUIVALENTS**

(16 July 2004)

Currency Unit (Azerbaijan)	–	Azerbaijan manta/s (AZM)
AZM1.00	=	\$0.0002
\$1.00	=	AZM4,905
Currency Unit (Kazakhstan)	–	Tenge (T)
T1.00	=	\$0.0074
\$1.00	=	T135.37
Currency Unit (Kyrgyz Republic)	–	Som (Som)
Som1.00	=	\$0.0234
\$1.00	=	Som42.6786
Currency Unit (Mongolia)	–	Togrog (MNT)
MNT1.00	=	\$0.0008
\$1.00	=	MNT1,181
Currency Unit (People's Republic of China)	–	Yuan (CNY)
CNY1.00	=	0.1208
\$1.00	=	CNY8.2767
Currency unit (Tajikistan)	–	Somoni (TJS)
TJS1.00	=	\$0.3433
\$1.00	=	TJS2.913
Currency unit (Turkmenistan)	–	Turkmen manat (TMM)
TMM1.00	=	\$0.0002
\$1.00	=	TMM5,200
Currency unit (Uzbekistan)	–	Sum (SUM)
SUM1.00	=	\$0.0010
\$1.00	=	SUM1,005.94

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ADTA	–	Advisory technical assistance
CACO	–	Central Asia Cooperation Organization
CAR	–	Central Asian Republic
CAREC	–	Central Asia Regional Economic Cooperation
CIS	–	Commonwealth of Independent States
EBRD	–	European Bank for Reconstruction and Development
ECO	–	Economic Cooperation Organization
EEC	–	Eurasia Economic Community
EU	–	European Union
FDI	–	foreign direct investment
GDP	–	gross domestic product

GEF	–	Global Environment Fund
GNI	–	gross national income
GNP	–	gross national product
ICWC	–	Interstate Commission for Water Coordination
IDP	–	internally displaced person
IFAS	–	International Fund for Aral Sea
IMF	–	International Monetary Fund
JSF	–	Japan Special Fund
MC	–	ministerial conference
MDB	–	multilateral development bank
MDG	–	Millennium Development Goals
OCR	–	ordinary capital resources
OIF	–	Overall Institutional Framework
PPTA	–	project preparatory technical assistance
PRC	–	People's Republic of China
RCSP	–	regional cooperation strategy and program
RETA	–	regional technical assistance
SCO	–	Shanghai Cooperation Organization
SMEs	–	Small-and medium-sized enterprises
UNDP	–	United Nations Development Programme
UNEP	–	United Nations Environment Programme
XUAR	–	Xinjiang Uygur Autonomous Region of the People's Republic of China

## NOTE

In this report, “\$” refers to US dollars.

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## EXECUTIVE SUMMARY

The Asian Development Bank's (ADB) regional cooperation effort in Central Asia, which began modestly in 1997, has grown both in coverage and complexity under the Central Asia Regional Economic Cooperation (CAREC) program. Economic recovery has taken root in the Central Asian Republics (CARs) since 1999. This coincides with an economic upturn in Russia, continued rapid growth in the People's Republic of China (PRC), and new opportunities in Afghanistan and South Asia. These have significantly improved the prospects for the CARs. The preparation of ADB's first regional cooperation strategy and program (RCSP) for CARs, Azerbaijan, the PRC (primarily Xinjiang Uygur Autonomous Region (XUAR), which is geographically contiguous to CARs), and Mongolia, which are members of the CAREC program, is therefore timely. (All these countries are henceforth referred to in the document as CAREC member countries.) The RCSP will help focus ADB's future assistance and contribute to the CARs' efforts to fully benefit from these emerging opportunities.

A severe economic decline during the initial years after the breakup of the former Soviet Union saw nearly a third of the population in the CARs slipping into poverty. Social indicators also deteriorated sharply at that time. Since 1999, however, the region has experienced impressive recovery with economic growth averaging 8.6% annually between 1999-2002. Although poverty incidence also declined during this period, growth has been largely confined to extractive sectors and specific regions. Growth has not been sufficiently broad-based. As a result, income inequalities across countries and within countries have increased and poverty is becoming entrenched in some sub-regions. This could result in social and political instability.

The case for regional economic cooperation among the CAREC member countries can be simply made. Poverty can be reduced only through rapid, sustained, pro-poor growth. This implies export expansion, growth of private enterprise, and an increase in investment in sub-regions currently excluded from the benefits of growth. This requires efficient regional transport infrastructure, rehabilitation of energy networks, restoration and improvement of irrigation systems, and seamless transit across the region to external markets. These factors are all contingent on successful regional cooperation. For poverty reduction, regional cooperation among the CARs is a necessity, not an option.

The region's geographical, economic, and historical context as well as its asymmetrical distribution of natural resources—makes the CARs uniquely interdependent. This makes regional cooperation clearly the optimal context for CARs to achieve inclusive economic growth as they move from transition to development. Recognizing these features, leaders in the CARs have launched several initiatives for regional cooperation. However, progress has only been modest so far. Developments since independence have pulled the CARs in divergent directions and away from cooperation. Declining intraregional trade and increasing obstacles to interregional trade—despite a number of agreements and repeated exhortations—best exemplify limited progress in regional cooperation.

ADB's successful regional cooperation efforts, under its CAREC program have been based on a pragmatic approach designed to yield tangible results. These have helped enhance the political will for cooperation, increase mutual trust, and demonstrate win-win outcomes from cooperation. The establishment of an overall institutional framework (OIF) in March 2002 to guide the program and strengthen ownership among the CARs further reinforced the partnership that has developed between ADB and the countries of this region. Given the complexity and vast scope of the required effort, all the development partners operating in the region collaborate actively to promote regional cooperation.

The main challenges in promoting regional cooperation are (i) a perception that pay-offs from regional projects do not match the effort required to prepare them; (ii) a perception that benefits from regional projects are uncertain and distributed asymmetrically; (iii) weak political will, mutual trust, and ownership by governments; (iv) relatively poor government capacity for intraregional cooperation in most CAREC member countries; (v) an uncertain track record from regional cooperation, with results insufficiently broad-based and failing to benefit sub-regions where poverty is concentrated; and (vi) acute sensitivity to national sovereignty and the pursuit of national self-reliance. Therefore, conscious and concerted efforts are required to improve the environment for cooperation.

Based on lessons learnt during the past 7 years, and recognizing the potential and challenges for regional cooperation, ADB's strategy has to be finely balanced between setting out a vision for regional cooperation and trying to achieve tangible results for establishing a solid foundation for further progress. The RCSP tries to achieve this balance with a long-term cooperation framework comprising four strategic objectives—and a sharply focused medium-term program to address existing constraints and exploit available opportunities.

The four key strategic objectives of ADB's proposed regional cooperation strategy are: (i) securing access to profitable markets in large neighboring countries for exports from CARs, thereby enhancing benefits from regional projects; (ii) reducing transaction costs and facilitating transit and transport across the region; (iii) improving energy supplies for sustaining growth; and (iv) preventing negative regional outcomes such as environment degradation, desertification, human and drug trafficking, and spread of communicable diseases. The strategic framework captures the *raison d'être* of regional cooperation, which will secure better access to larger neighboring and global markets, provide a land bridge between dynamic regions, and address negative externalities.

ADB's core program will continue to focus on energy, transport, and trade facilitation. Successful cooperation in these sectors is essential to diversifying the production structure, making these economies less vulnerable to external conditions, and achieving rapid, pro-poor growth. It will also help CARs secure better access to outside markets and link the region to neighboring economies such as Afghanistan. While persisting with its project-based approach, ADB will attempt to enlarge the scope and benefits from these projects by extending their coverage to neighboring countries and regions.

ADB's enhanced program of technical assistance (TA) will enable it to forge new partnerships with other development partners in sectors where they are taking the lead. These include tasks such as building a regional poverty database and exploring possibilities for ADB intervention in areas such as water resources, land management, and environmental protection.

The actual program for 2004–2006 includes 17 projects with lending of \$399.4 million and 33 technical assistance projects worth a total of \$18.5 million. Efforts will be made to leverage co-financing as needed. The principal risks to the program are lack of government ownership and scarce resources. These risks, though significant, are manageable because of the CARs' commitment as expressed in the second ministerial conference in November 2003 and the importance that ADB and other development partners have accorded to regional cooperation. A set of indicators has been suggested for monitoring and evaluating the RCSP's performance.



## I. INTRODUCTION

1. It is more than 7 years since Asian Development Bank (ADB) launched its Central Asia Regional Economic Cooperation (CAREC) program. During this time, the number of countries covered in the CAREC program has doubled and substantial operational experience has accumulated. CAREC has evolved in to the secretariat for the overall institutional framework (OIF), established in March 2002 in the shape of an Inter-Ministerial Conference, to oversee regional economic cooperation among the CARs. The external and domestic circumstances of the six CARs have also changed significantly. The ending of the long, post-independence economic downturn in 1999 coincided with the beginning of positive growth in Russia, which is still the mainstay of external demand. Events following 11 September 2001 riveted international attention on the region and the global community recognized an emergent threat to the region's stability and fledgling democracies. The changed situation in Afghanistan offers new prospects and rewards for regional cooperation. The preparation of ADB's first regional cooperation strategy and program (RCSP) for CAREC member countries is timely,<sup>1</sup> The RCSP will help to focus ADB's efforts for economic cooperation amongst CAREC member countries.<sup>2</sup>

## II. REGIONAL COOPERATION AMONG CAREC MEMBER COUNTRIES

### A. The Setting

2. **Geographical Features.** The six CARs cover a vast landmass between Europe and Asia of 4 million square kilometers (km<sup>2</sup>), an area larger than Southeast Asia. It is sparsely populated, with a total population of about 65 million concentrated in the eastern valleys and along the two main rivers—Amu Darya and Syr Darya—and their tributaries. The major part of the land is covered with desert and steppes. Only 7.8% is cultivable. Average annual rainfall is low, restricting the choice of cropping patterns and making agriculture almost entirely irrigation-dependent. The CARs, excluding Azerbaijan, share the waters of and depend critically on these two rivers for both irrigation and drinking water. They share these waters with Afghanistan as well. Optimal use of these two river systems among the CARs and Afghanistan is a major issue that requires a regional and cooperative approach.

3. Being part of the Aral Sea basin and in the river basins of the Amu Darya and Syr Darya rivers, the five CARs (except Azerbaijan) share the same environment. The environment is an eminently regional issue, typified by the Aral Sea disaster that made Central Asia as one of the world's most severely environmentally affected regions.

4. PRC's involvement in the CAREC started with the participation of the Xinjiang Uygur Autonomous Region (XUAR), which is PRC's western-most province and geographically contiguous to Central Asia. It covers 16 million km<sup>2</sup> and has a total population of over 19 million of which 47% are ethnic Uygurs. XUAR of the PRC has had traditional economic, social, and cultural relations with the CARs and was part of the famed "Silk Route" between Europe and

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<sup>1</sup> CAREC member countries refer to: Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, People's Republic of China, Tajikistan, and Uzbekistan. PRC's involvement in CAREC is geographically concentrated on, but not limited to, Xinjiang Autonomous Region.

<sup>2</sup> Henceforth, in this documents we will, unless otherwise specified, use the terms 'Central Asia or Central Asian Republics or CARs interchangeably to refer to the six countries viz. Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan all of whom are members of the Asian Development Bank. The discussion on regional cooperation and its prospects etc. in the main text therefore covers all CAREC member countries. The discussion on progress of and prospects of regional cooperation between the PRC and Mongolia is discussed in Chapter VI.

Asia.<sup>3</sup> More recently, PRC's involvement has been expanded to include cooperation with Mongolia to the north.

5. Mongolia joined CAREC in 2001. With its population of about 2.5 million, and a land area equal to Western Europe, Mongolia is one of the most sparsely populated countries. It is landlocked, like the CARs, and experiences extreme climatic conditions. Only about 10% of the land is arable with the rest covered by desert and steppes.

6. **Economic Features.** Central Asia is land-locked and Uzbekistan, its most populated country, is one of the only two countries in the world, that is double land-locked.<sup>4</sup> This highlights the region's remote isolation and high transport costs in accessing external markets.<sup>5</sup> Significant investments are required to rehabilitate and develop infrastructure for improving connectivity within the region and facilitating access to large neighboring countries and other markets. Given the complex nature of national borders and having inherited an integrated infrastructure from the Soviet period, its rehabilitation and expansion will be most efficient on a regional basis.

7. The total gross domestic product (GDP) of the six CARs is about \$45 billion.<sup>6</sup> Before independence, these countries existed as a unified market and were integrated within the wider production and trading network of the Soviet economic system. This yielded employment, income, and welfare levels that broadly corresponded to middle-income economies. All this changed suddenly with independence: the emergence of national borders and import controls converted these countries into small-segmented market economies with limited growth potential. A near 50% decline in intraregional trade during 1992–2002 demonstrates the segmentation of this once unified economic space. Combined with a severe disruption in export earnings, this resulted in a precipitous decline of income across the region in the 5 years after independence.

8. Bringing down border restrictions and facilitating trade and transit across the region can more effectively achieve economic growth and the needed investment in the CARs. Such a move would reunify these segmented markets, offering a sizable market and economies of scale for foreign and domestic investors. Perhaps more importantly, by facilitating trade and transit and bringing down transactions costs—together with development of regional infrastructure—will allow the CARs to access large neighboring markets and the region to regain its historical role as a land bridge between Europe and Asia.

9. CAREC member countries are rich in natural resources and minerals, including precious metals and hydrocarbons.<sup>7</sup> Natural resources are, however, unevenly distributed. The oft-quoted example of asymmetric distribution is that of hydrocarbon and water resources that make the countries critically dependent on each other for securing adequate supplies of energy

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<sup>3</sup> At the request of the government of the People's Republic of China, ADB is financing a study on the development strategy for XUAR. This will also help to highlight XUAR's comparative advantage in regional cooperation with the Central Asian Republics.

<sup>4</sup> "Double landlocked" means that not only is the country itself landlocked, none of its neighbors has direct access to the sea either. The only other double-landlocked country is Lichtenstein.

<sup>5</sup> The region is located at a great distance from any major markets like the United States, which is roughly 12,000 kilometers (km) away; Europe, which is 6,000 km away; PRC, which is 3,000 km away; and South Asia, the nearest market and still about 2,000 km away overland.

<sup>6</sup> The discussion on economic features of Central Asian Republics (CARs) on this page and on economic performance (paragraphs 23-30) and economic prospects (paragraphs 33-36) includes data on Turkmenistan. The country joined ADB in 2000 and attended the first CAREC Ministerial Conference as an observer making it a prospective CAREC member.

<sup>7</sup> The full potential of the region's mineral reserves is still being ascertained as new finds are reported regularly.

and irrigation. Successful exploitation of the region's natural resource and its emergence as a major energy exporter to neighboring and possibly distant energy-deficit markets depends on three factors. First, the CARs need to cooperate successfully to convert the uneven distribution of natural resources into a mutually advantageous complementarity. Second, the regional energy network needs to be rehabilitated and expanded to permit exports to outside markets. Third, intraregional regulatory and cross-border issues in energy trade need to be resolved.

10. The region's economic prospects have been strengthened by sustained growth in the PRC, where GDP growth of about 8% per annum has been consistently maintained over the last two decades. The CARs stand to benefit from the spillover effect of strong foreign investment inflows and economic growth in the PRC.

11. **Historical Features:** The CARs are characterized by their Turkic-Persian heritage, which is reflected in shared linguistic, cultural, and social practices. A common religious identity, although suppressed during the Soviet period, is gaining prominence. For most of the twentieth century, the CARs, as Soviet republics, became part of a single unified economic space and infrastructure system. Mongolia was closely integrated within the Common Market Economic Association (CMEA) that covered the Soviet Union and allied economies. Prior to independence, borders were completely porous, allowing large-scale intra-regional migration and the presence of sizeable ethnic minorities in all six CARs.

12. **Recent Developments:** Independence came suddenly for the CARs. The countries have adopted democratic political practices, a universal suffrage to elect a presidential form of executive government and a parliament. In all the CARs, power is concentrated in the presidential apparatus, which usually has authority over other branches of the government.<sup>8</sup> Since the end of the civil conflict in Tajikistan and a regime change in Afghanistan, the region's political situation has been stable.

13. Nationalist political sentiments and the urge to become self sufficient in so-called strategic goods and services are expectedly strong in the CARs. As newly independent states, they are sensitive to the slightest perceived threat to their sovereignty. The presence of large ethnic minorities and long standing territorial claims and counter claims also create some difficulties in promoting cooperation.<sup>9</sup> On the other hand, PRC, and its border provinces and regions—having benefited from strong economic growth in the last two decades—is willing and capable of entering into fruitful economic cooperation relations with its neighboring economies.

## **B. Factors Supporting Regional Cooperation**

14. The above discussion on geographical, economic, and historical features highlights a number of factors that support regional cooperation among CAREC member countries. In summary, these are (i) an inherited public infrastructure that was established as a unified system and requires a regional approach to rehabilitation in contrast to the current trend toward national solutions and self-sufficiency; (ii) the existence of extensive structural interdependence

<sup>8</sup> An internal security system, inherited from the Soviet era, maintains strict law and order (in some countries verging on the coercive) and often provides the fundamental underpinning for political power.

<sup>9</sup> With greater realization of national identities and independent economic and political experience during the past 12 years, some of the pre-Soviet themes and perceptions are beginning to surface, especially with regard to differences in traditional social and cultural practices, territorial claims and counter claims, special relationship among countries (for example between Tajikistan and Iran or between Kazakhstan and Russia or the traditional rivalry between Turkmen people and Uzbeks) and rights of ethnic minorities vis á vis their countries of origin.

and therefore of positive regional externalities among CAREC member countries with regard to rehabilitation and expansion of energy generation and distribution capacities and the water-energy nexus; (iii) a need to harmonize regulatory standards and working practices in financial markets, communications and other investment services across the region to facilitate private-sector growth; (iv) reducing barriers to intraregional trade and transit to overcome disadvantages of segmented national markets, thereby making the region more attractive for foreign and domestic investors; (v) developing a regional transport network to minimize location disadvantage and facilitate access to large neighboring and global markets; (vi) historically, these countries share similar cultural, social, and linguistic traditions that would encourage cooperation; and (vii) in some sub-regions, like the Ferghana Valley, communities straddle newly established national borders and depend on cross-border trade that would prosper with the promotion of regional cooperation.

15. In addition, a number of negative regional externalities can be tackled only by adopting a regional approach. These include (i) environment degradation, of which the Aral Sea is a prime example; (ii) land degradation and desertification, which have reduced agriculture yields and availability of arable land; (iii) human and drug trafficking; (iii) the spread of fundamentalism and militant activities; and (iv) the spread of communicable diseases and pestilence.

16. The above factors shows that the CARs are extensively interdependent. This makes regional economic cooperation a necessity for future economic development and poverty reduction. Leaders in these countries seem to recognize this importance. All the development partners have also emphasized the role of regional cooperation among the CARs and supported this actively. However, as discussed in the following paragraphs, some important challenges have slowed the progress of regional cooperation among the CAREC member countries.

### **C. Challenges for Regional Cooperation**

17. Some post independence developments have weakened efforts at regional cooperation. The more important challenges that have emerged are (i) leaders' reticence to recognize supra-sovereign entities given the acute sensitivity to national sovereignty; (ii) uncertainty about distribution of gains and fears of losing out, rather than seeing regional cooperation as a win-win situation; (iii) pursuit of national self-reliance and self-sufficiency in strategic goods and services; (iv) smaller countries' fear of their larger neighbors and a tussle for political supremacy among the larger countries within the region; (v) the presence of large ethnic minorities, which sometimes heightens mutual mistrust; (vi) presence of large neighbors outside Central Asia, which pulls countries away from regional cooperation; (vii) growing divergence in economic policies and performance; (viii) arbitrary closure of borders and imposition of trade and transit restrictions; (ix) weak institutional and management capacities of national governments; and (x) few strong support constituencies for regional cooperation in the majority of CARs.

18. The multiplicity of regional organizations among CARs and their immediate and distant neighbors (para. 18 and Appendix 3) has tended to dissipate the limited managerial and decision-making capacity in the region and perhaps led to a degree of cynicism about regional cooperation. More importantly, it has not allowed any synergy to develop across these initiatives. Most regional initiatives have been used to ensure political stability rather than promote economic cooperation. As a result of these challenges, actual progress of regional cooperation has been slow.

## D. Progress of Regional Cooperation

19. Leaders in CAREC member countries have recognized the importance of regional cooperation, duly supported by development partners, and this has resulted in a number of issue-based initiatives and regional organizations.<sup>10</sup> There have also been several initiatives involving the CARs and also neighboring countries toward establishing an institutional and organizational basis for regional cooperation. Some of the more important ones have been (i) Economic Cooperation Organization (ECO); (ii) Central Asia Cooperation Organization (CACO); (iii) Eurasia Economic Community (EEC); (iv) Shanghai Cooperation Organization (SCO); (v) Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova (GUUAM); and (vi) ADB's Central Asia Regional Economic Cooperation (CAREC) (Appendix 3). The latest in this series is the attempt, launched in 2002, to unify the economic space between Russia, Byelorussia, Ukraine, and Kazakhstan.

20. A notable example of successful cooperation among the CARs is their agreement to respect inherited borders and leave populations *in situ*, although this resulted in the presence of sizable ethnic minorities in some CARs. The continued operation of the Unified Dispatch Center in Tashkent for maintaining the balanced and synchronized operation of the regional power grid is another successful example. Some progress has also been made in regional efforts at combating drug trafficking, insurgency, and extremist activity. The 1998 Framework Agreement on Syr Darya water sharing and its annual renewal (although with some difficulty) also represents real progress. These examples show that the CARs can cooperate if incentives are strong and costs of working alone are clearly visible.

21. However, overall progress of these initiatives—as best exemplified by the initiative launched in 1989 on the restoration of Aral Sea (Box 1)—has been modest.<sup>11</sup> Slow progress in regional economic cooperation is leading some CARs to look for “outside solutions” that were initially adopted more as a bargaining ploy to maximize benefits. Relatively weak economic performance in the first half of the 1990s may have forced governments to concentrate on domestic issues, and this can be expected to change in favor of regional initiatives in the context of economic recovery and growth since 1999.<sup>12</sup>

22. ADB has achieved some success in regional projects for road construction, power transmission, and trade facilitation. As discussed in Chapter IV, the approach so far has been to focus on realistic projects with tangible benefits as they will reinforce mutual trust and build political will. In future, ADB's strategy should help reinforce supportive features and effectively address remaining challenges to regional cooperation. Such a strategy would benefit from an understanding of current trends, prospects for the region, and lessons drawn from ADB's past

<sup>10</sup> The transport sector has received major attention and resources under the European Union's Transport Corridor Europe-Caucasus-Asia (TRACECA) and Interstate Oil and Gas Transport to Europe (INOGATE), and United Nation's Silk Road and Special Program for the Economies of Central Asia (SPECA) initiatives. The World Bank and Global Environment Facility (GEF) have provided significant assistance for restoration of the Aral Sea and also for addressing the water-energy nexus. The United Nations system has been active in the areas of environment, desertification, and drug trafficking.

<sup>11</sup> This is reflected repeatedly in recent assessments conducted by donor agencies including those by the Asian Development Bank. For example, Promfret, Richard. 2003. *An Assessment of Regional Organizations in Central Asia*. Manila, ADB.

<sup>12</sup> There is some validity in this argument as reflected in more recent bilateral cooperation initiatives, the call from Central Asia Cooperation Organization in September 2003 for setting up regional consortia for infrastructure sectors that was endorsed by other countries and the successful conclusion of the Second Ministerial Conference (MC) under ADB's CAREC program in November 2003.

experience in regional economic cooperation. The medium-term strategy and program would also be more effective if it is designed within a longer-term strategic framework and promotes effective coordination among development partners active in the region.

### **Box 1: Aral Sea Initiative Progress and Timeline**

While some work had been started by the United Nations Environment Programme (UNEP) in 1989, it was in 1992 with the joint efforts of the World Bank, UNEP, and the United Nations Development Programme (UNDP) that a full-fledged institutional mechanism was established and financial commitments secured from the five Aral Basin states. Until the heads of state meeting in October 2002 in Dushanbe, it appeared that all five participating countries had lost interest in the regional approach and, following Turkmenistan, had decided in favor of “national and outside regional cooperation” approaches towards this issue. Reportedly the European Union (EU), which was one of the main supporters, withdrew from the initiative and the future is uncertain after the current phase of the Aral Sea Basin Program (ASBP)—financed by a \$21.2 million grant from the Global Environment Facility (GEF)—concludes in 2003.

<b>Date</b>	<b>Event</b>
1989	UNEP started working on environmental issues in the Aral Sea basin
1992	The five Aral Basin states (Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan) signed a water treaty and established the Interstate Commission for Water Coordination (ICWC) comprising representatives of the Ministries of Agriculture and Water Resources, and the 2 River Basin Commissions (Amu Darya and Syr Darya BVOs) Preparation for ASBP started with the assistance of UNDP, UNEP, and World Bank UNEP issued an Action Plan
February 1993	Five riparian states signed an inter-governmental agreement for joint cooperative management of the Aral Sea's resources The Interstate Council of the Aral Sea (ICAS), the International Fund for the Aral Sea (IFAS), and the Sustainable Development Commission (SDC) were created
October 1993	World Bank, UNDP, and UNEP held a seminar to mobilize donor support
June 1994	ASBP launched in an international donors' meeting in Paris
First half of 1997	World Bank and regional and donor representatives undertook a review of the ASBP. Based on the review: <ul style="list-style-type: none"> <li>• ICAS and IFAS were restructured into new IFAS</li> <li>• Rotating leadership of IFAS in a two-year cycle among the Presidents of the five states: Kazakhstan, 1994–1996; Tajikistan, 2003–2005; Turkmenistan, 2000–2002; Uzbekistan, 1997–1999 (The Kyrgyz Republic will probably be the next president)</li> <li>• Annual financial contribution to ASBP of 0.3% of national budget revenues of three downstream states and 0.1% of two upstream states</li> </ul>
May 1997	Executive Committee of IFAS (ECIFAS) was formed to provide overall coordination
June 1998	GEF grant for the ASBP Water and Environmental Management Project approved by the World Bank with total cost of \$21.2 million. Implementation period is 1998–2003

June 2001	The first water resource management project under the ASBP was approved by the World Bank for \$64.5 million (the Syr Darya and Northern Aral Sea Control Project)
October 2002	The Heads of States Meeting resulted in the Dushanbe Declaration, which decided to launch ASBP-II for 2003–2010.
June 2003	The GEF's WEMP was closed
August 2003	The ASBP-II was approved by the IFAS board with no clear indication of funding resources
December 2003	Donors' meeting was held to discuss strategic focus and actual projects

There are diverging views on the achievement of the ASBP. The CARs seem to complain about its lack of progress, while many development partners believe that the models and database under the ASBP can provide the technical context for dialogue among the CARs in improving water allocation and basin-wide water management.

23. In the above context, the next chapter discusses trends in economic and poverty reduction performance, as well as the current status and future prospects of some important thematic issues. Chapter IV then reviews ADB's experience in regional cooperation in order to draw relevant lessons for RCSP design. The long-term objectives and medium term strategic thrusts are discussed in Chapter V. Chapter VI presents the operational program that supports the medium term strategies. The program for subregional cooperation between the PRC and Mongolia is also included in this chapter. The last chapter discusses the risks and provides an initial set of monitoring indicators for the RCSP.

### III. CURRENT DEVELOPMENT TRENDS AND PROSPECTS

#### A. Economic Performance<sup>13</sup>

24. For the CARs, economic performance since independence can be discussed in three distinct phases. The first phase after independence (1991–1995) saw a sharp decline in gross domestic product (GDP) and all related indicators. The second phase (1996–1998) saw mild recovery and consolidation of policy reforms. Robust recovery began in 1999 with an upturn in the Russian economy, and economic performance benefited significantly from higher international hydrocarbon and commodity prices.

25. At the time of independence, the CARs faced a quadruple transition (i) from centrally planned to market-based economies, (ii) towards pluralist democracies, (iii) from Soviet republics to sovereign nations, and (iv) from closed economies with extensive public ownership to integration with world markets and an increasing role of private enterprise. There was a broad consensus among the CARs on the direction and content of structural reforms required to successfully handle this multiple transition.<sup>14</sup> There were, however, differences across countries in the pace of reform and the role of the state in the transition.

<sup>13</sup> Please see Appendix 1 for detailed data on selected economic and social indicators. In this section the economic performance for the six CARs is discussed in aggregate terms while that of XUAR of the PRC and Mongolia is discussed independently.

<sup>14</sup> The commonly agreed package of reforms comprised: macroeconomic stabilization; price and trade liberalization; hard budget constraints on enterprises; establishing an environment for private-sector growth; governance, and

26. During this first phase (1992–1995), GDP at constant prices declined every year for every CAR, with the GDP of all CARs declining at an average rate of 11.4% a year.<sup>15</sup> This was reflected in the decline of average per-capita income in all CARs by more than 30% by end 1995 and emergence of absolute poverty. The sharp GDP decline, emergence of new border controls, trade and transit restrictions, and rising mutual mistrust due to border restrictions, territorial claims, and unsettled financial claims held back regional cooperation efforts.

27. During the second phase, the region experienced a mild recovery. Average GDP growth during 1996–1998 of only 1.5% per year implied a near stagnation in per capita incomes given annual population growth of 1%.<sup>16</sup> The Kyrgyz Republic (which was unable to pay for necessary energy imports) and Tajikistan (which had to rely on emergency imports during the civil conflict) accumulated large, unsustainable external debts during this period.

28. The third and on-going phase (since 1999) has seen a sustained recovery that has been reinforced by the continued boom in the PRC, an upturn in the Russian economy, and marked rise in international commodity prices. The region's average GDP growth for this period was 8.4% while Russia's growth rate was 5.9%.<sup>17</sup>

29. By 2002, Kazakhstan had recovered its pre-independence GDP level (as in 1991), the Kyrgyz Republic's and Tajikistan's GDPs were still below the levels in 1991 (by 25% and 50% respectively), and those for Uzbekistan and Turkmenistan were somewhat higher (by 7% and 10% respectively). Azerbaijan's GDP at the end of 2002 was 93% of its pre independence level. For the entire period 1992–2002, however, GDP in CARs declined at 1.0% per year; still somewhat better than Russia's at 2.1%. Per-capita incomes in current US dollars have declined in all six countries since independence.<sup>18</sup> Even after this decline, the average per-capita incomes of the three major hydrocarbon-exporting countries (Azerbaijan, Kazakhstan and Turkmenistan) at the end of 2002 were \$1,220, substantially higher than that of low-income countries globally. However, at the end of 2002, the average per-capita incomes of the three

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institutional reforms; and privatization. See World Bank. 2002. *Transition the First Ten Years*. Washington, DC and also Pomfret, Richard. 2003. *Structural Reform in CIS-7*. Paper prepared for the Lucerne Conference, January 2003.

<sup>15</sup> Appendix 2 provides a detailed discussion on XUAR of the PRC. The economic decline was smallest for Uzbekistan at negative 4.9% per year and the highest for Tajikistan at 19.8% per annum. This decline in gross domestic product (GDP) was sharper than that of the United States during the Great Depression during 1929–1933 when GDP declined by about 25%.

<sup>16</sup> GDP in Uzbekistan grew at 3.7% per year, while in Tajikistan and Turkmenistan it declined at 3.2% and 3.7%. The Kyrgyz Republic registered the highest growth rate at 6.4% per year during this period because the Kumtor gold mine came onstream. The second phase saw further progress in structural reforms in most of the CARs. After 1995, all CARs made substantial progress in macroeconomic stabilization despite the economic stagnation that continued, in most cases, until 1998. Greater macroeconomic stability and structural reform implementation, although in varying degrees, have contributed to the recovery since 1999.

<sup>17</sup> Turkmenistan's GDP reportedly grew at about 17% annually and that in Kazakhstan by 8.9% per annum. Tajikistan also registered rapid growth of 7.8% during this period, but annual GDP growth in the Kyrgyz Republic and Uzbekistan was relatively low at 3.5% and 4.15% respectively. Russia's GDP growth is given as a comparator because Russia remains an important trade partner and the CARs have seen a significant positive correlation between their own GDP growth and that of Russia since independence.

<sup>18</sup> National data is not completely reliable or comparable across countries as it is based on different (non-standard) methodologies. Some countries maintained dual or multiple exchange rates, making data still more difficult to compare. While in some countries GDP levels at the end of 2002 were reported to have reverted back to pre-independence levels, this claim cannot be substantiated because of data problems mentioned above. With growing populations (except for Kazakhstan) and smaller GDPs (at best the same as at independence) per-capita incomes in the region at the end of 2002 were lower than in 1992.



nonhydrocarbon-exporting countries (Kyrgyz Republic, Tajikistan, and Uzbekistan) (\$382) went below the average in South Asia (\$460) and in sub-Saharan Africa (\$450).<sup>19</sup> These three economies, middle-income countries before independence, have seen per-capita incomes drop to low-income country levels in the 12 years of economic transition.

30. External debt situation in the Kyrgyz Republic and Tajikistan remained precarious until the end of 2001, when the present value of external debt as a percentage of GDP was 112.6% and 103% respectively.<sup>20</sup> There has been some relief in the last 2 years, but debt-servicing requirements are a binding constraint on capital formation and growth in both countries. This also adversely impacts regional projects because these two countries are unable to contribute the necessary resources for these projects.<sup>21</sup>

31. Four important features of the economic situation that have a bearing on regional cooperation efforts in CARs can be highlighted. First, big divide has emerged between incomes in the hydrocarbon-exporting and nonhydrocarbon-exporting countries. Second, income levels in non-hydrocarbon exporting countries have not only declined since independence but even after a few years of economic recovery are at the lower end of the low-income country group. Third, although CARs have achieved macroeconomic stability and implemented a series of reforms, significant structural reforms remain to be implemented. (These are addressed in individual CSPs). Fourth, CARs have successfully completed their transition and moved to the development phase in economic policy formulation. Thus, regional cooperation efforts must now address similar issues as those faced by other developing economies in reducing poverty while attempting to integrate with world markets.

32. Since 1978 when economic reforms and open door policy of the PRC started, there have been substantial changes in the structure of the PRC economy. GDP increased by more than 9 percent per annum. Sustained, rapid economic growth has improved the living standards of the vast majority of the population and reduced poverty. The PRC is becoming increasingly integrated into the world economy. External trade increased more than 30-fold from 1978 to 2003. The PRC has become the world's fourth largest trading nation and the world's largest recipient of foreign direct investment (FDI).

33. As compared to CARs, Mongolia suffered a smaller decline in national output of about 20.3% between 1991-1993. This was perhaps due to foreign aid inflows and avoiding major disruption in exports of copper and cashmere. The GDP growth recovered subsequently and a steady growth of between 2.3-4.0% has been achieved between 1994-2002 except in 2000 and

<sup>19</sup> In 2002, the per-capita income of Tajikistan was \$180, lower than the average of least developed countries (\$280) and only half of that in Bangladesh (\$360). For the Kyrgyz Republic, average per-capita income was only marginally better at \$290. Uzbekistan's per-capita income at \$450 was exactly at par with sub-Saharan Africa's and slightly lower than that of South Asia.

<sup>20</sup> Data on Turkmenistan's external debt has not been available since 1997, when it was about 47% of GDP. Increasing exports of natural gas and higher price realization, however, seem to be stabilizing the debt situation. Uzbekistan's and Kazakhstan's external debts were lower at 40.6% and 64.9% of GDP, respectively. Successful negotiations with bilateral creditors and debt relief by Paris Club members for the Kyrgyz Republic during the last two years have provided some relief.

<sup>21</sup> Both the Kyrgyz Republic and Tajikistan were included in the CIS-7 initiative designed jointly by the International Monetary Fund (IMF), World Bank, Asian Development Bank (ADB) and European Bank for Reconstruction and Development (EBRD), for attracting greater donor attention to the unsustainable levels of external debt in seven CIS countries and exploring possibilities of debt write offs and forgiveness. It is notable that this high level of indebtedness occurred despite generous concessional aid, which in 2001 was 12.9% of GDP for the Kyrgyz Republic and 15.5% for Tajikistan.

2001 when it fell to about 1% due to harsh winters and decline in world copper and cashmere prices. Per capita have risen over the years and are estimated at \$445 at the end of 2002 but income distribution has worsened. Unemployment is high and concentrated in the younger population. As a result, poverty, which emerged during the initial transition years, has remained unchanged at about 36% over the years. Moreover, the economy remains critically dependent upon climatic conditions and commodity exports, which remain vulnerable to volatility in world prices. Overall, after more than a decade of transition, and despite the number of external and climatic shocks, Mongolia could be said to have achieved reasonable political and economic stability.

## **B. Economic Prospects**

34. The region's long-term prospects of growth and poverty reduction are analyzed here separately for (i) countries that have already emerged as major hydrocarbon exporters and are benefiting from the commodity price boom of recent years, (ii) countries that are not major hydrocarbon exporters,<sup>22</sup> and (iii) the PRC and Mongolia.

35. Based upon recent trends and International Monetary Fund (IMF) assessments, GDP in the hydrocarbon-exporting CARs is projected to grow at 8.1% per year during 2002–2015. This is associated with investments of about 30% of GDP over the period, made possible, among other things, by resources generated from oil and gas sales. This high GDP growth would result in an accumulation of reserves that could be used to finance regional infrastructure projects. This could partly offset the risks of the emergence of the “Dutch disease” in these economies.<sup>23</sup> Even for poverty reduction, progress is forecast to be relatively impressive, with a reduction of more than 50% in the poverty ratio during 2002–2015. This is based on the assumption that growth will not be fully inclusive: the rate of reduction of poverty ratio will be lower than rate of increase of per-capita income, as suggested by the experience of Kazakhstan during 1995–2001. Progress on poverty reduction can be even greater if growth becomes more inclusive through diversified production and expanded manufactured exports, which would be facilitated through economic cooperation with neighbors.

36. The sub-group of non-hydrocarbon exporting countries has modest prospects for growth and poverty reduction. GDP growth is projected to be 4.1% per year. Further assuming that the relationship between growth and poverty reduction will be similar to that observed in the Kyrgyz Republic during 1998–2001 (the only country in the group for which a time-series of data on poverty ratio are available), the poverty ratio for this group is projected to decline by only 35% during 2002–2015. Greater efforts are needed to achieve pro-poor growth.

37. Because of the heavy weight of hydrocarbon-rich countries in the regional GDP, overall GDP growth during 2002–2015 is projected to be an impressive 7.3% per year. However, this growth performance yields a reduction in the poverty ratio of only 41% during the same period.

<sup>22</sup> While the usual caveats about uncertainties associated with long-term projections apply, data is taken from International Monetary Fund (IMF) and World Bank sources to minimize inconsistencies and present a consensus view of future prospects for the Central Asian Republics (CARs). It is important to point out that in the coming years, Uzbekistan with its substantial hydrocarbon resources could emerge as a major exporter, especially if its recently initiated efforts at reducing the energy intensity of the economy are successful. Uzbekistan exports gold and has benefited from a sharp rise in international gold prices during 2003.

<sup>23</sup> Historically, resource-rich countries have found it difficult to use their revenues productively and achieve rapid growth. Often they become victims of the so-called “Dutch disease”, which implies growth in domestic prices, and appreciation of real exchange rates that makes manufactured exports uncompetitive. This results in widespread unemployment outside the extractive sectors and a steep rise in inequalities with attendant social stress.

Thus, at a regional level, assuming that the above (somewhat optimistic) growth prospects can be realized, the main challenge lies in making growth more inclusive between countries and within countries—and in creating positive growth in nonhydrocarbon-exporting countries.

38. Geographically, XUAR is at the forefront of economic cooperation of CAREC. GDP of the XUAR of the PRC at the end of 2002 was reported at 159.8 billion yuan or \$ 17.94 billion.<sup>24</sup> The rate of growth of GDP, in line with the overall economic growth in the PRC has been more than 8% annually pushing per capita incomes to 8072 yuan (\$972) in 2002. It has become a major producer of grain, cotton and other cash crops as well. The province's industrial strength is based on its vast hydrocarbon reserves, which began to be exploited only after 1955 and now attract significant FDI. The industrial structure has become quite diversified as a result of conscious policy of making XUAR into one of the country's largest petrochemical bases, which in turn has spurred the growth of related industries since the mid-nineties. Infrastructure is well developed with 3361 km of railway lines connecting XUAR with the rest of the PRC and also to Almaty, Kazakhstan and to cities in the Russian Federation. The province reportedly has a road network on 80,900 km of which 428 km are expressways. The total value of foreign trade was \$2.7 billion in 2002 with manufactured goods accounting for more than 70% of exports that are largely destined for Central Asian and Russian markets.

39. The Mongolian Government's medium term strategy targets reduction of poverty through higher rates of economic growth by strengthening of macroeconomic, financial and banking stability, employment generation, domestic industry and export expansion and improvement of social sector services delivery. It is expected that in 2004-2007 an average GDP growth of about 7% will be achieved provided world copper, gold and cashmere prices do not plummet and weather conditions are normal.

### **C. Status and Prospects of Millennium Development Goals**

40. Available data from the Soviet period, although it has weaknesses and can be unreliable, points to very low levels of income poverty (Millennium Development Goal [MDG] 1) in CARs (Appendix 1). Social indicators (MDG 2-6) broadly corresponded to human development indicators in middle-income countries. However, a direct comparison between market-based middle-income economies and the pre-Soviet situation in CARs is not possible because of limited individual freedoms and few market-based choices. It is reasonably certain that CARs did not suffer from widespread income poverty, social deprivation, or gross income inequality at independence.

41. Within the first five years of independence (1991–1995), about 30% of the population in the six CARs slipped into poverty.<sup>25</sup> The worst affected were Azerbaijan, with 1.5 million

<sup>24</sup> Please see Appendix 2 for a more detailed description of geographic and economic features and state of MDGs of the province.

<sup>25</sup> Poverty data for the Central Asian Republics was not officially collected in most cases for the five years after independence. The Kyrgyz Republic only has poverty survey results for 1993, and the first available data for Kazakhstan is for 1996. Poverty data for these two countries is collected regularly. For Turkmenistan, the only single-point data available from survey results are from the unofficial Living Standard Measurement Survey (LSMS) in 1999. The data sources for Tajikistan were the World Bank-funded LSMS survey in 1999 and 2003; these are complemented with a poverty reduction monitoring survey funded under an Asian Development Bank (ADB) project in 2002–2003. In the case of Uzbekistan, the World Bank conducted an LSMS survey in 2000; an ADB technical assistance is currently assisting the government develop its living standard strategy and updating the poverty assessment using 2002 household budget survey data. Poverty data on Azerbaijan was available for 1995 and 2001.

internally displaced persons (IDPs), the Kyrgyz Republic in which nearly two thirds of the population was poverty stricken in the worst year and Tajikistan where a prolonged civil strife resulted in almost the entire population suffering indigence and severe welfare loss.

42. The major cause for emergence of poverty was the transition shock that resulted in large-scale loss of employment, income and purchasing power in all CARs. Specific components of the transition shock that led to an increase in poverty in CARs were: (i) breakdown of the CMEA production and distribution network resulting in the closure of a large number of industrial facilities; (ii) cessation of budgetary support from Moscow leading to a near collapse of social sector expenditures; (iii) break down of social security systems that had been maintained by state owned enterprises and supported by state pensions, which dried up due to loss of public revenues and poor governance; (iv) hyperinflation, caused by disruption in supplies of necessary goods and loss of control over money supply as CARs switched from the Soviet rouble to independent currencies; (v) civil strife in Azerbaijan and Tajikistan and also in the Ferghana Valley; and (vi) migration of large number of skilled Russians and other nationalities to their home countries which disrupted economic activity in the CARs.

43. As a result of sustained growth between 1996 and 2002, poverty incidence in the CARs has declined. Yet poverty levels remain high ranging from about 27% in Kazakhstan and Uzbekistan to 62% in Tajikistan at the end of 2002.<sup>26</sup> The average poverty incidence in the CARs is estimated at around 32%, unacceptably high for a region that earlier had virtually no poverty. Moreover, rural poverty levels are now significantly higher than urban levels as agriculture has had to absorb many urban unemployed and poverty-stricken pensioners without a corresponding increase in farm or off-farm employment. Income disparities and poverty are pronounced and concentrated in some sub-regions such as the Ferghana Valley, border regions of Kazakhstan, the Kyrgyz Republic, and Tajikistan, Karkalpakstan and Dashoguz provinces in Uzbekistan and Turkmenistan, respectively; and among IDPs in Azerbaijan.<sup>27</sup> Regional disparities have become noticeable, as natural-resource-rich regions have attracted new investment, pushing incomes ahead of other regions. This was most marked in the oil-producing regions of Azerbaijan and Kazakhstan and in capital cities (like Ashgabat, Astana, and Bishkek) which received a disproportionate share of public and private investment.

44. Increasing income inequality across the region intensifies the perceived loss of welfare. According to ADB estimates, income inequality worsened, as shown by an increasing Gini ratio and percentile ratios in Kazakhstan, Turkmenistan and Uzbekistan.<sup>28</sup> Other estimates suggest income distribution may have worsened both in the Kyrgyz Republic and Tajikistan significantly

<sup>26</sup> The poverty numbers have been taken from individual country strategies and programs (CSPs). Uzbekistan poverty estimates are not strictly comparable as these refer to consumption poverty, while others report poverty on the basis of expenditure surveys. Tajikistan numbers are for the end of 2003.

<sup>27</sup> In Azerbaijan the Absheron-Guba region has a 58% poverty incidence, while the national average is 49%. In southern Kazakhstan, 46.2% of the population is poor while the average across the country is 28.4%. For other details see Tan, Elizabeth S. 2003. *Poverty in East and Central Asia*. Manila: ADB, (mimeo).

<sup>28</sup> Elizabeth S. Tan, cited in the previous footnote, provides the estimates according to which the Gini ratio increased from 0.319 in 1996 to 0.348 in 2001 in Kazakhstan, 0.358 in 1993 to 0.408 in 1998 in Turkmenistan and from 0.332 in 1993 to 0.447 in 1998 in Uzbekistan. Tan reports that only in the Kyrgyz Republic did income distribution seem to have improved during 1996 and 2001: the Gini ratio is reported to have declined from 0.370 to 0.320. However, this trend might not have been sustained in more recent years and Tan's estimates are put in doubt by different estimates provided by other sources below.

since independence.<sup>29</sup> As discussed in the next section on non-income dimensions of poverty (MDG 2–6), welfare loss has been compounded by the retrogression in nearly all relevant major social sector indicators.<sup>30</sup>

45. All these countries had high levels of social development at independence. Literacy was universal. Education was nearly universal at primary (MDG-2) and secondary levels, and approximately 30% of students went on to enter higher education in the Soviet Union or East Europe. There was no gender discrimination (MDG-3) in education. Similarly for health care there was nearly universal free-of-cost coverage for primary health services and free access to tertiary and specialty hospitals, although subject to long waiting periods. Social protection for the elderly was nearly universal, although modest. There were few, if any, urban slums. There has been a perceptible decline in gender balance in access to both education and health facilities since independence.<sup>31</sup>

46. CARs have been able to maintain near-universal literacy although some gender bias against women is beginning to emerge. Uzbekistan and Tajikistan, however, seem to have improved literacy, especially for women, since independence. Gross enrollment has been maintained at near universal levels, both for primary and secondary education, with hardly any gender bias. There is, however, some marked decline in access to childcare facilities at the pre school level.<sup>32</sup> There are disconcerting declines in tertiary enrollment in Azerbaijan, Kazakhstan, Tajikistan, and Turkmenistan. In contrast, tertiary enrollment has increased in the Kyrgyz Republic and Uzbekistan since independence.<sup>33</sup> Education curriculum and testing methods need to be standardized and brought in line with the needs of market-based economies.<sup>34</sup>

47. Life expectancy at birth—widely regarded as a good overall indicator of health and nutritional conditions—has been declining in the CARs.<sup>35</sup> Infant mortality improved for all except Kazakhstan. Under-5 mortality rates (MDG-6) improved since independence, except in Azerbaijan, the Kyrgyz Republic, and Tajikistan where it worsened before beginning to improve again. Maternal mortality (MDG-5) seems to be deteriorating in almost all CARs except

<sup>29</sup> According to Jane Falkingham, the Gini coefficient in the Kyrgyz Republic increased from 0.287 in 1989 to 0.41 in 2000 and from 0.307 for Tajikistan in 1989 to 0.47 in 1999. Perhaps similar increase in income inequality took place in oil-rich countries, which typically have skewed income distribution.

<sup>30</sup> The perception of welfare loss and resulting social distress is strengthened by relatively recent memories of a poverty free social structure and low income inequalities in the Soviet period.

<sup>31</sup> The proposed regional technical assistance (RETA) on mainstreaming gender and development in the poverty reduction strategy, for approval in 2004, will address this important issue.

<sup>32</sup> In the case of Turkmenistan this is attributed to changing cultural and social norms: preference is now given to home child-care. For the other CARs, many pre-school facilities closed because of constrained public finances.

<sup>33</sup> A RETA on Regional Cooperation in Education—Curriculum and Testing Reform is being proposed for 2004 to address the issues of standardizing curriculum and testing methods in the region.

<sup>34</sup> The Asian Development Bank has contributed to this effort through RETA 6124: Asia Education Cooperation Network, approved in October 2003.

<sup>35</sup> This decline could partly reflect the migration of ethnic Russians and Germans with perhaps higher-than-average life expectancy. The sharpest decline of 6 years has been surprisingly in Kazakhstan, which has now the highest per capita income levels. There, life expectancy declined from 68.3 years in 1990 to 63.0 in 2001. For the Kyrgyz Republic, the decline was from 68.3 to 65.8; for Tajikistan, from 69.3 to 66.9; for Turkmenistan, from 66.2 to 64.8; and Uzbekistan, from 69.2 to 67.4. The regional life expectancy level is getting close to that of South Asia (where it rose from 58.3 in 1990 to 62.6 in 2001). Life expectancy estimates are worse for males. By 2001, male life expectancy declined to 57.8 in Kazakhstan, 61.7 in the Kyrgyz republic, 64.1 in Tajikistan 61.3 in Turkmenistan, and 64.3 in Uzbekistan. These figures compare to male life expectancy of 61.1 years in Bangladesh in 2001 and 45.4 in sub-Saharan Africa.

Uzbekistan, where it has almost halved since independence.<sup>36</sup> Unfortunately, there is also a sharp increase in communicable diseases such as tuberculosis and human immunodeficiency virus (HIV) (MDG-6).<sup>37</sup> Mother and children nutrition has also declined across the region.<sup>38</sup> Spread of HIV is related to another negative trend—often correlated with rises in income poverty—of rising drug use and trafficking. These trends could also be a serious consequence of the marked decline in public expenditure on health in the CARs since independence.

48. Considering per-capita incomes, the CARs still have impressively high levels of human resource development.<sup>39</sup> This is partly because of the socialist legacy and partly an upward bias in official statistics.<sup>40</sup> Despite a possible “dressing up” of social statistics, high poverty levels and overall retrogression in social indicators is visible across the region. The oil boom in Kazakhstan over the last 4 years may have reversed this trend to some extent, but surveys in several other CARs suggest that access to education and health continues to deteriorate and also often depends on payment of unofficial fees, which the poor cannot afford. This further exacerbates social inequalities and creates structural impediments to achieving more inclusive growth.

49. The significant decline in social indicators show a need to localize the MDGs for the CARs. This would imply changing the base year from 1990 to another year that could be used for establishing the revised MDGs.<sup>41</sup> The creation of a regional poverty database based on a standard methodology would facilitate the formulation of national poverty reduction programs and monitoring the status of MDGs at both the national and regional levels.

50. Some of the worst poverty in Central Asia is found in sub-regions such as the Ferghana Valley and border provinces. Populations in these sub-regions traditionally depend on economic activity across national borders. Their irrigation and other infrastructure capacities are often interlinked. Again, poverty cannot be addressed without active regional cooperation. Close cooperation among the CARs is also required to control tuberculosis, HIV, and drug trafficking, all of which have direct adverse impacts on poverty.

51. In the XUAR of the PRC illiteracy was below 2% among the young and middle aged in 2001. A system of compulsory elementary education is enforced and province has 21 institutions of higher learning with an enrollment of more than 100,000. In 2001, the province had 13578 hospitals offering 35.1 hospital beds per ten thousand of population as compared to 1.6 in 1949. A three-tier health system at the level of county, township and village has been put in place with the number of doctors and medical workers above the national average. Almost half the population (8.1 million) has now access to piped supply of drinking water.

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<sup>36</sup> The World Health Organization notes that Uzbekistan's officially reported maternal mortality rate in recent years is close to the European Union average.

<sup>37</sup> The rise in tuberculosis incidence across the CARs can be directly attributed to a rise in income poverty and associated adult malnutrition, plus a fall in social hygiene and quarantine standards.

<sup>38</sup> These are being addressed through a pilot project financed by a \$6.85 million grant from the Japan Fund for Poverty Reduction. ADB. 2001. *Grant Assistance to Asian Countries in Transition: Improving Nutrition for Mothers and Children..* Manila (approved in April 2001).

<sup>39</sup> Recent data show that the overall human development index (HDI) for the CARs has been classified by the United Nations Development Programme (UNDP) as medium-level with HDI values ranging from 0.655 for Tajikistan to 0.755 for Kazakhstan.

<sup>40</sup> This bias exists because authorities are reluctant to admit a decline in social protection because of constitutional provisions for universal access to basic health and education facilities.

<sup>41</sup> One option would be to use the year that saw the worst poverty and social development levels as the base year. The UNDP has reportedly already adopted this approach.

52. Despite Mongolia's progress in meeting many of the MDGs, achievements in the key area of income poverty reduction have lagged behind. This is perhaps a combined result of modest rates of economic growth and worsening income distribution. A more sustained effort is therefore required to make growth more inclusive and less dependent on exogenous conditions. On the basis of a latest survey undertaken in 2002-2003, other non-income MDGs appears to be achievable. Mongolia is a unique case among developing economies of a reverse gender gap with higher levels of enrollment among females for post elementary education.

53. As has been amply demonstrated, rapid and broad-based economic growth is a necessary condition for reducing income poverty and improving social development.<sup>42</sup> For CAREC member countries, this implies expansion of two way trade, securing better access to large neighboring and global markets, attracting investment by minimizing transactions costs, and removing trade and transit barriers that impede the flow of goods and services across the region. This depends on successful regional economic cooperation.

#### **D. Governance**

54. CAREC member countries are making considerable efforts to improve governance. With proactive assistance from development partners, significant progress has been made, and all countries, for instance, have iteratively strengthened their constitutions, created enabling primary legislation, established market-based taxation systems, and strengthened public accounts.<sup>43</sup>

55. In the CARs, transforming a centrally planned, command-driven, and control-oriented system of government into one that is based on transparency, accountability, predictability, and participation has proved difficult. This transformation was complicated by two main factors: (i) the sudden withdrawal of skills and resources needed to sustain public services; and (ii) the persistence of traditional networks of power and patronage, which have impeded the establishment of good governance and impartial rule of law. As a consequence, more time and resources will be required to address the many remaining weaknesses.

56. Notable remaining issues in the region are (i) large and relatively underpaid civil services; (ii) core government offices that handle policy development and problem solving—the function of line ministries—rather than focus on principal issues; (iii) financial, legal, and capacity constraints, which mean, true local self-government is the exception and local state-government the rule; (iv) effective judicial enforcement is a pressing legal problem, although legislation and regulation need improvement as well; and (v) corruption is perceived to be pervasive, although governments have recognized this and taken initial steps.

57. While there has been some improvement, there are still weaknesses in most CARs in independent media; free and fair elections; freedom of speech, association and movement; fair treatment without discrimination according to gender, ethnicity, religion, or area of origin; and access to information. Nongovernment organizations (NGOs) and private media are nascent but growing, and they are increasingly analytical and effective in disseminating information.

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<sup>42</sup> For a succinct treatment of this issue and empirical evidence from Asian developing countries see, ADB. 2004. *Review of ADB's Poverty Reduction Strategy*. (Working Paper). Manila.

<sup>43</sup> A more comprehensive overview is given in Appendix 9.

58. Reforms will be crucial in areas such as: (i) support for judiciary reforms, through knowledge sharing on structural and procedural reforms and out-of-court arbitration; (ii) improving public financial management, as well as audit of state agencies and state-owned enterprises; (iii) strengthening local government; (iv) strengthening core functions of central governments, especially policy development and program monitoring and implementation; and (v) facilitating regional agreements on border trade and natural resource management. These reforms are all possible candidate for regional initiatives.

## **E. Private Sector Development**

59. All CAREC member countries have adopted programs of privatization and market-oriented reforms. These include liberalizing prices and trade, providing private firms with special tax privileges, simplifying commercial dispute resolution mechanisms, improving access to finance, and streamlining the regulatory framework. Small-scale privatization of housing, trade, and services has been the main engine for increasing private sector participation. There has been relatively little progress on privatizing large state-owned enterprises. There has also been very little privatization in the agricultural sector (Appendix 9). Insecurity of property rights and land tenure adversely affect agriculture investment and labor productivity.

60. Foreign direct investment (FDI) and promotion of small- and medium-sized enterprises (SMEs) have been the most important modalities for private-sector development. FDI has been promoted by giving foreign investors tax breaks and special guarantees that are generally negotiated on a case-by-case basis. Special tax breaks and direct financial assistance is also provided for SMEs. Many governments are developing micro-credit schemes, encourage nonfarm enterprises and urban self-employment. Some steps are being taken to minimize corruption, which has a strong negative impact on private-sector and SME development.

61. With these ongoing efforts for private-sector development, the sector's share of GDP has increased dramatically.<sup>44</sup> However, most of this progress is connected with privatization rather than private investment. Most significant private sector investments have been in extractive sectors regulated by concession agreements with few, if any, linkages to the rest of the economy. The near absence of foreign investor interest outside the natural resource sectors points to fundamental impediments to private-sector development in Central Asia.

62. Some core issues facing the private-sector are: (i) policy instability and corruption; (ii) excessive taxes and regulations, resulting in high entry barriers and extensive rent-seeking by poorly paid officials; (iii) weak and inconsistent competition and privatization policies; (iv) a poor and in some countries corrupt judicial system, accompanied by an incomplete body of commercial laws and poor enforcement of accounting and auditing standards; (v) an inability to access required finance due to weak commercial legal and banking system; (vi) poor quality public infrastructure, raising transactions costs and discouraging exports from the region; and (vii) weak or non-existent land ownership rights.

63. A unified market within Central Asia would facilitate private-sector development by making the market attractive to foreign and major domestic investors. A unified market would also eliminate the plethora of border controls, tax and financial regimes, and product standards that currently raise transactions costs. An efficient and seamless transport and transit system

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<sup>44</sup> For example, this ranges from approximately 65% of gross domestic product in Kazakhstan to 25% in Turkmenistan, 60% in the Kyrgyz Republic, 50% in Tajikistan, and 45% in Uzbekistan.



within the region would greatly facilitate the growth of private enterprise, which is a necessary condition for sustained, diversified, and inclusive growth.

## **F. Environment**

64. Apart from the Aral Sea, there are several environmental issues that need attention and active long-term cooperation among CAREC countries (Appendix 9). The most important are: (i) weak government ownership of environmental programs in some countries because of institutional constraints and poor understanding of the severity of issues; (ii) financial constraints that include inadequate budgets for national programs, much less regional initiatives and organizations; (iii) poor integration among national environmental strategies and an inability to mainstream environmental issues in economic development; and (iv) a lack of national monitoring, information management and analytical capacities, constraining effective policy design.

65. The other major issue is an emerging environment related threat to regional stability and peace. Increasing demands on water by riverine states, including Afghanistan and on-going stalemate in resolving the region's water-energy nexus is beginning to cause inter-state tensions and open discord.<sup>45</sup> The issue of river pollutants crossing international borders is beginning to acquire added significance with strong mutual complaints. A serious attempt is now needed to encourage CARs to build a regional perspective on environment and take steps to address these issues in the context of regional cooperation.

66. CAREC member countries together with development partners have taken a number of steps to improve environmental and natural resources management. Significant effort has been made to promote regional cooperation on these issues, in particular with respect to land and water management. The international concern over the Aral Sea crisis led to the launching of the first Aral Sea Basin Program (ASBP I) under the banner of the Interstate Council for Saving the Aral Sea (later merged with the Interstate Fund for Saving the Aral Sea, IFAS). The heads of state of the five CARs constituted the Executive Committee of IFAS (EC-IFAS) to oversee implementation of ASBP I. Principal funding for this initiative was derived from the Global Environment Facility (\$21.1 million) implemented through the World Bank.

67. Several other regional organizations have tried to address these problems. Of particular note is the Central Asian Economic Community's<sup>46</sup> successful brokering of the Interstate Agreement on Water and Energy Use in the Syr Darya signed in 1998 by Kazakhstan, Kyrgyz Republic and Uzbekistan and acceded to by Tajikistan in 1999.<sup>47</sup>

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<sup>45</sup> The water-energy nexus refers to the system of barter trade among CARs inherited from Soviet times. Under this arrangement, the upstream countries stored water during the winter months to release it during the summer months for irrigation use by downstream countries. In return, the downstream countries supplied electricity for heating during the winter months to upstream countries.

<sup>46</sup> At that time it was called the Interstate Council for Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan, and it has subsequently evolved into the Central Asian Economic Community (CAEC).

<sup>47</sup> Overall, the focus of water-related development assistance has been to promote regional organizations and concentrate on technical solutions for management issues in the Aral Sea region. Progress has fallen short of expectations because of a fragmented approach (weakly engagement in the energy sector, for example), poor understanding of the root causes of the problems, and insufficient political will to address underlying causes when identified. Moreover, many of these initiatives have been perceived as donor-driven in their design and objectives, not reflecting the real needs of the countries themselves. A recent review of these efforts by the United Nations Development Programme also pointed to insufficient coordination among the donors.

68. ADB has provided considerable environmentally related TA to the region, primarily through grant funds channeled through ADB by the Government of Finland.<sup>48</sup> While the majority of this assistance has been directed to strengthening capacities of national environment agencies, several regional activities have also been undertaken to encourage cooperation in addressing natural resource management problems. These have covered mountain area development, water management, and land degradation as well as the creation of a regional environmental action plan (REAP).<sup>49</sup> ADB has also promoted regional cooperation by lending its support to several regional gatherings.<sup>50</sup>

69. ADB's experience has shown the difficulties in addressing Central Asia's environmental issues at the regional level and the relative virtues of a country-driven approach. Because measures to achieve sound water management cannot be separated from international management of shared water resources in the Aral Sea Basin and several smaller basins, ADB is continuing its efforts to facilitate regional dialogue on this sensitive topic. ADB also plans to remain engaged with key decision-makers.<sup>51</sup> ADB is working to better understand important environmental and natural resource management constraints on national economic development and to mainstream attention to these issues into its programs and the economic policies, plans and programs of the CARs.<sup>52</sup> Most future technical assistance would best be organized at either the national level or under flexible regional umbrella arrangements designed to facilitate national programs and responses.<sup>53</sup>

## G. Donor Activity in the CARs

70. Over the past 10 years, the international community has actively supported initiatives for regional cooperation among the CARs. ADB, the World Bank, IMF, EU, the UN agencies, the European Bank for Reconstruction and Development (EBRD), the Islamic Development Bank (IsDB), and the Aga Khan Foundation are the principal multilateral providers of grants and/or concessional financing. The United States, Switzerland, Germany, the United Kingdom, and Japan are the major bilateral development partners (Appendix 4). Among the multilateral development partners, the EU, UNDP, the United States Agency for International Development (USAID), and the World Bank have formulated and adopted a regional approach to designing

<sup>48</sup> McCauley, Brian. 2002. *Central Asia: Summary Assessment of ADB Environmental Assistance*, Manila: ADB.

<sup>49</sup> ADB. 1999. *Technical Assistance for Regional Cooperation for Sustainable Mountain Development in Central Asia*, Manila, (co-financed by the Government of Switzerland); ADB. 2000. *Technical Assistance for Regional Environmental Action Plan in Central Asia*, Manila (co-financed by the Government of Finland and the UN Environment Program in cooperation with the UN Development Program; ADB. 2000. *Technical Assistance for Combating Desertification in Asia*. Manila; and ADB. 2001. *Technical Assistance for Regional Consultations for the Third World Water Forum*, Manila.

<sup>50</sup> This included the Bishkek Global Summit on Sustainable Mountain Development, the CARs participation in the 3rd World Water Forum, and the Tashkent Forum on a Strategic Partnership for Implementation of the United Nations Convention on Combating Desertification in Central Asia. Issues relating to cooperation on irrigation and hydropower also were raised during the Second Ministerial Conference on Central Asia Economic Cooperation, but no consensus could be reached on their inclusion in the agenda for future discussions.

<sup>51</sup> ADB. 2003. *Technical Assistance for Improving Management of Shared Water Resources in Central Asia*. Manila.

<sup>52</sup> ADB. 2003. *Technical Assistance for Integrating Environmental Considerations into the Policies and Programs of the Central Asian Countries, Mongolia and Azerbaijan*. Manila.

<sup>53</sup> A recently approved regional technical assistance on environmental information networking in Central Asia is an example of a country-driven approach that allows for limited regional activities centered on exchanging information and standardizing methods. Likewise, ADB's efforts to address key resource management issues and leverage grant financing from other donors—such as promoting sustainable land management in cooperation with the Global Environment Facility and other donor partners engaged in this area—are expected to be organized in this manner.

and implementing their operations in Central Asia.<sup>54</sup> UN agencies have also developed several programs to promote regional cooperation.<sup>55</sup> Central Asia as a region has a larger number of development partners and perhaps more activity by development partners than any other of ADB's operational regions. Donors have recognized the need for effective and sustained coordination and have agreed to join the CAREC program.<sup>56</sup> In future, CAREC will coordinate more closely with regional organizations such as the SCO and CACO that also cover economic cooperation.

71. ADB has actively collaborated and coordinated with both multilateral and bilateral donors within the framework of its CAREC program. Some joint initiatives have also been implemented outside this program. Notable among them has been a regional initiative on CIS-7 countries<sup>57</sup> jointly with EBRD, IMF, and the World Bank. The objective of this initiative was to mobilize international policy attention and resources for debt laden CIS economies and to intensify the policy dialogue between development partners and these countries. ADB has also been participating as an observer in the EU-IFI working group on Central Asian economies that meets annually for exchange of information and ideas and coordination of regional activities. With the UNDP, ADB has collaborated actively in the preparation of their regional perspective study and the Silk Road initiative. All active multilateral and bilateral development partners have been consulted in the preparation of this RCSP.

#### **IV. ADB'S EXPERIENCE FROM REGIONAL COOPERATION**

##### **A. Progress During 1997–2003**

72. ADB's program for promoting regional economic cooperation among CAREC member countries began modestly in 1997 with one RETA that sought to examine the feasibility of and modalities for implementing projects to improve regional infrastructure and augment the availability of public goods in these countries.<sup>58</sup> This led to the establishment of ADB's CAREC

<sup>54</sup> The European Union was first to begin its regional programs for construction of regional transport corridors (TRACECA) and hydrocarbon transport facilities (INOGATE). The EU has recently finalized its new regional strategy for CARs and allocated 50 million euros per year as grants for supporting regional initiatives. EBRD, which has total commitments of over 2 billion euros in the CARs has recently adapted an Action Plan for Central Asia, of which important elements are region-wide small- and medium-sized enterprises, microfinance, and trade facilitation. The World Bank also brought out a Central Asia regional framework in November 2003. The framework "...proposes a cautious approach. Therefore the World Bank will begin by focusing on areas that are not politically sensitive ... as a basis upon which to build regional trust." The World Bank established a regional in Almaty in 2001, with the explicit objective of better coordinating its regional program and supporting regional initiatives.

<sup>55</sup> In 1998, UN Economics Council for Europe and UN Economic Council for Asia and Pacific (UNEP) jointly launched the Special Program for Economies of Central Asia (SPECA) in areas of transport, energy and water. UNDP began implementing the Silk Road Area Development Program (SRADP) with \$1.2 million in 2001 to facilitate trade and transport between People's Republic of China and the CARs. UNEP has assisted CARs in preparing the regional environmental action plan (REAP). UNDP also finalized its regional strategy in the beginning of 2003. This accords a primary role to regional cooperation in achieving the objectives of economic growth, environmental protection, and improved governance.

<sup>56</sup> At the European Bank for Reconstruction and Development's (EBRD) Annual Meeting in Tashkent in May 2003, the Official Institutional Framework was adopted as the forum where other multilateral institutions, namely EBRD, Islamic Development Bank, International Monetary Fund, United Nations Development Programme, and the World Bank have joined the Asian Development Bank in supporting regional cooperation. Bilateral development partners also attend the meeting as observers.

<sup>57</sup> It originally included Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan. Mongolia joined later.

<sup>58</sup> The first-phase regional technical assistance (RETA 5707) that started the program was approved in November 1996 and implementation commenced in the beginning of 1997. No formal regional operational strategy study has been prepared for Central Asia. The first regional assistance plan (See ADB. 2000. *Central Asian Republics*,

unit (CARECU) in March 2000 as the focal point for promoting regional cooperation.<sup>59</sup> The first ministerial meeting in March 2002 organized under the aegis of CAREC resulted in the establishment of the OIF. This marked a milestone in the strong partnership and trust that has developed between ADB and the CAREC member countries toward pursuing regional cooperation. The CAREC program is now widely recognized in the region and CARECU has evolved into a secretariat for the OIF. This also reflects a degree of ownership of the regional cooperation program by participating countries and effective coordination among development partners.

## **B. Relevance and Effectiveness**

73. ADB's operational program has focused on improving both hard and soft infrastructures in the areas of transport, trade facilitation, and energy to (i) lessen the region's location disadvantage; (ii) promote trade and transit within and beyond the region; and (iii) enhance efficiency and sustainability of the use of vital resources such as energy and water. This strategic and operational focus has been highly relevant to the priorities set out by the countries concerned, as reflected in the joint statements of the first and the second ministerial conferences in 2002 and 2003, respectively (Appendix 5).

74. To date, ADB's CAREC program has been successful. Four investment and program projects are being implemented and a substantial amount of advisory technical assistance (ADTAs) has been provided.<sup>60</sup> A firm 3-year rolling program has been developed under the OIF, which also serves as a programming mechanism for more systematic planning and implementation of regional cooperation projects and activities. The program has contributed to better understanding of regional issues and cooperation possibilities in education, health, and environmental management.

75. From its inception, ADB has avoided areas and issues that are complex and sensitive for some participating countries. Instead, it has focused on projects that none of the participating countries oppose and that are likely to produce tangible and early results. The program has not limited itself to supporting only projects with multilateral participation or universal consensus, but supported projects involving two or more partners as long as no participating countries oppose them and they were seen as integral to a larger regional undertaking. The approach also avoided a legalistic orientation, which calls for the preparation of a comprehensive set of rules, protocols and procedures before any project can be implemented. ADB's project-based approach required development of 'sector regulations, trade agreements, and harmonization of practice' as needed to facilitate progress of specific projects.

## **C. Lessons Learned**

76. Several important lessons can be drawn from ADB's experience so far:

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*Regional Assistance Plan.* Manila) was prepared for 2000–2002. Preparation of the plan and consultations were done from December 1999 to February 2000. The ADB Board discussed the plan in April 2000. This was later updated for the period 2001–2003. (See ADB. 2000. *CARs: Regional Assistance Plan Update 2001–2003*. Manila.)

<sup>59</sup> Initially the CAREC program covered only Kazakhstan, the Kyrgyz Republic, Uzbekistan, and PRC. Tajikistan joined soon after the end of its civil conflict and Azerbaijan and Mongolia joined in 2002. The first ministerial meeting was held in March 2002 with Afghanistan, India, Iran, Pakistan and Turkmenistan attending as observers.

<sup>60</sup> The program has successfully leveraged co-financing from other donors.

- (i) The key determinants for past progress of the CAREC program have been ADB's effective role as an honest broker and provider of financial and technical assistance, as well as ADB's adherence to a results-oriented approach.
- (ii) The practice establishing of consensus as a basis for regional cooperation has been the working principle among participating countries. As reconfirmed by the second ministerial conference, this is important to building a solid foundation for regional cooperation.
- (iii) One real hurdle in promoting regional cooperation has been the lack of proper understanding of actual benefits and the fear that gains will be asymmetrically distributed among partners.<sup>61</sup> It is important to try and quantify the costs and benefits of potential regional projects as these results can be used to remove fears of possible losses and highlight possibilities of sharing benefits.<sup>62</sup>
- (iv) A negative perception persists that pay-offs from cooperation are minimal and not worth the effort. It may be important to take steps to enhance benefits by extending regional projects to Afghanistan and, on a project-specific basis, to neighbors such as Russia, the PRC, Iran, and South Asia.
- (v) Considerable effort has still to be put into improving the cooperative environment through confidence-building measures and information sharing. The relatively poor information dissemination about positive outcomes of regional projects and widespread misinformation about threats from neighbors and unfair distribution of benefits need to be corrected.
- (vi) Projects like transport corridors, energy trade, irrigation systems rehabilitation and water resource management cannot be implemented without involving all potentially affected parties. ADB must remain engaged with all countries in the region and proactively widen areas of consensus on the range of issues and across larger number of countries.<sup>63</sup>
- (vii) At present, regional cooperation lacks strong support within the CARs. Establishing a regional network of business and commercial entities will help overcome this. Peer pressure to support regional cooperation could also be achieved by involving academics and NGOs in discussions.
- (viii) The relatively large number of active donors in the CARs requires proactive coordination to avoid duplication of effort and conflicting advice to developing member countries (DMCs).
- (ix) Experience has shown that regional cooperation requires (a) a deeper and more sustained government commitment than for national projects, (b) a multi-country perspective in preparing regional programs and projects, (c) a process of balancing interests of participating countries for achieving necessary consensus, (d) an intensive and regular communication both

<sup>61</sup> For example, pay offs from regional cooperation for expanding infrastructure capacities are not fully visible and therefore not fully recognized by political leaders in the Central Asian Republics (CARs). This may be because benefits from regional cooperation in infrastructure are both asymmetrical across countries and only available over a longer period of time. It is difficult to generate political will to promote regional cooperation in these conditions.

<sup>62</sup> For best results, the CARs need to take up this work themselves in collaboration with development partners.

<sup>63</sup> Afghanistan needs to be engaged in continued dialogue because of its likely increased future demands for river waters and for permitting access to South Asia and warm-water ports. Turkmenistan uses more than 25% of all water from the Amy Darya by diverting it into the Karakum Canal and is now planning an enormous inland lake in the Dashoguz region. For any water and environment issues its involvement is critical. The two ADB member countries with immediate implications for the CAREC program are Afghanistan and Turkmenistan, and Russia.

within and across participating countries, and (e) longer time and special efforts for preparing regional projects.<sup>64</sup> In short, regional cooperation demands better government capacity, which will have to be built with greater coordination and resources from development partners.

## **V. ADB'S STRATEGY FOR REGIONAL COOPERATION**

### **A. Strategic Framework for Regional Cooperation among CAREC Member Countries**

77. The goal of regional economic cooperation is to improve welfare levels and reduce poverty in member countries. The necessary condition for achieving this goal is rapid, broad-based, and sustainable economic growth.<sup>65</sup> The role of regional cooperation among the CAREC member countries in this context can be best brought out in a strategic framework with four long-term strategic objectives.

78. The first objective is increasing trade and integration with large markets, both globally and in the region's proximity. The CARs have to secure access to markets in Russia, the PRC, South Asia, Iran, and Turkey to export natural resources, goods, and services. Regime change in Afghanistan and future participation by Turkmenistan will make the region a preferred route for possible north-south and east-west transport corridors. ADB is already supporting some cross-regional initiatives, and these have attracted strong interest both from the CARs and South Asian countries. These include the Central and South Asia Transport and Trade Forum and the Turkmenistan-Afghanistan-Pakistan natural gas pipeline projects.

79. The second objective for regional cooperation, related to the first, is to improve economic cooperation within the region to reduce costs of transport and facilitate transit. This will allow CAREC member countries to become integrated with inter-regional corridors and to use their location to their advantage. This will restore their historical role as a land bridge between some of the world's most dynamic, large, and emerging economies.

80. The third objective is to improve supplies of energy (both electricity and gas) that are required not only to sustain growth but are also basic necessities in harsh climatic conditions. This requires rehabilitation and subsequent expansion of both energy generation and transmission capacities. Central Asia is an energy-surplus region; in the long term, it could export significant volumes of energy to neighbors such as Afghanistan, the PRC, South Asia, and even Eastern Europe via the Russian network. Necessary conditions are a resolution to intraregional issues in energy trade and successful rehabilitation of the regional network.

81. The fourth objective of regional cooperation will have to be pursued for a long time. This is to tackle negative externalities such as environmental degradation, the spread of communicable diseases like tuberculosis and HIV, narcotics trade, and trafficking in humans. Regional cooperation is essential to attaining this strategic objective.

<sup>64</sup> The Almaty-Bishkek road rehabilitation project is a good example. While the project represents an early success of Asian Development Bank's support for regional cooperation, it also highlights the complexity in terms of underlying cross-border issues. The loan took almost one and a half years to become effective, mainly because of the need for both Kazakhstan and Kyrgyz Republic to ratify the cross-border agreement.

<sup>65</sup> As was discussed in Chapter II, the CARs will need to achieve a sustained growth of 7–8% annually to halve their 2000 poverty levels by 2015. Moreover, this growth has to be employment-generating and broad based to include all the sub regions and provinces in the CARs.

## **B. Asian Development Bank's Medium-Term Strategic Thrusts**

82. These four strategic objectives can be seen as a framework for successful regional cooperation. For the medium term horizon of the present RCSP (2005–2007), a program has to be designed to support the four strategic objectives, while taking into account the lessons learned, resource constraints, and complementarity with regional programs of other development partners.

83. ADB's medium-term strategic plan for regional cooperation can be seen as comprising two components. The first, called the Core Program (Figure 1), will continue with ADB's existing sector focus on transport, energy and trade facilitation and its preference for doable projects, tangible results and win-win solutions. At this stage, it is important to continue with this narrow sector focus for several reasons. First, maintaining adequate capacities in these sectors is essential for achieving broad-based, pro-poor growth. Private-sector SME growth that will generate employment and reduce poverty cannot be expected without greater infrastructure capacities. Second, integrated capacities developed during the Soviet period have fallen into disrepair, and their necessary rehabilitation and expansion can be best undertaken regionally and not nationally. Third, developed infrastructure is needed to attract foreign direct investment.

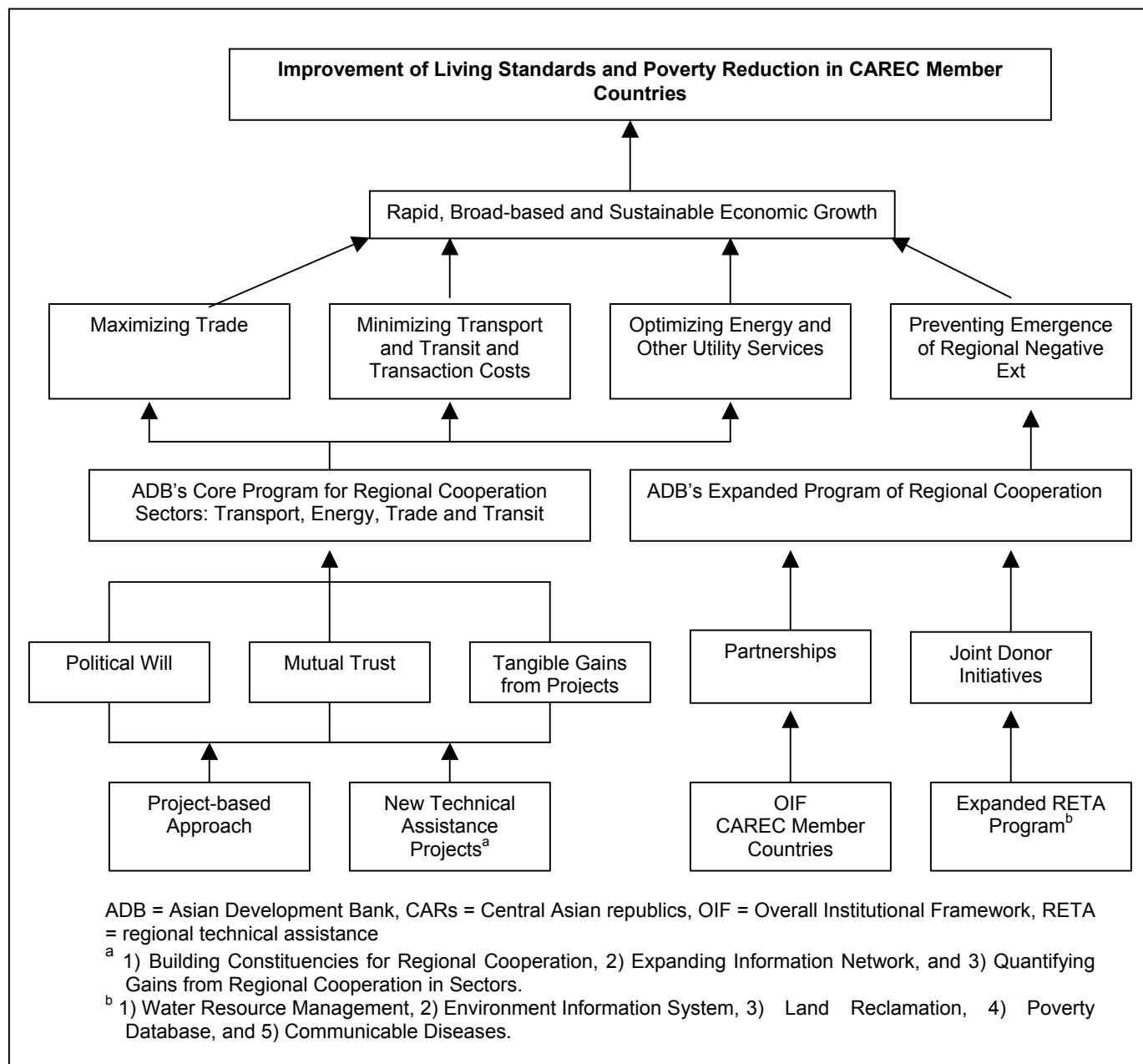
84. Finally, without building regional infrastructure capacities and streamlining the regulatory framework for trade and transit, CAREC countries could not expect to expand the two way trade with larger neighboring economies. Enhanced and easier access to larger neighboring markets is perhaps the *raison d'être* for regional cooperation among the CARs and XUAR of the PRC as market access contributes directly to rapid, broad-based growth and hence poverty reduction. For these reasons, ADB's core program in the medium term will remain focused on these three sectors. This also conforms to the OIF recommendations as stated at the recent ministerial meeting.

85. The second component of ADB's medium term plan for regional cooperation will comprise the expanded program of regional cooperation. This will be designed to forge partnerships with other development partners in order to explore possibilities of joint operations in new areas and to take the fullest advantage of emerging opportunities.

86. As seen in the context of ADB's poverty reduction strategy and long-term strategic framework, the proposed core program focuses closely on the growth promotion pillar. This does not imply that social development and governance are being ignored in ADB's operations in CAREC member countries. Issues in social sectors such as education and health are at this stage more effectively addressed at the country level and are therefore covered in the individual country strategies and program (CSPs).<sup>66</sup> This represents an essential complementarity between the RCSP and individual CSPs: the former focuses on regional aspects of social sectors that support national efforts.<sup>67</sup>

<sup>66</sup> Country strategies and programs for Kazakhstan, the Kyrgyz Republic, PRC, and Tajikistan were prepared and approved in 2003. A CSP for Uzbekistan will be finalized in 2004 or 2005.

<sup>67</sup> The Asian Development Bank implemented a regional activity on reducing malnutrition among children in Central Asia in 2001. Currently a regional technical assistance is being processed on mainstreaming gender and development issues in poverty reduction strategies in the CARs and another on regional cooperation in education reforms, curriculum and testing. These RETAs are more in the nature of support to national efforts and are therefore not the focus of the RCSP.

**Figure 1: Framework for Regional Cooperation in CAREC Member Countries**

87. The lessons from ADB's experience in promoting regional cooperation among CAREC member countries and existing constraints to regional cooperation also highlight the need to support ADB's core program with projects that will (i) improve the environment for cooperation; (ii) strengthen political will and build trust; (iii) enhance payoffs from regional projects; and (iv) build capacity within the governments for undertaking regional cooperation.

88. **Improving the Environment for Cooperation.** This remains a necessary task. A more conducive environment for cooperation could be brought about by (i) expanding the constituencies that support regional cooperation by establishing regional networks of business associations, academics and civil society groups, and (ii) expanding regional information



networks that will increase the flow of information on positive achievements and raise awareness of win-win solutions from regional projects.

89. **Strengthening Political Will and Building Trust.** This would be achieved partly by pursuing ADB's functional approach that visualizes gradual progress based on tangible results from doable projects. This approach emphasizes tangible benefits from cooperation that strengthen political will and build trust. Political will can be strengthened by clearly demonstrating regional projects' benefits. This will require quantification of benefits and their distribution over time, especially in infrastructure where gestation periods are long, distribution of potential benefits unclear, and the urge for self-reliance and national solutions is strongest.<sup>68</sup>

90. **Enhancing Payoffs from Regional Projects.** One lesson from past experience has been that benefits from regional projects were seen as incommensurate with the effort involved. CAREC members—specially the larger ones—could lose interest in regional cooperation if they do not think it leads to better access to larger, more dynamic markets, or more secure supplies of natural resources. It will be useful to expand the scope of regional projects to larger neighbors. A good example would be to construct transport corridors that could connect Russia and the PRC to warm-water ports in the Arabian Sea through the CARs and Afghanistan or Iran. Other example of projects with enhanced payoff would be hydrocarbon pipelines from CARs to neighboring energy-deficit countries such as Afghanistan, Pakistan, PRC, India, or even Europe across the Caspian Sea.

91. In the context of designing and implementing larger regional projects, ADB and other development partners could follow up on recent suggestions from CACO for establishing regional consortia in specific sectors to develop capacity and mobilize investments. These consortia could be used to deliver these larger regional projects, which are likely to be concentrated in sectors such as transport, pipelines, energy, telecommunications, and the water energy nexus.

92. **Capacity Building within Governments.** Weak institutions and poor governance have not only been a major cause for anemic and non-inclusive growth but also explain CARs' reluctance to pursue regional projects. To successfully overcome this constraint ADB, in close coordination with other development partners, will have to increase and better coordinate its technical assistance for capacity building in CAREC member countries.

### **C. ADB's Expanded Program for Regional Cooperation**

93. This will provide the scope and opportunity for developing partnerships and participating in joint initiatives of development partners for promoting regional cooperation in other important sectors. Sectors in which other partners have taken the lead—but in which ADB has also been active—are the environment, water resource management (including rehabilitation of irrigation systems), and land management. As a part of this expanded program and depending on future requirements, ADB could consider partnerships with other development partners such as the

<sup>68</sup> This could also include establishing a shadow price of water in the region, as has been done in the Middle East through the Blue Nile treaty among ten East African countries. Drawing relevant lessons from water sharing treaties in different regions of the world would also be helpful. See for example Fisher, F.M. et al. 1996. *The Economics of Water: An Application to the Middle East*, cited in Maurice Schiff and L. Alan Winters (2002) *Regional Cooperation, And the Role of International Organizations and Regional Integration*, mimeo, World Bank Policy Research Working Paper. Washington, DC.

UN, UNEP, GEF, or EBRD for controlling drug trafficking, preventing desertification, and developing the private sector. Operations under this program will depend upon the outcome of consultations with other development partners and DMCs. The expanded program will be supported by RETAs included in the RCSP future pipeline.<sup>69</sup>

## **VI. ADB'S ASSISTANCE PROGRAM FOR REGIONAL COOPERATION**

### **A. Existing Portfolio**

94. Under its CAREC program, which has been operating since 1997, ADB has provided four investment projects with a total commitment amounting to \$187 million. Of this amount, \$122 million was funded through ordinary capital resources (OCR) and \$65 million through the Asian Development Fund (ADF).<sup>70</sup> ADB also leveraged cofinancing amounting to \$111.3 million for two projects.

95. Since 2000, a total of \$8.7 million has been provided in 14 TA grants covering the program's priority areas: \$3.1 million for regional power and gas transmission improvement, \$3.0 million for trade facilitation and customs reform, and \$2.6 million for regional transport improvement projects. In addition, a series of 7 RETA projects amounting to \$6.114 million, of which \$3.264 million has been financed through the Japan Special Fund (JSF), has been set aside for implementing the regional program, including support to OIF for holding conferences, meetings and undertaking other related activities.<sup>71</sup>

### **B. Overall Assistance Level for 2004–2006**

96. The regional program for 2004–2006 (Appendix 7) in support of ADB's strategic thrusts will comprise 17 lending projects amounting to \$399.4 million (Appendix 9 for sector road maps and Appendix 10 and 11 for concept papers) and \$18.5 million nonlending assistance, with a continued focus on transport, trade facilitation and energy. This indicative program reflects both intensifying support and a certain degree of over-programming, the latter commensurate to the larger uncertainty surrounding the regional program than that surrounding its country counterparts. Efforts are underway to seek co-financing in both lending and non-lending program with other development partners.

97. Of the total nonlending program, project preparatory technical assistance (PPTAs) will absorb 13.3% (Appendix 10). It is also proposed that the RETA program will be substantially expanded to support ADB's expanded program of regional activities.<sup>72</sup>

<sup>69</sup> Details of the Expanded Program for Regional Cooperation are given in Appendix 8.

<sup>70</sup> ADB. 2000. *Rehabilitation of the Almaty-Bishkek Road*. Manila., ADB. 2002. *Regional Trade Facilitation and Customs Cooperation Program for the Kyrgyz Republic and Tajikistan* and *Modernization of the Regional Power Transmission System in Uzbekistan and Tajikistan*. Manila., ADB. 2003. *Second Road Rehabilitation Project (Dushanbe-Kyrgyz Border)*. Manila.

<sup>71</sup> As the program has recently started, no evaluation of the program or its investment components has been conducted. An evaluation of an early technical assistance has been so far completed recently, and given a "successful" rating. See Appendix 9 for the status of the existing portfolio of lending and nonlending projects.

<sup>72</sup> The proposed strengthened regional technical assistance program also reflects the understanding that substantial work is needed for (i) building a conducive environment for regional cooperation among the Central Asian Republics, (ii) capacity building within governments and supporting OIF activities, (iii) undertaking feasibility studies on expanding geographical scope of future projects for enhancing payoffs from regional projects, and (iv) doing technical work for quantifying benefits from regional projects.

## C. Assistance Program for Strategic Priorities

98. The preparation of the pipeline of lending and non-lending projects reflects an iterative consultation process with representatives of DMC governments, civil society, and development partners. The RCSP document and its proposed strategy and program were endorsed by DMCs at a special session of the OIF held in April 2004.<sup>73</sup> The document has been reviewed by all of ADB's key development partners and incorporates their views and comments. The proposed program of lending and non-lending activities in the three priority sectors is presented first. Then, we present ADB's program of regional cooperation between Mongolia and the PRC, which is in initial stages but poised to expand.<sup>74</sup>

### 1. Energy Sector

99. ADB is leading regional cooperation in Central Asia's energy sector. As part of the regional program, ADB approved a loan to modernize the regional transmission networks in Tajikistan and Uzbekistan.<sup>75</sup>

100. The medium-term strategy for regional cooperation in the energy sector is based on maximizing use of available regional infrastructure to support economic growth. This will defer investments in new energy supply projects for the time being. Policies and measures to improve regional energy trade will open new opportunities for the private sector to invest in energy projects for exports outside the region. In the longer term, exploitation of new hydropower resources in the Kyrgyz Republic and Tajikistan—as well as natural gas reserves in Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan—will reduce the use of oil and coal and potentially reduce harmful environmental impact from fossil fuel use.

101. ADB's program for the next 3 years will comprise (i) developing a regional master plan for creating a shared vision for future development of the sector; (ii) reinvigorating regional energy trading for domestic shortfalls; (iii) rehabilitating power substations, gas pipelines, gas treatment projects, and power generation projects; (iv) refurbishing power projects to reduce emissions and strengthen environmental sustainability; (v) upgrading the generation capacities to improve the quality, reliability, output capacity, and energy efficiency; (vi) increasing access to markets by creating third-party access to the existing network and increasing use of renewable energy, where possible; and (vii) building required skills and capability.

### 2. Transport Sector

102. ADB has emerged as the leading supporter of regional transport projects in the CARs. As part of its regional program since 1996, ADB has extended eight loans worth \$317 million to Kazakhstan, the Kyrgyz Republic, and Tajikistan for the rehabilitation of roads and two loans to \$140 million to Uzbekistan for the rehabilitation of railways (Appendix 9).

<sup>73</sup> An earlier version of the program had received general endorsement through initial country consultations and from the 2<sup>nd</sup> ministerial meeting held in November 2003.

<sup>74</sup> The program of regional cooperation between Mongolia and the PRC is also handled by ECRD. Its current stage does not warrant a full-fledged RCSP and hence it is presented here as an operational program of assistance.

<sup>75</sup> ADB. 2002. *Report and Recommendation of the President on a Proposed Loan for TAJ and UZB for the Regional Power Transmission Modernization Project*. Manila. One key condition for effectiveness of this loan was signing of the Power Trade Relations Agreement between the Kyrgyz Republic, Tajikistan, and Uzbekistan (Appendix 10).

103. ADB's regional transport sector strategy for the CARs is to provide physical linkages to all parts of the region, including isolated subregions; to provide access to external markets; to integrate and upgrade transport infrastructure; to enhance competitiveness; and to support policy and institutional reforms. ADB's involvement in the sector would support intraregional transport, extra-regional transport between Central Asia and the outside world, and transit transport through Central Asia.

104. ADB's strategic priorities for the regional transport sector focus on (i) developing regional east-west and north-south transport corridors by using existing infrastructure to link the state capitals, local production centers, markets, and granaries to the ports and onwards to regional and international markets; (ii) improving the framework of international agreements required for integrating regional operations, enhancing the quality of regional services; (iii) harmonizing the regulatory framework to remove legal obstacles and promote network efficiency; (iv) reducing delays and transport costs caused by customs, visa, and other services through capacity building; (v) marketing and tariff setting based on competition to more fully utilize existing regional transport capacity; and (vi) raising management effectiveness and streamlining financial procedures. Eleven projects, supporting the above priorities and amounting to \$327.1 million, are proposed for the road and railway sector in the 3-year pipeline.<sup>76</sup>

### **3. Trade Facilitation**

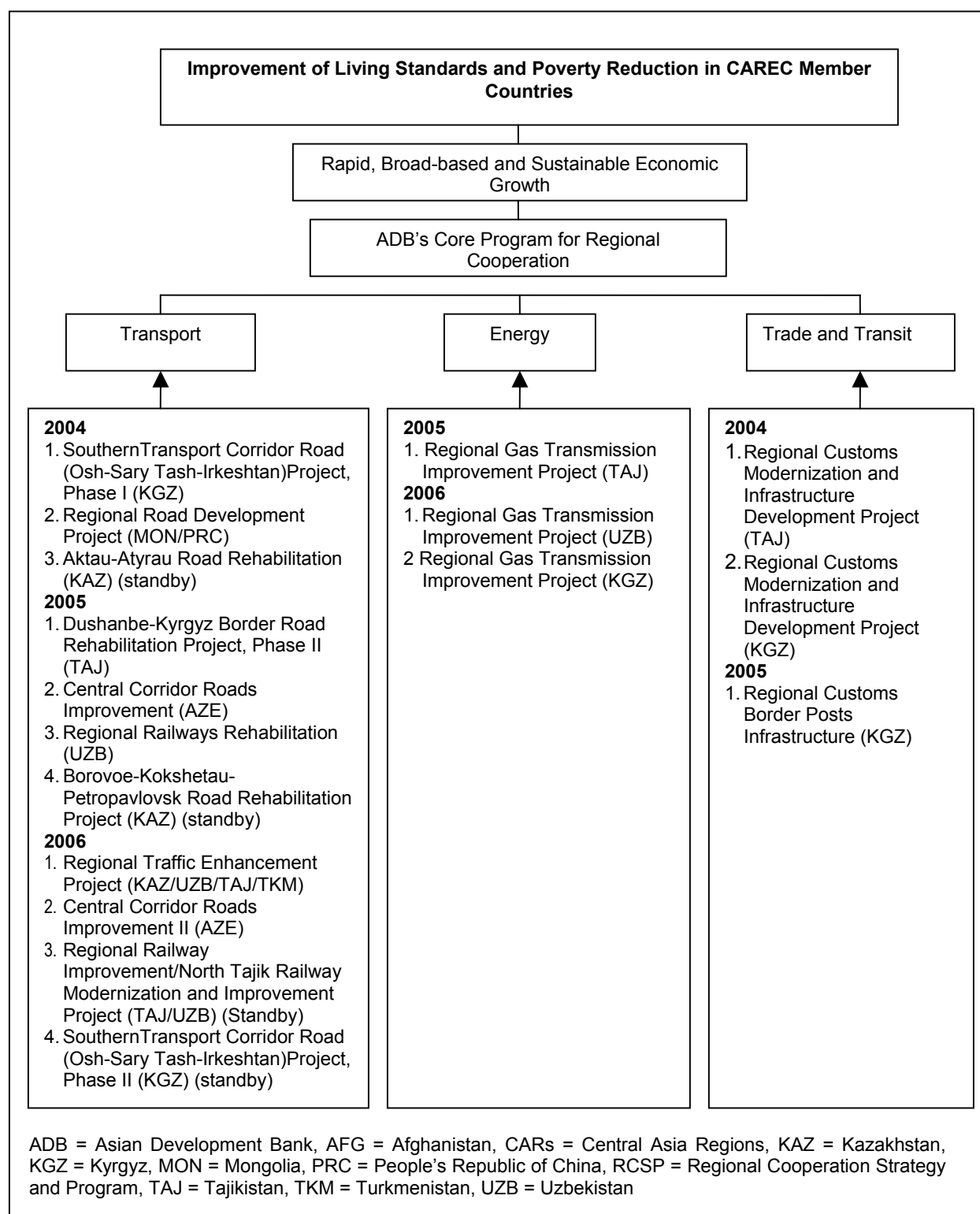
105. Although total exports from the CARs increased from about \$4.2 billion in 1993 to about \$16.3 billion in 2002, intraregional trade declined from 13.7% to 7.8% over the same period (Appendix 9). Lack-luster intraregional trade has been due to (i) a narrow export base, (ii) lack of trade diversification, (iii) infrastructure bottlenecks, (iv) inefficient border and transit facilities, and (v) weak institutional support. To address these constraints, ADB has supported the region through its TA program designed to promote regional dialogue, build capacity through training, and facilitate discussions on the regional transit system, data-sharing and document harmonization. ADB has also lent to the Kyrgyz Republic and Tajikistan to help with customs legal reform, the first and most important step toward customs modernization and harmonization with international practice. ADB is helping both countries design master plans to develop supporting infrastructure for customs modernization.

106. ADB will pursue a three-pronged strategy for further trade facilitation and customs modernization: (i) support for the development of: customs infrastructure (both software and hardware sides of infrastructure) through legal and procedural reforms, information and communication technology (ICT) for automated customs services, border development, and provision of special equipment to prevent drug trafficking; (ii) support for development of customs-supporting infrastructure (through various public-private partnership initiatives) to promote brokers' associations and other trade-related associations; and (iii) support for development of regional public goods through customs cooperation initiatives (e.g. harmonized customs legal framework and procedures, regional transit systems, and data sharing).

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<sup>76</sup> A pre-feasibility study has been added to the 2004 program to examine opportunities for maximizing economic development based on the South Kyrgyz road, whose rehabilitation will start with an Asian Development Bank loan in 2004.

Figure 2: RCSP: Core Program for 2004–2006



107. A lending pipeline has been prepared based on these priorities (Figure 2). The 2004 lending program will include five loans.<sup>77</sup> A regional customs modernization and infrastructure development project (Kyrgyz Republic) has also been added to the 2004 pipeline. The regional road development project (PRC/Mongolia) included in Mongolia's country strategy and program update, is also presented here. For 2005 lending, a regional railway development project covering Afghanistan, Tajikistan, and Uzbekistan has been added to reflect ADB's recent agreement with these governments as well as a regional customs border posts infrastructure project (Kyrgyz Republic).

108. For 2006, a regional traffic enhancement project is planned based on a feasibility study to be implemented during 2005. The regional power transmission modernization project (phase II), has been moved from 2004 to 2006. The regional gas transmission improvement project for Tajikistan has been moved to 2005, and for Uzbekistan and Kyrgyz Republic to 2006.

#### **D. Donor Coordination**

109. The program presented above has been discussed with and is complementary to operational priorities and programs of other development partners such as the World Bank, EBRD, and the UN. ADB will actively coordinate and cooperate with regional donors like IsDB, Kuwait, Saudi Arabia, and the Abu Dhabi Funds, to maximize cofinancing. Donor coordination will be further strengthened around (i) operations related to and emerging from the working of the OIF; and (ii) joint economic and sector work, as part of ADB's expanded program of activities and in expanding the geographic scope of projects to neighboring countries, especially those that are not presently ADB members.

#### **E. Asian Development Bank's Regional Presence**

110. The strategic agenda presented in this RCSP implies a substantial increase in regional cooperation. OIF will expand and strengthen its agenda and require more intensive support from CARECU. Nearly all major development partners have adopted expanded regional programs and established regional offices to implement them. ADB's enhanced presence in the region will help coordinate its activities with other development partners. This will also demonstrate ADB's commitment for the expanded program of regional cooperation among CAREC member countries in the coming years.

#### **F. Indicative Internal Resource Requirements**

111. The indicative work program for 2004–2006 includes processing of 17 loans (including 4 standby loans) and 33 technical assistance projects, of which 6 are project preparatory TAs, 7 advisory TAs, and 20 RETAs. There will also be significant work for (i) supporting the OIF, and organizing related conferences and meetings; (ii) donor coordination, which is relatively demanding; (iii) coordination of regional program with national programs; and (iv) programming work for preparation of RCSPUs and a new regional strategy. The indicative staff requirement for achieving this program is about 24 professional staff years and 5 national staff years over the three years. At present, there are no national staff at headquarters or in the resident

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<sup>77</sup> These include those that have slipped from 2003, which are South Kyrgyz road project, the Aktau-Atyrau road rehabilitation project (Kazakhstan) and the regional customs modernization and infrastructure development project (Tajikistan). There is a strong probability of these projects being approved within 2004 as the supporting project preparatory technical assistance is either completed or being completed.

missions dedicated to regional work. This may need to be rectified and a staff position for regional cooperation might need to be established in each of the resident missions in the CARs.

## **VII. RISKS AND PERFORMANCE MONITORING AND EVALUATION**

### **A. Risks**

112. The following risks can be identified: (i) lack of support and ownership of the regional strategy by participating countries; (ii) unwillingness of development partners to accept the framework developed in the RSCP as a basis for cooperation and division of work; (iii) nonallocation of necessary staff and other resources by ADB; (iv) regional instability engendered by factors such as exacerbated interstate border tensions, ethnic conflicts or religious extremism; (v) sharper and growing policy divergence and the consequent differentials in performance of participating countries; (vi) rapid moves towards bilateral or multilateral tie-ups with outside partners that may mortally weaken attempts at regional cooperation among CARs; and (vii) nonparticipation of some regional countries in the cooperation program resulting in fewer benefits and more constraints on implementation.

113. The risks are considered significant and deserve concerted attention to minimize adverse impacts. ADB's approach and proposed strategy are designed to mitigate some of the more important risks. Overall, these risks may be manageable because leaders in most CAREC countries increasingly recognize the importance of regional cooperation and are demonstrating more will to cooperate. ADB's regional cooperation efforts are endorsed at the highest levels. ADB will continue to closely coordinate its regional activities with all other partners and will continue to participate regularly in OIF activities where active coordination and collaboration is achieved. Regional instability and a sharp decline in international commodity prices remain real downside possibilities. With greater efforts at regional cooperation, we may expect inclusive growth to be further reinforced. Expansion of the geographical coverage of regional projects and cooperation of larger neighbors will help reduce the risk of bilateral ties between CARs and their larger neighbors developing at the expense of intraregional economic cooperation. It will remain important for ADB to engage effectively with all existing CAREC members and also to involve countries such as Afghanistan and Turkmenistan whose participation will immediately benefit regional programs. Cooperation between the East and Central Asia and South Asia Regional Departments will be intensified to facilitate cooperation among the CARs and their neighbors.

### **B. Monitoring Plan**

114. Project-level monitoring will continue as in the past based on project-specific indicators and sector benchmarks established in the sector write-ups and road maps (Appendix 9). The overall progress of regional cooperation will be monitored by the CAREC unit and reported regularly to senior officials' meetings (held twice a year) and to ministerial meetings (held annually). This process of regularly reporting to the OIF will help monitor progress in the commitment and disbursement of lending and non-lending assistance. Resident missions will also be asked to monitor the changes in regional cooperation and progress on specific projects and include such feedback in their quarterly reports.

115. A start can also be made in establishing benchmarks that could be used to evaluate the results of the proposed RCSP before the next medium-term strategy is prepared. Benchmarks could be established for the three focus sectors using 2003 as a baseline (Appendix 12).

## SELECTED ECONOMIC AND SOCIAL INDICATORS FOR CAREC MEMBER COUNTRIES

### A. Economic Indicators

**Table A1.1: GDP Growth (% in constant prices)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
													1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	–	–	(23.1)	(19.7)	(11.8)	1.3	5.8	10	7.4	11.1	9.9	10.6	(18.2) <sup>a</sup>	5.7	9.7	0.1 <sup>a</sup>
Kazakhstan	(11)	(5.3)	(9.2)	(12.6)	(8.2)	0.5	1.7	(1.9)	2.7	9.8	13.5	9.5	(8.8)	0.1	8.9	0.05
Kyrgyz Republic	(7.9)	(13.9)	(15.5)	(20.1)	(5.4)	7.1	9.9	2.1	3.7	5.4	5.3	(0.5)	(13.7)	6.4	3.5	(2.0)
Tajikistan	(7.1)	(29.0)	(16.4)	(21.3)	(12.4)	(16.7)	1.7	5.3	3.7	8.3	10.2	9.1	(19.8)	(3.2)	7.8	(5.2)
Turkmenistan	(4.7)	(5.3)	(10.0)	(17.3)	(7.2)	(6.7)	(11.3)	7.0	17.0	17.6	20.5	14.9	(10.0)	(3.7)	17.5	1.7
Uzbekistan	(0.5)	(11.2)	(2.3)	(5.2)	(0.9)	1.7	5.2	4.3	4.3	3.8	4.2	4.2	(4.9)	3.7	4.1	0.7
CARs <sup>a</sup>	–	–	(9.8)	(13.1)	(6.8)	(0.9)	1.4	1.9	5.2	9.1	11.5	8.8	(9.9) <sup>a</sup>	0.8	8.7	0.7 <sup>a</sup>
Mongolia	(9.2)	(9.5)	(3.0)	2.3	6.3	2.4	4.0	3.5	3.2	1.1	1.1	3.7	(1.0)	3.3	2.3	1.4
PRC	9.2	14.2	13.5	12.6	10.5	9.6	8.8	7.8	7.1	8.0	7.3	8.0	12.7	8.7	7.6	9.8

– = not available, CARs = Central Asian republics, GDP = gross domestic product

<sup>a</sup> period average excludes year 1992; 1992 data not available.

Source: World Development Indicators Online.

**Table A1.2: GDP per capita (current US\$)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
													1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	–	60.2	209.6	157.0	314.6	409.2	505.5	561.9	573.9	655.1	704.5	744.1	185.4	492.2	669.4	445.1
Kazakhstan	1930.9	1659.4	1566.2	1214.3	1240.2	1321.3	1407.2	1426.0	1103.5	1214.7	1487.2	1636.0	1420.0	1384.8	1360.4	1388.7
Kyrgyz Republic	508.3	457.5	400.6	332.8	325.1	392.4	374.2	343.1	256.8	278.7	307.8	326.2	379.0	369.9	292.4	345.0
Tajikistan	699.2	469.4	536.8	502.8	407.3	177.8	186.2	215.5	176.4	160.0	169.0	191.3	479.1	193.2	174.2	290.2
Turkmenistan	–	–	1109.2	1042.8	1295.5	511.8	561.1	581.7	648.5	833.3	1096.9	1383.5	1149.2 <sup>a</sup>	551.5	990.5	906.4 <sup>a</sup>
Uzbekistan	1129.9	940.7	1004.3	1073.8	446.4	600.6	623.0	623.3	699.7	556.1	454.8	382.5	866.3	615.6	523.3	673.2
CARs	–	–	977.3	885.9	687.1	698.8	739.8	748.5	692.3	686.3	738.8	774.4	850.1 <sup>a</sup>	729.0	723.0	762.9 <sup>a</sup>
Mongolia	–	–	–	–	–	–	–	236.8	285.5	392.5	433.1	384.5	–	–	373.9	–
PRC	327.3	359.0	366.4	455.2	581.2	670.6	730.2	762.0	791.7	855.8	911.9	964.0	440.4	720.9	880.9	677.1

– = not available, CARs = Central Asian republics, GDP = gross domestic product

<sup>a</sup> period average excludes year 1992; 1992 data not available

Source: World Development Indicators online. For PRC, data for 1999-2002 are from the latest CSPU (2004), and the rest from WDI.



**Table A1.3: GDP per capita, PPP (current international \$)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
													1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	–	–	2330.2	1882.6	1700.5	1747.6	1820.2	1943.2	2128.9	2573.5	2823.9	3114.8	1971.1 <sup>a</sup>	1837.0	2660.3	2206.5 <sup>a</sup>
Kazakhstan	4263.7	4266.0	3870.7	3492.3	3370.2	3452.3	3558.4	3513.3	3813.4	4565.3	5224.8	5768.7	3749.8	3508.0	4843.0	4081.4
Kyrgyz Republic	1871.7	1650.8	1428.3	1180.1	1144.2	1217.4	1335.4	1349.4	1426.5	1545.5	1597.6	1571.9	1350.9	1300.8	1535.4	1404.3
Tajikistan	1764.9	1274.6	1076.8	862.4	792.6	664.9	643.5	665.8	707.4	795.2	850.3	916.4	1001.6	658.1	817.3	840.9
Turkmenistan	4993.6	4643.5	4067.0	3247.0	3069.9	2811.5	2361.1	2484.4	2905.5	3481.5	4104.1	4621.6	3756.8	2552.3	3778.2	3436.1
Uzbekistan	–	–	1320.8	1250.1	1258.1	1271.7	1317.7	1335.5	1404.1	1501.7	1561.3	1611.4	1276.3 <sup>a</sup>	1308.3	1519.6	1383.2 <sup>a</sup>
CARs	–	–	2320.8	2030.8	1946.1	1943.1	1958.8	1970.8	2126.5	2452.2	2710.6	2928.4	2099.2 <sup>a</sup>	1957.6	2554.4	2238.8 <sup>a</sup>
Mongolia	1377.9	1248.4	1259.7	1251.5	1319.6	1348.4	1442.4	1459.0	1542.6	1610.5	1572.0	1651.4	1269.8	1416.6	1594.1	1427.8
PRC	1460.0	1690.0	1950.0	2210.0	2510.0	2770.0	3030.0	3290.0	3540.0	3870.0	4240.0	4580.0	2090.0	3030.0	4057.5	3061.8

– = not available, CARs = Central Asian republics, GDP = gross domestic product, PPP = purchasing power parity

<sup>a</sup> period average excludes year 1992; 1992 data not available.

Source: World Development Indicators Online.

**Table A1.4: Agriculture, value added (% growth)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
													1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	–	–	(16.3)	(12.8)	(7.0)	3.0	(6.9)	6.2	7.1	12.1	9.1	9.0	(12.0) <sup>a</sup>	0.8	9.3	0.4 <sup>a</sup>
Kazakhstan	(22.6)	28.7	(6.9)	(21.0)	(23.9)	(5.0)	(0.9)	(18.9)	21.6	(3.3)	16.9	(6.0)	(5.8)	(8.3)	7.3	(1.7)
Kyrgyz Republic	(7.7)	(2.6)	(8.6)	(8.6)	(2.0)	15.2	12.3	2.9	8.2	2.6	7.3	3.3	(5.5)	10.1	5.4	2.7
Tajikistan	(4.4)	(26.7)	(4.4)	(6.5)	(25.9)	2.0	3.6	6.3	3.8	12.4	11.0	–	(15.9)	4.0	9.1 <sup>b</sup>	(2.4) <sup>b</sup>
Turkmenistan	(9.8)	(9.0)	4.0	(11.0)	(7.0)	(49.0)	14.0	24.4	25.5	17.0	23.0	–	(5.8)	(3.5)	(21.8) <sup>b</sup>	3.2 <sup>b</sup>
Uzbekistan	2.2	(6.5)	1.5	(3.4)	2.0	(5.7)	5.8	4.1	5.5	3.2	4.5	4.0	(1.6)	1.4	4.3	1.4
CARs	–	–	(4.3)	(12.2)	(12.1)	(7.5)	3.6	(0.8)	11.2	4.6	10.9	–	(9.5) <sup>a</sup>	(1.6)	8.9 <sup>b</sup>	(0.7) <sup>c</sup>
Mongolia	(15.4)	9.5	(3.0)	2.7	9.5	4.7	4.8	3.1	4.2	1.6	1.0	5.0	4.7	4.2	2.3 <sup>b</sup>	3.8 <sup>b</sup>
PRC	2.4	4.7	4.7	4.7	5.0	5.1	3.5	3.5	2.8	2.4	2.8	2.9	4.8	4.0	2.7	3.8

– = not available, CARs = Central Asian republics, CSP = country strategy and program

<sup>a</sup> period average excludes year 1992; 1992 data not available.

<sup>b</sup> period average excludes year 2002; 2002 data not available.

<sup>c</sup> period average excludes years 1992 & 2002; data for these years are not available.

Source: All country data were sourced from the World Development Indicators Online, except 2001 data for Tajikistan which was sourced from the latest CSP for Tajikistan.

**Table A1.5: Industry, value added (% growth)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
													1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	—	—	(22.1)	(25.0)	(20.7)	(2.8)	5.1	7.9	3.2	6.2	12.1	5.1	(22.6) <sup>a</sup>	3.4	6.7	1.2 <sup>a</sup>
Kazakhstan	(3.5)	(24.5)	(17.0)	(25.0)	(15.9)	(3.7)	4.7	0.3	3.6	16.4	15.1	10.7	(20.6)	0.4	11.5	(3.2)
Kyrgyz Republic	(7.5)	(26.1)	(22.9)	(37.3)	(12.3)	2.6	19.8	(1.8)	(3.8)	8.9	5.2	(11.2)	(24.6)	6.9	(0.2)	(7.2)
Tajikistan	(7.3)	(7.6)	(28.5)	(38.9)	0.6	(36.8)	(21.6)	16.0	17.0	9.0	7.9	(11.9)	(18.6)	(14.1)	(5.3)	(8.6)
Turkmenistan	(9.5)	(15.0)	8.0	(25.0)	(6.0)	19.0	(20.0)	4.7	—	—	—	—	(9.5)	1.2	—	—
Uzbekistan	4.0	(17.7)	(5.6)	(12.1)	(5.1)	1.4	2.7	2.3	2.1	1.8	2.6	2.4	(10.1)	2.1	2.2	(2.3)
CARs	—	—	(12.1)	(24.4)	(11.0)	1.0	(3.7)	2.6	—	—	—	—	(15.8) <sup>a</sup>	(0.04)	—	—
Mongolia	(12.6)	(17.7)	(12.8)	2.1	17.4	(2.0)	4.4	3.3	1.1	1.1	0.6	1.5	(2.8)	1.9	1.1	(0.3)
PRC	13.9	21.2	19.9	18.4	13.9	12.1	10.5	8.9	8.1	9.4	8.4	9.8	18.4	10.5	8.9	12.8

— = not available, CARs = Central Asian republics

<sup>a</sup> period average excludes year 1992; 1992 data not available.

Source: World Development Indicators Online

**Table A1.6: Services, etc., value added (% growth)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
													1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	—	—	(14.1)	6.9	7.3	8.1	23.1	17.0	12.7	10.3	1.3	9.0	0.02 <sup>a</sup>	16.1	8.3	8.2 <sup>a</sup>
Kazakhstan	(21.3)	28.7	1.8	7.2	0.6	3.5	(0.3)	0.2	(1.4)	7.4	10.8	8.6	9.6	1.1	6.3	6.1
Kyrgyz Republic	(1.9)	(13.3)	(14.9)	(17.1)	(4.4)	(0.2)	0.6	3.9	3.4	5.8	3.3	4.2	(12.4)	1.4	4.2	(2.6)
Tajikistan	(9.2)	(31.4)	4.9	(5.9)	(32.8)	8.7	31.3	26.3	(4.2)	0.8	11.9	(3.9)	(16.3)	22.1	1.2	1.0
Turkmenistan	1.9	5.1	(28.5)	(16.1)	(8.3)	12.3	(14.7)	(1.0)	14.4	14.5	25.0	—	(12.0)	(1.1)	18.0 <sup>b</sup>	0.3 <sup>b</sup>
Uzbekistan	(6.1)	(9.2)	(2.6)	(2.2)	(0.5)	4.2	7.7	5.5	4.9	5.5	4.8	(2.0)	(3.6)	5.8	3.3	1.5
CARs	—	—	(3.9)	1.7	(1.5)	4.5	2.5	3.4	1.8	7.3	9.4	—	(1.3) <sup>a</sup>	3.5	6.2 <sup>c</sup>	2.8 <sup>c</sup>
Mongolia	(3.0)	(17.1)	2.0	2.1	(1.0)	2.7	3.1	4.0	3.4	0.6	2.2	4.3	(3.5)	3.3	2.2	0.6
PRC	8.8	12.4	10.7	9.6	8.4	7.9	9.1	8.3	7.7	8.1	8.4	7.5	10.3	8.4	7.9	8.9

— = not available, CARs = Central Asian republics

<sup>a</sup> period average excludes year 1992; 1992 data not available.

<sup>b</sup> period average excludes year 2002; 2002 data not available.

<sup>c</sup> period average excludes years 1992 & 2002; 1992 & 2002 data not available.

Source: World Development Indicators Online

**Table A1. 7: Gross Capital Formation (% of GDP)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
													1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	3.1	(0.7)	21.8	15.3	23.8	29.0	34.2	33.4	26.5	20.7	20.9	42.2	15.0	32.2	27.6	24.3
Kazakhstan	–	31.5	20.0	28.7	23.3	16.1	15.6	15.8	17.8	17.9	26.1	26.9	25.9	15.8	22.1	21.8
Kyrgyz Republic	15.4	19.9	11.7	9.0	18.3	25.2	21.7	15.4	18.0	20.0	18.0	18.1	14.7	20.8	18.5	17.8
Tajikistan	19.1	33.6	39.2	36.5	28.7	22.3	16.1	15.4	17.3	11.6	–	–	34.5	18.0	–	–
Uzbekistan	26.8	12.9	14.6	18.3	27.3	29.2	21.7	16.8	17.5	16.3	20.4	18.2	18.3	22.5	18.1	19.4
CARs <sup>a</sup>	–	23.8	18.7	23.2	24.6	22.1	19.6	17.9	18.6	17.6	–	–	22.6	19.9	–	20.7 <sup>b</sup>
Mongolia	39.7	32.6	30.9	27.6	29.4	28.0	28.9	28.7	28.5	30.0	30.0	30.7	30.1	28.6	29.8	29.6
PRC	34.8	36.2	43.3	41.2	40.8	39.6	38.2	37.7	37.4	36.3	38.5	40.4	40.4	38.5	38.2	39.1

– = not available, CARs = Central Asian republics, GDP = gross domestic product

<sup>a</sup> CARs data exclude Turkmenistan; all numbers are from the World Development Indicators Online.

<sup>b</sup> period average excludes years 2001-02; data for these years are not available.

**Table A1.8: Gross Domestic Savings (% of GDP)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
													1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	7.5	30.9	3.2	(1.1)	6.6	(3.0)	10.2	1.5	12.6	21.3	24.3	25.3	9.9	2.9	20.9	12.0
Kazakhstan	–	30.2	11.2	18.7	18.7	15.4	13.1	11.3	20.1	27.3	23.7	23.5	19.7	13.3	23.7	19.4
Kyrgyz Republic	14.1	7.9	4.0	2.7	5.4	(0.6)	13.8	(6.1)	3.2	14.3	17.7	14.4	5.0	2.4	12.4	7.0
Tajikistan	20.1	43.0	15.1	29.7	19.5	32.0	10.7	6.3	15.9	7.3	–	–	26.8	16.3	–	19.9 <sup>a</sup>
Uzbekistan	23.0	3.7	17.8	14.5	27.1	22.7	18.7	16.5	17.3	19.4	20.8	18.6	15.8	19.3	19.0	17.9
CARs <sup>c</sup>	–	19.8	13.6	16.3	19.5	16.3	14.7	11.3	17.5	23.0	–	–	17.3	14.1	–	16.9 <sup>a</sup>
Mongolia	3.2	23.2	14.7	13.3	24.9	19.9	17.1	15.2	15.1	13.6	14.5	–	19.0	17.4	14.4 <sup>b</sup>	17.1 <sup>b</sup>
PRC	38.1	37.7	41.8	43.1	43.1	41.7	43.0	42.3	40.5	39.0	40.9	43.4	41.4	42.3	41.0	41.5

– = not available, CARs = Central Asian republics, GDP = gross domestic product

<sup>a</sup> period average excludes years 2001-02; data for these years are not available.

<sup>b</sup> period average excludes year 2002; 2002 data not available.

<sup>c</sup> CARs data exclude Turkmenistan; all numbers are from the World Development Indicators Online.

**Table A1.9: Inflation, GDP Deflator (annual %)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
													1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	–	–	747.6	1385.2	545.7	26.4	9.2	(1.0)	2.2	12.5	2.7	0.5	892.8 <sup>a</sup>	11.6	4.5	273.1 <sup>a</sup>
Kazakhstan	96.4	1472.2	1243.5	1546.7	160.9	38.9	16.1	5.7	13.3	17.4	10.2	5.3	1105.8	20.2	11.5	411.8
Kyrgyz Republic	134.7	830.2	754.4	180.9	42.0	35.3	19.3	9.1	37.6	27.2	7.3	2.3	451.9	21.2	18.6	176.9
Tajikistan	99.7	571.6	1211.5	221.0	346.0	430.6	101.5	54.1	26.5	24.0	26.2	21.6	587.5	195.4	24.6	275.9
Turkmenistan	103.0	1940.8	1737.6	1022.1	705.7	1174.3	61.6	17.7	5.0	13.3	12.3	12.0	1351.5	417.9	10.7	609.3
Uzbekistan	90.7	712.1	1078.9	1238.6	370.9	81.6	66.1	39.0	44.1	47.3	45.2	45.5	850.1	62.2	45.5	342.7
CARs	–	–	1128.9	932.4	361.9	297.8	45.6	20.8	21.4	23.6	17.3	14.6	807.7 <sup>a</sup>	121.4	19.2	286.4 <sup>a</sup>
Mongolia	99.1	176.4	262.3	66.6	42.5	33.5	24.4	11.5	9.7	11.7	5.7	21.1	137.0	23.1	12.0	60.5
PRC	6.7	7.9	14.6	19.9	13.2	5.9	0.8	(2.4)	(2.2)	0.9	1.2	(0.3)	13.9	1.4	(0.1)	5.4

– = not available, CARs = Central Asian republics, GDP = gross domestic product

<sup>a</sup> period average excludes year 1992; 1992 data not available.

Source: World Development Indicators Online

**Table A1.10: Total Revenue (% of GDP)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
													1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	–	53.9	34.1	14.8	19.5	18.2	16.2	13.5	14.8	19.9	19.2	–	30.6	16.0	18.0 <sup>a</sup>	22.4 <sup>a</sup>
Kazakhstan	40.7	30.2	24.1	21.7	21.6	17.2	16.7	18.0	17.8	21.7	22.1	21.6	24.4	17.3	20.8	21.2
Kyrgyz Republic	4.0	3.6	15.8	15.6	16.7	16.0	15.8	17.8	16.2	14.2	16.1	18.0	12.9	16.5	16.1	15.1
Tajikistan	–	24.8	24.2	42.8	10.0	12.1	14.8	11.2	12.2	12.0	13.5	18.3	25.4	12.7	14.0	17.8
Uzbekistan	–	–	–	–	30	34	30	31	29	28	25.9 <sup>b</sup>	25.7 <sup>b</sup>	–	31.8	–	–
Mongolia	32.1	23.9	31.2	29.3	23.9	24.5	26.0	28.3	28.1	33.4	37.2	37.2	27.0	26.3	34.0	29.4
PRC	16.7	11.7	11.8	10.7	10.3	11.4	12.1	13.0	14.3	15.3	17.4	18.2	11.1	12.2	16.2	13.3

– = not available, CARs = Central Asian republics, CSP = country strategy and program, CSPU = country strategy and program update

<sup>a</sup> period average excludes year 2002; 2002 data not available.

<sup>b</sup> sourced from the latest respective CSPs/CSPUs.

Note: Figures for all CARs pertain to Central government, except for Kazakhstan where the figures pertain to General government; data were sourced from the ADB Key Indicators 2003.

**Table A1.11: Total Expenditure (% of GDP)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
													1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	–	49.8	41.2	25.1	20.1	17.6	18.6	15.4	17.3	18.1	15.2	15.6	34.1	17.2	16.6	23.1
Kazakhstan	49.1	30.8	25.5	24.1	25.7	19.8	19.1	24.6	22.2	22.2	22.3	21.0	26.5	21.1	21.9	23.4
Kyrgyz Republic	5.1	5.4	22.9	23.4	27.8	22.3	22.4	22.0	19.7	18.0	17.7	20.8	19.9	22.3	19.0	20.2
Tajikistan	–	53.8	46.5	52.9	17.4	17.6	18.6	14.2	14.9	12.5	13.3	–	42.7	16.8	13.6 <sup>a</sup>	26.2 <sup>a</sup>
Uzbekistan	–	–	–	–	33	36	32	33	31	29	27.5 <sup>c</sup>	27.5 <sup>c</sup>	–	33.9	–	32.4 <sup>b</sup>
Mongolia	57.1	37.8	30.0	30.1	23.3	23.6	26.7	31.4	30.2	34.4	36.7	36.7	30.3	27.2	34.5	31.0
PRC	–	–	–	–	–	12.8	13.6	15.2	17.2	18.1	20.0	21.8	–	13.9	19.0	17.4 <sup>d</sup>

– = not available, CARs = Central Asian republics, GDP = gross domestic product

<sup>a</sup> period average excludes year 2002; 2002 data not available.

<sup>b</sup> period average excludes years 1992–1994 data for these years are not available.

<sup>c</sup> sourced from the latest CSPU

<sup>d</sup> period average excludes 1991–1995, data for these years are not available.

Note: Figures for all CARs pertain to Central government, except for Kazakhstan where the figures pertain to General government; data were sourced from the ADB Key Indicators 2003.

**Table A1.12: Overall Budgetary Surplus/Deficit (% of GDP)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
													1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	–	4.1	(7.1)	(10.3)	(0.6)	0.6	(2.4)	(1.8)	(2.5)	1.8	3.9	–	(3.5)	(1.2)	1.1 <sup>a</sup>	(1.4) <sup>a</sup>
Kazakhstan	(8.4)	0.6	(1.4)	(2.4)	(4.0)	(2.6)	(3.7)	(8.0)	(5.2)	(1.0)	(0.9)	0.0	(1.8)	(4.8)	(1.8)	(2.6)
Kyrgyz Republic	0.8	(3.5)	(7.1)	(7.7)	(11.5)	(5.4)	(5.2)	(3.0)	(2.5)	(2.0)	0.4	(1.1)	(7.4)	(4.6)	(1.3)	(4.4)
Tajikistan	–	(29.0)	(22.3)	(10.1)	(7.4)	(5.8)	(4.1)	(2.7)	(2.4)	(0.5)	0.2	(2.7)	(17.2)	(4.2)	(1.3)	(8.1)
Turkmenistan	–	–	–	1.7	0.4	0.3	(0.2)	(2.6)	0.0	0.3	(0.8)	0.2	–	(0.8)	(0.03)	(0.1) <sup>b</sup>
Mongolia	(22.7)	(12.6)	3.0	0.3	1.5	1.6	0.1	(12.5)	(10.6)	(6.8)	(4.1)	(4.1)	(2.0)	(3.6)	(6.4)	(4.0)
PRC	(0.9)	1.4	2.2	1.7	1.5	(1.4)	(1.5)	(2.1)	(2.9)	(2.8)	(2.5)	(2.9)	1.7	(1.7)	(2.8)	(0.8)

– = not available, CARs = Central Asian republics, GDP = gross domestic product

<sup>a</sup> period average excludes year 2002; 2002 data not available.

<sup>b</sup> period average excludes years 1992–93 & 2002; data for these years are not available.

Note: Figures for all CARs pertain to Central government, except for Kazakhstan where the figures pertain to General government; data were sourced from the ADB Key Indicators 2003.

**Table A1.13: Merchandise Trade Balance (% of GDP)**

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
												1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	–	–	(20.1)	(7.0)	(18.3)	(14.6)	(23.5)	(2.3)	10.9	15.5	8.3	(13.6) <sup>a</sup>	(18.8)	8.1	(5.7) <sup>a</sup>
Kazakhstan	–	(27.9) <sup>c</sup>	(1.7)	7.3	7.9	9.9	4.9	11.3	22.3	10.3	12.8	(7.4) <sup>b</sup>	7.6	14.2	5.7 <sup>b</sup>
Kyrgyz Republic	–	(12.2) <sup>c</sup>	1.7	(7.4)	(18.3)	(5.9)	(19.7)	(11.7)	(3.7)	(0.5)	(8.6)	(6.0) <sup>b</sup>	(14.7)	(6.1)	(8.6) <sup>b</sup>
Tajikistan	–	–	(1.9)	(2.5)	9.5	(0.4)	(8.7)	2.5	11.1	(3.6)	(1.9)	–	0.1	2.0	0.4 <sup>a</sup>
Turkmenistan	–	–	14.7	8.8	16.0	(8.6)	(13.6)	(8.8)	16.3	7.6	11.9	–	(2.1)	6.8	4.9 <sup>a</sup>
Uzbekistan	–	–	(0.2)	6.7	(3.6)	(1.1)	1.6	0.7	2.3	0.2	(2.2)	–	(1.0)	0.3	0.5 <sup>a</sup>
CARs	–	–	0.0	5.4	1.7	2.4	(1.2)	3.4	13.0	7.5	7.9	–	1.0	8.0	4.5 <sup>a</sup>
Mongolia	(2.6) <sup>c</sup>	0.8	15.3	6.5	(2.7)	(1.8)	(16.3)	(6.5)	(8.1)	(11.4)	(12.5)	5.0	(6.9)	(9.6)	(3.6)
PRC <sup>d</sup>	0.9	(2.0)	1.0	2.6	1.5	4.5	4.9	3.6	3.2	2.9	3.6	0.6	3.6	3.3	2.4

– = not available

<sup>a</sup> period average excludes years 1992–93, for which years data are not available.

<sup>b</sup> period average excludes year 1992; data not available.

<sup>c</sup> sourced from the ADB Key Indicators 2003; otherwise, all other data were sourced from the World Development Indicators Online.

<sup>d</sup> data for 1998–2002 sourced from latest CSPU (2004); otherwise all other data were sourced from World Development Indicators Online.

**Table A1.14: Current Account Balance (% of GDP)**

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
												1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	–	–	–	(16.6)	(29.3)	(23.1)	(30.7)	(13.1)	(3.2)	(0.9)	(12.6)	–	(27.7)	(7.4)	(16.2) <sup>a</sup>
Kazakhstan	–	(19.2) <sup>d</sup>	(7.6) <sup>d</sup>	(1.1)	(3.6)	(3.6)	(5.5)	(1.0)	3.7	(4.9)	(2.5)	9.3 <sup>c</sup>	(4.2)	(1.2)	(4.5) <sup>c</sup>
Kyrgyz Republic	–	(4.8)	(5.6)	(15.7)	(23.2)	(7.8)	(22.1)	(14.8)	(5.8)	(1.3)	(3.3)	(8.7) <sup>c</sup>	(17.7)	(6.3)	(10.4) <sup>c</sup>
Tajikistan	(2.0)	(6.9)	(5.9)	(3.7)	(7.1)	(5.4)	(9.1)	(3.3)	(6.3)	(7.0)	(3.9)	(4.6)	(7.2)	(5.1)	(5.5)
Turkmenistan	–	16.5	1.8	0.4	0.1	(21.6)	(32.7)	(17.3)	8.8	(1.2)	2.0	6.2 <sup>c</sup>	(18.1)	(2.0)	(4.3) <sup>c</sup>
Uzbekistan	(1.2)	(1.9)	0.5	(0.2)	(7.0)	(4.0)	(0.7)	(0.7)	1.6	(1.0)	(0.7)	(0.7)	(3.9)	(0.2)	(1.4)
CARs	–	–	–	(2.4)	(7.3)	(6.6)	(8.7)	(3.8)	2.2	(3.3)	(1.4)	–	(7.5)	(1.6)	(3.9) <sup>a</sup>
Mongolia	(5.0) <sup>d</sup>	5.9	7.2	4.4	(3.7)	11.5	(7.7)	(5.7)	(7.2)	(7.7)	–	3.1	0.0	(6.9) <sup>d</sup>	(0.8) <sup>d</sup>
PRC	1.5	(2.7)	1.3	0.2	0.9	4.1	3.3	2.1	1.9	1.5	2.8	0.1	2.8	2.1	1.5

– = not available, CARs = Central Asian republics, GDP = gross domestic product

<sup>a</sup> period average excludes year 1992; 1992 data not available.

<sup>b</sup> period average excludes year 2002; 2002 data not available.

<sup>c</sup> pertains to 1995–2002 period average; 1992–94 data not available.

<sup>d</sup> sourced from the ADB Key Indicators 2003; otherwise, all other data were sourced from the World Development Indicators Online.

**Table A1.15: Merchandise Export Growth (%)**

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
												1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	(30.0) <sup>a</sup>	(51.2) <sup>a</sup>	(9.9) <sup>a</sup>	(3.1)	(0.8)	23.8	(22.4)	53.6	87.8	32.6	(12.9)	(23.5)	0.2	40.3	6.1
Kazakhstan	(33.8) <sup>a</sup>	56.4 <sup>a</sup>	2.4 <sup>a</sup>	62.5	12.6	9.9	(16.3)	3.0	63.0	(5.2)	10.7	21.9	2.0	17.9	15.0
Kyrgyz Republic	–	7.1 <sup>a</sup>	0.2 <sup>a</sup>	20.6	23.2	19.8	(14.9)	(11.8)	11.0	(8.7)	0.9	9.3 <sup>b</sup>	9.4	(2.2)	4.7 <sup>b</sup>
Tajikistan	–	146.5 <sup>a</sup>	22.6 <sup>a</sup>	53.1	2.7	(3.2)	(20.1)	16.0	13.8	(17.2)	10.9	74.1 <sup>b</sup>	(6.9)	5.9	22.5 <sup>b</sup>
Turkmenistan	–	–	(19.2) <sup>a</sup>	(12.4)	(9.8)	(41.0)	(41.0)	101.2	111.1	8.0	13.4	–	(30.6)	58.4	12.3 <sup>c</sup>
Uzbekistan	–	–	–	34.5	22.7	(4.4)	(12.3)	(8.4)	0.9	(3.7)	(6.4)	–	2.0	(4.4)	2.9 <sup>d</sup>
CARs	–	–	–	31.3	11.0	(0.5)	(17.4)	7.3	48.3	(0.1)	4.8	–	(2.3)	15.1	10.6 <sup>d</sup>
Mongolia	11.8	(1.5)	(7.0)	32.9	(10.4)	6.6	(23.7)	31.6	18.1	(2.6)	(4.0)	9.0	(9.1)	10.8	4.7
PRC	18.1	8.0	31.9	23.0	1.5	21.0	0.5	6.1	27.8	6.8	22.3	20.3	7.7	15.8	15.2

– = not available

<sup>a</sup> sourced from the ADB Key Indicators 2003; otherwise, all other data were sourced from the World Development Indicators Online.

<sup>b</sup> period average excludes year 1992; 1992 data not available.

<sup>c</sup> period average excludes years 1992-93; for which years data are not available.

<sup>d</sup> pertains to 1995-2002 period average; 1992-94 data not available.

**Table A1.16: Merchandise Import Growth (%)**

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Period Average			
												1992-1995	1996-1998	1999-2002	1992-2002
Azerbaijan	(50.0) <sup>a</sup>	(33.1) <sup>a</sup>	(23.7) <sup>a</sup>	(10.1)	50.3	12.4	21.3	(37.2)	13.1	22.1	15.9	(17.4)	28.0	3.5	2.6
Kazakhstan	(60.8) <sup>a</sup>	(3.1) <sup>a</sup>	(16.6) <sup>a</sup>	6.9	11.4	1.4	1.2	(15.2)	37.0	26.0	1.7	(18.4)	4.7	12.3	(0.9)
Kyrgyz Republic	–	2.1 <sup>a</sup>	(12.9) <sup>a</sup>	65.1	61.5	(15.5)	18.3	(28.6)	(7.7)	(15.5)	29.1	18.1 <sup>b</sup>	21.5	(5.7)	9.6 <sup>b</sup>
Tajikistan	–	175 <sup>a</sup>	7.1 <sup>a</sup>	48.6	(17.3)	11.9	(5.3)	(6.6)	1.8	1.9	8.1	76.9 <sup>b</sup>	(3.6)	1.3	22.5 <sup>b</sup>
Turkmenistan	–	–	6.1 <sup>a</sup>	(7.1)	(3.7)	(6.5)	(20.3)	50.8	20.8	26.0	(4.2)	–	(10.2)	23.4	6.9 <sup>c</sup>
Uzbekistan	–	–	–	5.6	71.3	(11.1)	(21.4)	(5.5)	(5.3)	6.0	1.2	–	12.9	(0.9)	5.1 <sup>d</sup>
CARs	–	–	–	7.1	29.1	(3.5)	(5.7)	(10.5)	15.2	17.5	3.3	–	6.7	6.4	6.6 <sup>d</sup>
Mongolia	15.8	(9.3)	(31.9)	60.9	8.7	3.8	7.5	2.0	19.9	3.7	3.3	8.8	6.6	7.2	7.7
PRC	26.3	29.0	11.2	14.2	5.1	2.5	(1.5)	18.2	35.8	8.2	21.2	20.2	2.0	20.9	15.5

– = not available, CARs = Central Asian republics

<sup>a</sup> sourced from the ADB Key Indicators 2003; otherwise, all other data were sourced from the World Development Indicators Online.

<sup>b</sup> period average excludes year 1992; 1992 data not available.

<sup>c</sup> period average excludes years 1992–1993; for which years data are not available.

<sup>d</sup> pertains to 1995–2002 period average; 1992–1994 data not available.

**Table A1.17: Gross International Reserves** (including gold, current \$million)

<b>Country</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Azerbaijan	0.6	2.0	120.9	211.3	466.1	447.3	672.6	679.6	896.7	721.5
Kazakhstan	711.2	1,216.2	1,659.9	1,960.7	2,222.8	1,965.5	2,000.9	2,099.0	2,505.9	3,136.3
Kyrgyz Republic	48.2	26.2	81.0	94.6	169.8	187.7	253.8	261.8	286.5	317.3
Tajikistan	—	—	—	—	38.9	55.9	57.4	94.3	94.3	89.5
Turkmenistan	799.0	929.0	1,168.0	1,169.0	1,256.0	1,376.0	1,513.0	—	—	—
Uzbekistan	—	—	—	—	—	1,168 <sup>a</sup>	1,242 <sup>a</sup>	1,273 <sup>a</sup>	1,212 <sup>a</sup>	1,215 <sup>a</sup>
CARs <sup>b</sup>	1,559.0	2,173.4	3,029.8	3,435.6	4,153.6	5,200.3	5,740.1	4,407.7	4,995.4	5,479.6
Mongolia	66.0	94.2	157.5	161.0	200.4	103.2	136.9	202.1	256.6	398.5
PRC	27,348.1	57,781.3	80,288.4	111,728.9	146,448	152,843	155,300 <sup>a</sup>	166,200 <sup>a</sup>	220,000 <sup>a</sup>	289,000 <sup>a</sup>

**Table A1.17—Continued**

<b>Country</b>	<b>Period Average</b>			
	<b>1992-1995</b>	<b>1996-1998</b>	<b>1999-2002</b>	<b>1993-2002</b>
Azerbaijan	41.2	374.9	742.6	421.9
Kazakhstan	1,195.8	2,049.6	2,435.5	1,947.8
Kyrgyz Republic	51.8	150.7	279.9	172.7
Tajikistan	—	—	83.9	—
Turkmenistan	965.3	1,267.0	—	—
Uzbekistan	—	—	—	—
CARs <sup>b</sup>	2,254.1	4,263.2	5,155.7	4,017.5
Mongolia	105.9	154.8	248.5	177.6
PRC	55,139.3	137,006.6	207,625.0	140,693.8

— = not available, CARs = Central Asian republics, CSP = country strategy and program, CSPU = country strategy and program update

<sup>a</sup> sourced from the latest respective CSPs/CSPUs; otherwise, all other data were sourced from the World Development Indicators Online.

<sup>b</sup> 1996–1996: Regional total excludes Tajikistan and Uzbekistan; 1997, 2000–2002: Regional total excludes Uzbekistan.



**Table A1.18: External Debt, Total** (current \$millions)

<b>Country</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Azerbaijan	–	35.5	112.8	321.0	438.3	506.5	702.4	1039.3	1266.9	1259.7	1397.9
Kazakhstan	35.0	1727.8	2789.6	3750.2	2922.2	4078.0	6084.5	6122.4	11805.4	14372.2	17538.3
Kyrgyz Republic	5.5	292.1	446.8	609.5	1137.0	1340.9	1505.1	1735.9	1827.1	1711.5	1796.9
Tajikistan	9.7	385.2	580.3	633.6	699.4	1065.0	1243.1	1274.7	1033.7	1058.2	1152.9
Turkmenistan	–	276.4	431.0	402.2	750.8	1771.2	2258.7	–	–	–	–
Uzbekistan	59.7	1031.7	1247.2	1798.1	2387.4	2789.8	3230.4	4804.5	4417.8	4671.1	4567.6
CARs	–	3472.3	5176.7	7112.4	7584.3	9780.2	12765.5	14976.8	20350.9	23072.7	26453.6
Mongolia	354.8	387.6	464.4	530.7	534.1	606.2	726.7	914.1	896.4	885.0	1037.2
PRC	72,428.0	85,927.7	100,456.9	118,089.8	128,817.1	146,697.0	144,006.8	152,085.3	145,705.9	170,059.4	168,254.9

**Table A1.18—Continued**

<b>Country</b>	<b>Period Average</b>			
	<b>1992-1995</b>	<b>1996-1998</b>	<b>1999-2002</b>	<b>1993-2002</b>
Azerbaijan	156.4 <sup>a</sup>	549.1	1241.0	708.0 <sup>a</sup>
Kazakhstan	2075.7	4361.6	12459.6	6475.1
Kyrgyz Republic	338.5	1327.7	1767.9	1128.0
Tajikistan	402.2	1002.5	1129.9	830.5
Turkmenistan	369.9 <sup>a</sup>	1593.6	–	981.7 <sup>b</sup>
Uzbekistan	1034.2	2802.5	4615.3	2818.7
CARs <sup>c</sup>	5253.8 <sup>a</sup>	10043.3	21213.5	13074.5 <sup>a</sup>
Mongolia	434.4	622.3	933.2	667.0
PRC	94,225.6	139,840.3	159,026.4	130,229.9

– = not available, CARs = Central Asian republics

<sup>a</sup> period average excludes year 1992; 1992 data not available.

<sup>b</sup> pertains to 1993-98 period average.

<sup>c</sup> Regional total excludes Turkmenistan.

Source: World Development Indicators Online.

**Table A1.19: External Debt (% of GDP)**

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Azerbaijan	–	2.3	9.5	13.3	13.8	12.8	15.8	22.7	24.0	22.1	23.0
Kazakhstan	0.1	6.7	14.1	18.8	13.9	18.4	27.5	36.3	64.5	64.9	71.2
Kyrgyz Republic	0.3	16.1	29.6	40.8	62.2	75.8	91.4	139.0	133.4	112.2	112.1
Tajikistan	0.5	23.4	20.1	51.4	66.4	95.0	94.2	117.3	104.3	100.3	95.1
Turkmenistan	–	5.9	9.4	6.8	31.6	66.1	78.9	–	–	–	–
Uzbekistan	0.3	4.7	5.2	17.7	17.1	18.9	21.4	27.9	31.8	40.6	57.6
CARs <sup>a</sup>	–	6.4	10.4	17.8	19.2	24.9	31.7	–	–	–	–
Mongolia	–	74.0	72.5	59.4	53.5	67.6	74.8	100.9	92.4	84.4	92.7
PRC	17.3	19.9	18.5	16.9	15.8	16.3	15.2	15.3	13.5	14.5	13.3

– = not available, CARs = Central Asian republics, GDP = gross domestic product

<sup>a</sup> weighted average for the CARs.

Source: World Development Indicators Online.

**Table A1.20: Total Debt Service (% of GNI)**

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Azerbaijan	–	0.0	0.0	0.4	0.3	2.0	0.5	1.9	3.7	2.5	3.3
Kazakhstan	0.0	0.0	0.3	1.2	1.5	2.2	4.5	8.3	19.5	15.9	17.4
Kyrgyz Republic	0.0	0.1	1.1	4.1	4.1	4.6	7.3	9.4	13.5	12.1	11.2
Tajikistan	0.0	0.0	0.0	0.0	0.1	4.4	7.2	7.6	6.7	7.8	6.9
Turkmenistan	–	0.2	2.1	1.8	8.0	9.5	10.7	–	–	–	–
Uzbekistan	–	0.1	0.6	2.4	2.2	3.5	2.3	3.3	6.3	7.4	9.4
CARs <sup>a</sup>	–	0.1	0.6	1.6	2.1	3.2	4.0	–	–	–	–
Mongolia	–	5.0	6.9	5.6	5.1	7.1	3.2	2.4	4.0	4.4	4.7
PRC	2.1	2.4	2.2	2.2	2.0	2.1	2.0	2.7	2.5	2.1	2.4

– = not available, CARs = Central Asian republics, GNI = gross national income

<sup>a</sup> weighted average for the CARs.

Source: World Development Indicators Online

**Table A1.21: GDP (current LCU)**

<b>Country</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Azerbaijan (Bn manats)	2.7	24.1	157.1	1,873.4	10,669.0	13,663.2	15791.4	17,203.1	18,875.4	23,590.5	26,626.7	29,602.0
Kazakhstan (Bn tenge)	0.2	2.4	29.4	423.5	1,014.2	1,415.8	1672.1	1,733.3	2,016.5	2,599.9	3,250.6	3,747.2
Kyrgyz Republic (Bn soms)	0.1	0.7	5.4	12.0	16.1	23.4	30.7	34.2	48.7	65.4	73.9	75.2
Tajikistan (Bn somoni)	0.0001	0.001	0.01	0.02	0.1	0.3	0.6	1.0	1.3	1.8	2.5	3.3
Turkmenistan (Bn manats)	0.03	0.6	9.4	87.2	652.0	7,751.7	11108.8	13,994.0	17,187.2	22,900.0	31,000.0	39,893.3
Uzbekistan (Bn sums)	0.1	0.4	5.1	64.9	302.8	559.1	976.8	1,416.2	2,128.7	3,255.6	4,925.3	7,469.3
CARs												
Mongolia	17.6	44.1	155.1	264.4	400.6	547.4	708.3	817.4	925.3	1,044.6	1,116.0	1,401.0
PRC (Bn Yuan)	2,161.8	2,663.8	3,463.4	4,675.9	5,847.8	6,788.5	7,446.3	7,834.5	8,206.7	8,946.8	9,731.5	10,479.1

– = not available, Bn = billion, CARs = Central Asian republics, GDP = gross domestic product, LCU = local currency unit

Source: World Development Indicators Online

Table A1.22: Official Exchange Rate

Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Azerbaijan (manats per US\$)	54.2	100.0	1570.2	4413.5	4301.3	3985.4	3869.0	4120.2	4474.2	4656.6	4860.8
Kazakhstan (tenge per US\$)	—	—	35.5	61.0	67.3	75.4	78.3	119.5	142.1	146.7	153.3
Kyrgyz Republic (soms per US\$)	—	—	10.8	10.8	12.8	17.4	20.8	39.0	47.7	48.4	46.9
Tajikistan (somon per US\$)	0.002	0.010	0.024	0.1	0.3	0.6	0.8	1.2	2.1	2.4	2.8
Turkmenistan (manats per US\$)	—	—	19.2	110.9	3257.7	4143.4	4890.2	5200.0	5200.0	5200.0	5200.0
Uzbekistan (sums per US\$)	—	—	—	29.8	40.1	62.9	94.5	124.6	236.6	423	770
Mongolia (togrogs per US\$)	42.6	303.2	412.7	448.6	548.4	790.0	840.8	1021.9	1076.7	1097.7	1110.3
PRC (yuan per US\$)	5.5	5.8	8.6	8.4	8.3	8.3	8.3	8.3	8.3	8.3	8.3

Table A1.22—Continued

Country	Period Average			
	1992-1995	1996-1998	1999-2002	1993-2002
Azerbaijan (manats per US\$)	1534.5	4051.9	4527.9	3309.6
Kazakhstan (tenge per US\$)	48.3 <sup>a</sup>	73.7	140.4	97.7 <sup>a</sup>
Kyrgyz Republic (soms per US\$)	10.8 <sup>a</sup>	17.0	45.5	28.3 <sup>a</sup>
Tajikistan (somon per US\$)	0.04	0.5	2.1	0.9
Turkmenistan (manats per US\$)	65.1 <sup>a</sup>	4097.1	5200.0	3691.3 <sup>a</sup>
Uzbekistan (sums per US\$)	29.8 <sup>b</sup>	65.8	388.6	222.7 <sup>b</sup>
Mongolia (togrogs per US\$)	301.8	726.4	1076.6	699.4
PRC (yuan per US\$)	7.1	8.3	8.3	7.9

— = not available

<sup>a</sup> period average excludes years 1992-93; for which years data are not available.<sup>b</sup> period average excludes years 1992-94; for which years data are not available.

**Table A1.23: Population (million)**

<b>Country</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
Azerbaijan	7.3	7.4	7.5	7.6	7.7	7.8	7.8	7.9	8.0	8.0	8.1	8.2
Kazakhstan	16.5	16.5	16.5	16.3	16.1	15.9	15.8	15.5	15.3	15.1	14.9	14.8
Kyrgyz Republic	4.5	4.5	4.5	4.5	4.6	4.7	4.7	4.8	4.9	4.9	5.0	5.0
Tajikistan	5.5	5.6	5.6	5.7	5.8	5.9	6.0	6.1	6.2	6.2	6.2	6.3
Turkmenistan	3.9	4.1	4.2	4.4	4.5	4.6	4.8	4.9	5.1	5.3	5.4	5.5
Uzbekistan	21.0	21.4	21.9	22.4	22.8	23.2	23.7	24.0	24.4	24.7	25.1	25.4
CARs <sup>a</sup>	58.5	59.5	60.3	61.0	61.5	62.1	62.8	63.3	63.8	64.2	64.7	65.2
Mongolia	2.1	2.2	2.2	2.2	2.3	2.3	2.3	2.4	2.4	2.4	2.4	2.4
PRC	1,150.8	1,165.0	1,178.4	1,191.8	1,204.9	1,217.6	1,230.1	1,241.9	1,253.7	1,262.6	1,271.9	1,280.4

– = not available

<sup>a</sup> CARs refers to Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

**B. Social Indicators****Table A1.24: Population Growth (annual %)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Azerbaijan	1.6	1.5	1.5	1.4	1.2	1.0	1.0	1.0	0.9	0.8	0.8	0.7
Kazakhstan	0.6	0.4	(0.2)	(1.1)	(1.4)	(0.9)	(1.1)	(1.4)	(1.5)	(1.5)	(1.1)	(0.7)
Kyrgyz Republic	1.6	1.1	(0.1)	(0.1)	1.1	1.5	1.5	1.5	1.4	1.0	0.8	1.0
Tajikistan	3.0	2.0	1.2	1.9	1.6	1.6	1.5	1.8	0.5	0.5	0.8	1.1
Turkmenistan	5.1	5.7	4.0	3.9	3.0	2.5	2.8	3.0	3.6	3.7	2.8	2.0
Uzbekistan	2.2	2.4	2.3	2.0	1.8	1.9	1.9	1.6	1.5	1.4	1.3	1.3
CARs <sup>a</sup>	1.9	1.8	1.3	1.0	0.9	1.1	1.0	0.9	0.7	0.7	0.7	0.8
Mongolia	1.7	1.6	1.6	1.5	1.4	1.3	1.2	1.1	0.9	0.8	1.0	1.1
PRC	1.4	1.2	1.1	1.1	1.1	1.0	1.0	1.0	0.9	0.7	0.7	0.7

– = not available, CARs = Central Asian republics

<sup>a</sup> weighted average**Table A1.25: Fertility Rate, Total (births per woman)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Azerbaijan	2.9	2.7	2.7	2.5	2.3	2.1	2.1	2.0	2.1	2.1	2.1	2.1
Kazakhstan	–	2.5	2.3	–	2.3	–	2.0	–	–	1.9	1.8	1.8
Kyrgyz Republic	3.7	3.6	3.3	3.1	3.3	3.0	2.8	2.7	2.6	2.6	2.5	2.4
Tajikistan	5.0	4.1	4.2	3.6	3.7	–	3.5	–	–	3.1	3.0	2.9
Turkmenistan	4.1	4.0	4.0	–	3.8	–	3.0	2.5	2.2	2.3	2.3	2.4
Uzbekistan	4.2	4.0	3.8	3.5	3.6	3.3	3.1	2.8	2.7	2.6	2.5	2.4
CARs <sup>b</sup>	–	3.5	3.4	–	3.2	–	2.7	–	–	2.4	2.4	2.3
Mongolia	–	3.6	–	–	3.1	–	2.9	–	–	2.6	2.5	2.4
PRC	–	2.0	–	–	1.9	–	–	–	–	1.9	–	1.9

– = not available, CARs = Central Asian republics

<sup>b</sup> simple average**Table A1.26: Infant Mortality Rate (per 1,000 live births)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Azerbaijan	–	82.8	–	–	81.0	–	79.8	–	–	78.0	77.0	82.7 <sup>a</sup>
Kazakhstan	–	47.6	28 <sup>a</sup>	–	56.0	–	64.0	–	–	76.0	81.0	–
Kyrgyz Republic	–	65.6	–	–	62.0	–	60.0	–	–	57.0	52.0	21.2 <sup>a</sup>
Tajikistan	–	96.8	–	–	95.0	–	93.8	–	–	92.0	91.0	–
Turkmenistan	–	78.0	–	–	75.0	–	73.0	–	–	70.0	69.0	–
Uzbekistan	–	53.8	–	–	55.0	–	55.4	–	–	56.0	52.0	–
CARs <sup>b</sup>	–	70.8	–	–	70.7	–	71.0	–	–	71.5	70.3	–
Mongolia	–	73.0	–	–	67.0	–	65.0	–	–	62.0	61.0	–
PRC	–	–	–	–	37.0	–	–	–	–	32.0	31.0	30.0

– = not available, CARs = Central Asian republics

<sup>a</sup> sourced from the latest respective CSPs/CSPUs<sup>b</sup> simple average

**Table A1.27: Life Expectancy at Birth, Total (years)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Azerbaijan	70.3	69.5	69.4	69.4	69.0	—	67.5	—	—	65.2	65.2	65.2
Kazakhstan	68.0	67.7	66.7	65.7	64.9	64.1	64.5	64.6	65.5	64.2	63.0	61.7
Kyrgyz Republic	68.6	68.1	67.2	66.0	65.8	66.5	66.9	67.1	67.0	66.4	65.8	65.2
Tajikistan	70.3	68.2	66.8	66.0	68.3	68.4	68.4	—	—	67.3	66.9	66.6
Turkmenistan	65.7	65.7	—	—	65.7	—	65.7	—	—	65.1	64.8	64.6
Uzbekistan	—	69.2	—	—	69.2	—	69.2	—	—	67.9	67.4	67.0
CARs <sup>a</sup>	—	68.1	—	—	67.1	—	67.0	—	—	66.0	65.5	65.0
Mongolia	—	63.6	—	—	64.2	—	64.6	—	—	65.1	65.3	65.5
PRC	—	69.0	—	—	69.4	—	69.7	—	—	70.3	70.6	70.7

— = not available, CARs = Central Asian republics

<sup>a</sup> simple average**Table A1.28: Life Expectancy at Birth, Female (years)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Azerbaijan	74.5	73.9	73.9	73.9	72.9	—	71.3	—	—	68.9	68.8	68.8
Kazakhstan	72.9	72.7	71.9	71.0	70.4	70.0	70.2	70.4	71.0	69.7	68.3	67.0
Kyrgyz Republic	72.7	72.2	71.7	70.7	70.4	71.0	71.4	71.2	71.1	70.6	70.2	69.7
Tajikistan	73.2	71.1	68.2	68.7	71.2	71.3	71.3	—	70.8 <sup>a</sup>	70.3	69.9	69.6
Turkmenistan	69.3	69.3	—	—	69.3	—	69.3	—	—	68.8	68.6	68.4
Uzbekistan	—	72.4	—	—	72.4	—	72.4	—	—	71.1	70.7	70.3
CARs <sup>b</sup>	—	71.9	—	—	71.1	—	71.0	—	—	69.9	69.4	69.0
Mongolia	—	65.0	—	—	65.7	—	66.2	—	—	66.7	66.9	67.1
PRC	—	70.6	—	—	71.0	—	71.3	—	—	72.0	—	72.4

— = not available, CARs = Central Asian republics

<sup>a</sup> sourced from the latest CSP<sup>b</sup> simple average**Table A1.29: Life Expectancy at Birth, Male (years)**

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Azerbaijan	66.3	65.4	65.2	65.2	65.2	—	63.8	—	—	61.7	61.8	61.8
Kazakhstan	63.3	63.0	61.8	60.6	59.7	58.5	59.0	59.0	60.3	59.1	57.8	56.6
Kyrgyz Republic	64.6	64.2	62.9	61.6	61.4	62.3	62.6	63.1	63.1	62.4	61.7	61.0
Tajikistan	67.6	65.4	65.5	63.4	65.5	65.6	65.6	—	66.1 <sup>a</sup>	64.5	64.1	63.7
Turkmenistan	62.3	62.3	—	—	62.3	—	62.3	—	—	61.5	61.3	61.0
Uzbekistan	—	66.1	—	—	66.1	—	66.1	—	—	64.7	64.3	63.8
CARs <sup>b</sup>	—	64.4	—	—	63.4	—	63.2	—	—	62.3	61.8	61.3
Mongolia	—	62.3	—	—	62.7	—	63.0	—	—	63.5	63.7	63.9
PRC	—	67.5	—	—	67.9	—	68.1	—	—	68.6	—	69.0

— = not available, CARs = Central Asian republics

<sup>a</sup> sourced from the latest CSP<sup>b</sup> simple average

**Table A1.30: Literacy Rate, Adult Total** (% of people ages 15 and above)

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Azerbaijan	—	—	—	—	—	—	—	—	—	—	97 <sup>a</sup>	—
Kazakhstan	98.9	98.9	99.0	99.1	99.2	99.2	99.2	99.3	99.3	99.4	99.4	99.4
Kyrgyz Republic	—	—	—	—	97.3	—	—	—	—	—	—	98.7 <sup>a</sup>
Tajikistan	98.3	98.4	98.5	98.7	98.8	98.9	99.0	99.0	99.1	99.2	99.3	99.3
Turkmenistan	—	—	—	—	—	—	—	—	—	—	—	—
Uzbekistan	98.7	98.8	98.8	98.9	98.9	99.0	99.0	99.1	99.1	99.2	99.2	99.3
CARs <sup>bc</sup>	98.6	98.7	98.8	98.9	99.0	99.0	99.1	99.1	99.2	99.3	99.3	99.3
Mongolia	97.8	97.9	98.0	98.1	98.1	98.2	98.3	98.3	98.4	98.4	98.5	98.5
PRC	79.1	79.8	80.5	81.2	81.9	82.6	83.2	83.8	84.5	90.9	—	—

— = not available, CARs = Central Asian republics

<sup>a</sup> sourced from the latest CSPs/CSPUs<sup>b</sup> simple average<sup>c</sup> average is computed only for the three countries where data are available for all years, namely, Kazakhstan, Tajikistan, and Uzbekistan**Table A1.31: Literacy Rate, Adult Female** (% of female ages 15 and above)

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Azerbaijan	—	—	—	—	—	—	—	—	—	—	—	—
Kazakhstan	98.3	98.4	98.5	98.7	98.8	98.8	98.9	99.0	99.1	99.1	99.2	99.2
Kyrgyz Republic	—	—	—	—	—	—	—	—	—	—	—	—
Tajikistan	97.4	97.6	97.8	98.0	98.2	98.3	98.4	98.6	98.7	98.8	98.9	99.0
Turkmenistan	—	—	—	—	—	—	—	—	—	—	—	—
Uzbekistan	98.0	98.1	98.2	98.3	98.4	98.5	98.5	98.6	98.7	98.8	98.9	98.9
CARs <sup>ab</sup>	97.9	98.0	98.2	98.3	98.4	98.5	98.6	98.7	98.8	98.9	99.0	99.1
Mongolia	97.2	97.3	97.5	97.6	97.8	97.9	98.0	98.1	98.2	98.3	98.3	98.4
PRC	69.9	70.8	71.8	72.7	73.6	74.4	75.3	76.1	77.0	86.5	—	—

— = not available, CARs = Central Asian republics

<sup>a</sup> simple average<sup>b</sup> average is computed only for the three countries where data are available for all years, namely, Kazakhstan, Tajikistan, and Uzbekistan**Table A1.32: Literacy Rate, Adult Male** (% of male ages 15 and above)

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Azerbaijan	—	—	—	—	—	—	—	—	—	—	—	—
Kazakhstan	99.5	99.5	99.5	99.6	99.6	99.6	99.6	99.6	99.6	99.7	99.7	99.7
Kyrgyz Republic	—	—	—	—	—	—	—	—	—	—	—	—
Tajikistan	99.2	99.3	99.3	99.4	99.4	99.4	99.5	99.5	99.5	99.6	99.6	99.6
Turkmenistan	—	—	—	—	—	—	—	—	—	—	—	—
Uzbekistan	99.5	99.5	99.5	99.5	99.5	99.5	99.6	99.6	99.6	99.6	99.6	99.6
CARs <sup>ab</sup>	99.4	99.4	99.4	99.5	99.5	99.5	99.5	99.6	99.6	99.6	99.6	99.6
Mongolia	98.5	98.5	98.5	98.5	98.5	98.5	98.6	98.6	98.6	98.6	98.6	98.6
PRC	87.7	88.3	88.8	89.3	89.9	90.3	90.8	91.2	91.7	95.1	—	—

— = not available, CARs = Central Asian republics

<sup>a</sup> simple average<sup>b</sup> average is computed only for the three countries where data are available for all years, namely, Kazakhstan, Tajikistan, and Uzbekistan



## **XINJIANG UYGUR AUTONOMOUS REGION OF THE PEOPLE'S REPUBLIC OF CHINA: ECONOMIC ASSESSMENT**

### **A. Introduction**

1. Xinjiang Uygur Autonomous Region (XUAR) of the People's Republic of China (PRC) lies in the northwest part of the PRC, with the Tibet Autonomous Region to its south and Gansu and Qinghai provinces to the southeast. It has a 5,000-kilometer-long (km) border that it shares with seven countries.<sup>1</sup> It has a total land area of 1.6649 million square kilometers (km<sup>2</sup>) accounting for one sixth of the Chinese mainland. It has an arid climate with an annual average of 150 centimeters (cm) of rain and large areas covered by the Taklimakan and Gobi deserts. Of the total 2001 population of 19.25 million (1.3% of the total of PRC population) about 47.5% were Uygurs, and the rest a mixture of Han (37.6%), Kazaks (7.35%), Mongolians, Kyrgyz, Tajiks, Russians, Manchus, Uzbeks, and another 35 ethnic groups. This ethnic multiplicity has been a long tradition formalized in the formation of the XUAR in 1955. About 25% of the population is urbanized. The majority of the population follows Islam, which came to the region in the ninth and early tenth century from Central Asia then replaced Buddhism as XUAR's main religion in early 16<sup>th</sup> century. Buddhism was the predominant religion before Islam, arriving from India via Kashmir in first century BC and spreading extensively.

### **B. Economic Development**

2. Gross domestic product (GDP) at the end of 2001 was reported at 148.5 billion yuan or \$17.94 billion. GDP growth, in line with the PRC's overall economic growth, has been about 8% annually, pushing per-capita annual incomes from 166 yuan in 1952 to 7,913 yuan (\$956) in 2001. The primary, secondary, and tertiary economic sectors contributed 19.4%, 42.4%, and 38.2% of 2001 GDP respectively. XUAR of the PRC appears to be self-sufficient in its food grain requirements with an annual output of about 8 million tons. It has become the PRC's largest producer of cotton, hops, and tomato sauce and a major livestock breeding centers.

3. The province's industrial strength is based on its vast hydrocarbon reserves, which began to be exploited only after 1955. In 2001 XUAR produced 19.47 million tons of crude oil from the Tarim Basin—one of the world's largest single oilfields—which started production in 1994. Under the policy of transporting western natural gas and oil eastwards, the Tarim oil and gas fields are now being connected with a 6,000 km-long pipeline to the eastern coast of the PRC with an estimated investment of almost \$14 billion, most of which is foreign direct investment (FDI). Foreign investment in the oil and gas sector was permitted in 1993 and has seen a substantial inflow of FDI since then. The province also produced 28 million tons of coal and 19.7 billion kilowatt-hours (kWh) of electricity in 2001. The industrial structure has become quite diversified with production of steel, cement, chemical fertilizers, sugar, and cotton yarn. The hydrocarbon reserves and the government's policy of turning XUAR into the country's largest petrochemical base have spurred growth in related industries since the mid-1990s.

4. Infrastructure is well developed, with 3,361 km of railway lines connecting XUAR with the rest of the PRC; Almaty, Kazakhstan; and Russia. The province reportedly has a road network of 80,900 km, but only 428 km of that is expressway. The highway running across the

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<sup>1</sup> The bordering countries are Afghanistan, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Russia, and Tajikistan.

Taklimakan Desert is a graded highway. XUAR has 11 airports, with its capital Urumqi connected to Almaty, Tashkent, Moscow, Islamabad, and 64 major cities in China including Beijing and Shanghai. The telecommunications network is well developed, with a digital network connecting Urumqi with all other parts of China and an optical fiber linked to Xian and other western cities. A mobile phone network is also in place. It had about 2.9 million users in 2001.

5. The total value of foreign trade was \$1.77 billion in 2001, with manufactured goods accounting for about 67% of exports largely destined for Central Asia and Russia. Tourism contributed nearly \$100 million annually to foreign exchange earnings.

6. Economic development in the XUAR of the PRC has been based on extensive resource transfer from the central budget. During 1995-2000, public investment amounted to more than 53% of total investment of more than 500 billion yuan. Since 1996, XUAR received large fiscal subsidies from the central budget under the government's strategy to develop the western provinces. Subsidies increased from 5.9 billion yuan in 1996 to 18.4 billion yuan in 2001. The World Bank has financed 22 projects with loans of about 41.8 billion and ADB has financed three investment projects with a total commitment of \$5 million. Other foreign bilateral financial assistance has amounted to 5.41 million yuan in 68 projects.

### **C. Status of Millennium Development Goals**

7. Illiteracy was below 2% among the young and middle aged in 2001. A system of compulsory education for first nine years is enforced, ensuring almost universal access to elementary education. The number of schools has increased steadily and now the province has 21 institutions of higher learning with an enrollment of more than 100,000. Health facilities have expanded steadily but actual health indicators are not available. In 2001, the province had 13,578 hospitals offering 35.1 hospital beds per 10,000 people as compared to 1.6 in 1949. A three-tier health system at the county, township, and village levels has been put in place with the number of doctors and medical workers above the national average. The coverage of pregnant and lying-in women under systematic health care has reached 90% in urban and 50% in rural areas. 70% children in urban area and 30% in rural areas are covered under organized health schemes. Almost half the population (8.1 million) has access to piped drinking water.

## PROGRESS OF REGIONAL ORGANIZATIONS

### 1. Economic Cooperation Organization (ECO)

- (i) Established in 1985 by Iran, Pakistan and Turkey. In 1992, ECO was expanded to include 7 new members: Afghanistan, Azerbaijan, Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.
- (ii) Its objective is to seek sustainable socio-economic development of member states.
- (iii) The ECO heads of states have met frequently since 1992, and the summits have typically included declarations and agreements. However, the implementation record has been poor and the impact has been limited. A fundamental obstacle to regional integration is the similarity of the member countries' economies, which all tend to be specialized on a small group of primary products such as oil, gas, minerals and cotton. Trade among the Central Asian Republics (CARs) and with their neighbors has therefore expanded slowly.
- (iv) A recent priority is assistance in the reconstruction of Afghanistan. A 5-year action plan was endorsed in 2003.

### 2. Central Asia Cooperation Organization (CACO)

- (i) Established in February 2002, CACO includes Kazakhstan, the Kyrgyz Republic, Tajikistan, and Uzbekistan. This evolved from the Central Asia Economic Union, formed in 1994 with Kazakhstan, the Kyrgyz Republic, and Uzbekistan as members. It was renamed Central Asian Economic Community (CAEC) in 1998 when Tajikistan joined.
- (ii) CACO aims to expand cooperation in politics, economics, transport and energy infrastructure, water and energy resources, agriculture, trade, science, technology, environment, culture, tourism, sports, humanitarian issues, and regional safety and stability.
- (iii) In July 2003, the presidents of the 4 member states held a summit in Almaty. A number of agreements were signed, including closer coordination in combating terrorism and drug trafficking, as well as the creation of various consortia that will deal with such issues as water, energy resources, and food supplies.
- (iv) Central Asian leaders have attempted to distinguish CACO from its predecessor by emphasizing improved effectiveness. CAEC passed numerous resolutions but implementation was poor. Although there has been a flurry of activity since the establishment of CACO, it is very early to judge whether implementation will actually improve.
- (v) In November 2003, President Nazarbayev of Kazakhstan, acting on behalf of CACO, wrote to IFI heads asking for their cooperation in establishing CACO consortia in sectors such as transport, energy and water.

### 3. Shanghai Cooperation Organization (SCO)

- (i) In 1996, the "Shanghai Five" was established consisting of the PRC, Russia, Kazakhstan, the Kyrgyz Republic, and Tajikistan. In June 2001, Uzbekistan was invited to join and the group was officially renamed the Shanghai Cooperation Organization.

- (ii) The group aims to strengthen mutual trust among member states, encouraging effective cooperation in politics, economy, science and technology, culture, education, energy, transportation, environmental protection and other fields. It also hopes to jointly ensure regional peace, security, and stability.
- (iii) Two SCO permanent bodies—the secretariat in Beijing and the executive committee of a regional antiterrorism center in Tashkent—were set up in 2003.
- (iv) Despite the intention to cover the many issues above, the SCO has however centered on regional security and politics. It has recently started focusing also on economic matters.
- (v) An increasing level of interaction between the CAREC program and SCO is visualized in coming years.

#### 4. Commonwealth of Independent States (CIS)

- (i) The CIS is a community of independent nations established by a treaty signed at Minsk, Belarus, on 8 December 1991, by the heads of state of Russia, Belarus, and Ukraine. Between 8 December and 21 December, the three original signatories were joined by Armenia, Azerbaijan (its parliament, however, rejected ratifying its membership until 1993), Kazakhstan, Kyrgyz Republic, Moldova, Tajikistan, Turkmenistan, and Uzbekistan. When Georgia joined in 1993, all of the former republics of the USSR except the Baltic states had become members of the CIS. Its headquarters are in Minsk.
- (ii) The organization was conceived as the successor to the Union Soviet Socialist Republics (USSR) in its role of coordinating foreign and economic policy of member nations. The treaty recognized current borders and each republic's independence, sovereignty, and equality. It also established a free-market rouble zone, embracing the republics' interdependent economies, and a joint defense force for participating republics. Strategic nuclear weapons in Belarus, Kazakhstan, Russia, and Ukraine were to be under the joint control of those republics, with day-to-day authority in the hands of the Russian president and defense minister. Belarus, Kazakhstan, and Ukraine no longer possess such weapons.
- (iii) At the CIS summit in 2003, four countries—Russia, Ukraine, Kazakhstan and Belarus—signed an agreement aimed at establishing a unified economic space, with the ultimate goal of abolishing tariffs and harmonizing markets in key areas such as transport and energy. If realized, this plan would be the boldest initiative to come out of the CIS. Progress may be difficult to achieve given the track record of previous CIS resolutions and conflicting interests of members.

#### 5. Eurasian Economic Community (formerly the CIS Customs Union)

- (i) In December 1994, Kazakhstan announced the formation of a customs union treaty with Russia and Belarus, that came into effect on 15 July 1995. The Kyrgyz Republic acceded in 1996 and Tajikistan in 1999, at which point it was called the Union of Five. In October 2000 the Union of Five was renamed the Eurasian Economic Community and a new treaty was signed in Astana, that came into effect in May 2001.
- (ii) The emphasis is on free intra-community trade, as well as a common market for labor and capital, common policies towards migration, and more general policy harmonization. A specific intention is to coordinate WTO accession negotiations as underscored in the February 2004 summit in Almaty.

- (iii) Recent initiatives also include the financing of power stations in Kazakhstan and Tajikistan as well as a plan for a unified energy grid embracing member states.
6. Special Programme for the Economies of Central Asia
- (i) The Special Programme for the Economies of Central Asia (SPECA) was launched in 1998 with the support of two United Nations regional organizations—the Economic and Social Commission for Asia and the Pacific (ESCAP) and the Economic Commission for Europe (ECE)—as an alternative forum for regional cooperation. The presidents of Kazakhstan, the Kyrgyz Republic, Tajikistan and Uzbekistan signed the Tashkent Declaration on 26 March 1998 creating SPECA, and in September 1998 Turkmenistan officially indicated its intention to sign the Declaration and to participate in SPECA projects.
  - (ii) The main purpose of SPECA is to support the Central Asian countries in strengthening their cooperation in order to stimulate economic development and facilitate integration with the economies of Asia and Europe. Through consultation with the participating countries, five priority areas were identified and working groups set up as instruments to develop and implement the program in each priority.
7. GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova) Group
- (i) Formally founded as a political, economic and strategic alliance designed to strengthen the independence and sovereignty of these former Soviet republics.
  - (ii) Seeks to enhance regional economic cooperation through development of a Europe-Caucasus-Asia transport corridor. It has also become a forum for discussion on existing security problems, conflict resolution, and the elimination of other risks and threats.
  - (iii) Cooperation among delegations of Azerbaijan, Georgia, Moldova and Ukraine started in 1996 in Vienna, Austria, where four states issued joint statements and proposed common initiatives.
  - (iv) On October 10, 1997, the Presidents of Azerbaijan, Georgia, Moldova, and Ukraine met in Strasbourg during summit of the Council of Europe and stated their mutual interest in developing bilateral and regional cooperation, European and regional security, political and economic contacts.
  - (v) On April 24, 1999, Uzbekistan joined the group at the GUUAM Summit in Washington, D.C.
  - (vi) During its 6-year existence, GUUAM has pledged to become a vital part of the east-west export routes, although little effort has been shown towards this end. At the 2003 Summit, however, the United States' commitment was obtained for projects relating to the creation of the Europe-Caucasus-Asia transport corridor.
8. Black Sea Economic Cooperation
- (i) In June 1992, the heads of state and government of eleven countries—Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey, and Ukraine—met on the invitation of the Government of Turkey in Istanbul. This Summit was successfully crowned with the signing of the historic "Summit Declaration on Black Sea Economic Cooperation."

- (ii) Its objective is to create an area where persons, capital and goods would move freely, and where cooperation initiatives would come from below rather than above, allowing roles for states in arranging the legal framework for cooperation.

## MATRIX ON DONOR ACTIVITY

Sector/Thematic/Area	ADB Activities	Other Development Partners' Activities
<b>Regional Strategy</b>	ADB is preparing a RCSP to be approved within this year.	<p><b>European Bank for Reconstruction and Development (EBRD):</b> According to its action plan for 2001, renewed focus on Central Asia will concentrate on (i) support for institutional building to improve the business environment; (ii) expanding finance for SMEs and microbusiness; (iii) increasing utilization and expanding the trade facilitation program to sustain trade in the region; (iv) support for business development and attraction of FDI to key industries such as mining, metal processing, and textiles; and (v) support for critical infrastructure development based on commercialization and private participation.</p> <p><b>European Union (EU):</b> Developed a new strategy for Central Asia (2002-2006) in 2002, focusing more on a more effective regional approach to common challenges with a two-fold increase of assistance (50 million euros per year). The three categories of proposed interventions are:</p> <ul style="list-style-type: none"> <li>(i) cooperation aimed at addressing issues on a regional scale—improving the transport network and professional transport-related services, improving the climate for investment in the energy sector, combating water and land desertification through the WARMAP project, and assisting border management capabilities;</li> <li>(ii) regional support, identified regionally but implemented nationally—assisting implementation of international agreements, developing investment-related policies, strengthening customs services, restructuring public administrations, and reform of education systems;</li> <li>(iii) socioeconomic development for vulnerable groups—capacity building for local communities, supporting poor rural households and farmers through microfinance.</li> </ul>
		<p><b>United Nations Development Programme (UNDP):</b> Its second regional cooperation framework (RCF) for 2002-2005 for Europe and the CIS has a subregional strategy for Central Asia that aims to encourage real progress on regional cooperation. The strategy identifies three thematic pillars with specific interventions differing significantly from country to country: (i) supporting economic reforms; (ii) supporting democratic reforms; and (iii) supporting sustainable natural resources strategies to overcome a legacy of environmental degradation. A fourth pillar involves building on experience of local and national interventions to enhance regional cooperation.</p>

Sector/Thematic/Area	ADB Activities	Other Development Partners' Activities
<b>Regional Strategy</b>		<p><b>United Nations Special Programme for Economies of Central Asia (UNSPECA):</b> The project working group on international economic conference on Tajikistan prepared a strategy for subregional economic cooperation in Central Asia. This was presented to the international conference in Dushanbe in April 2003.</p> <p><b>United States Agency for International Development (USAID):</b> Developed its assistance strategy for Central Asia during 2001-2005 in 2000. In addition, USAID decided to step up its assistance to the region in the wake of events of 11 September 2001. Energy and water are particular concerns.</p> <p><b>World Bank (WB):</b> Has prepared a regional framework paper for guiding its regional support with its increased attention to regional issues. Its tentative focus areas and programs include trade and transit (transport and trade facilitation study), water and energy nexus (Ferghana Valley Water Management Initiative, water-energy nexus study), communicable diseases (HIV/AIDS regional study), knowledge sharing (capacity-building program), civil society (regional strategy on CCD), and microfinance (conference on microfinance in Central Asia, 2003). WB established a large regional office in Almaty in 2001 is becoming an institutional focal point for its efforts to promote regional cooperation.</p>
<b>Transport</b>	<p><b>Objective:</b> To reduce costs of transport and facilitate transit</p> <p>(i) Activity: Dushanbe-Kyrgyz Border Road Rehabilitation: \$15 million loan to Tajikistan approved in December 2003</p>	<p><b>UNDP:</b> The Silk Road Area Development Project (SRADP) has taken steps to encourage regional dialogue on priority issues affecting transit, customs, trade, and investment. UNDP also started in 2003 to implement the EU border management program for Central Asia.</p> <p><b>WB:</b> Has undertaken an initial study on regional trade and transport facilitation in Central Asia since 2001. WB prepared two studies on trade facilitation as part of CIS-7 initiatives, and is preparing a regionwide study on microfinance. This will be coordinated closely with ADB's efforts in this area.</p>
<b>Trade facilitation</b>	<p><b>Objective:</b> Enhance market integration within the region and with world markets.</p> <p><b>Activities:</b></p> <p>(i) Undertook several studies on regional trade; a sector study on customs in the region;</p>	<p><b>EBRD:</b> Has been implementing its trade facilitation program (TFP), which since 1999 has been providing guarantees for trade finance instruments and short-term advances to banks with a view to facilitating foreign trade. EBRD also supports SME development through its direct investment facility and management and business advice program. EBRD has been trying to expand TFP and SME facility with the cooperation of other donors, including ADB.</p>



Sector/Thematic/Area	ADB Activities	Other Development Partners' Activities
<b>Trade Facilitation</b>	(ii) Regional trade facilitation and customs cooperation. (iii) A Regional Trade Facilitation Customs Cooperation Program: approved in 2002, this includes a program loan (to Tajikistan and the Kyrgyz Republic) and a regional technical assistance	<p><b>EU:</b> Completed its trade facilitation project in 1997, which focused on harmonized documentation and simplified customs procedures. Further to the study, EU currently provides TA grants for a project to harmonize border crossing procedures and a pilot project for Central Asian Road Border Crossing through TRACECA. In near future, EU plans to extend this pilot project to the most heavily trafficked section of the TRACECA corridor in Central Asia.</p> <p><b>IsDB:</b> Supports the Trade Cooperation and Promotion Program, which aims to match trade opportunities among companies of member countries and enhance capacity related to trade.</p> <p><b>Germany:</b> Supports SMEs with concessional financial resources to promote trade.  <b>Switzerland:</b> Supports, especially in the Kyrgyz Republic and Tajikistan, customs reforms and regional trade and provides low-interest credit, training, and advisory services to SMEs.</p> <p><b>USAID:</b> Has been implementing the Trade and Investment project for SMEs since 1996. Main components are (i) to draft laws that remove constraints to SME trade and investment; (ii) to provide WTO-related support in Kazakhstan, the Kyrgyz Republic, and Tajikistan; and (iii) to provide customs support, especially in revising the customs code. USAID launched in 2002 a new regional enterprise development project, focusing on the creation of an Internet-based regional trade network, business training, and accounting reform.</p>
<b>Energy</b>	<p><b>Objective:</b> promote efficient and rational use of energy given the high degree of interdependence among the countries in the region</p> <p><b>Activities:</b></p> <p>(i) The Regional Power Transmission Modernization Project: An ADB loan of \$90 million (\$20 million to TAJ and \$70 million to UZB) was approved in 2002, with OPEC Fund, EBRD, and USAID co-financing.</p>	<p><b>EBRD:</b> Has been involved in energy and power sector reforms on a country basis with a project stock of 145 million euros. New projects under consideration focus on district heating, with a substantial potential for energy conservation and on Syrdara Power Plant in Uzbekistan. EBRD recently decided to participate in ADB's regional power transmission modernization project.</p> <p><b>EU:</b> Has implemented the INOGATE program since 1995, the main objectives of which are to promote regional integration of the oil and gas pipeline system and to facilitate their transport within the region and toward Europe. To this end, Interstate Oil and Gas Transport to Europe (INOGATE) provided TAs for feasibility studies on existing oil and gas pipelines in Central Asia, and is currently implementing the small-scale investment project for modernizing gas metering stations in Uzbekistan and Kazakhstan.</p> <p><b>Switzerland:</b> Supports for the rehabilitation of power distribution system in the Kyrgyz Republic and Tajikistan.</p>

Sector/Thematic/Area	ADB Activities	Other Development Partners' Activities
<b>Energy</b>	(ii) The Regional Gas Transmission System Improvement Project: A feasibility study was approved in March 2002 in the amount of \$900,000.	<p><b>Germany:</b> Supports for rehabilitation of small hydroelectric projects in the Kyrgyz Republic.</p> <p><b>UNSPECA:</b> Established the project working group on energy and water in 1998. The group prepared a diagnostic strategy on water and energy in Central Asia and a list of investment projects for donor financing.</p> <p><b>USAID:</b> Has assisted the CARs with energy sector reforms, especially reforming the regulatory framework and promoting energy conservation. The activities have been done under different programs starting in 1993. USAID has provided grant cofinancing for ADB's regional power transmission modernization project.</p> <p><b>WB:</b> Has supported, on a country basis, comprehensive reforms in the energy sector with a special focus on promoting reforms based on market principles, strengthening regulatory and institutional capacity, and rehabilitating energy infrastructure. The WB has also prepared a paper on the water-energy nexus that explores alternative water-energy trade agreements.</p>
<b>Water Resource Management</b>	<p><b>Objective:</b> to develop a collaborative policy/institutional framework to improve water management (including safe drinking water).</p> <p><b>Activity:</b></p> <p>(i) RETA – Improving Management of Shared Water Resources in Central Asia approved in December 2003.</p> <p>(ii) Completed two studies; one on the management of the shared water resources in the Aral Sea basin as part of the preparation for the 3<sup>rd</sup> World Water Forum held in 2003 in Japan, and the other on the water-energy nexus.</p>	<p><b>EBRD:</b> Plans municipal projects in Central Asian cities, such as a loan to Tashkent to improve the water distribution system and reforms to tariffs and bill collection.</p> <p><b>EU:</b> Has supported water resources management through TACIS WARMAP since 1995, focusing on interstate water agreements and the development of regional water and land information system.</p> <p><b>Canada (CIDA):</b> Supports a program for water resources management training center, which promotes good governance and environmental sustainability in the Aral Sea Basin through developing a regional training network.</p> <p><b>Switzerland:</b> Is implementing a project on sustainable use of water in the Fergana Valley to achieve better allocation and utilization of water regionally between the three countries in the Valley (Uzbekistan, Tajikistan, and the Kyrgyz Republic)</p>

Sector/Thematic/Area	ADB Activities	Other Development Partners' Activities
<b>Water Resource Management</b>		<p><b>UNDP:</b> Has supported the Aral Sea Basin Capacity Development Project during 1998-2000 mainly for strengthening EC IFAS as part of ASBP.</p> <p><b>USAID:</b> Began to assist water management through EPTP in 1993, EPIC in 1998, and NRMP in 2001. Until 1998, the focus had been on policy reforms, of which major achievement was the 1998 framework agreement on the Syr Darya river. NRMP, however, stresses practicability, local communities and short-term milestones.</p> <p><b>WB:</b> Has assisted the CARs to rehabilitate irrigation facilities and promote water users' associations. At a regional level, WB has taken a lead role in rehabilitating of the Aral Sea since 1992. In 1998, WB (with GEF) approved the Water and Environment Management Project (total \$21.5 million) in the Aral Sea Basin with the purposes of improving regional water management and addressing environmental degradation in the Aral Sea Basin. Under the Aral Sea Basin Program, the WB has been financing the Syr Darya Control and North Aral Sea Project (\$64.5 million). WB is assisting the CARs, in cooperation with other development partners, in preparing the second phase of Aral Sea Basin Program (2003-2010).</p>
<b>Others</b>	<p><b>Objective:</b> to provide assistance to targeted issues with long-term poverty reduction impact in the region.</p> <p><b>Activity:</b></p> <p><b>Environment:</b> RETAs on Regional Environmental Action Plan in Central Asia and Combating Desertification in Asia were approved in 2000 and implemented.</p> <p><b>Education:</b> A RETA of \$750,000 on Regional Cooperation in Managing Education Reform was implemented from March 2001 through 2002 to enhance the education reform process of the CARs.</p> <p><b>Health:</b> A JFPR funded project of \$6.85 million is under implementation to improve nutrition for poor mothers and children in Central Asia.</p>	<p><b>Environment</b></p> <p><b>EU:</b> Supports environmental protection in Central Asia through the Regional Environmental Program. Currently the program includes (i) preservation of biodiversity in the West Tian Shan, (ii) support to the Central Asia Regional Environmental Center (CAREC), and (iii) support for the implementation of National Environmental Action plans.</p> <p><b>WB/Global Environment Facility (GEF):</b> Is implementing the Central Asia Transboundary Biodiversity Project with a total cost of \$13.6 million. The project supports an integrated set of activities at the local, national, and regional levels to extend a transboundary protected area covering Kazakhstan, Uzbekistan, and Kyrgyz Republic.</p> <p><b>Canada (CIDA):</b> Assists the CARs to identify and develop greenhouse gas emission reduction projects, and established a fund for climate change support.</p> <p><b>Global Mechanism (GM):</b> Assists the CARS in implementing UN Convention to Combat Desertification (UNCCD) in cooperation with ADB, UNEP, and other bilateral donors.</p> <p><b>UNEP:</b> Has taken a lead role in regional environmental management in Central Asia. In particular, UNEP has assisted CARs in preparing REAP since 2000, which recommended policy reforms and action programs.</p>

Sector/Thematic/Area	ADB Activities	Other Development Partners' Activities
Others		<p><b>Health</b></p> <p><b>EU:</b> Supports combating drug trafficking and drug abuse and promotes an anti-drug program. The European Observatory on Health Care System has recently completed a publication on health care systems in Central Asia, on which a regional workshop is planned.</p> <p><b>Switzerland:</b> Assists the governments of the Kyrgyz Republic, Tajikistan, and Uzbekistan to perform health sector reforms, including the improvement of primary health care system.</p> <p><b>WB:</b> Prepares reports on Central Asia's HIV/AIDS and tuberculosis strategy. In addition, WB assists the governments of the CARs in their applications to the Global Fund for AIDS, TB, and Malaria.</p> <p><b>UNICEF:</b> Has supported maternal and child health/nutrition programs.</p> <p><b>USAID:</b> Has assisted CARs to improve the financial sustainability, efficiency, and quality of their health care systems.</p> <p><b>Education</b></p> <p><b>EU:</b> Supports of education reforms in Central Asia—in particular higher and technical education—focusing on curriculum development, modernization of institutional structures, and development of skills-related training.</p> <p><b>WB:</b> Is launching a knowledge-sharing initiative that will establish global distance learning centers in each of the CARs.</p> <p><b>USAID:</b> Through its participant training project, USAID provides training to approximately 5,000 Central Asian citizens each year in specialized areas.</p>

## JOINT MINISTERIAL STATEMENTS

### **A. Statement of the 1<sup>st</sup> Ministerial Conference on Central Asia Economic Cooperation** (26 March 2002, Manila, Philippines)

1. The Ministerial Conference on Central Asia Economic Cooperation was convened during 25-26 March at Asian Development Bank headquarters in Manila, Philippines. Delegations from the People's Republic of China, Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan (hereafter referred to as "the Delegations") participated in the Conference. Country delegates attending as observers included Azerbaijan, India, Mongolia, Pakistan, and Turkmenistan. The Conference was also attended by multilateral and bilateral development partners.

2. The Delegations shared the vision that regional economic cooperation is a strategic means to reducing poverty, and achieving stability and prosperity in Central Asia, particularly in the wake of the 11 September events, and emphasized that for regional economic cooperation to be effective, viable and sustainable, it must be based on mutual understanding, trust and consensus, and yield mutual benefits.

3. It is the view of the Delegations that economic cooperation is particularly important to Central Asia, as the countries in the region have a shared history and face common development challenges, including locational disadvantage, small domestic markets, and the shared use of resources such as energy and water. Economic cooperation complements and supports national development strategies.

4. Given these common challenges, the Delegations confirmed transport, energy and trade facilitation as the priority areas for economic cooperation in Central Asia. The Delegations also considered human resource development to be an important aspect of the three priority areas. The Delegations strongly advocated a practical and results-oriented approach. The key to this approach is to focus on concrete projects that bring tangible benefits. These benefits would help build confidence and foster trust, which would in turn lay the foundation for achieving longer term strategic objectives.

5. The Delegations reviewed ADB's support for economic cooperation in Central Asia and expressed satisfaction with the progress made to date especially in the area of transport, energy and trade facilitation. It is the view of the delegations that ADB should stay focused on addressing the long term challenges identified above, and continue to play a key role in mobilizing resources for financing investment and other projects. In this connection, the Delegations discussed a three-year regional assistance program prepared by ADB. By mid 2002 ADB will present a revised program for further consideration by the governments.

6. The Delegations stressed the importance of the steps taken for strengthening the partnership between the countries and ADB in support of economic cooperation in Central Asia, particularly the recent establishment of an overall institutional framework to guide the cooperation program. This represents a new phase of cooperation between the countries and ADB, and will provide an opportunity to enhance coordination with all development partners for effective support to economic cooperation.

7. The Delegations noted with satisfaction that the framework has already been activated, as in the case of a Customs Coordinating Committee that is being established to cooperate among customs authorities in the participating countries. The Delegations urged ADB to expedite the formation of the sector coordinating committees and project specific working

groups as appropriate. National Focal Points will be appointed by each government by mid 2002 to facilitate the overall planning, prioritization and implementation of the program.

8. The Delegations requested ADB to play an active role in mobilizing financial resources, particularly on concessional terms, from multilateral and bilateral sources for financing the region's development needs. They also urged the international community to coordinate closely and effectively in supporting economic cooperation in Central Asia.

9. The Delegations recognized that as peace returns to Afghanistan, stability in Central Asia will be enhanced. This would in turn create opportunities to promote economic development and cooperation. A stable and prosperous Central Asia will contribute significantly to the reconstruction and development of Afghanistan. The Delegations therefore called on all countries, but particularly Afghanistan and the countries in Central Asia and South Asia, to work closely together in seizing this historic opportunity to bring long term peace and prosperity to their people.

10. The Delegations emphasized the importance for ADB and all other development partners to cooperate closely in assisting the economic and social development in Afghanistan. In this connection, the Delegations supported the sub regional approach advocated by ADB for the reconstruction and development of Afghanistan. They encouraged ADB and other international partners to continue to explore and support economic cooperation among Central Asia, Afghanistan and South Asia, in particular by using the human and other resources available in neighboring countries, and requested ADB to report the results to the next Ministerial Conference.

11. The Delegations unanimously supported Mongolia and Azerbaijan to become full participants of the partnership and strongly believed that their participation will contribute positively to the cause of economic cooperation.

12. The Delegations decided that the venue of the Ministerial Conference will rotate annually among the participating countries. The next Ministerial Conference will be held in Tashkent in 2003. The ADB Secretariat should make recommendations on Conference preparation by end 2002 in consultation with all participating governments.

13. The Delegations expressed their appreciation to ADB for its warm hospitality and excellent organization of this Conference.

**B. Statement of the 2<sup>nd</sup> Ministerial Conference on Central Asia Economic Cooperation (11–12 November 2003, Tashkent, Uzbekistan)**

**1. Introduction**

1. The 2<sup>nd</sup> Ministerial Conference (MC) of Central Asia Regional Economic Cooperation was convened during 11-12 November 2003 in Tashkent, Uzbekistan. High-level country delegations from Azerbaijan, People's Republic of China, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan and Uzbekistan participated in the MC. Representatives from neighboring countries and bilateral and multilateral organizations were also invited to attend as observers .

2. The ministers expressed strong commitment to working together to pursue shared vision of a region where people live in harmony and prosperity, with free movement of goods, people and ideas. The ministers reiterated the critical and urgent importance of regional economic cooperation as a means to realizing this vision, especially given close historic, ethnic, cultural and economic ties among the people in the region, as well as the need for sustainable use of natural resources.

3. At the same time, the ministers acknowledged many problems and challenges to regional economic cooperation. They therefore reaffirmed the importance of a consensus-based and practical and results-oriented approach to cooperation, as cooperation efforts following this approach are most likely to yield concrete progress as building blocks for reaching longer term strategic objectives.

**2. Review of Progress in Cooperation**

4. The ministers reviewed progress of cooperation since the 1<sup>st</sup> MC held in March 2002. They expressed appreciation for the active support of the multilateral institutions (ADB, EBRD, IMF, IsDB, UNDP and WB) for regional cooperation and helping to promote regional economic growth and stability more broadly. They specifically noted the progress that has been made within the process of the OIF in each of the priority areas of transport, trade facilitation and energy, with sizeable resources mobilized by multilateral institutions (MIs). Such progress contributes to enhancing the economic connectivity within the region and with world markets, and to the rational use of vital resources such as energy and water.

5. In the transport sector, the ministers noted with satisfaction the mobilization of resources from ADB, EBRD and IsDB to support investments that include rehabilitating sections of existing trunk lines in the region. The ministers welcomed recent opening by the Uzbek side of the Hayratan customs complex, and the renewal of traffic on the bridge between Uzbekistan and Afghanistan, with support from a number of other donors.

6. In trade facilitation, ADB has provided significant support for improving policy environment and cooperation and improving physical infrastructure of the customs in the region; support from WB and UNDP has focused on policy environment and practical solutions to transit and trade facilitation, while EBRD's trade financing facility has provided direct support to private sector growth.

7. In the energy sector, the ministers welcomed ADB and EBRD support for the regional power transmission modernization project as a first step towards developing regional power trade, and the significant analytical work carried out by WB in the energy sector including energy and water nexus which would underpin future progress of cooperation. The ministers

emphasized the importance of timely and effective implementation of these projects for realizing the potential mutual gains and demonstrating the benefits of cooperation.

8. The ministers noted with satisfaction recent efforts among the MIs to coordinate closely in supporting regional economic cooperation, including the concrete actions by the MIs collectively in preparing this Conference. The ministers appreciated ADB's leadership in donor coordination on regional economic cooperation, and recommended that close MI coordination be continued to maximize the economic benefits of lending and non-lending activities in the context of the OIF process and other regional initiatives.

9. The ministers were pleased to note that the overall institutional framework has been providing effective institutional support. This is particularly the case with the Customs Cooperation Committee for customs cooperation and trade facilitation, and working groups on the Kyrgyz transport corridor and the regional power transmission modernization project.

### **3. Future Course of Actions**

10. The ministers were pleased to note that recent consultation and discussion led to a convergence of views of the countries on broad key issues, constraints, and ways forward in the priority areas of transport, trade facilitation and energy. This represents a key step forward towards laying a solid foundation for future directions and further actions of cooperation in these priority areas.

11. The ministers emphasized the importance of transport as a priority area of cooperation and its key role in promoting economic growth and poverty reduction. They expressed their support for focusing on improving transport systems in the region, in particular, on developing East-West and North-South transport corridors, and on harmonizing regulatory framework and other systems across countries to enable efficient and effective use of the corridors for transit and transport.

12. The ministers reaffirmed trade facilitation as a priority area of cooperation and were pleased to note the continuing efforts on customs cooperation as a focus in trade facilitation, supported by an Action Plan for implementing concrete measures to move forward. Based on shared recognition of the need to further promote trade, the ministers supported the proposal to improve trade policies, develop simplified transit systems, and establish conditions for trade development in accordance with WTO standards and effective mechanisms for preventing smuggling.

13. The ministers supported the broad objectives in the area of energy to enlarge trade, develop regional and national best solutions to meet future energy demands, and promote new energy resources development for the region and for export. Towards these objectives, the ministers endorsed further strengthening of the legal and regulatory basis in energy based on international standards, and the continuing of efforts towards best solutions to the energy and water nexus issue.

14. In this context, the ministers gave general endorsement to project proposals by the MIs in each priority area as reported in the SOM Report to the MC in order to expedite their implementation. The ministers gave their particular support to projects such as the ongoing regional power transmission modernization project, and the Kyrgyz transport corridor project in the pipeline as good examples of the economic benefits from increased cooperation. They expressed hope that projects such as these would serve as champions and catalysts for future



progress in cooperation. The ministers also requested the Secretariat to further study and prioritize proposals made in each priority area by country delegations during recent consultation, and submit to the SOM for consideration.

15. The ministers emphasized that cooperation extends beyond the countries currently members of the OIF. They recognized in particular the potential for mutually beneficial gains and the need for close cooperation with regional neighboring countries to allow regional cooperation to become a catalyst for international integration. The ministers requested the Secretariat and the MIs to further examine these cooperation prospects including the membership issue in close consultation with member countries.

16. Recognizing the important role played by trade policy and water management in regional cooperation, the ministers endorsed a proposal made by the SOM to establish a Sector Coordinating Committee (SCC) on trade policy and a Working Group on energy and water resources under the SCC on Energy that already exists.

17. The ministers called on the MIs to support regional economic cooperation through project investments and further analytical work. They noted that external support would be most effective if closely coordinated between multilateral and bilateral donors, and emphasized the need for concessional and grant funding for critical regional investment projects.

18. To facilitate donor coordination, the ministers endorsed the setting up of a MI coordination group (CG) and emphasized the importance of making this CG an effective and efficient mechanism for donor coordination. They also urged the Secretariat of the OIF to work seamlessly with the CG towards this objective.

19. More generally, the ministers emphasized the need to strengthen the OIF to meet increased needs for institutional support, especially focusing on enhancing countries' ownership and roles in regional cooperation. The ministers requested the SOM to prepare a report on institutional strengthening at the next MC.

#### **4. Conclusion**

20. In conclusion, the ministers reiterated that regional cooperation is vital to realizing national development aspirations in the context of globalization. They called for stronger coordination and cooperation to meet challenges ahead, and reaffirmed their commitment to working together toward the shared vision of sustained economic growth and poverty reduction.

21. The ministers welcomed the offer of the Government of Kazakhstan to host the 3<sup>rd</sup> MC at a date to be determined later in close consultation with the participating countries.

22. The ministers expressed their great appreciation to the Government of Uzbekistan for hosting the 2nd MC and for the excellent arrangements and warm hospitality.

## PORTFOLIO STATUS

**Table A6.1: Portfolio Implementation Status**  
(public sector loans, as of 31 December 2003)

Sector	Loan No.	Title	Loan Amount		Approval Date	Effective Date	Closing Date		Progress (% complete)
			OCR (\$ million)	ADF (\$ million)			Original	Revised	
ENE	1976-UZB	Regional Power	70.0		17 Dec 02		30 Jun 08		—
	1977-TAJ	Transmission Modernization Project		20.0	17 Dec 02		31 Dec 06		—
OTH	1926-KGZ	Regional Trade Facilitation		15.0	29 Oct 02	20 Dec 02	31 Dec 04		—
	1927-TAJ	and Customs Program		10.0	29 Oct 02	23 Dec 02	30 Jun 05		—
T&C	1774-KAZ	Almaty-Bishkek Regional	52.0		31 Oct 00	31 May 02	30 Jun 04		8%
	1775-KGZ	Road Rehabilitation Project		5.0	31 Oct 00	31 May 02	30 Jun 05		8%
	2062-TAJ	Dushanbe-Kyrgyz Border Road Rehabilitation		15.0	18 Dec 03		31 Dec 08		—
<b>Total</b>			<b>122.0</b>	<b>65.0</b>					

ADF = Asian Development Fund, ENE = energy, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, no. = number, OCR = ordinary capital resources, OTH = other, T&C = transport and communications, TAJ = Tajikistan, UZB = Uzbekistan.

— not available

**Table A6.2: Technical Assistance Portfolio Implementation Status**  
(as of 31 December 2003)

TA No.	TA Name	TA Objective	Amount (\$)	Approval Date	Completion Date	Implementation Status
5818	Regional Economic Cooperation in Central Asia, Phase II	To provide support for the second phase of ADB's initiative to further regional economic cooperation in Central Asia among the People's Republic of China, Kazakhstan, Kyrgyz Republic, and Uzbekistan. The operational objectives included support for expanded trade and cross-border traffic in Central Asia through (i) continued policy dialogue in the context of trade and regional cooperation, (ii) workshops and seminars to strengthen the key public institutions, and (iii) preliminary analysis of previously identified infrastructure investments in order to identify and prioritize projects.	1,350,000	11 Dec 1998	31 Dec 2003	TA completed but not financially closed. TCR preparation scheduled in Q2 2004.
5942	Regional Economic Cooperation in Central Asia, Phase II, Year 2	To enhance and expand regional economic cooperation in Central Asia by strengthening cooperation in transportation, trade and energy based on a more institutionalized approach and enhanced policy dialogue. In addition, the TA will seek to broaden ADB'S regional initiative both in terms of sectors, where ADB has strong program of assistance to the involved governments, as well as to study the possible integration of other countries in the region.	420,000	02 Oct 2000	31 Dec 2003	TA completed but not financially closed. TCR preparation scheduled in Q3 2004.

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Table A6.2—Continued

TA No.	TA Name	TA Objective	Amount (\$)	Approval Date	Completion Date	Implementation Status
5988	Regional Economic Cooperation in Central Asia, Phase II, Year 3	To promote economic growth and raise living standards of the countries in the region through enhanced and expanded regional economic cooperation. The operational objectives focus on (i) the preparation of priority regional infrastructure projects in transport; (ii) support for trade and investment facilitations; (iii) ADB's role in the broad regional water, energy, and environment issues; and (iv) establishment of an overall institutional framework.	950,000	12 Jul 2001	30 Jun 2004	Ongoing.
6053	Greater Silk Road Initiative	To promote economic growth and raise living standards of the countries in Central Asia through economic cooperation. The 3 specific purposes include (i) to elevate efforts to identify, prepare, and implement key regional projects in priority sectors; (ii) to explore new cooperation opportunities in line with the widening of geographical scope; and (iii) to strengthen the partnership between ADB and the participating countries through the overall institutional framework.	950,000	16 Oct 2002	31 Dec 2004	Ongoing.

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**Table A6.2—Continued**

TA No.	TA Name	TA Objective	Amount (\$)	Approval Date	Completion Date	Implementation Status
6068	Prevention and Control of Dust and Sandstorms in Northeast Asia	To promote establishment of a regional cooperation mechanism for prevention and control of dust and sandstorm (DSS) and to facilitate cooperation for and coordination among interventions by the major stakeholders of the region.	1,000,000	11 Dec 2002	30 Jun 2004	Ongoing. TA implementation was delayed due to SARS. Component 2 to commence in March 2004. Completion date to be extended to 31 Dec 2004.
6076	Policies, Institutions and Resources for Accelerating Growth in CARs	<p>(i) To assist governments of Central Asian Republics (CARs) in defining their strategies for accelerating growth rates in the medium term,</p> <p>(ii) To assess the resource requirements and external borrowing programs for that purpose, and</p> <p>(iii) To contribute to enhancing regional cooperation among CARs and between Central and South Asia. These inputs will directly contribute to East and Central Asia Department 's work on forthcoming Country Strategy and Programs and Regional Country Strategy and Program to be undertaken in 2003.</p>	150,000	18 Dec 2002	31 Mar 2004	Completed. Awaiting final payment to Consultant for financial closing.
6158	Capacity Building for Regional Cooperation in CARs	To strengthen the capacity for regional cooperation under the overall institutional framework so that participating countries can assume greater roles and responsibilities in planning, implementing, and coordinating the Central Asia Regional Economic Cooperation program.	950,000	18 Dec 2003	31 Jun 2006	Senior Officials Meeting in Almaty on 15–16 April 2004 approved the scope of work under this TA. Now shortlisting of necessary consultants will commence.

## ASSISTANCE PIPELINE

Table A7.1: Assistance Pipeline for Lending Products, 2004–2006

Sector Project/Program Name	Poverty Classifi- cation	Thematic Priority	Division	Year of PPTA	Total	Cost (\$ million)			Gov't	Cofi- nancing
						OCR	ADB ADF	Total		
2004 Firm Loans										
Transport and Communications										
1. Southern Transport Corridor Road (Osh-Sary Tash-Irkeshtan) Project, Phase I (KGZ)	Other	REG/ECG	ECTC	2002		25 <sup>a</sup>	25 <sup>a</sup>			5
2. Regional Road Development Project (MON/PRC)	Other	REG	ECTC	2002		23.7 <sup>a</sup> 13.4	23.7 <sup>a</sup> 13.4	TBD		25.4
Standby Loans										
3. Aktau-Atyrau Road Rehabilitation <sup>b</sup> (KAZ)	Other	REG	ECTC	2003	55 <sup>a</sup>		55 <sup>a</sup>			120
Subtotal						13.4	13.4			
Industry and Trade										
4. Regional Customs Modernization and Infrastructure Development Project (KGZ)	Other	REG	ECGF	2002		3.2 <sup>a</sup> 1.8	3.2 <sup>a</sup> 1.8			
5. Regional Customs Modernization and Infrastructure Development Project (TAJ)	Other	REG	ECGF	2002		10	10			
Subtotal						11.8	11.8			
Total						25.2	25.2			
2005 Loans										
Transport and Communications										
1. Dushanbe-Kyrgyz Border Road Rehabilitation Project, Phase II (TAJ)	Other	REG/ECG	ECTC	2004		17 <sup>a</sup> 6	17 <sup>a</sup> 6			
2. Central Corridor Roads Improvement I (AZE)	Other	REG/ECG	ECTC	2004	22 <sup>a</sup>		22 <sup>a</sup>	15.7		25

ADB = Asian Development Bank, ADF = Asian Development Fund, ECG = sustainable economic growth, ECGF = Governance, Finance and Trade Division, ECTC = Transport and Communications Division, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, MON = Mongolia, OCR = ordinary capital resources, PRC = People's Republic of China, PPTA = project/program preparatory technical assistance, REG = regional cooperation, TAJ = Tajikistan, TBD = to be determined, UZB = Uzbekistan.

<sup>a</sup> Included in the country assistance pipeline, amount not included in the subtotal and totals.

<sup>b</sup> Carry-over loan from 2003 program

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Table A7.1—Continued

Sector Project/Program Name	Poverty Classifi- cation	Thematic Priority	Division	Year of PPTA	Total	Cost (\$ million)			Gov't	Cofi- nancing
						ADB				
						OCR	ADF	Total		
3. Regional Railways Development Project (UZB) <b>Standby Loans</b>	Other	REG/ECG	ECTC	2003		20 <sup>a</sup>		20 <sup>a</sup>		
4. Borovoe-Kokshetau-Petropavlovsk Road Rehabilitation Project (KAZ) <b>Subtotal</b>	Other	REG/ECG	ECTC	2002		40 <sup>a</sup>		40 <sup>a</sup>		10
<b>Industry and Trade</b>							<b>6</b>	<b>6</b>		
5. Regional Customs Border Posts Infrastructure (KGZ) <b>Subtotal</b>	Other	REG/ECG	ECGF				2.5 <sup>a</sup>	2.5 <sup>a</sup>		0.625
<b>Energy</b>										
6. Regional Gas Transmission Improvement Project (TAJ) <b>Subtotal</b>	Other	REG	ECEN	2002			9.8	9.8		2.5
<b>Total</b>							<b>9.8</b> <b>15.8</b>	<b>9.8</b> <b>15.8</b>		
<b>2006 Loans</b>										
<b>Transport and Communications</b>										
1. Regional Traffic Enhancement Project (KAZ/UZB/TAJ/TKM)	Other	REG/ECG	ECTC	2005		40	10	50		
2. Central Corridor Roads Improvement II (AZE) <b>Standby Loans</b>	Other	REG/ECG	ECTC	2005		15 <sup>a</sup>		15 <sup>a</sup>	5	
3. Regional Railway Improvement/ North Tajik Railway Modernization and Improvement Project (TAJ/UZB)	Other	REG/ECG	ECTC	2000			20	20		
4. Southern Transport Corridor Road (Osh-Sary Tash-Irkeshtan) Project, Phase II (KGZ) <b>Subtotal</b>	Other	REG/ECG	ECTC				20 <sup>a</sup>	20 <sup>a</sup>	5	
						<b>40</b>	<b>30</b>	<b>70</b>		

ADB = Asian Development Bank, ADF= Asian Development Fund, ECG = sustainable economic growth, ECGF = Governance, Finance and Trade Division, ECTC = Transport and Communications Division, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, MON = Mongolia, OCR = ordinary capital resources, PRC = People's Republic of China, PPTA = project/program preparatory technical assistance, REG = regional cooperation, TAJ = Tajikistan, TBD = to be determined, UZB = Uzbekistan.

<sup>a</sup> Included in the country assistance pipeline, amount not included in the subtotal and totals.

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Table A7.1—Continued

Sector Project/Program Name	Poverty Classifi- cation	Thematic Priority	Division	Year of PPTA	Total	Cost (\$ million)			Gov't	Cofi- nancing
						ADB				
						OCR	ADF	Total		
Energy										
5. Regional Gas Transmission Improvement Project (UZB)	Other	REG	ECEN	2002		25 <sup>a</sup>		25 <sup>a</sup>		
6. Regional Gas Transmission Improvement Project (KGZ)	Other	REG	ECEN	2002			20	20		
Subtotal							20	20		
Total						40	50	90		
Grand Total A						40	91	131		
(excludes projects covered in the respective country assistance pipelines)										
Grand Total B						217	182.4	399.4		
(includes projects covered in the respective country assistance pipelines)										

ADB = Asian Development Bank, ADF= Asian Development Fund, ECG = sustainable economic growth, ECGF = Governance, Finance and Trade Division, ECTC = Transport and Communications Division, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, MON = Mongolia, OCR = ordinary capital resources, PRC = People's Republic of China, PPTA = project/program preparatory technical assistance, REG = regional cooperation, TAJ = Tajikistan, TBD = to be determined, UZB = Uzbekistan.

<sup>a</sup> Included in the country assistance pipeline, amount not included in the subtotal and totals.



**Table A7.2: Assistance Pipeline for Nonlending Products and Services, 2004–2006**

Sector/Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			Source	ADB Amount (\$'000)	Source	Others Amount (\$'000)	
<b>2004</b>							
<b>Transport and Communication</b>							
1. Capacity Building for Regional Road Planning (KGZ)(attached to Southern Transport Corridor Road Project Phase I)	ECTC	AOTA	TASF	600 <sup>a</sup>			600 <sup>a</sup>
2. Dushanbe-Kyrgyz Border Road Rehabilitation Project, Phase II (TAJ)	ECTC	PPTA	JSF	500 <sup>a</sup>			500 <sup>a</sup>
3. Central Corridor Roads Improvement I (AZE)	ECTC	PPTA	TASF	150 <sup>a</sup>			150 <sup>a</sup>
<b>Standby</b>							
4. Altai Transport Corridor (MON/PRC)	ECTC	AOTA	TASF	150 <sup>a</sup>			150 <sup>a</sup>
<b>Subtotal</b>							
<b>Industry and Trade</b>							
1. Regional Tourism Development (KAZ/KGZ/UZB/TAJ/TKM/PRC/MON)	ECOC	RETA	TASF	800			800
2. Trade Facilitation and Customs Cooperation Program, Phase II (AZE/PRC/KAZ/ KGZ/ MON/TAJ/UZB)	ECGF	RETA	TASF	600			600
3. Capacity Building and Institutional Strengthening for the Customs Modernization and Infrastructure Development Project (TAJ) (attached to Regional Customs Modernization and Infrastructure Development Project)	ECGF	AOTA	JSF	500 <sup>a</sup>			500 <sup>a</sup>
4. Capacity Building and Institutional Strengthening for the Customs Modernization and Infrastructure Development Project (KGZ)	ECGF	AOTA	TASF	500 <sup>a</sup>			500 <sup>a</sup>
<b>Subtotal</b>				<b>1,400</b>			<b>1,400</b>
<b>Law, Economic Management, and Public Policy</b>							
1. Support for Greater Silk Road Initiative, 2004 (AZE/PRC/KAZ/KGZ/MON/TAJ/UZB)	ECOC	RETA	TASF	900			900
2. Mainstreaming Gender into Poverty Reduction Strategies in CAR	ECSS	RETA			TBD	350	350
<b>Subtotal</b>				<b>900</b>		<b>350</b>	<b>1,250</b>

ADB = Asian Development Bank, AZE = Azerbaijan, CAR = Central Asian Republic, ECAE = Agriculture, Environment and Natural Resources Division, ECEN = Energy Division, ECGF = Governance, Finance and Trade Division, ECOC = Operations Coordination Division, ECSS = Social Sectors Division, ECTC=Transport and Communications Division, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, MON = Mongolia, PPTA = project preparatory technical assistance, PRC = People's Republic of China, RETA = regional technical assistance, TAJ = Tajikistan, TASF = technical assistance special fund, TKM = Turkmenistan, UZB = Uzbekistan.

<sup>a</sup> Amount included in the Country Assistance Pipeline, not included on the total.

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Table A7.2—Continued

Sector/Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			Source	ADB Amount (\$'000)	Source	Others Amount (\$'000)	
<b>Agriculture and Natural Resources</b>							
1. Central Asian Republics Initiative for Land Management (CARILM) (KAZ/KGZ/TAJ/TKM/UZB)	ECAE	RETA	TASF	500			500
<b>Subtotal</b>				<b>500</b>			<b>500</b>
<b>Multisector</b>							
1. Central Asia Regional Cooperation in Trade, Transport and Transit	ECOC	RETA	TASF	350			350
<b>Subtotal</b>				<b>350</b>			<b>350</b>
<b>Standby Education</b>							
1. Regional Cooperation in Education (Curriculum and Testing)	ECSS	RETA	TASF	600			600
<b>Subtotal</b>				<b>600</b>			<b>600</b>
<b>Total</b>				<b>3,750</b>		<b>350</b>	<b>4,100</b>
<b>2005</b>							
<b>Transport and Communication</b>							
1. Regional Road Development, Phase I (KAZ/KGZ/TAJ/UZB/TKM)	ECTC	RETA	TASF	600			600
2. Regional Traffic Enhancement Project (KAZ/UZB/TKM/TAJ)	ECTC	RETA	TASF	600			600
3. Central Corridor Roads Improvement II (AZE)	ECTC	PPTA	TASF	500 <sup>a</sup>			500 <sup>a</sup>
4. Southern Transport Corridor Road (Osh-Sary Tash-Irkeshtan) Project, Phase II (KGZ)	ECTC	PPTA	TASF	300 <sup>a</sup>			300 <sup>a</sup>
5. Furthering Policy Reforms in Railway Sector (attached to Regional Railways Rehabilitation) (UZB)	ECTC	AOTA	TASF	500 <sup>a</sup>			500 <sup>a</sup>
6. Capacity Building in the Transport Sector (KAZ) (attached to Borovoe-Kokshetau-Petropavlovsk Road Rehabilitation Project)	ECTC	AOTA	TASF	300 <sup>a</sup>			300 <sup>a</sup>
<b>Subtotal</b>				<b>1,200</b>			<b>1,200</b>
<b>Industry and Trade</b>							
1. Regional Financial Sector Development, Phase II (KAZ/KGZ/TAJ/UZB)	ECGF	RETA	TASF	500			500

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<sup>a</sup> Amount included in the Country Assistance Pipeline, not included in the total.

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Table A7.2—Continued

Sector/Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			Source	ADB Amount (\$'000)	Others Source	Others Amount (\$'000)	
2. Trade Facilitation and Customs Cooperation Program, Phase III (AZE/ PRC/KAZ/ KGZ/ MON/TAJ/UZB)	ECGF	RETA	TASF	500			500
<b>Subtotal</b>				<b>1,000</b>			<b>1,000</b>
<b>Energy</b>							
1. Regional Gas Transmission Improvement Project in CARs, Phase II (UZB/KAZ/KGZ/TAJ/TKM)	ECEN	RETA	TASF	800			800
2. Regional Power Transmission Modernization in CARs, Phase II (KAZ/KGZ/TAJ/UZB/TKM)	ECEN	RETA	TASF	800			800
<b>Subtotal</b>				<b>1,600</b>			<b>1,600</b>
<b>Water Supply, Sanitation and Waste Management</b>							
1. Capacity Building for Regional Water Management Organizations in Central Asia (KAZ/KGZ/TAJ/UZB)	ECAE	RETA	JSF	800			800
<b>Subtotal</b>				<b>800</b>			<b>800</b>
<b>Law, Economic Management, and Public Policy</b>							
1. A Pre-investment Feasibility Assessment of the South Kyrgyz Economic Corridor Development (KGZ/PRC/TAJ/UZB)	ECOC	RETA	TASF	600			600
2. Support for Greater Silk Road Initiative, 2005 (AZE/PRC/KAZ/KGZ/MON/TAJ/UZB)	ECOC	RETA	TASF	900			900
<b>Subtotal</b>				<b>1,500</b>			<b>1,500</b>
<b>Agriculture and Natural Resources</b>							
1. Central Asian Republics: Monitoring and Evaluation of CARILM Implementation (KAZ/KGZ/TAJ/TKM/UZB)	ECAE	RETA	TASF	300			300
<b>Subtotal</b>				<b>300</b>			<b>300</b>
<b>Total</b>				<b>6,400</b>			<b>6,400</b>
<b>2006</b>							
<b>Transport and Communication</b>							
1. Regional Railway Development, Phase I (KAZ/KGZ/TAJ/UZB/TKM/PRC)	ECTC	RETA	TASF	850			850

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<sup>a</sup> Amount included in the Country Assistance Pipeline, not included on the total.

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Table A7.2—Continued

Sector/Assistance Name	Responsible Division	Assistance Type	Sources of Funding				Total (\$'000)
			Source	ADB Amount (\$'000)	Source	Others Amount (\$'000)	
2. Dushanbe-Kyrgyz Border Road Rehabilitation Project, Phase III (TAJ)	ECTC	PPTA	TASF	400 <sup>a</sup>			400 <sup>a</sup>
3. Harmonization of Cross Border Initiatives for Transport Sector in Central Asia (AZE/KAZ/KGZ/TAJ/UZB/TKM/PRC)	ECTC	RETA	TASF	850			850
4. North-South Corridor Roads Improvement (AZE)	ECTC	PPTA	TASF	600 <sup>a</sup>			600 <sup>a</sup>
<b>Subtotal</b>				<b>1,700</b>			<b>1,700</b>
<b>Industry and Trade</b>							
1. Capacity Building for Trade Facilitation (MON)	ECGF	AOTA	TASF	300 <sup>a</sup>			300 <sup>a</sup>
<b>Subtotal</b>							
<b>Law, Economic Management, and Public Policy</b>							
1. Support for Regional Economic Cooperation in Central Asia (AZE/PRC/KAZ/KGZ/MON/TAJ/UZB)	ECOC	RETA	TASF	950			950
<b>Subtotal</b>				<b>950</b>			<b>950</b>
<b>Total</b>				<b>2,650</b>			<b>2,650</b>
<b>Grand Total A</b> (excludes projects covered in the respective country assistance pipelines)				<b>12,800</b>		<b>350</b>	<b>13,150</b>
<b>Grand Total B</b> (includes projects covered in the respective country assistance pipelines)				<b>18,100</b>		<b>350</b>	<b>18,450</b>

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<sup>a</sup> Amount included in the Country Assistance Pipeline, not included on the total.

## **EXPANDED PROGRAM OF REGIONAL TECHNICAL ASSISTANCE**

1. To support ADB's medium-term core and expanded program a significant strengthening of the regional technical assistance (RETA) program is proposed for 2005–2007. This is particularly true in the area of transport, including the development of regional tourism potential.<sup>1</sup> The strategic agenda discussed in the previous chapter requires that economic and sector work—supported by technical assistance (TA) grants—be initiated in water resource management; the environment, including land management; and for supporting new initiatives with other development partners.

### **A. Environment**

2. ADB operations have not given priority to environmental issue according to the division of labor agreed among development partners. In future, ADB's focus in the environmental sector will remain strengthening technical capacity to monitor and address water quality issues and mitigating upstream sources of water degradation. Other environmental issues that are receiving far less attention—air pollution and disposal of solid and hazardous wastes, for example—will be taken up for in-depth inquiry. ADB will concentrate on building partnerships with other sectors within national governments to promote mainstreaming of environmental issues in social and economic development programs.

3. ADB will also be developing a RETA program in partnership with GEF on land management. This program is expected to address capacity building, policy, and legislative support for sustained land management in each CAR and in Xinjiang Uygur Autonomous Region of the PRC.

### **B. Building a Poverty Data Base**

4. In pursuit of its over arching goal of poverty reduction, ADB needs to coordinate with other partners and DMCs in putting together a comprehensive regional data-base on income and nonincome poverty. This will be based on regular household surveys, for which responsibility could be shared among development partners in assisting national authorities and building necessary capacities. This would have to be a collaborative effort to benefit all participants and especially facilitate the work on updating national and subregional poverty reduction strategies. Such work may cut across national borders and will be supported by the umbrella RETA for Central Asia Regional Economic Cooperation Unit (CARECU) in 2005 and 2006.

### **C. Water Management**

5. In the past, Asian Development Bank's (ADB) investment and TAs in the water sector in CAREC member countries typically included promoting water sector reforms, strengthening institutional aspects of water management organizations and rehabilitating of key water supply and irrigation infrastructures at national levels. However, it has been increasingly realized that the long-term sustainability of ADB's projects depends directly on more effective management of water resources at the regional level and that the region's long-term economic, political and social stability depends directly on sustainable management of shared water resources. Another

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<sup>1</sup> Three attached technical assistance grants have been added to support investment loans in transport in 2004 and another has been added for exploring possibilities and potential for developing regional tourism potential.

issue that contributes to inefficient water resources management and calls for a coordinated regional approach is the nexus between water and energy. Based on this rationale, ADB has supported a series of regional consultations among policy-makers, local organizations, NGOs, farmers and the donor community to promote better management of regional water resources.<sup>2</sup>

6. In 2003, ADB completed a small-scale technical assistance (SSTA), that defined the key strategic focus and the operational priorities of ADB's activities in regional water management areas. ADB has now approved a RETA, to commence in 2004, which aims to (i) promote good trans-boundary basin management practices on a pilot basis and (ii) facilitate discussions among regional stakeholders toward improving the legal and institutional frameworks on the use of water and energy of the Syr Darya river. ADB is planning another RETA to strengthen the capacities of regional water management organizations.

#### **D. Establishing an Information Network**

7. A RETA could support the establishment of a regional information network that could facilitate sharing of information among academic institutions, financial market agencies and business organizations. This could contribute to the emergence of a regional forum which to bring together representatives to discuss issues of regional concern. This work will be covered in the umbrella RETA for CARECU in 2004.

#### **E. Support for Overall Institutional Framework (OIF)**

8. Continued support would be needed during the RCSP period to facilitate the work of the OIF and its sector working groups and committees. This will also require substantial work coordinating with other development partners and neighboring countries. A multiple-year RETA is proposed to support this effort.

#### **F. Analytical Studies on Benefits from Regional Cooperation**

9. Quantification of benefits from and costs of pursuing a regional approach in specific sectors could instill greater confidence among decision- and policy-makers. This would be especially useful for infrastructure projects, which have long gestation periods and unclear distribution of benefits. Such studies become important in the context of governments reportedly initiating national projects when a regional solution clearly offers a superior outcome. This RETA is included in the 2005 program.

10. Keeping the above work program in view, a number of economic and sector RETAs have been added to the 2004–2006 program. These include (i) two RETAs (one in 2004, and another in 2005) to support a CARs initiative for land management; (ii) one RETA to prepare reports on regional cooperation in the areas of trade, transport, and transit; (iii) two RETAs in 2005 to support investment projects in the power and gas sectors; (iv) two RETAs in 2005 and another two in 2006 to support investment projects in the transport sector; (v) a study in 2005 to undertake quantification of benefits from regional projects; and (vi) anticipating future needs, umbrella RETAs to support CARECU for 2005 and 2006 that will support building a regional poverty data-base.

<sup>2</sup> Since 1992, the Asian Development Bank organized two regional consultations on improving shared water management (Almaty, October 2002; and Khojent, August 2003) and also sponsored and organized a special session on the Aral Sea during 3<sup>rd</sup> World Water Forum held in Kyoto in March 2003.

## SECTOR/THEMATIC STRATEGIES AND ROAD MAPS

### A. Energy

#### 1. Overview

1. There is considerable disparity among the six developing member countries (DMCs) in terms of energy resource endowment: Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan (UZB) have rich fossil fuel deposits, while the Kyrgyz Republic and Tajikistan have large hydropower potential. Despite little exploitation of potential reserves, current total energy production of the six DMCs exceeds consumption by more than 70% and the approximate annual value of the excess energy is about \$300 million. Kazakhstan and Turkmenistan contribute 80% of the regional surplus that is exported.

2. The electric energy generation and transmission system in five countries of Central Asia was formed during the former Soviet Union and adapted to the needs of the Soviet power supply system. With the breakup of the Soviet Union and the formation of new independent states, this system spread across new national borders that did not match the technical system. The whole region is interlinked and cannot operate in isolation within the new national boundaries. For example, the stable operation of Nurek in Tajikistan (3,000 megawatts [MW]) and Toktogul in KGZ (1,200 MW) needs interconnection with the power grids of neighboring countries; the reservoir storage of Nurek and Toktogul hydropower were designed for irrigation of the river valleys in Kazakhstan, Turkmenistan, and Uzbekistan; the large power generation and load centers are interconnected with a 500 kilovolt (kV) transmission system and this high voltage system within countries and across borders and centralized operation is only justified by cross-border power trade; and some power transmission lines and gas pipelines that connect two parts of the same country traverse neighboring countries.

3. Intensity of energy use, both in energy exporting and importing countries, remains high by international standards. The administered prices were related to low-income before independence. Since then, governments have increased the price of petroleum products but the tariffs for electricity, natural gas, and domestic heat still do not reflect the long-term costs and fail to provide the necessary incentives to increase energy efficiency or conservation. Central planners earlier used the seasonal variation in energy demand (driven by heating in winter) and supply (excess hydropower from snowmelt water) to maximize the value of regional resources by transferring gas, electricity, and oil across the region.

4. Unlike most other DMCs, the CARs have an extensive power network, and with a high electrification ratio there is little pressure for new rural electrification. Urban areas also have gas and district heat supplies. The availability of clean and convenient fuels has supported a relatively good quality of life for most people in the region. However, in some remote rural areas—especially in mountainous areas in Tajikistan and the Kyrgyz Republic—off-grid mini hydropower and solar energy could be viable alternatives to existing grid-connected supply.

5. Energy demand in the CARs is projected to grow annually by about 2%. This low demand growth can be met, and the current seasonal load shedding avoided with efficient use of existing electricity and gas infrastructure if the countries relied on each other for excess energy demand. Lack of a credible energy-trading framework is a key reason for inefficient cross-border trading of energy resources. Multiple treaties and charters covering environment,

energy trade, energy efficiency, and water sharing exist but current levels of traded energy are still below those in the early 1990s.<sup>1</sup>

6. Exports of oil, gas and power from these land-locked countries have to use pipelines and transmission lines that traverse neighboring countries. Efforts to bring intraregional energy trade up to international standards in terms of risk mitigation, transparency, predictability, and competitive mechanisms will provide the necessary comfort to international project developers and lenders to provide financing for development of the energy resources. Central Asia has the geographic advantage of being between large energy consuming regions in Europe, People's Republic of China (PRC), and South Asia. Implementation of pipeline and transmission networks like those in Europe has the potential of raising energy exports significantly to these larger markets and raise welfare levels in CARs.

## **2. Qualitative Summary of Benefits from Regional Trade**

7. Benefits of regional trading are difficult to quantify because existing data reflects barter trade instead of economic pricing. In qualitative terms, the main benefits are: (i) lower unit energy service costs for the whole region and several alternative sources (gas, electricity, oil); (ii) less investment needed for expansion of electricity generation because reserve requirements will be less (rather than one large station, a number of stations can provide same reserve MW with a lower probability of failure); (iii) maximum use of existing hydropower capacity to strengthen environmental sustainability; (iv) increased exports of gas and oil from the region; (v) a well-established energy-trading framework and a competitive market would attract new investors, increase efficiency of current operations, and allow combined investment projects across national borders to capture economies of scale; (vi) sharing knowledge and development of the knowledge pool on energy efficiency; (vii) capacity building of regional technical research institutes; (viii) expanded access to new markets in Europe, South Asia, Russia and Turkey; and (ix) a centralized dispatch system for gas and electricity that can be combined to a regional state-of-the-art energy dispatch center.

## **3. Sector Needs and Challenges**

8. Huge currency devaluation after independence, low tariff levels, poor collection, lack of financial and management control, absence of a credible regulatory framework, poor dispute resolution, and lack of rule of contractual law are common challenges the region faces. The regional cooperation strategy is about overcoming challenges to cooperation rules, regulations, attitudes, investments and political will that is forcing inefficient decisions on the energy sector at the cost of overall economic growth.

9. Trade in power and natural gas is constrained by the following policy issues: (i) national tariffs for electricity and district heat are still lower than economic costs, which require continued government subsidies and obstruct the establishment of competitive electricity and gas markets; (ii) barter trade in power decreases transparency, reduces allocative efficiency, and promotes corruption; and (iii) revenue stream over the long-term cannot be projected under existing

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<sup>1</sup> In an ideal regional power grid, cross-border electricity trade will depend on (i) capacity of interconnecting transmission lines, (ii) least-cost dispatch of generation projects, and (iii) power demand of the economy. An effective energy-trading framework will support centralized least-cost dispatch and the same interconnection capacity can satisfy the power demand a lower cost.



agreements, and so borrowing for new projects (even with very favorable rate of return) is considered to be highly risky.

10. The two main river valleys in Central Asia provide livelihood to millions of rural people in the plains of Kazakhstan, Turkmenistan, and Uzbekistan, whereas the water reservoirs that make this possible are located in the mountains in the Kyrgyz Republic and Tajikistan. Since water rights and economic values are not clearly defined, compensation for water transfers have been artificially linked to power trade that originate from the hydropower stations supplied by the water reservoirs. This has become a very contentious issue. During the second ministerial conference in November 2003, no consensus was reached on how to resolve the water-energy nexus. The members did not share a common understanding on resolving the issue.

11. Some institutional issues need to be addressed to enable a growth in energy trade. In the case of power, the load dispatch center located in Tashkent has to be upgraded institutionally and structurally so that it is perceived as a capable and independent regional grid operator and manager of energy trade. Further, trade-related matters should get priority and special attention of the governments so that agreements for mutual benefits can be finalized in a trusting, neighborly, and open environment.

12. Innovative commercial arrangements also help promote energy trade. For example, an agreement to swap natural gas between Kazakhstan and Uzbekistan can transfer ownership of gas produced in the western gas fields of Kazakhstan and its export to Russia through existing pipelines; in exchange, Uzbekistan would supply an equivalent quantity of gas for use around Almaty in southeast Kazakhstan. Such an arrangement will help avoid investment on a new pipeline in Kazakhstan connecting the gas fields in the west to the consumers in the southeast, and a pipeline from Uzbekistan to the Russian border to export Uzbekistan gas to Russia.

13. The power and natural gas sectors had sufficient capacities to meet the needs of extensive regional economic cooperation before independence. Interconnection capacities are sufficient and there is no pressure to add new interconnections. However, establishment of markets requires network access for suppliers and consumers to reduce market power concentration. The problem is acute in natural gas transmission pipelines and power grids when countries extract monopoly rents for allowing transit.<sup>2</sup> Some regional interconnections may be necessary to address market power and to diversify supply.

14. The region needs large immediate investments to rehabilitate its transmission network (gas pipelines and power grids), gas production, and power generation projects. Most countries are unable to finance this rehabilitation work. Implementation of partially complete large projects— for example, Rogun hydropower in Tajikistan and Kambaratta hydropower in the Kyrgyz Republic can only be justified if the output is exported. The needed investments are unlikely to come from the private sector until the overall business environment improves.

#### **4. Government's Regional Cooperation Policy**

15. Governments in Central Asia have made efforts to organize energy trade and several head-of-agreements are already in place. The international financial institutions (IFIs) are also promoting multilateral trade in the region. The countries with surplus energy are exploring

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<sup>2</sup> Tajikistan requires an agreement with Uzbekistan to import power from Turkmenistan, but its negotiating strength is related to the size of its power grid.

opportunities for exports to PRC, Iran, and South Asia. Despite various initiatives, the presence of a dominant state-owned energy supplier in each country has contributed to a lack of clear overall strategy. While Kazakhstan and the Kyrgyz Republic have broken up monopoly suppliers, markets in Uzbekistan, Tajikistan, and Turkmenistan are still dominated by single players that seek to maximize their own gains and rents.

16. The provisions of the Energy Charter Treaty,<sup>3</sup> signed by all six countries in 1998, focus on five broad areas: (i) the protection and promotion of foreign energy investment based on the principle of non-discrimination; (ii) free trade in energy materials, products, and equipment; (iii) freedom of energy transit through pipelines and grids; (iv) provision of a mechanism for the resolution of state-to-state or investor-to-state disputes; and (v) recognition of energy efficiency and related environmental aspects. However, the Central Asian countries have made little progress in effective implementation of such arrangements. Two other regional agreements were signed to guide the regulation of water reservoirs, to dispatch electricity generated while discharging water for irrigation purposes, and to integrate designated regional power transmission lines. Under these regional agreements, the designated operational entities in member countries also enter into annual agreements that specify the monthly water flows to Uzbekistan in the Syr Darya River and the cross-border flow of electricity. The annual agreements between Tajikistan and Uzbekistan include the tariff for electricity between the two countries, which recognizes the seasonal variation in value. The rationale for year-to-year changes in tariff is unclear, however. More recently, Kazakhstan and the Kyrgyz Republic signed an agreement in 2000 for utilization of water facilities on the Chu and Talas rivers; it entitles the facility owner to compensation from the facility user for safe and reliable operation.

## 5. ADB's Sector Experience

17. ADB is leading regional cooperation in energy in Central Asia. ADB has ongoing energy sector projects in the Kyrgyz Republic,<sup>4</sup> (to rehabilitate power and district heating) and in Tajikistan (power rehabilitation). As part of its regional program, ADB approved a loan for modernization of the regional transmission network in Tajikistan and Uzbekistan<sup>5</sup>. One key condition for effectiveness of this loan was signing of the Power Trade Relations Agreement (PTRA), which requires (among other things) (i) establishment of a policy on open access to the transmission networks in each country; (ii) development and use of transparent methodology for transmission tariffs; (iii) introduction of compatible standard metering protocol; and (iv) development and use of a pro-forma contract for bi-lateral power trade. The loans were signed in March 2004 but the PTRA is yet to be signed.

18. It is envisaged that this bilateral trade agreement will lead to broader energy trading framework in the region. Under this loan, the United States Agency for International Development (USAID) is cofinancing a technical assistance (TA) grant to develop the institutional framework for regional power trade and to support the Regional Power Trade Action Plan. ADB is also organizing a workshop on electricity regulations in Central Asia with a view to establishing a permanent forum for cooperation among regulatory experts.

<sup>3</sup> This international treaty was initiated in Europe and is signed by 51 states to promote private sector investments in energy sector, which has a very long pay-back period.

<sup>4</sup> The 1996 Kyrgyz Republic loan has been fully disbursed and project completion report is under preparation.

<sup>5</sup> ADB. 2002. Manila. *Report and Recommendation of the President on a Proposed Loan for Tajikistan and Uzbekistan for the Regional Power Transmission Modernization Project*. Manila

19. While some progress was made in policy areas, experience in the energy sector so far is not encouraging for large new investment. Implementation delays are common and caused by a lack of transparency, unwieldy bureaucracy, poor data, inadequate capacity among management to negotiate agreements, and a shortage of domestic consultants in some countries.

## **6. Activities of Other Funding Agencies**

20. USAID has supported institution building by facilitating the 1999 Parallel Operation agreement and assisting the regional load dispatch center in Tashkent. United Nations agencies and European Union have supported regional dialogue on energy related issues, particularly related to the development of renewable energy and energy efficiency. European Bank for Reconstruction and Development (EBRD) has provided assistance for rehabilitation and improvement of natural gas and power networks, some of which are relevant to regional trade. Organization of the Petroleum Exporting Countries (OPEC) has also cofinanced ADB operations in Tajikistan. The World Bank has held extensive discussions for reform of the energy sector in the DMCs, and provided funds for rehabilitation of power stations and transmission lines. Swiss Government, KfW, Danish International Development Agency (DANIDA) and other bilateral European donors have supported various energy sector projects, mostly to rehabilitate old equipment. The Government of Japan has also implemented energy projects.

## **7. ADB Sector Strategy**

21. ADB's role in supporting regional cooperation in Central Asia began in 1997 with the approval of a policy that formalized its role as a catalyst for regional cooperation.

22. The strategy for regional cooperation in the CARs is based on maximizing the utilization of available regional infrastructure, which will help defer investments in new energy supply projects needed to support economic growth in the region. Policies and measures to improve regional energy trade will open new opportunities to the private sector for investment in energy projects for export outside the region. In the longer term, exploitation of new hydropower resources in the Kyrgyz Republic and Tajikistan, and the natural gas reserves in Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan will reduce the use of oil and coal and limit possible environmental damage.

23. ADB's strategy will cover the following issues:

### **(i) Maximizing use of existing infrastructure:**

Rehabilitation of power substations, gas pipelines, gas treatment projects, power generation projects; refurbishment projects to reduce emissions and strengthen environmental sustainability; upgrading the generation and transmission technology to improve the quality, reliability, output capacity, and energy efficiency;

### **(ii) Establishing policies and institutions for regional energy-trade;**

To develop (a) regional master plan to create a shared vision for energy use in the region, using energy trading for domestic shortfalls, where possible; (b) increase access to markets by creating access to the existing network by third parties and increasing use of renewable energy, where possible; and (c) ensure consistency in policy through better coordination in regulation, environmental issues, tariffs, and energy efficiency.

**(iii) New project implementation**

Establish a regional electricity regulators forum for closer cooperation among regulatory experts. Private partnership in projects to fast track implementation, where possible.

**8. ADB's Lending and Nonlending Program**

24. The following projects will help increase energy trade in the region:

**(i) Technical Assistance for Policies and Institution Building**

- (a) Creation and implementation of an independent system operator based on regional efficiency and reliability.
- (b) Creation of a regional power exchange to manage commercial transactions.
- (c) Finalization and effectivity of the regional PTR.
- (d) Development of a regional generation expansion plan
- (e) Mechanism for third-party access to energy network agreement
- (f) Establish an electricity regulators forum

**(ii) Investment Projects for Rehabilitation, Modernization, and Improvement of Existing Infrastructure**

- (a) Rehabilitation of transmission facilities: in Tajikistan (under Power Rehabilitation Project Phase II in 2006)
- (b) Strengthening of north south interconnection in Kazakhstan
- (c) Rehabilitation of major hydropower stations: Nurek and Karaikum<sup>6</sup> in Tajikistan, and Toktogul in the Kyrgyz Republic<sup>7</sup>
- (d) Rehabilitation of national dispatch facilities: in the Kyrgyz Republic and Turkmenistan
- (e) Regional gas transmission improvement project: Uzbekistan, the Kyrgyz Republic, Tajikistan

**(iii) Investment in New Energy Projects**

- (a) Interconnections: between Afghanistan and Tajikistan,<sup>8</sup> Turkmenistan and Uzbekistan; Russia and Kazakhstan;<sup>9</sup> Xinjiang Uygur Autonomous Region of the PRC and the Kyrgyz Republic.<sup>10</sup>

<sup>6</sup> Rehabilitation of Kairakum hydropower station will require about \$20 million without increasing the height of the dam.

<sup>7</sup> Toktogul HPS requires about \$5million to replace the generator circuit breakers.

<sup>8</sup> It should be defined in consultation with SARD; Tajikistan is exporting a limited quantity of power to AFG because the existing 110 kV interconnection is being downgraded to 35 kV.

<sup>9</sup> Tajikistan and the Kyrgyz Republic exported a limited amount of power to Russia during the summer 2003 due to congestions in Kazakhstan and Uzbekistan networks. EBRD has already committed \$60 million for the construction of the 500kV Yukgres-Shu (270 km) transmission line, which is the first section of the North-South interconnection. The North-South interconnection is 1,163 km long and estimated to cost about \$273 million.

<sup>10</sup> The first step should be to update the feasibility study carried out in 1996.

## 9. Performance Monitoring

25. Benchmarks to monitor performance are shown in the following roadmap.

**Table A9.1: Regional Energy Sector Roadmap**

Item		Indicators		
		10 years ago	Current	5 years later*
A. Sector Outcomes (Percent)				
Percent of traded energy: ratio of total trade (absolute export + import) over total generation in a country				
Kyrgyz Republic		20	20	25
Uzbekistan		40	17	45
Tajikistan		31	11	35
Turkmenistan		34	5	30
Kazakhstan		11	19	20
Azerbaijan				
B. Sector Outputs				
Transparent trade and settlement in export related projects				
1. Promote investments				
2. Improve efficiency				
3. Reduce losses				
4. Improved trading framework				
5. Efficient and capable institutions				
6. Good governance and credible public institution.				
7. Separation of regulation from policy				
8. Regional planning				
C. Sector Issues and Constraints				
1. Denial of geographical interdependency.				
2. Promotion of self-sufficiency policy				
3. Cross-border subsidy and distortion of local market				
4. Integrated monopolies				
5. Lack of regulatory framework				
6. Lack of trust and mechanisms for trade settlements and forecast, e.g., unified dispatch center at Tashkent				
	By Agency			
D. Actions, Milestones and Investments	Schedule	ADB	Others/External	Government
1. UDC, ISO and other institutions	2003–2007	TAJ, UZB	USAID	TAJ, UZB
2. Transmission, modernization	2003–2007	TAJ, UZB	EBRD/WB (KAZ), IsDB, SECO, KfW	TAJ, UZB
3. Gas pipelines	2004–2008	KAZ, KGZ, UZB	EBRD (UZB)	KAZ, TRK, UZB
4. Generation harmonization (regional investments)	2004–2006	UZB	WB (KGZ)	KAZ, KYZ, UZB
5. Energy efficiency/conservation	2005–2006	UZB	EBRD (AZE, UZB)	UZB
6. Establish Regional Energy Research Institute	2005–1007	AZE, KAZ, KGZ, TAJ, TRK, UZB,	ADB/WB/USAID	AZE, KAZ, KGZ, TAJ, TRK, UZB,

\* To be discussed with the Governments.

ADB = Asian Development Bank, AZE = Azerbaijan, EBRD = European Bank for Reconstruction and Development, IsDB = Islamic Development Bank, ISO = independent system operator, KAZ = Kazakhstan, KfW = Kreditanstalt für Wiederaufbau, KGZ = Kyrgyz Republic, SECO = State Secretariat for Economic Affairs of Switzerland, TAJ = Tajikistan, TRK = Turkmenistan, UZB = Uzbekistan, UDC = unified dispatch center, USAID = United States Agency for International Development, WB = World Bank

Source: ADB estimates.

## **B. Trade Facilitation and Customs Cooperation**

### **1. Background**

26. While there is no clear-cut definition of trade facilitation in public policy dialogue, trade facilitation efforts generally address the improvement of institutional environments where the logistics of the movement of goods are processed. In the past, the focus was given to the cross-border movement on goods and documents. More recently, the efforts have been broadened to include (i) improving the transparency and management of customs procedure and regulatory frameworks, (ii) harmonizing standards of international/regional regulations, and (iii) applying of information and communication technology (ICT). The customs organizations (COs) are in the center of these efforts for better trade facilitation.

27. Customs is a mandatory element in the movement of goods across borders. Accordingly, the customs procedures significantly influence the international trade of domestic industries and, ultimately, national economic growth. In a highly competitive global marketplace, the efficiency and effectiveness of customs clearance of goods contributes significantly to the economic competitiveness of nations, encourages investment and development of industry, and increases the participation of small- and medium-sized enterprises in international trade. Modern trading practices make it essential for COs to provide simple, predictable and efficient customs procedures for the clearance of goods and movement of people while simultaneously meeting complicated national and international requirements to ensure compliance with national laws, international agreements, and security challenges.<sup>11</sup>

28. In the Central Asian Republics (CARs), the industrial and trade structure was inward oriented to serve the needs of the former Soviet Union (FSU). Since the collapse of the FSU, CARs increasingly recognize the merits of strengthening the incentive framework and infrastructure. Possible benefits to the CARs are effective integration into the world trading system, helping it achieve rapid growth and diversification of their industrial and trade sectors. Trade facilitation is particularly vital for CARs to overcome critical economic constraints (e.g. landlocked and small-scale economies), to gain access to the international markets, and to reestablish trade relations and distribution networks among themselves.

29. In 2000, the People's Republic of China (PRC) unveiled its "go-west" policy, which represents a shift in focus of the development from coastal areas to the country's inland and western regions, including Xinjiang Uygur Autonomous Region and Inner Mongolia Autonomous Region. Together with the recovery of economies in CARs, this strategic shift is expected to accelerate the increase in the trade volume between the PRC and CARs in coming years. Therefore, countries in East and Central Asia (ECA) have recognized the importance and benefits of the cooperation in trade facilitation.

### **2. Past Development and Issues**

30. After independence, CARs established national-level COs to facilitate the flow of goods, customs clearance, and collection of duties and taxes on imports. Being a few years old, these COs lack an effective organizational structure, modern equipment and technology, and skilled professional staff. Most countries have started to revise the customs codes and procedures in

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<sup>11</sup> The text here is based on the information at the website of World Customs Organization.

line with international standards. However, customs clearance procedures in many countries do not yet fully comply with international standards.

31. The Xinjiang Uygur Autonomous Region (XUAR) of the PRC has a mature CO and adequate funding, but it needs to cope with expanding trade, especially with the CARs, with which it has sporadic interaction. While there are bilateral and multilateral economic agreements between the PRC and the CARs, few specific customs agreements are being effectively enforced.

32. The countries in the region have been embarking on a comprehensive customs reforms and modernization program to overcome the following key constraints:

- (i) Weak institutional capacities and governance of customs. Despite their significant role and function, COs lack strategic vision, direction, transparency, and accountability; have low budgets that impede ability to modernize; lack professional skills; have inadequate incentive systems; and have yet to conform to the emerging guidelines and principles of customs operations of World Customs Organization and World Trade Organization.
- (ii) Inadequate legal and regulatory framework. In addition to the outdated customs codes, there is a general lack of comprehensive procedures and instruction manuals.
- (iii) Inadequate revenue collection and low operational efficiency. Operational inefficiencies and inadequate revenue collection stem mainly from the lack of automation, inspection equipment, information and communication technology (ICT) infrastructure, and underdeveloped customs service intermediaries.
- (iv) Weak regional cooperation.

### **3. Role of Regional Cooperation**

33. Lack of regional cooperation in the area of customs is a significant impediment to trade facilitation for all countries in the region. Lack of regional cooperation stems from

- (i) absence of an effective organizing body or a regional framework, and lack of experience to implement existing agreements;
- (ii) absence of a cooperation mechanism with trade and external transport entities;
- (iii) lack of funding for regional cooperation activities;
- (iv) weak cooperation on customs control matters, particularly relating to risk profiling and investigation and management;
- (v) lack of conformity to international treaties and agreements;
- (vi) no ICT interface between regional customs organizations, leading to secrecy, fear of unequal exchange of information, concerns regarding reliability, etc.; and
- (vii) lack of a single combined database on the movement of goods and transportation across borders.

34. Since trade naturally involves multicountry coordination, there are several critical issues that require a regional approach in order to address the bottlenecks on regional trade flows. Some examples are

- (i) simplification and harmonization of customs procedures and documentation,
- (ii) development of border posts and facilities,
- (iii) development of simplified transit systems, and

- (iv) data and information sharing and ICT development for customs operations.

#### **4. ADB's Sector Experience**

35. ADB has supported the region through loans to the Kyrgyz Republic and Tajikistan to help customs legal reform, which is the first and most important step toward customs modernization and harmonization in line with international practice. The loans also help the COs of these countries effectively carry out their mandate of trade facilitation, revenue collection, and combating smuggling by improving transparency, governance, and operational efficiency. ADB is also assisting both countries in designing a master plan to develop physical infrastructure for customs modernization.<sup>12</sup>

36. ADB has also supported the regional cooperation efforts to COs in the region through its technical assistance (TA) program<sup>13</sup> for organizing regional meetings and training activities, addressing common issues for regional cooperation, and facilitating discussions for reaching agreements on a regional transit system, data-sharing, and harmonization of procedures and documentation. The current regional cooperation activities have been organized under the Customs Cooperation Committee (CCC) framework, which is a part of the overall institutional framework for the Inter-Ministerial Conference in the region.

#### **5. Role of other Development Partners**

37. The International Monetary Fund supported institutional reform, including a plan for customs administration reform and modernization for the Kyrgyz Republic and Tajikistan. The Trade and Investment Project of the United States Agency for International Development (USAID) has provided technical assistance in legal reforms of COs in Kazakhstan, the Kyrgyz Republic, and Tajikistan. USAID continues its assistance in legal framework development and trainings. The European Union's (EU) Transport Corridor Europe-Caucasus-Central Asia (TRACECA) project sought to facilitate road transportation and harmonization, as well as simplification of border crossing procedures. TRACECA has undertaken audits in each ECA country—except for the PRC and Mongolia—and has proposed new procedures. Under the TRACECA project, grant funds have also been allocated to provide equipments at border posts in Kazakhstan and the Kyrgyz Republic. EU also has provided training programs to the CARs through TACIS program. The World Bank supported customs legal reform for Tajikistan, provided computer equipment for the Kyrgyz CO, and conducted personal training on risk management.

#### **6. ADB's Sector Strategy and Program**

38. ADB will pursue a three-pronged strategy for further trade facilitation and customs modernization: (i) support for development of customs infrastructure, (ii) support for development of customs-supporting infrastructure through various public-private partnership initiatives, and (iii) support for development of regional public goods through customs cooperation initiatives. ADB will also actively support reforms and modernization of tax administration because simplified procedures for tax declaration are an integral part of trade

<sup>12</sup> TA Nos. 3950 and 3951 (ADB. 2002. *Technical Assistance for Customs Modernization and Infrastructure Development Project*. Manila.)

<sup>13</sup> RETA 6058 (ADB. 2002. *Technical Assistance to the Kyrgyz Republic and Tajikistan for Regional Trade Facilitation and Customs Cooperation*. Manila.)



facilitation. Support for tax modernization helps reinforce customs modernization and promotes sound fiscal management for poverty reduction and sustained economic development. In the medium term, ADB will promote cooperation between the customs and other border agencies such as law enforcement to streamline border procedures and promote the practice of “one-stop” border management among the DMCs in the region.

39. **Customs Infrastructure.** A sound legal and regulatory framework governing customs operation is critical to promoting increased trade flows. Such a framework is a prerequisite in reducing the burden of inefficient procedures, increasing transparency, and improving the climate for trade and investment. ADB will continue to support strengthening customs legislation and regulations in conformity with international conventions and agreements such as the Revised Kyoto Convention and WTO agreements. The implementation of policy reforms will bring about significant benefits to trade facilitation but will also entail adjustment costs such as costs related to the customs agency’s reorganization, severance pay for retrenched customs employees and associated social costs, costs related to priority capital investment and capacity building of the customs agency, and additional government budget allocation for improvement of remuneration schemes. ADB’s program lending modality will aim to support the implementation of much-needed policy reforms.

40. Customs procedures can be simplified, strengthened, and made more transparent using technologies such as ICT for automated customs services, border development, and provision of special equipment to fight drug trafficking. In line with this, ADB will encourage the development of an ICT strategy aimed at automating collection and dissemination of information, and improving coordination among relevant agencies within and across national borders. ADB will also promote the development of electronic linkages among computer networks and databases of critical agencies, border guards, and banks where the customs agency maintains payment accounts. ADB can extend an investment loan for the provision of adequate infrastructure required in the implementation of simplified customs procedures.

41. **Customs Supporting Infrastructure.** Customs intermediaries such as shipping agents, freight forwarders, customs clearing brokers, and declarants also play an important role in trade facilitation. Much of the work related to the clearance of goods involves processing information received from these intermediaries acting on behalf of importers or exporters. Given the critical function of customs service intermediaries in trade facilitation, ADB is ready to provide support in drafting and adopting regulations and associated supervision procedures for these private intermediaries. Necessary support can also be extended to develop associations of brokers, transit facility operators, etc., into self-regulatory organizations, where appropriate. Where such formal groups do not exist, ADB can be instrumental in their establishment.

42. **Regional Public Goods.** Trade facilitation is also enhanced by the availability of “regional public goods” such as regionally harmonized customs documents and clearance procedures, a regional transit system recognized by all customs regimes that facilitates transport movements of through-transit traffic while retaining appropriate controls, and a common platform for data sharing that allows tracking, tracing, and sharing of information on illicit trades. These could be considered regional public goods as their benefits reach across borders and extend to all population groups. In the absence of collective action, maximum benefits are not realized. When regional public goods are consistent with national interests, countries do manage to agree on coordinated actions. In this regard, ADB will continue to advocate the development of “regional public goods” and, as the secretariat of the Customs Cooperation Committee (CCC), will use this cooperative mechanism as a catalyst for concerted action.

43. Programs to implement the above strategy include the following activities during the period of 2004–2006:

- (i) Regional Customs Modernization and Infrastructure Development Project in Tajikistan and Kyrgyz Republic,
- (ii) Regional Customs Border Posts Infrastructure Project in the Kyrgyz Republic
- (iii) Capacity Building for Trade Facilitation in Mongolia,
- (iv) Capacity Building and Institutional Strengthening for the Customs Modernization and Infrastructure Development Project in Tajikistan and Kyrgyz Republic, and
- (v) RETA for Trade Facilitation and Customs Cooperation (Phase II and III)

## C. Transport Sector

### 1. Background

44. Central Asia is a historical land bridge between east and west (from PRC to Europe), as well as north and south (Indian Ocean and Persian Gulf to Russia and Baltics). The transport links, which were developed with orientation to Moscow (north), now need to meet the political and economical requirements of the new independent states. Trade flows are being reoriented, with implications for investment in transport infrastructure. Regional cooperation is critical to achieving efficient regional transport and transit systems and promoting integration into international commerce.

45. After several years of economic decline, recovery is now well underway in all CARs and is having a positive impact on trade and transport activities. In terms of value, foreign trade has grown 3-4% per year since 1997, with strong growth of trade in hydrocarbon products. Exports are much higher than imports, especially by rail. In overall terms, Kazakhstan is by far the dominant player in regional transport, carrying not only its own trade but also considerable volumes of Central Asia transit traffic. Intraregional traffic is small compared to traffic between the CARs and the outside world (35% of imports and a mere 11% of exports). Russia is the main trading partner both for imports and exports, but trade with PRC, Europe, and the Middle East is increasing.

**Table A9.2: Foreign Trade Carried by Rail and Road in the CARs**

Country Group	Imports into CARs (thousand tons)				Exports from CARs (thousand tons)			
	Rail	Road	Total	%	Rail	Road	Total	%
Within CARs	3,705	1,037	4,742	35	3,705	1,037	4,742	11
Russia-Belarus	5,361	965	6,326	46	25,711	567	26,278	62
Europe	1,454	144	1,598	12	4,234	130	4,364	10
PRC-Mongolia	167	173	340	2	3,429	227	3,656	9
Japan-Korea	106	12	118	1	835	14	849	2
Others	174	418	592	4	1,753	683	2,436	6
<b>Total</b>	<b>10,968</b>	<b>2,749</b>	<b>13,716</b>	<b>100</b>	<b>39,666</b>	<b>2,658</b>	<b>42,325</b>	<b>100</b>
%	80	20	100		94	6	100	

CAR = Central Asian Republics, PRC = People's Republic of China

46. Regional traffic in Central Asia is overwhelmingly carried by rail, as shown above. Even for trade within the CARs, roads carry only 22% of traffic. On the other hand, roads carry significant amounts of imports over long distances from the PRC and other countries (50% or more).

47. After years of decline, traffic levels have now begun to increase, and recent forecasts suggest that on much of the regional network, future short-term annual growth will typically be 2-3% for rail freight traffic (although continued decline in that sector for long distance passengers) and about 4-7% for road traffic (slightly higher for passenger traffic and lower for freight). Given the dramatic fall in traffic on the regional networks in the 1990s, there is undoubtedly abundant spare capacity on virtually the entire transport network. Nevertheless, reflecting the reorientation of trade patterns away from Russia, bottlenecks are expected to occur over the short-term at certain border stations on the rail network, such as at Druzhba to the east and Serakhs to the south, where traffic is already growing at over 20% per year. The Caspian Sea ports are also expected to see increased traffic (mainly oil). If current obstacles to road transport can be removed, high road traffic growth rates can be expected on the parallel road transport routes, driven by the demand for consumer goods manufactured in the PRC or imported goods through the Persian Gulf.

## **2. Current Status and Key Issues**

48. The road network in Central Asia consists of 66,000 km of republic roads, of which about 29,000 km carry most of the regional traffic. The key problems facing the regional road transport are:

- (i) Lack of direct road connections to state capitals, production centers, markets, and ports,
- (ii) Lack of unified regulations and policies to address obstacles to efficient operation and create a level playing field for regional transport. These include an incomplete legal framework, lack of common standards, nonconformity with international standards, international road permit quotas that restrict competition, a skewed playing field for transport services, road user charges not related to cost of road use, discriminatory transit fees that are often too high, and regulations that are not transparent,
- (iii) Inefficient border controls due to excessive bureaucratic requirements, excessive number of roadside checks, ineffective means of vehicle weighing and loads, controls not based on international best practice or international conventions, and poorly equipped border posts,
- (iv) Poor and deteriorating infrastructure due to a poor funding system for maintenance; a weak economic basis for investment planning; road design standards that do not conform to rational economic foundation; inadequate construction quality; and a lack of safety awareness, roadside services, and telecommunication facilities.

49. The rail networks in Central Asia have about 22,100 km of main line, of which about 5,000 km are double track and 4,000 km electrified. Maintenance has been deferred because of declining revenues and the condition of track has deteriorated. In recent years, several new lines have been constructed in the region—especially in Turkmenistan and Uzbekistan—to reduce dependence on transit routes through neighboring countries. More such lines are planned, although most are long-term prospects because of financial constraints. In the short-term, considerable priority is given to rehabilitating the regional rail network and promoting regional traffic, partly by exploiting the transit potential of the countries. The rolling stock fleet is old and declining in numbers as trains are cannibalized to avoid purchasing new spare parts and units.

50. The key issues affecting the regional rail transport are:

- (i) The dislocations caused by the break up of the railways into national units have resulted in numerous cross-border operational obstacles. Among these obstacles are a lack of track-sharing agreements, lack of joint planning of infrastructure investment, frequent changes of locomotives and crews at borders, time consuming and expensive train remarshalling at borders, time-consuming border formalities, complicated documentation requirements at borders, and inter-railway payment delays.
- (ii) The monolithic and monopolistic nature of the organisations has led to a lack of competition in railway service supply, lack of open regional procurement practice, unclear basis for commercial management and investment, lack of management information tools, obsolete rolling stock, and outdated internal telecommunications technology.
- (iii) Technology is obsolete and poor in quality, and management lacks a developed marketing orientation. This has contributed to excessive tariffs for international traffic, tariffs that do not separate movement and terminal costs, lack of convenient billing systems, and lack of consignment information for shippers.

### **3. Role of Regional Cooperation**

51. The interdependence of the countries in Central Asia is unusually high as they face the reality of a regionally integrated transport system inherited from the past, are physically isolated from the global markets, and have relatively small domestic markets. Partnerships among the countries will create a basis for increasing market integration, both inside the region and with world markets. Improvements to regional transport can help achieve this through reducing costs and improving operational standards of existing regional services, and through development of new regional services in support of new trade opportunities. Peace in Afghanistan provides an opportunity to enhance cooperation in the region and re-establish the historical ties and potential economic linkages between Central and South Asia. To promote cooperation in the transport sector, it is important to highlight that cooperation to promote intermodal transport can provide a cost-effective alternative to current efforts by national governments to construct new transport routes, which are more expensive and need increased distance to travel.

### **4. ADB's Sector Experience**

52. ADB has provided lending and nonlending support since 1996 in the road and railway sectors. ADB has extended eight loans to \$317 million to Kazakhstan, the Kyrgyz Republic, and Tajikistan for the rehabilitation of roads and two loans to \$140 million to Uzbekistan for the rehabilitation of railways. The major projects supported in the road sector are the development of Bishkek-Osh (Kyrgyz Republic), Almaty-Akmola (Kazakhstan), and Almaty-Bishkek (Kazakhstan-Kyrgyz Republic) corridors. In the railway sector, ADB is supporting the rehabilitation of the 641-km Chengeldy-Khodhjadavlet corridor in Uzbekistan under the two projects. Since 1994, ADB has provided 31 TA grants worth \$20 million for project preparation, addressing policy and institutional issues, human resources development, and commercialization and corporatization of transport enterprises. ADB has coordinated efforts closely with EBRD to cofinance the Almaty-Bishkek corridor and with OPEC for the second railway project in Uzbekistan.

## 5. Role of Other Development Partners

53. Other multilateral institutions such as World Bank, EBRD, and IsDB have also provided support in the road, rail, air, and port sectors. EBRD has been the lead donor with 11 loans worth 364 million euros in all four sectors. The World Bank has financed 4 loans worth \$240 million in the road and urban transport sector in Kazakhstan, Kyrgyz Republic, and Uzbekistan. IsDB has financed 9 loans worth \$100 million—mostly in road and air transport sectors—in Kazakhstan, The Kyrgyz Republic, Uzbekistan, Turkmenistan, and Tajikistan.

## 6. ADB's Sector Strategy

54. ADB's transport sector strategy for the CARs is (i) to provide physical linkages to all parts of the region, including the geographically isolated regions; (ii) to provide access and opportunity to participate in outside economies, (iii) to integrate and upgrade the transport infrastructure, (iv) to enhance competitiveness, and (v) to support policy and institutional reforms. ADB's involvement in the sector would support transport within the region, transport between Central Asia and the outside world, and transit transport across Central Asia.

55. ADB's strategic priorities for the regional transport sector focus on (i) development of regional east-west and north-south transport corridors by using existing infrastructure to link the state capitals, local production centers, markets, and granaries to the ports and regional and international markets, (ii) regional integration to promote safety, improve the framework of international agreements required for integrated operations, and development of high-quality regional services, (iii) harmonization of the regulatory framework to unify laws and regulations and the way they are enforced, and to remove legal obstacles and promote efficiency, (iv) improving border controls to reduce delays and transport costs caused by customs, immigration, and other services, (v) focused restructuring and modernization to promote competition in supply of transport and support services, (vi) marketing and tariff setting based on competition to exploit the existing regional potential of the transport services more fully, (vii) improving financing and management to improve systems for financing maintenance, and (viii) improving efficiency and effectiveness of management.

## 7. ADB's Lending and Nonlending Program (2004–2006)

56. A total of eleven projects worth \$327.1 million are proposed for the road and railway sectors in Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Uzbekistan, and Azerbaijan in the next 3-year pipeline. The major projects likely to be supported in the road sector are the Aktau-Atyrau (Kazakhstan), Borovoe-Petropavlovsk (Kazakhstan) corridor, the Kyrgyz southern transport corridor (phases I and II), central and southern corridors in Azerbaijan, the Dushanbe-Kyrgyz corridor, and the regional road development (Mongolia). In the railway sector, the regional railway development project (Uzbekistan-Afghanistan railway link) and the Bekhabad-Khanabadam railway link (Tajikistan) are included. In addition, a Regional Traffic Enhancement Project is proposed in 2006. Eleven TA grants worth \$6.35 million are proposed during the same period for developing regional studies for road and railway transport, policy and institutional issues, capacity building of the executing agency, and harmonization of cross-border issues. Close coordination would be maintained with other development partners to cofinance projects and technical studies.

Table A9.3: Transport Sector Roadmap

Item	Indicators			
	5 years ago	Current	5 years later	
<b>A. Sector Outcomes</b> CAR foreign trade per year <sup>(1)</sup> Reduction in travel time Reduced operating costs  Increasing capacity in key routes	USD 24.5 billion	USD 28.4 billion	USD 35.0 billion	
<b>B. Sector Outputs</b> Expanded road transport network (km)  Expanded rail transport network (km)  Higher transport density (km/100 km <sup>2</sup> ) Improved travel conditions  Freight (billion ton-km)  Passenger (billion passenger-km)		66,000  29,000		
<b>C. Sector Issues and Constraints</b> 1. Inadequate regional transport network, particularly missing links, and lack of connections to state capitals, production centers, markets, and land access to ports. 2. Modernization, increasing capacity, and removing bottlenecks. 3. Commercialization of services to sustain efficient operation 4. Weak corporate governance 5. Low level of private sector participation 6. Promoting regional cooperation among CARs, Russia, PRC, Europe, and South Asia.				
<b>D. Actions and Milestones</b>  Development of north-south and east-west regional transport corridors Harmonization of regulatory framework  Accelerating rehabilitation of road and rail infrastructure in CARs Expanding reforms and restructuring  Improving border controls	Schedule	By Agency		
		ADB	Others/ External Alphabetize listing in this column	Govt
		X	EBRD, JBIC, World Bank	X
	2003-2007	X	EBRD, JBIC, World Bank	X
	2003-2007	X	EBRD, JBIC, World Bank	X
	2003-2007	X	EBRD, World Bank	X
	2003-2007	X	EBRD, World Bank	X

ADB = Asian Development Bank, govt = governments in the CARs, EBRD = European Bank for Reconstruction and Development, JBIC = Japan Bank for International Cooperation.

## **D. Water Resources Management**

### **1. Background**

57. The Aral Sea Basin has been the principal concern in terms of water resources management in Central Asia. About 35 million people from 5 countries live in the basin's 2.2 million square kilometers, which also comprise the drainage basins of the Amu Darya and Syr Darya rivers. The rivers originate in high mountains in the east and south and receive water from rain and melting snow. Annual water flow in the basin is, therefore, fairly reliable. The rivers run approximately 2,500 km through the mountainous upstream countries of Afghanistan, Tajikistan, and the Kyrgyz Republic before reaching the plains of Uzbekistan, Turkmenistan, and Kazakhstan and heading toward the Aral Sea. Irrigation accounts for 92% of the water use in the basin. Domestic water use, industry, fisheries, and energy trail distantly with 5.5%, 1.5%, 0.8% and 0.2% respectively. Uzbekistan accounts for 53% of basin water use, Turkmenistan for 22%, Kazakhstan and Tajikistan for about 10% each, and the Kyrgyz Republic for about 5%.

### **2. Past Developments and Current Issues**

58. Over the past 50 years a massive expansion of irrigation and hydropower generation and poor water management have had serious consequences for the basin. While the expansion of irrigated agriculture began in the late 19<sup>th</sup> century, it grew rapidly between 1950 and 1990. During that 40-year period, huge dams were constructed and massive diversion structures, pumping stations, and canals took the waters of the Amu Darya and Syr Darya to 3.2 million hectares of new land, bringing the total irrigated area in the Aral Sea Basin to approximately 7.9 million hectares. Hydropower generation rose to 34.5 million kWh. The irrigation expansion made Central Asia the third largest producer of cotton in the world, increased and stabilized food production in the region, and created employment for some 10 million people settled in the newly irrigated areas. The irrigation expansion radically altered water flows in the Aral Sea Basin. The Aral Sea, which before 1960 received about 60 km<sup>3</sup> of water annually, now receives less than 10 km<sup>3</sup>. The trend is expected to continue.

59. After the breakup of the Soviet Union, newly created states lacked a structure for cooperation in water resources management and for continuing to use the water resources and infrastructure in the collaborative mode designed under the Soviet regime. Each state had different positions and interests with respect to water and power. States inherited legacies of water use that emphasized quantity of agricultural production with little regard for the true economic costs of the expansive irrigation, environmental costs, or efficiency of water use. Concentration was on short-term economic gains. Management, pricing, and incentive systems were not conducive to rational water use. Water use inefficiency costs the five countries of the Aral Sea Basin about \$1.7 billion per year in lost yields, and it results in per-hectare water consumption levels that are 30% higher than in comparable countries. As a consequence of a general shortage of funds and disagreements over responsibilities, most infrastructure is poorly maintained and water delivery suffers high losses. Deteriorating farm drainage has contributed to basin-wide rise of soil salinization and waterlogging. According to some estimates, \$10-20 billion will be needed to rehabilitate the irrigation infrastructure. Moreover, it is not clear that present cropping patterns, water use, and vast irrigation infrastructure are economically optimal from a national or regional point of view.

60. Another issue that contributes to the inefficiency of water resources management is the nexus between water and energy. Downstream countries in the Aral Sea Basin have considerable reserves of fossil fuels and high irrigation water needs while upstream countries

have large hydropower resources but limited fossil fuel reserves and limited irrigation water needs. Due to seasonal irrigation and power needs, there is a particular need to balance the use of water for irrigation and a matching provision of fossil fuels to satisfy energy needs across the countries of the region. The situation calls for a coordinated approach to addressing the water-energy nexus. However an effective solution has yet to be found and uncoordinated approaches to the problem have led to inefficient releases of water from upstream reservoirs.

61. Deficiencies in existing institutional arrangements hinder a more integrated approach to water resources management. No effective regional or river basin organization exists with a political mandate and capacity to accommodate the differing positions and, often, conflicting interests of the various countries, sectors, and agencies. Effective integrated water resource management will require resolutions and decisions by a regional or basin body that represents and takes into account all these interests and has the power to implement those decisions. A lack of technical capacity to address water resource management problems is also lacking in the relevant agencies and organizations. However, mere capacity building and strengthening existing organizational or institutional relationships will not offer an effective solution. Instead, present arrangements must be transformed and bodies established with the required linked but without overlapping powers or capacities.

62. Soil degradation, water salinization, and desertification resulting from current Aral Sea water management are not just long-term environmental problems but immediate economic issues. If not corrected, they would lead to a severe drop in agricultural yields and threaten the livelihood of the millions who depend upon irrigated agriculture and fishing. More severely, the resulting stagnation of agricultural growth would cripple economies in almost all of the countries of the region that are still in the middle of an economic transition and depend on agriculture as the primary engine of growth.

### **3. The Imperatives of Regional Cooperation**

63. The transboundary nature of the Central Asian rivers makes water resources management inherently a regional issue requiring a regionally coordinated approach. Upstream and downstream effects are no longer theoretical constructs when it comes to water management. Upstream actions have literal implications and tangible impacts downstream. Furthermore, much of the water management infrastructure and administrative structures transcend national boundaries, naturally calling for transboundary management and maintenance solutions. Central Asia's irrigation and water management systems were designed to serve the needs of the Soviet Union without regard for national boundaries. These systems and their administrative structures are now ill matched to new national boundaries. Efficiently managing these systems requires agreement on the use and maintenance of the shared systems. The problem is complicated by the fact that Central Asia's water management systems have been increasingly important in providing hydropower since independence—particularly to the Kyrgyz Republic and Tajikistan—despite the fact that they were designed for irrigation. The balancing of water and energy needs will require a regional perspective.

### **4. Role of Development Partners**

64. Early international involvement in water resource management issues in Central Asia consisted mainly of scientific studies such as water balance studies, environmental and health surveys, crop water use studies, etc., to gain an understanding of the scope and nature of the problem. While well accepted by the stakeholder countries, their results were often not widely disseminated and the capacity built was retained in specific agencies as a means to attract new



donor-funded projects. The concentration on technical aspects has continued into recent work with relatively little attention paid to assessing and influencing the social, political, and institutional climate. There also has been little public involvement or public awareness activity other than the establishment of water users' associations. The following table provides a summary of areas of assistance from international donors. Efforts have been concentrated in areas concerned with establishing equity, providing knowledge and processes to use that knowledge, and local work to devolve responsibility for irrigation management.

**Table A9.4: Summary of International Donor Assistance**

<b>Area of Assistance</b>	<b>International Donors<sup>a</sup></b>
On-ground activities aimed at increasing farmers' skills and institutional organization	IWMI, WB, others.
Rural water supply and sanitation	ADB, DN, NL, KfW, KFAED, SWE, WB
Improvement of reservoir operations	US
Strategic management of water and salinity	EU, GEF, NL
Dam safety	SWE, US
Environmental studies and wetland restoration	IFAS, ITA, NATO, NL, NTF, WB
Data collection and management	EU, NOR, SWI, UK
Instrumentation and automation	CIDA, FR, IFAS, US
Water quality management	NL
Drainage construction	NL, PHRD
Integrated land/water management in the upper wetlands	FIN, NL, TUR
Institutional and capacity building at the top international level of the EC IFAS	CIDA, EU, TACIS, UNDP

<sup>a</sup> CIDA = Canadian International Development Agency, DN = Denmark, EU = European Union, FIN = Finland, FR = France, GEF = Global Environmental Facility, IFAS = International Fund for Saving the Aral Sea, ITA = Italy, IWMI = International Water Management Institute, KFAED = Kuwait Fund for Arab Economic Development, KfW = Kreditanstalt für Wiederaufbau, NATO = North Atlantic Treaty Organization, NL = Netherlands, NTF = Nordisk Transportforskning (Nordic Transport Research), PHRD = Population/Human Resources Fund (Japan), SWE = Sweden, SWI = Switzerland, TACIS = Technical Assistance to the Commonwealth of Independent States, TUR = Turkey, UNDP = United Nations Development Programme, UK = United Kingdom, US = United States (USAID), WB = World Bank.

65. Additional work is required (i) to provide separation of powers among the water resource management agencies, (ii) to define water rights and responsibilities of water users and (iii) to define annual, inter-annual, and short-term processes to define water availability in relation to those rights and responsibilities. A promotion of a more strategic approach to planning and management is also required.

## **5. ADB's Lending and Nonlending Program**

66. ADB assistance in the water resources sector since 1994 has largely been focused on individual countries. ADB's loans and TAs in the water sector typically include promotion of national water sector reforms, strengthening of the institutional aspects of water management organizations, and rehabilitation of key irrigation infrastructures. Since all ADB-supported water management projects receive their water from the two large rivers of Aral Sea basin, it is recognized that the long-term viability of these projects depends directly on improved

management of shared water, particularly on the use of water in a more equitable, efficient, and sustainable manner.

67. In 2001 through the CAREC mechanism the CAR governments formally requested ADB's assistance for subregional water management issues. ADB responded to this and other specific requests made by CARs by supporting high-level policy dialogues, forums, and consultations on regional water management issues through its regional TAs.<sup>14</sup>

## **E. Regional Environment Management**

### **1. Background: Environmental Deterioration and its Implications**

68. Due to their common natural, historical, and cultural heritage, the CARs share many environmental problems. Many of these collective environmental threats stem from the fact that the five republics are all part of the Aral Sea basin. Situated between Uzbekistan and Kazakhstan, the Aral Sea is surrounded by deserts and fed by the Amu Darya and Syr Darya rivers, which drain into its basin from tributaries in Central Asia and Kazakhstan. Water from the Amu Darya and the Syr Darya rivers has been diverted away from the Aral Sea for more than 30 years, used instead to irrigate millions of hectares of land for cotton and rice production. More than 60% of the water in the Aral Sea has been lost, and it has shrunk in size to less than half its original 65,000 sq km. Large areas of the seabed are exposed. Its salt concentration increased from 10% to more than 23%, contributing to the devastation of a once thriving fishery. The local climate has reportedly shifted, with hotter, drier summers and colder, longer winters. As the water retreated, salty soil remained on the exposed seabed. Dust storms have blown up to 75,000 tons of this exposed soil annually, dispersing its salt particles and pesticide residues. This air pollution has caused widespread nutritional and respiratory ailments, and crop yields have been diminished by the added salinity, even in some of the same fields irrigated with the diverted water. Consequently, the entire region is one of the most severely damaged ecological zones in the world.

69. Key regional environmental problems aggravated by the Aral Sea disaster include water pollution, air pollution, land degradation and desertification, solid and hazardous waste disposal, mountain ecosystem degradation, and loss of biodiversity. These problems are closely interrelated and are discussed below.

70. **Water Pollution.** Contamination of water with chemical, biological, physical, and radioactive pollutants is perhaps the region's most widespread and widely addressed environmental concern. Chemical pollution includes high concentrations of sulfates, chlorides, sodium ions, pesticides, nitrogen compounds, and phosphates, primarily due to the excessive use of pesticides and fertilizers in agriculture. Affected rivers contain 5-10 times the maximum permissible concentration (MPC) of pesticides. Salinity is very high in the regions of the Amu Darya (30% salinity) and the Syr Darya (50% salinity). Maximum levels of physical (suspended) substances in Uzbekistan and Turkmenistan are 28 and 50 times above the MPC, respectively; and minimum levels of dissolved oxygen are significantly higher than the MPC. Moreover,

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<sup>14</sup> RETA 6001 (ADB. 2001. *Technical Assistance for the Regional Consultations for the Third World Water Forum*. Manila), RETA 6031 (ADB. 2002. *Technical Assistance for Promoting Effective Water Management Policies and Practices*. Manila), and RETA 6099 (ADB. 2003. *Assessment of Subregional Water Resources Management Issues in Central Asia*. Manila)

concentrations of organic pollutants exceed 100% of MPC in some areas of Kazakhstan and the Kyrgyz Republic.

71. **Land Degradation and Desertification** are increasing problems across the region. There are four major components of land degradation: soil erosion and nutrient depletion; soil contamination and salinization; deforestation; and desertification. Soil erosion is a substantial problem in all of the CARs, affecting 66% of agricultural land in Kazakhstan, 85% in the Kyrgyz Republic, nearly 98% in Tajikistan, and over 53% in Turkmenistan. In Turkmenistan, the proportion of irrigated land with ground water levels susceptible to critical salinization (1-2 meters depth) is over 60%, and 40-80% of croplands are heavily salinized (Regional Environment Action Plan (REAP), 2001). Salinity also affects a substantial portion of irrigated agricultural lands in Uzbekistan (up to 46%), Kazakhstan (25%), and Tajikistan (over 15%)<sup>15</sup>

72. Deforestation is a major factor in the perpetuation of soil erosion and depletion throughout Central Asia. Areas in the upper Aral Sea watershed have lost nearly 50% of their original forest cover. The amount of forest cover in Tajikistan has decreased by nearly 44% since 1988.<sup>3</sup> Forests in the Amu Darya flood plain have shrunk to about 23,000 hectares from about 150,000 hectares in 1990.

73. Due to a combination of natural and anthropogenic factors, about 37% of the total territory encompassed by the CARs is covered by desert, ranging from between 17% in Tajikistan to 79% in Turkmenistan.<sup>4</sup> This percentage is increasing every year, threatening agricultural land, important economic infrastructure, and human settlements throughout the region, especially in the downstream republics of Kazakhstan, Turkmenistan, and Uzbekistan. Arid and semiarid lands are continually used for agriculture, requiring excessive inputs of water and fertilizers, and further degrading already marginalized lands.

74. **Air Pollution.** In Kazakhstan and Uzbekistan, the primary air pollutant is sulfur dioxide, comprising about 41% and 48% of total emissions, respectively. The main components of pollution discharges in the other three republics are: solid matter in the Kyrgyz Republic (48% of total), carbonic oxide in Tajikistan (69% of total), and hydrocarbons in Turkmenistan (93% of total – including volatile organic compounds).

75. Current air pollution levels are highest in Kazakhstan, according to the atmospheric pollution index (API—an aggregate of five of the most harmful substances), ranging from an API level of 1.4 in Uralsk to 17.8 in Ust-Kamenogorsk, with an average of 6.1 among 19 cities (REAP, 2001—data from 2000). Anything exceeding an API of five is considered moderately high. Ten cities in Kazakhstan have high levels of air pollution (API > 7). In Uzbekistan, there is only one city (Navoi) with such a high API, and only two additional cities (Tashkent and Ferghana) registering moderately high (API = 5-7) (REAP, 2001—Data from 1999). There is no comparable data available for the Kyrgyz Republic, Tajikistan, or Turkmenistan, which do not calculate the API.

76. Airborne pollutants have significant transboundary implications because of their potential to spread by wind patterns. For instance, of the sulfur oxide pollution produced by Kazakhstan, about 34% falls on Kazakhstan, and about 7% on the neighboring countries of Uzbekistan and the Kyrgyz Republic. A much higher proportion, almost 58%, of nitrogen oxides emitted from the Kyrgyz Republic ends up as fallout on the remaining CARs, with nearly 37% falling on

<sup>15</sup> RETA-5941 (ADB. 2002. *Combating Desertification in Asia*. Manila)

Uzbekistan alone. Only about 8% of these nitrogen oxides fall on the Kyrgyz Republic itself. It is important to note that some amount of air pollution does not end up as fallout in any of the CARs, but remains airborne and drifts beyond the region's borders.

77. Emissions of carbon dioxide (CO<sub>2</sub>) and ozone-depleting substances (i.e. chlorofluorocarbons) also have regional and global implications in terms of their contribution to global climate change. The increase in auto transport and heavy reliance on fossil fuels, especially coal and natural gas for energy production, implies an increased contribution to global warming. As a result, Central Asia has some of the world's highest levels of CO<sub>2</sub> emissions, both per capita and relative to GDP.

78. Radioactive waste from military industries and nuclear power development has been a longstanding issue in Central Asia. Mining and processing of uranium, the primary radioactive pollutant, has been common in some of the CARs since the 1940s, especially in the Kyrgyz Republic. Waste from these activities has accumulated and been deposited into numerous disposal sites, many of which are in areas vulnerable to natural disasters and seismic activity. There are a total of 23 uranium-tailing sites located near the city of Maily Suu in the southern Kyrgyz Republic, and many of these sites have been severely eroded by water or are in danger of being damaged by landslides. These sites are not structurally sound enough to contain radioactive substances or to prevent them from spreading via water. Furthermore, unless appropriate measures are taken to contain or relocate them, they will remain a health threat for many years to come.

79. **Mountain Ecosystems Degradation** in the region is the result of several of the environmental problems discussed above, including water and air pollution, land degradation, and hazardous waste disposal. Existing data points to major threats to mountain areas as being deforestation and degradation of pasture areas. Environmental degradation in mountain areas, especially that associated with mining and land degradation, can contribute substantially to transboundary impacts, polluting rivers with chemical, radioactive, and physical materials for hundreds of miles downstream. The increased susceptibility of mountain areas to erosion means that suspended matter in rivers is a particularly acute problem, affecting household, agricultural, and drinking water supplies. These impacts, along with unsustainable agricultural practices, contribute to soil erosion on steep hillsides.

80. **Loss of Biodiversity.** Despite some efforts to create new protected areas in recent years, the number of extinct or endangered plant and animal species is growing. Some of the many threatened animal species in the region include snow leopards, Marco Polo sheep, kulan (a wild ass), saiga (*Saiga tatarica*, an antelope), bearded vultures, sturgeon, and Caspian seals. Both the quantity and diversity of biomass has been affected. For instance, the population of kulan in Turkmenistan has decreased from approximately 6,000 head in 1998 to only about 500 head in 2001. The total annual fish harvest from natural water bodies in Central Asia has decreased by more than 60% since 1990. This rapid decline indicates a threat to aquatic biodiversity.

81. **Implications of Environmental Problems for Human Health, Poverty, Economic Development, Peace and Security.** As discussed earlier, environmental mismanagement in the region has significant adverse consequences that impact human health, poverty, economic development, peace, and security. Common adverse health impacts result from water and air pollution, toxic and radioactive wastes, and soil degradation. Respiratory diseases are common in a few heavily polluted industrial zones and around the Aral Sea, where contaminated dust blows freely. Contamination of surface waters, combined with poor access to drinking water,

has led to high rates of water-related illnesses including anemia among mothers and children, intestinal diseases among children, and malignant tumors. Overall, contaminated water is the source of about 80% of diseases in the region, including typhoid, dysentery, diphtheria, and viral hepatitis. Areas with high levels of radioactive contamination have revealed extremely high rates of psychological disorders, malignant tumors, and other morphological abnormalities. Malnutrition and allergies from eating contaminated and nutrient-depleted foods are also widespread.

82. Environmental degradation has significant negative impacts on poverty and economic development. The poor typically live closer to sources of contaminated water and air, leading to a higher incidence of illness and joblessness. Poverty can also encourage environmental degradation, for example when poor rural populations cut down trees because they have no alternative energy source. Environmental degradation can affect economic development by reducing labor availability and worker productivity (due to increased disease rates), creating environmental mitigation costs, reducing agricultural productivity, and decreasing tourism. It is estimated that due to soil salinization and land degradation, agricultural yields have decreased by 20-30% across Central Asia, reducing gross national product (GNP) by 5%. The region has lost more than 25% of its ice (i.e. glacier) reserves to global warming since 1957. The annual fish catch has also declined by nearly 60% in the last decade.

83. Environmental problems and competition for scarce resources can also threaten the region's peace and security. In this context, river pollution that crosses international boundaries acquires added significance, as do high sediment loads passing from upstream to downstream states. In addition to heightened salinity in the Syr Darya river as it passes from Uzbekistan to Kazakhstan, industrial pollutants (phenols, petroleum byproducts and boron) pass from Russia to Kazakhstan through the Ural River and ammonium nitrate, zinc, and phenols pass from Kazakhstan to Russia through the Irtysh River.<sup>16</sup> The Chu River flows from the Kyrgyz Republic into Kazakhstan carrying paper mill and other effluents. Similarly, the Surkhan Darya river is heavily polluted by the large Tursunzade Aluminum Works in Tajikistan, with effluents ending up in Uzbekistan.

## **2. Transboundary Implications of Environmental Mismanagement**

84. Water and Air Pollution: As many of Central Asia's rivers cross one or more international boundaries, water pollution is a significant transboundary issue, involving all five CARs. Water pollution from the Kyrgyz Republic, Tajikistan and upstream Uzbekistan have resulted in severe degradation and contamination of water in vast areas of the downstream countries of Kazakhstan and Turkmenistan, as well as areas of in Uzbekistan along the major rivers and adjacent to the Aral Sea. Of the sulfur oxide pollution produced by Kazakhstan, about 34% falls on Kazakhstan, and about 7% on the neighboring countries of Uzbekistan and the Kyrgyz Republic. A much higher proportion, almost 58%, of nitrogen oxides emitted from the Kyrgyz Republic ends up as fallout on the remaining CARs, with nearly 37% falling on Uzbekistan alone. Only about 8% of these nitrogen oxides fall on the Kyrgyz Republic itself (REAP, 2001). It is important to note that some amount of air pollution does not end up as fallout in any of the CARs, but remains airborne and drifts beyond the region's borders. Central Asia has some of the world's highest levels of CO<sub>2</sub> emissions, relative to both the population and GDP.

<sup>16</sup> The impending diversions by the People's Republic of China of waters from the Irtysh and Ili Rivers upstream of Kazakhstan also are of concern. There are potential impacts on the rivers' pollution-flushing capacities, as well as on overall water volumes.

### 3. Regional Response and Cooperation

85. Following independence, and recognizing the seriousness of the Aral Sea environmental disaster, the CARs approached major donors including the World Bank, UNDP, and UNEP for assistance. In September 1992, a World Bank team visited the region and prepared a report on its findings. The team proposed stabilizing the Aral Sea so that it could be sustained by future river and drainage inflows; rehabilitating the area surrounding the Aral Sea, which had been affected by its desiccation; beginning strategic planning and management of the Amu Darya and Syr Darya rivers; and building institutions in the five republics to implement the above plans.<sup>17</sup> This led to the development of the Aral Sea Basin development program under the banner of the International Fund for Saving the Aral Sea (IFAS). To support IFAS, the five CAR presidents established an executive committee (EC-IFAS) in 1992 to coordinate regional and international donor efforts for the Aral Sea Basin and related environmental issues. IFAS' mandate has since grown to include setting regional policy and promoting intersectoral coordination for sustainable development. There has also been a proposal to create a new UN Commission on the Aral Sea Basin. In addition to EC-IFAS, IFAS comprises an Interstate Commission for Water Coordination (ICWC) (Ministers of Water Resources Management), and an Interstate Commission on Sustainable Development (ICSD) (Chairs/Ministers of Nature Protection/Environment and Ministers of Finance/Economy). Other organizations involved in regional environmental issues include the Central Asian Mountain Information Network (CAMIN), and the Central Asian Regional Environmental Center (CAREC), and the Central Asian Hydro-meteorological Scientific Research Institute (SANIGMI).

86. While the establishment of IFAS and associated institutions is a step in the right direction, it is inadequate to address the region's burgeoning environmental problems, many of which have been inherited from the Soviet era. Even though it has been set up in response to donors' priorities, IFAS has not lived up to donors' expectations, primarily because of its donor-driven approach. Its significance has been further abrogated due to political infighting among member countries and frequent relocation of offices. Despite the weakness of IFAS, the ICWC has retained its importance because (i) it has established a regional water management institution permanently stationed in Tashkent; (ii) it has the leadership of a forward-looking, well-meaning, and dynamic chairman; and (iii) transboundary water allocation remains a salient issue for all the CARs. The ICSD does not enjoy the same level of political or financial support from IFAS or the national governments. ICWC and ICSD both have subordinate scientific information centers (SICs). ICWC-SIC (located in Tashkent) enjoys strong coordination among national branch offices, is provided with ample support from IFAS and the CAR governments, and serves as the secretariat for ICWC. In contrast, ICSD-SIC, which is charged with coordinating regional information exchange, lacks cooperation among its country branch offices and plays a limited role in the affairs of ICSD. This is partly because ICSD has never been stationed at one place, partly because sustainable development is poorly understood by the region's decision makers and therefore lacks political will, and finally because sustainable development goes contrary to the short-term development objectives that most donors have bought into in the region. Despite its limitations, most donors are of the opinion that EC-IFAS is the only organization that has the mandate and provides the only forum for the concerned countries to debate, discuss, and in many instances resolve regional issues.

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<sup>17</sup> Syed Kirmani and Guy Le Moigne. 1997. "Fostering Riparian Cooperation in International River Basins." *World Bank Technical Paper Number 335*. Washington DC: World Bank, pp. 11–12.

#### **4. Role of ADB Assistance**

87. In accordance with the division of labor agreed among the donors, ADB operations have not given priority to environment as a sector. ADB programs consisted mainly of TA activities in three areas: (i) building the capacity of central government environmental authorities to serve as strong counterparts, especially for environmental assessment of development projects (including those of ADB); (ii) responding to special environmental or natural resource needs identified by CARs or the subregion as a whole; and (iii) incorporating CARs and the subregion into ADB's broader environmental initiatives (RETAs).

88. These TA operations contributed to improve capacity of environment related agencies either through formal training or by working together on TA activities. Assisted by ADB's RETA on regional cooperation for sustainable mountain development in Central Asia, member nations have agreed to cooperate in addressing key mountain development issues, including poverty and human resources, mountain diversity, soil erosion, land and forest use, water management, and agriculture. Likewise, ADB's support for the Central Asia Regional Environmental Action Plan (REAP), in partnership with UNEP, UNDP, and the Government of Finland, supported regional efforts to define and address common and transboundary environmental management challenges. REAP is expected to be completed in June 2004.

#### **5. Role of Other Development Partners**

89. International donor organizations have funded environmental management, economic development, and social sector projects in the CARs since the early 1990s. Apart from ADB, key donors include World Bank, EBRD, EU, the Global Environment Facility (GEF), UNDP, and several bilateral agencies. The World Bank environmental program emphasizes irrigation drainage improvement, water supply and sanitation, and related institutional and policy supports. Its nonlending services provide support for studies on river basin management and fisheries. EBRD's program focuses on industrial pollution control and municipal waste management. The EU is involved in the Aral Sea program. GEF provides support in wetland and biodiversity protection for the Aral and Caspian seas, as well as in water and environmental management. Overall, the focus of international development assistance has been water management in the Aral Sea region, but emphasizing technical solutions to water allocation and conservation.

90. The main focus of UNDP's activities in the CARs is capacity building in environmental management with a view to strengthening environmental governance and promoting sustainable development. Support for environmental activities includes institutional strengthening for better environmental administration, capacity building within government and civil society institutions, addressing land degradation, and preparation and implementation of the priorities of national environmental action plans. With GEF support, UNDP assists in areas such as biodiversity conservation, climate change, ozone-depleting substances, and persistent organic pollutants. The GEF small grants program in Kazakhstan and the Kyrgyz Republic provides assistance to nongovernment organizations (NGOs) at the grassroots level to tackle environmental issues relating to GEF focal areas. On the regional and subregional front, UNDP assists governments to participate in regional initiatives with the aim of promoting cooperation to address transboundary environmental issues.

91. The UNDP regional Aral Sea Basin capacity-building project has played a key role in the establishment and promotion of regional cooperation under the IFAS/ICSD umbrella. Despite the support from this project, a review made by UNDP at end of the project pointed to a lack of

coordination of donor activities, making it difficult to ensure consistency from a regional perspective by intergovernmental bodies in the Aral Sea region. The review emphasized that technical work completed under the donor-financed initiatives is not benefiting decision-makers at the highest levels.

92. The Aral Sea Basin Program II (ASB II), approved by the executive committee on 28 August 2003, recognizes that irrational economic activity in the Aral Sea Basin has led to extensive breakdown of ecosystems, and consequently, the extent of environmental degradation in the region is substantial. Key environmental problems include water pollution, air pollution, land degradation and desertification, solid and hazardous waste disposal, mountain ecosystems degradation, and loss of biodiversity. These problems are closely interrelated and solutions would demand an integrated ecosystem approach and, therefore, cooperation and collaboration among the countries of the region.

93. ASBII Program has also recognized that environmental monitoring is critical to effective environmental management, but that monitoring is handicapped by ill-equipped hydrometeorological centers and outdated analytical and communication equipment. There has also been a reduction in the number of hydrometeorological stations and posts as well as the number of observations. The Dushanbe meeting of state leaders in October 2002, while discussing the ASBII Program, provided the main directions and approved concrete actions to improve the environment during the period 2003-2010. Actions include improvement of environment monitoring systems for more complete data collection and effective use of such data in addressing water-related environmental and socioeconomic problems. Other actions are (i) improvement of interstate organizations and the two basin water associations (Syr Darya and Amu Darya) by improving and strengthening their legal and technical bases; (ii) conservation of mountains, foothill ecosystems, and glaciers; (iii) rehabilitation of the irrigation and drainage systems and increasing the productivity of irrigated lands; (iv) prevention of water and wind erosion, coastal protection, rehabilitation of the degraded forests, flood prevention, and other works dealing with prevention and mitigation of consequences of natural disasters; (v) implementation of projects to improve natural ecosystems, with particular attention to preventing salt-dust transfer from the Aral Sea bed; (vi) rehabilitation of ecological stability and biological productivity of the natural ecosystems and enhancing water ecosystem stability in the basin; (viii) combating desertification; and (ix) development of concrete actions on water management.

94. The impact of donor efforts can be seen in their contributions at the national and regional levels to legal and policy milestones for addressing environmental problems, institutional capacity building or environmental management institutions, increasing involvement of civil society in the environmental policy process, improving the technical base of environmental agencies, and securing government funding for important environmental initiatives. Stakeholders from across the CARs have, however, noted some shortcomings of international donor assistance: a lack of national ownership; poor institutional and financial sustainability of environmental programs; poor donor collaboration, leading to duplication and competition; ineffectiveness of regional cooperation initiatives that emphasize donor priorities over common national priorities; a lack of transparency, accountability, and effectiveness among donor supported programs; and narrow sectoral focuses.



95. Some strategies that have been prepared with donor assistance require funds that are far beyond the capacity of any country in the region.<sup>18</sup> Consequently, environmental management has become overly donor-dependent because of limited national budget. The main sources of operational budget are license fees and fines for environmental offences. The proceeds are used primarily for environmental monitoring. Adequate budgetary support as demonstration of ownership and commitment at the national and at the regional level would be necessary prerequisites of any meaningful intervention.

## **6. Role of Civil Society and Environmental NGOs**

96. The CAR governments have not actively promoted civil society participation in their decision-making processes. This is because environmental protection remains a low priority, environmental protection is perceived as a constraint to economic development, and active involvement of civil society is only seen frustrating these aspirations. However, NGOs have put pressure on the governments and forced them to include environmental groups and the general public in these processes. In fact, NGOs have come a long way in the past several years in terms of their involvement in the discussion and formulation of national environmental policies. In all of the CARs, NGO leaders are engaged with government policymakers at a high level. For instance, some NGO leaders in Tajikistan have begun to work with the Committee on Ecology of the National Parliament; and in the Kyrgyz Republic, there is a cabinet-level council of NGO representatives.

97. NGO representatives have participated in the NEAP and REAP processes and have attended various official meetings where key environmental policy issues were discussed, including the Kiev Conference of Environmental Ministers and the World Summit on Sustainable Development (WSSD) in Johannesburg. However, NGO leaders in Turkmenistan noted that UNDP and the Ministry of Nature Protection drove the NEAP process. At the WSSD, NGO representatives worked with the Tajikistan delegation to formulate national sustainable development projects, which they then presented to donors. Despite all of the efforts of NGOs, most of them still point towards relatively poor government response to their concerns.

98. Inadequate information and awareness about environmental problems is perhaps the most important obstacle to resolving environmental problems. NGOs have proven their capacity in helping facilitate the spread of information, especially information about laws, policies, and projects pertaining to the environment. Furthermore, they have representatives and/or volunteers in each of the country's regions that facilitate the spread of information where electronic media is scarce.

## **7. Constraints and Opportunities in Effective Environmental Management**

99. The preceding review of capacities and efforts to address Central Asia's most pressing environmental issues has revealed a number of constraints to effective environmental management in the CARs are discussed below:

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<sup>18</sup> For example, implementing Turkmenistan's NEAP, prepared with assistance from the World Bank and UNDP, would need 48.4 trillion manat or \$2.42 billion (in 2002 prices) for the period ending 2010, of which 7.6 trillion manat (about \$400 million) would be needed for implementation of environmental measures alone. This amount does not include strengthening of the capacity of the implementing agencies.

100. **Legislative and Policy Constraints** include (i) lack of integration among national environmental strategies, (ii) insufficient legal mandate and policy mechanisms for mainstreaming environment in economic development planning, (iii) lack of common membership by all CARs in international conventions on important transboundary environmental issues, and (iv) lack of a legal mandate for information-sharing at the regional level.

101. **Institutional Constraints** are (i) lack of understanding and information about the severity and impacts of environmental problems, (ii) weak political will and influence of environmental agencies in the national policy arena, (iii) lack of incentives to enforce environmental laws and implement agreements, (iv) inadequate collaboration and duplication among national ministries and agencies, (v) lack of involvement and empowerment of civil society in the environmental policy process, (vi) poor collaboration among NGOs at national and regional levels, (vii) failure of CAR governments to support regional environmental initiatives and institutions, (viii) duplication and lack of coordination among national and regional information management initiatives, and (ix) frequent rotation of regional organizations and turnover of environment officials.

102. **Technical Constraints** include (i) outdated and scattered environmental monitoring systems and equipment, (ii) lack of unified information management systems at the national level, (iii) poor electronic communications infrastructure, and (iv) lack of common environmental indicators and standards.

103. **Financial Constraints** include (i) inadequate budget to implement national environmental programs, (ii) excessive reliance on donor funding and lack of efforts to build financial self-sufficiency, and (iii) lack of government funding for regional institutions and initiatives.

104. **Donor-Related Constraints** are (i) top-down programming and lack of ownership of environmental agenda by CAR governments and civil society, (ii) inflexible donor regulations and procedures, (iii) excessive reliance on international experts and government officials; (iv) lack of transparency and monitoring of donor projects, (v) insufficient funding for water quality and non-water-related environmental issues, and (vi) lack of donor coordination.

105. The constraints outlined above reveal that a truly regional approach to resolving environmental issues is not feasible at this point, primarily because the CARs do not recognize the severity of transboundary environmental problems. A more pragmatic approach for donors could perhaps focus on the following tasks, undertaken primarily at the national level.

106. **Building National Monitoring and Information Management Capacities** through (i) consolidating national environmental monitoring systems; (ii) building national monitoring capacity; (iii) consolidating national information management systems; (iv) building national capacities for environmental information management and distribution; (v) supporting NGO efforts to provide information on environmental laws, agreements, conventions, and programs; (vi) enhancing public access via the Internet to environmental information; (vii) enhancing coordination between national and regional information management centers; and (viii) encouraging development of a regional agreement on information sharing.

107. **Mainstreaming Environment and Development Among CARs** through (i) mandatory requirements and mechanisms for mainstreaming environmental issues in projects; (ii) integrating environmentally sound technologies into economic development programs; and (iii) promoting national and regional mechanisms and forums for mainstreaming environment.

108. **Facilitating Consolidation of National Action Plans Related to the Environment** through concerted efforts to integrate all national plans related to the environment into a single plan or program with time-bound actions supported by adequate internal financial resources, which are supplemented by donors.

109. **Enhancing National and Regional Ownership of Environmental Management Agenda** by (i) establishing cofinancing requirements, (ii) channeling environmental grant programs through ICSD or EC-IFAS to enhance their ownership and capacity for regional initiatives, and (iii) increasing involvement of local experts in environmental management projects.

## **8. ADB's Future Strategic Approach**

110. In formulating specific projects and interventions for the future, ADB's focus is on increasing technical capacity to monitor and address water quality issues; mitigating upstream sources of water degradation; and non-water-related environmental issues that are receiving far less attention, such as air pollution and solid/hazardous waste disposal. Furthermore, ADB will continue to work with national environmental agencies, but concentrate on building partnerships with other sectors within the national government to promote mainstreaming of environmental issues in a wide range of social and economic development programs. In pursuing these objectives, ADB will (i) work closely with EC-IFAS in implementing its programs to ensure that they are in line with current regional priorities and initiatives; (ii) build ICSD-SIC's capacity to coordinate regional information management; (iii) develop mechanisms to work more directly with national and regional NGOs to increase their involvement in monitoring of environmental indicators, and enhance their participation in environmental decision-making; and (iv) leverage existing relationships with national and regional institutions to ensure mainstreaming of environmental concerns in economic development projects and activities. Finally, by helping to forge strategic partnerships between NGOs, national governments, donors, and research institutions—and by increasing involvement of its own regional missions in implementing environmental programs and protocols—ADB can become a key player in the effort to deepen cooperation for resolution of transboundary environmental problems throughout the region.

## **F. Governance**

### **1. Background**

111. The authorities in the CARs and in the donor community recognize the centrality of good governance for rapid, sustained, and inclusive growth. Since independence, sustained efforts have been made to improve governance and some significant progress has been made, although much remains to be done.

112. The challenge of transformation from a centrally planned, command driven, and control-oriented government to governance based on transparency, accountability, predictability, and participation is formidable in itself. But the CARs faced a more difficult situation. They were suddenly deprived of legal-institutional resources previously supplied under Soviet rule. Heavily dependent on subsidies, the public sectors in these countries were left at a significant disadvantage when these were withdrawn. This was compounded by (i) a "brain drain" of trained and senior-level professionals to Russia or further abroad; (ii) little prerevolutionary legal legacy to invoke, since the states in the region received modern legal traditions almost exclusively from the former Soviet Union (FSU); (iii) no prior history of modern market relations

or of modern civil society organizations; and (iv) persistence of traditional networks of power and patronage, which impede the establishment of an impartial rule of law and governance. In many respects, the countries had to build governments from scratch, under very tense economic, social, and political conditions. They have done so drawing on a varying range of human and natural resource bases.

113. All countries in the region have adopted constitutions with varying degrees of guarantees of personal freedoms, balances of power, and flexibility to create enabling primary legislation. All countries have repeatedly revised their constitutions to deal with real and perceived flaws in implementation. The legislatures have been successful in passing key codes (civil, civil procedures, criminal, tax, and customs) along with volumes of modern commercial, social, and governance law. A market-based taxation system has been established across the region, and levels of taxation have fallen. The governments have recognized the problem of corruption and taken steps to address it, from adoption of ethics standards for public servants to the establishment of ombudsmen and civic education. Major reforms of the judiciary have been launched in some countries, and the others are monitoring these efforts with interest. Civil society has emerged in multiple forms. NGOs are nascent but growing, and they are both internationally linked and vocal, as well as being increasingly analytical and effective in information dissemination to comparatively well-educated populations. The private media is emerging in force, and while sometimes not properly trained it is not incapable. The general populations are well aware of the concrete issues of the day, and while they have not yet figured out their roles in changing unpleasant situations, they are learning. Public sector accounts are improving. The countries have installed computers, shifted away from pure cash expenditure systems, begun to use more internationally-accepted accounting standards, and increased understanding of the importance of public funds accountability.

## **2. Issues and Challenges**

114. Despite the progress made, much remains to be done in the difficult area of governance. The key challenges can be grouped under the following seven headings:

### **a. Constitution and Legislative Framework**

115. The degree of transparency and openness by which legislatures were elected has varied across the countries, and in some places there have been reports on suppression of opposition candidates and/or parties. Creation of viable, recognized, concept-based opposition groups has been problematic throughout the region.

116. Much of the legislation has emerged from executive branches of government or by donor suggestion, as the capacity of parliaments to analyze issues leading to drafting of new legislation appears limited. There are remaining inconsistencies between the corporate laws, the securities market laws, and the civil codes in many countries. Some legal acts may have been appropriate when they were enacted—or at least perfectly in line with local realities—but since then these realities have changed, these legal acts have lagged behind. Consequently, further changes will be required in all countries to eliminate inconsistencies, bring legal acts fully in line with international best practices, and reconcile them with changing economic, social, and political realities.

117. The establishment of a sound regulatory framework is still a key issue in many areas. Because of insufficient knowledge and historic patterns of behavior, regulations were developed in secret and not promulgated. This made implementation difficult and opened the door for

potential corruption. Enforcement is a problem because of major institutional weakness, and suspicion between officials and ordinary citizens. Information about legislation and regulation is sometimes not widely disseminated, and enforcement authorities lacked training on how to implement new laws and have not often been provided with sufficient resources to ensure transparency and effective implementation.

#### **b. Judiciary**

118. Due to the severe lack of funding in most court systems, judges tend to be underpaid, court facilities run down, filing and documentation of cases and decisions poor, and information on law and practice not easily available. The public frequently views courts as inaccessible, costly, and uneven in their administration of fair, transparent operations. Since historical documentation is poor and courts were not held accountable to the public, accountability and integrity have been difficult to establish and sustain. Some countries have traditional methods for informal or local village dispute resolution, but out-of-court resolution of economic disputes is only being established in a few countries.

#### **c. Policy Making and Policy Coordination**

119. Policy development and problem solving is centered in offices supporting core-government representatives, namely the presidents and the prime ministers, rather than having line ministries handle technical and policy issues, focusing core government agencies' attention on principal issues. A common feature of all civil services in the region is a shortage of experienced policy advisers. Public consultation in policymaking and legislative development is only slowly gaining importance and not yet always viewed as being a natural part of the civic engagement process.

#### **d. Civil Service**

120. Civil service reforms have involved some degree of downsizing and restructuring the state administration, a review of examination procedures, and changes in structures of salaries and benefits. However, civil services in general still appear too large and civil servants underpaid. Training seems relatively weak. Recruitment and promotions suffer from varying degrees of patronage. Within the civil service, there is still duplication of roles and responsibilities that appears inefficient; some such positions, however, may be justifiable from a political point of view. In addition to addressing these specific issues, the civil service has to be transformed so that it focuses more on policy development and service delivery rather than mere compliance with rules and procedures.

#### **e. Decentralization and Local Government**

121. Local government exists at three or four layers, down to the village level. But fiscal operations still tend to be overly centralized, leading to wrangles over resources between local and central authorities. Skill levels of local government officials tend to be more limited than at the central level of government. As a consequence of existing financial, legal, and capacity constraints, true local self-government is a rare exception in the region, and local state-government is the rule. There are still problems with the centralized nature of revenues, and the impact of taxation on different groups is not always properly taken into account.

#### **f. Public Finance Management and Audits**

122. The formulation of the state budget is completed by central executive agencies, but it ranges widely in its linkages to national government policy agendas. Line agencies are relatively weak and their engagement in the budget process tends to be less forceful than in more developed countries. Implementation of public expenditure plans ranges from marginally acceptable to problematic, as there is insufficient matching of expenditure to physical implementation needs for government services, and little to no oversight by the executive or legislative branches due to capacity constraints.

123. One key item to be addressed is intergovernment fiscal relation. The devolution of certain powers and responsibilities to local government has rarely been accompanied by adequate financial autonomy or resources. As a rule, local governments can neither receive locked-in funding from the center on a predictable basis nor have the power to effectively mobilize sufficient funds at the local level. While this is most often due to a general lack of resources, it has created distress and could cause political problems if not addressed.

#### **g. Corruption**

124. Corruption seems a significant issue for all countries in the region. Transparency International and the World Bank rank Central Asia as one of the worst areas in the world in this area, and recent court cases in the United States have reinforced the negative view of the region's leaders in this regard. The perception of the population at large is that corruption is pervasive and is most prevalent in the police, the judiciary, and the tax and customs services. An important step to dealing with the sources of corruption would be to pay civil servants a decent wage, which would probably only be affordable if the governments were to undertake a targeted retrenchment program in overstaffed parts of the civil service. Establishment of independent, trusted ombudsmen with broad powers has also been recommended to countries in the region.

#### **h. Participation of Civil Society and NGOs**

125. In most countries there still weaknesses in independent media; free and fair elections; freedom of speech, association, and movement; access to information; and fair treatment without recourse to gender, ethnicity, religion, or area of origin. Particular challenges exist in creating religious freedoms in environments where this could potentially encourage extremism, and in encouraging public debate when resources for even basic needs are scarce.

#### **i. Management of Regional Resources**

126. The depletion of the Aral Sea, the imbalance between both water and energy supply and demand nationally and seasonally, and the significant differences between countries in terms of arable land and deposits of minerals, metals, and natural gas are important regional issues that impinge on governance. These issues create understandable concerns about sovereignty, the importance of balancing relative national and regional needs and aspirations, and environmental management concerns that spread beyond the region itself. Similarly, managing cross-border movement of people and goods and services is a difficult governance issue. On the one hand, restrictions to cross-border movement hinder interregional trade and seasonal labor migration, which is critical for economic growth in this landlocked area. On the other hand, there are concrete concerns about drug trafficking, terrorism, and refugee issues. Regional groupings

have begun to address these issues, but without both solid technical analysis and supranational engagement, the problems could precipitate intraregional conflicts.

### **3. Role of ADB in Addressing Governance Issues**

127. ADB has been engaged in various aspects of governance support for the countries in the region. Institutional strengthening with a governance dimension has been incorporated in a large number of TA projects and loans, particularly in agriculture, water management, energy, infrastructure, education, health, and the financial sector. The majority of engagement has been in the form of TA grants.

128. However, ADB has also provided substantial TA for more specific governance work. These TAs have focused on the following areas: aid coordination and management, as well as related budgeting matters (all countries); planning capacity strengthening of central agencies (Kazakhstan, Kyrgyz Republic, Mongolia); various aspects of poverty reduction strategy preparation and monitoring (all countries), governance assessment studies (Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan); judicial reforms (Kyrgyz Republic); local government capacity building (Kazakhstan, Mongolia); and accounting and legal professional development (Kyrgyz Republic, Mongolia, Tajikistan.) Loans have been provided to Mongolia for governance reform in two phases and provincial town service development in two phases. Two program loans and one TA loan provided to the Kyrgyz Republic included sizeable components for judicial reforms, but otherwise focused on corporate governance.<sup>19</sup>

### **4. Role of Other Development Partners**

129. Along with individual country-specific programs, donors are active regionally in a few areas. Among these donors are World Bank, UNDP, IMF, USAID, the Netherlands, EU, OSCE, and Canada. Their interventions are concentrated in local government initiatives, work to develop economic and social legislation, development of the media and public-private dialogue, enhancement of government capacity for planning and budgeting, and documentation and improvement of the courts.

130. In the local governance area, a multidonor group including the Council of Europe, OECD, the World Bank Institute, USAID, the Open Society Institute represented by the Local Government and Public Service Reform Initiative, the Ministry of the Interior, Denmark, the Ministry of Foreign Affairs, Italy, the Canadian International Development Agency and UNDP are providing support to FSU countries (including all countries in Central Asia and also Azerbaijan) in local government development through the fiscal decentralization initiative. This involves support of analytical research and development of solutions for improvements in local government fiscal policy and management, and training and other capacity building activities for a better implementation of local government policies and management.

### **5. Donor Assistance Strategy**

131. Reforms are needed to fill the gaps identified in all the seven areas listed above and continued donor assistance is needed in all the CARs.

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<sup>19</sup> The areas of corporate governance and financial sector governance are covered by the regional financial sector assessment. ADB has been intensively involved in corporate governance reforms (Kyrgyz Republic, Mongolia, Tajikistan, Uzbekistan), and financial sector governance reforms (Kyrgyz Republic, Mongolia, Uzbekistan).

132. ADB—given its comparative advantages and previous activities—may consider engagement in (i) strengthening the judiciary, (ii) improving public financial management and audit, (iii) strengthening core functions of central government agencies, (iv) enhancing reforms of local government, and (v) facilitating regional agreements on border trade and natural resource management.

133. The main areas where other development partners may consider engagement include (i) continued support for civil service reforms in general, (ii) facilitating anti-corruption policies, (iii) strengthening the legislative branch of government, and (iv) supporting engagement and partnership between government and NGOs.

134. One key issue for designing donor assistance strategy is the role of regional projects vs. national ones. On the one hand, all the countries in the region have a recently shared history and commonality of problems and can thus learn from each other as they tackle these problems. This would suggest a case for regional projects that can achieve economies of scale and learning synergies. On the other hand, even if the issues are similar from a diagnostic point of view, not each area has a regional dimension from an implementation point of view. Countries have by now developed their approaches to these problems and may like to have their own national projects and their own timetable. The issue has to be decided on a case-by-case basis.

**Table A9.5: List of Governance Related TAs Provided by ADB <sup>20</sup>**

TA No.	Title
<b>Azerbaijan</b>	
3661	Capacity Building for Strategic Economic Policy Formulation in the Ministry of Finance
3664	Capacity Building for Poverty Data Analysis
3788	Preparation of the Medium-Term National Poverty Reduction Strategy
4087	Capacity Building for Medium-Term Poverty Reduction Strategy Implementation
<b>Kazakhstan</b>	
2419	Aid Coordination and Management
3550	Preparing a Comprehensive Medium-Term Poverty Reduction Strategy (JSF)
3747	Governance Study and Capacity Building for Administrative Reform
4046	Enhancing the Public Investment Programming Database System
4072	Capacity Building of National and Local Governments to Implement the Poverty Reduction Program
4190	Supporting Local Government Reforms (Cofinanced by the Governance Cooperation Fund)
4191	Strengthening Government Program Performance (Cofinanced by the Governance Cooperation Fund)

<sup>20</sup> Without corporate governance and financial sector governance related TA, which are covered by ADB's Regional Private Sector Assessment.



<b>Kyrgyz Republic</b>	
2876	Strengthening the Economic Policy Making and Monitoring Capabilities of the Prime Minister's Office
3204	Strengthening Aid Coordination and Management
3249	Strengthening Capacity in the Office of the President
3382	Strengthening Capacity in the Ministry of Finance for Financial Management and Planning of the Public Investment Program
3458	Support to the National Strategy for Poverty Reduction
3505	Preparing the Second Phase of the Corporate Governance and Enterprise Reform Program
3658	Governance Assessment Study for Sound Development Management and Poverty Reduction
3767	Strengthening Capacity of the Ministry of Finance for Financial Management and Planning of the Public Investment Program (Phase II)
3996	Strengthening the Capacity to Manage and Monitor Externally Assisted Projects
<b>Mongolia</b>	
1930	Developing Mongolia's Legal Framework
2069	Strengthening State Strategic Planning and Coordination in National Development Board
2390	Improving Accounting and Auditing Systems
2549	Institutional Support for Local Government and Decentralization (Phase I)
2571	CES Accounting and Financial Management Systems Improvement
2606	Strengthening the Taxation System
2659	Restructuring and Staff Rationalization
2683	Strengthening the National Poverty Alleviation Program
2769	Institutional Strengthening of the Local Government and Decentralization (Phase II)
2868	Initial Phase of Civil Service Reforms
2931	Program Preparation for Governance Reforms
2964	Improving Accounting and Auditing Systems
2967	Retraining Legal Professionals in a Market Economy
2990	Analyzing Development Issues in Mongolia
2993	Capacity Building in Project Accounting
3031	Development of Procurement Legislation and Guidelines
3316	Initial Phase of Public Administration Reform
3317	Public Expenditure Management
3318	Study of Central-Local Government Aspects of Reform Implementation
3628	Establishment of a Central Procurement Monitoring Office
3685	Preparing the Integrated Development of Basic Urban Services in Secondary Towns (JSF)
3811	Improving Aid Coordination and Management
3913	Capacity Building for Accounting and Auditing Professionals
3920	Strengthening Public Sector Administration and Financial Management
3948	Capacity Building for Integrated Regional Development Planning
4077	Retraining of Legal Professionals in a Market Economy II

<b>Tajikistan</b>	
3238	Disseminating Laws and Strengthening the Legal Information System
3564	Develop a National Poverty Reduction Strategy
3694	Governance Assessment-Sound Development Management Study
3719	Building a Poverty Monitoring Mechanism
3754	Support for Facilitating Sustainable Project Benefits
<b>Uzbekistan</b>	
2771	Improving Aid Coordination and Management
3190	Improving Aid Coordination and Management (Phase II)
3726	Building Research and Analytical Capability for Structural Reforms

## **G. Poverty Assessment in Central Asia**

### **1. Poverty Profile and Its Determinants**

135. Ten years after transition, poverty incidence in the region remains high. It is highest in Tajikistan where 96% of the population lives below the poverty line. Poverty incidence is 47.6% in Kyrgyz Republic and 28.4% in Kazakhstan. Using the \$2.18/day international poverty line, poverty incidence estimates are lower but the ranking remains the same: Tajikistan 65.4%, the Kyrgyz Republic 17.9%, and Kazakhstan 15.3%. In most of these countries, transient poverty incidence (or the ratio of the population whose incomes are just above the poverty threshold) is high, implying the high risk of the major populace in sliding back to poverty.

136. Since mid-1990s, there was a general reduction in poverty incidence, regardless of the poverty line used, i.e., national or international. The inequality among the poor, indicated by poverty severity, also decreased in Kazakhstan and the Kyrgyz Republic suggesting that the poor are not getting poorer. Rural poverty incidence increased in the Kyrgyz Republic but dropped in urban areas.

137. One of the outcomes of 10 years of transition is the worsening of income inequality in the region. All three indicators—the Gini, percentile, and quintile ratios—indicated the same trend.

138. The poverty profile in the region is characterized by large households with many children, headed by a less educated person living in rural or disadvantaged regions. The three demographic characteristics are the strongest factors increasing poverty risk in the region and are associated with each other. More children in a household raises poverty risk because it reduces the chance of females joining the labor force, and hence there are fewer earning adults in a household.

139. Poverty incidence is higher in the rural areas and it is particularly pronounced in Tajikistan and Kyrgyz.

140. Poverty incidence is also higher in certain regions exacerbated by the poverty-environment nexus. The degradation of the Aral Sea Basin has affected arable land in Kyzlorda, one of the poorest regions in Kazakhstan. Two of the poorest regions in Uzbekistan—Karakalpakstan and Khorezm—are at the tail-end of the major irrigation command areas. Increased salinity of arable land has lowered agricultural yields in the two regions.

141. Gender is not a significant determinant of poverty in CA except in Mongolia and in the lowest income quintile in Tajikistan. The bias against women in labor markets post transition, is suggestive of wage discrimination, but poor quality and incomplete data make it difficult to isolate and attribute pay gaps to gender discrimination.

142. The loss of employment and income, the erosion of purchasing power, and the declining and inefficient use of public funds for basic social goods and services were the main causes of increase in poverty in the initial years of transition. Labor markets are characterized by (i) structural imbalances due to the inability of the educational system to respond to the demands of an emerging market economy and (ii) market rigidities caused by poor housing facilities and poor physical transport infrastructure. There is an urgent need to reform the entire educational system in the region to become more responsive to the demand for new skills. There are also cross-border labor problems because highly skilled labor has migrated out of the region. In Kazakhstan, there is an additional problem of illegal labor migration, mainly from the CIS countries.

143. Growth in the resource-based industries explains why poverty reduction was low. Resource-based industries are capital intensive and employment generated is minimal. Growth is narrow, the gains accrue to a few sectors, and income inequality grows. Kazakhstan and Turkmenistan have experienced this trend.

## **2. Poverty Reduction Programs**

144. The key features of poverty reduction programs<sup>21</sup> can be grouped into more or less six major components and all poverty programs have common key components but differ in terms of targets and strategies. All countries emphasize growth as key to poverty reduction. Some common strategies are (i) pursuing balanced regional growth, (ii) using the private sector as the main creator of employment, and (iii) using rural development and/or agricultural growth as key to reducing poverty. The Kyrgyz Republic stands out as the only country, which has given priority to regional cooperation to facilitate growth through investments. Tajikistan is adopting an export-oriented strategy to increase its trade. Social policy is strong in all countries due to their common legacy of state planning and there is a general recognition of improving the delivery of basic primary health care services and basic education is a must.

145. Most governments lack financial as well as the human resources to implement their poverty reduction agenda as shown by weak financial components of their poverty programs. Given the vast coverage of the poverty programs and the resources required—both financial and human—the international donor community has an important role to play in pushing the poverty agenda. Most donor activities are coordinated around the Poverty Reduction Strategy Program (PRSP) of the individual countries and there are conscious efforts to link all projects to poverty reduction. Four major donors—the World Bank, IMF, EBRD, and ADB—launched the CIS-7 initiative to bring attention to the 7 low-income CIS countries. ADB's focus on Central Asia is through its Central Asia Regional Economic Cooperation (CAREC) Program, which aims to promote growth through regional cooperation.

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<sup>21</sup> Tajikistan completed its national poverty reduction strategy program (NPRSP) in 2002, which eventually became the Poverty Strategy Program (PRSP). Azerbaijan and the Kyrgyz Republic completed their NPRSP and PRSP in 2003. The Kazakhstan's NPRSP was done in 2002, while the Government of Uzbekistan is currently drafting its Living Standard Strategy.

### **3. Suggested Areas for ADB Actions**

146. Future directions in poverty reduction should focus on: (i) investment in human and physical capital to improve productivity and reduce poverty; (ii) priority to programs focused on women aimed at reducing the number of children, addressing reproductive health issues, and easing women's double burden of nurturing children and earning income for the family; (iii) encouraging balanced growth in nonresource sectors to reduce income inequality; and (iv) strong social policy accompanied by efficient use of public funds.

147. Regional cooperation should focus on activities where there are substantial economies of scale at the regional level and where domestic activities generate externalities at the regional level. Regional cooperation should help build sociopolitical reform consensus to serve as models for member countries to emulate. Policy reversals are more difficult once policies are formed at the regional level. Regional cooperation should foster growth by encouraging trade with non-CAR countries because the potential for intraregional trade is limited in terms of regional purchasing power relative to those of developed economies. Lastly, regional cooperation needs regional institutions in the long run and ADB can encourage, early on, the creation of regional institutions. One example is the establishment of an administrative/regulatory body to manage the shared resources and serve as a model for member countries on building market institutions.

148. Lastly, ADB should assemble and/or maintain a database for the CARs, specifically in the area of poverty indicators. There are at present many database networks that gather periodic information. For example, the TRANSMONEE and the Child INFO databases, both developed by United Nations Children's Fund (UNICEF), are rich sources of poverty-related statistics. Similarly, the living standard method surveys developed by the World Bank and implemented by the national statistics agencies in most CARs can be tapped. A central database system should be established using existing database networks and used not only by international donors but, more importantly, by these countries for track their performance in key poverty indicators such as poverty headcount ratios, infant and maternal mortality rates, and access to safe drinking water and sanitation.

## **H. Private Sector**

### **1. Background**

149. All CARs recognize the crucial role of and accord a high priority to private sector development as a means to achieving rapid and inclusive growth. For that purpose, these governments have adopted programs of privatization as well important market-oriented reforms such as liberalizing prices and trade, providing private firms with special tax privileges, simplifying commercial dispute resolution mechanisms, improving access to subsidized finance, and reducing the regulatory burden.

150. Initially, privatization was the main driver for private sector growth within CAR economies. Houses and small firms were privatized quite rapidly, whereas there has been relatively little progress on privatizing large state-owned enterprises (SOEs) in the industrial, transport, communication, power, and water sectors. There has also been very little privatization in agriculture, with the main exceptions being Kyrgyz Republic—permitted private ownership of land in 1998—and Turkmenistan in which long-term leases are given to private farmers with the provision for full ownership if output targets are achieved. The Kyrgyz Republic's land privatization scheme was made subject to a five-year moratorium. Kazakhstan is now in the

process of privatizing state land holdings, but Tajikistan has only provided farmers with nontradable land use rights and Uzbekistan retains full state ownership of land. Countries such as Tajikistan and Uzbekistan have allowed partial leases of farm property.

151. Kazakhstan and the Kyrgyz Republic have made the most progress privatizing small enterprises, and to a lesser extent large enterprises. The Kyrgyz Republic used vouchers to transfer ownership to the private sector and this did not provide enterprises with new management, or an infusion of new technology and capital, which helped cause the privatization program to stall in 1998 following the Russian crisis. Kazakhstan used direct sales to divest SMEs. This approach has been more successful, but only limited progress has been made on the restructuring and divestment of large SOEs.

152. FDI has been the most important component of private investment, and it has been focused on greenfield operations, typically in the natural resource sector. FDI has been promoted by enacting special legislation that provides foreign investors with tax breaks and special guarantees. Governments have also signed international agreements such as the New York Convention that provides for international arbitration, and entered into a wide range of bilateral tax treaties and regional agreements governing trade and investment. Uzbekistan has been pursuing an import substitution policy, and has been providing guarantees, tax breaks, and preferential access to bank finance and foreign currency to foreign private investors that meet investment development criteria. In other CARs, tax breaks and guarantees are not usually limited to specific industries and are negotiated on a case-by-case basis.

153. Small firms are typically offered special tax breaks under a system of "patents" where they are levied a flat tax but constrained as to the number of staff that they can employ. SMEs are being provided with direct financial assistance that is supported by funds borrowed from IFIs such as ADB and World Bank that are onlent through SME credit lines administered by local banks. Apart from Turkmenistan, all governments in the region are developing microcredit facilities to help mobilize funds for the poor. In countries such as Tajikistan, the government is also providing budget funds that are onlent at concessionary rates to SMEs.

154. The other primary areas where private-sector reforms are occurring are reducing corruption and the regulatory burden for firms. In countries such as Tajikistan, a black-book reporting system has been developed to prevent corruption in the taxation department. In Uzbekistan, a hotline has been put in place at the Ministry of Justice, where businesses can call if they feel that they are not being treated fairly by government officials. In The Kyrgyz Republic, an investment matrix has been developed in consultation with the private sector to eliminate government regulations impeding private sector operations. In Uzbekistan, a "one-stop shop" has been established to simplify and speed up the company registration process for new businesses.

## **2. Issues and Challenges**

155. With these ongoing efforts, the private sector's share of GDP has increased dramatically since independence and it currently ranges from approximately 65% of GDP in Kazakhstan to 25% in Turkmenistan, 60% in the Kyrgyz Republic, 50% in Tajikistan, and 45% in Uzbekistan. However, most progress is connected with privatization rather than private-sector investment. The most significant private sector investments that have occurred since independence have been enclave developments in mining and petroleum, regulated by concession agreements. There has been little foreign investor interest outside the natural resource sector, apart from a small number of joint ventures in countries such as Tajikistan to process cotton for export, and a

small number of investments such as the UzDaewoo car factory in Uzbekistan and cotton processing and textile plants in Turkmenistan which have substantial EBRD and JBIC investments. This raises the issues of why private investment is so low, and what the critical impediments to private sector development are.

156. In 2002, the World Bank published a World Business Environment Survey (WBES) that encompassed a survey of 10,000 firms in 80 countries, and presented the findings by region. WBES findings indicate that even by developing country standards, constraints in the CAR associated with excessive taxes and regulation, inability to access finance, policy instability, and inflation are very severe. Corruption and exchange rate volatility are broadly comparable to other developing countries.

157. While the WBES is only one survey, the findings are broadly confirmed by other studies such as the World Bank and EBRD's Business Environment and Enterprise study (BEEPS) (1999 and 2002).

158. Many of these constraints are symptoms of more fundamental problems, and it is necessary to look more deeply at the underlying causes—especially in regard to institutional and governance issues—to understand where the actual problems are arising.

#### **a. Policy Instability and Corruption**

159. Policy instability and corruption are functions of problems arising from insufficiently developed institutional and governance arrangements in the public sector. The constant changes in government policy following independence have created problems for private firms seeking to invest, primarily because of the rapidly changing economic and regulatory environment. Corruption is a significant problem in all of the CARs, and it is created by the lack of a clear separation of functions within government, insufficiently transparent reporting arrangements, and poor mechanisms for accountability.

#### **b. Taxes and Regulation**

160. Problems associated with excessive taxes and regulations are derived from the weak institutional and governance arrangements that are in place. Weak governance creates strong incentives for officials to supplement their incomes through rent-seeking, and this, in turn, creates strong incentives for firms to remain in the shadow economy.

161. In a recent study of SMEs in Uzbekistan conducted by IFC, it was discovered that the aggregate tax burden was 23% of gross revenues, indicating that operating margins have to be substantial in order for firms to generate profits.<sup>22</sup> At the same time, many firms are subject to price caps under competition laws, making it impossible for these firms to generate a profit. Further problems are arising because of the large number of national and local taxes in place. More than 20 taxes being levied on firms in The Kyrgyz Republic and 17 on businesses in Tajikistan.

162. Excessive regulations create significant barriers to entry for both SMEs and foreign direct investors. Key problems include complexity of laws, slow and expensive registration and

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<sup>22</sup> International Finance Corporation. 2002. *Business Environment in Uzbekistan As Seen by Small and Medium Enterprises*. Washington, DC.

licensing regulations, and problems of corruption. A survey of state bodies in Tajikistan in 2002 discovered there were almost 700 types of licenses issued by 16 bodies, and seven of these agencies employed separate licensing procedures for residents and nonresidents. Licensing fees ranged from almost zero to \$5,000 for a license for travel and tourism services.<sup>23</sup> The period of review to obtain a license ranged from 3-180 days, and the duration of the license ranged from six months to indefinite, with most licenses ranging from six months to one year.

163. The combination of high taxes and regulations has caused a large proportion of SMEs to enter the shadow economy, which is reported to be as high as 50% of the industrial sector in countries such as The Kyrgyz Republic, Tajikistan, Uzbekistan, and Kazakhstan.

### **c. Competition and Privatization Policies**

164. While most of the CARs have substantially liberalized prices, governments continue to use competition laws to regulate prices based on market share in a wide range of strategic industries.<sup>24</sup> These laws restrict rather than promote competition and private sector investment due to policies of setting prices at below cost, and limiting the ability of companies to diversify markets and products, or merge and achieve economies of scale. These problems have been compounded by regulators' lack of independence from executive policy and ownership functions, and a lack of institutional capability to implement regulations in accordance with market-based concepts.

### **d. Weak Judiciary and Commercial Laws**

165. A critical requirement for private sector investment and the development of the financial sector is an effective commercial legal framework where the judiciary enforces contracts and the laws clearly define property rights and protect investor interests. The weakness of the commercial legal framework in the CAR, and the reluctance of governments to privatize land, has meant SMEs—especially in the agricultural sector—do not have access to collateral needed to support bank finance, and minority shareholders are unwilling to provide equity to companies.

166. A further factor limiting the effectiveness of the financial sector and the ability of firms to access capital and restructure or develop commercial operations is the weak corporate governance arrangements in place. Shareholder voting rights in company laws are often very weak, creating numerous opportunities for insiders such as management and the boards of directors to strip companies of their assets. Another fundamental constraint limiting effective corporate governance is the lack of enforcement of accounting and auditing standards that reflect international norms and the shortage of trained accountants, auditors and commercial property valuers.

### **e. Inability to Access Finance**

167. Poor to access finance is a result of the weak commercial legal system and problems arising in the financial sector. Apart from Kazakhstan, most new commercial banks in the CARs are undercapitalised and burdened with nonperforming loans, and while many of the banks have been privatised, they continue to operate in competition with state banks that have access

<sup>23</sup> In 2001, average annual GDP/head in Tajikistan was only \$167.

<sup>24</sup> For example, in Uzbekistan, the Anti-Monopoly Commission currently administers fixed prices for approximately 390 enterprises and 250 products.

to soft funding. Securities markets are not developed, and SMEs have difficulty accessing bank finance due to a lack of collateral. As a result, economies are typically cash-based, a large proportion of SMEs are operating in the shadow economy, and a high level of barter is occurring in countries such as Tajikistan and Uzbekistan.

#### **f. Poor Quality Infrastructure**

168. Inadequate infrastructure is an important impediment to growth in the CARs and problems are arising from the creation of new national boundaries that cut across the infrastructure designed for regional use. Problems also arise from low tariffs that encourage excessive consumption, and the inability of SOEs to access funding to finance maintenance and new development. These problems are evident in the transport, communication, energy, and water sectors.

#### **g. Regional Constraints to Private Sector Development**

169. Regional economic integration in the CAR is key to the successful development of the private sector. Apart from Turkmenistan and Uzbekistan, other CARs have adopted relatively liberal trade and exchange rate policies. These policies do not appear to be important constraints to PSD and growth. Similar to the within-country constraints to private-sector development, a critical problem limiting economic integration is ineffective institutional and governance arrangements for agencies responsible for customs, tax, product standards, and banking services. Within countries, customs procedures are the most important trade constraint, and a significant amount of donor assistance<sup>25</sup> is being provided on a regional basis to simplify policies and procedures and harmonize them with neighboring countries. Taxation can also be a significant barrier to cross border trade and investment—especially in regard to value-added tax (VAT) credits owed to exporters as these payments are often subject to delays, or where there are substantial differentials in commercial tax rates across countries. Standards organizations are present in all of the CARs, and they are typically a significant source of delays for import shipments. On the export side, standards organizations do not comply with international requirements but usually base themselves on Russian standards. Apart from Kazakhstan, financial institutions in the CARs are weak, lacking capacity to provide financial instruments such as letters of credit. Payment and settlement systems are extremely slow, continuing to be paper-based in countries such as Tajikistan and the Kyrgyz Republic.

170. Poorly maintained and inadequate infrastructure, especially in transport and telecommunications, is leading to substantial time delays and excess costs that limit trade. Because most CARs are landlocked and distances to market are long, road and rail transport are major components of the final cost of export products. The problems of inadequate infrastructure are most acute for Tajikistan—its northern markets can only be accessed through Uzbekistan—and the Kyrgyz Republic, which must transit through Kazakhstan to access the Russian market. A further problem relates to transit fees both within and across countries. These can account for a large proportion of the final costs of exported products.

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<sup>25</sup> ADB has a large customs reform program and the EU has an ongoing Trans-Caucasus Transportation Corridor (TRACECA) project that includes an important customs reform component.



### 3. ADB Operations

171. ADB's intervention in support of private-sector development in Central Asia has encompassed (i) strengthening rural and microfinance institutions; (ii) developing and privatizing farms and agribusinesses; (iii) developing microenterprises and SMEs; (iv) supporting corporate governance and enterprise reform; (v) developing an institutional framework to facilitate competition; (vi) developing financial sectors and capital markets; and (vii) facilitating private sector participation in infrastructure and services.

172. The degree of emphasis among these areas has varied from country to country. In the Kyrgyz Republic, loans have been extended in areas including corporate governance, enterprise restructuring, facilitating private sector participation in road infrastructure, development of microfinance sector, and developing financial and capital markets; TA has played only a supporting role. In Kazakhstan and Uzbekistan, on the other hand, ADB's lending program has been focused mainly on developing rural enterprises, with TAs used for corporate governance reforms; for strengthening the policy, legal, and regulatory framework for the corporate sector; and for developing a new institutional framework to promote competition and capital market development. In Kazakhstan, ADB's lending program in support of private-sector development mainly involved supporting the government's agricultural privatization program, while several stand-alone TAs covered issues such as introducing private sector investment in railway sector, identifying financial institutions that could act as intermediaries in the delivery of finance to SMEs, and policy dialogue on adequate measures to support industrial development and promote private sector development. In Tajikistan, ADB's lending program for private-sector development focused on facilitating SMEs' and microenterprises' access to financial products and providing agricultural support services to the newly-organized privately managed farms by establishing farm machinery units and promoting crop production technologies. TA has been extended to cover broader areas such as (i) strengthening corporate and financial governance in commercial banks, (ii) supporting corporate sector development; (iii) enhancing institutional capacity to undertake enterprise restructuring initiatives; and (iv) formulating reform directions in these areas.

### 4. Role of Other Development Partners

173. Private-sector development in the CARs is a priority area for other development partners. Their areas of concentration are noted below:

- (i) International Monetary Fund (IMF)—macroeconomic policy and, in some countries, taxation policy;
- (ii) World Bank—structural adjustment policy, public sector infrastructure, SME credit lines;
- (iii) International Financial Corporation—SME development and, in some cases, infrastructure investment;
- (iv) EBRD—financial sector development, SME credit lines, and, in some cases, infrastructure investment;
- (v) USAID/EU-TACIS—developing the commercial legal system and strengthening the financial reporting framework; and
- (vi) Aga Khan Foundation—various agriculture and infrastructure projects.

174. Nongovernment organizations have also been very active in the CARs, with 2,000-3,000 operating in the Kyrgyz Republic and approximately 1,300 in Tajikistan. NGOs have primarily concentrated on providing humanitarian aid and supporting SMEs through the provision of TA

and grant-financed microcredits. More than 30 NGOs presently provide this form of assistance in Tajikistan.

## 5. Future Development Assistance Priorities

175. Despite high levels of donor aid and assistance, CARs' economic performance in general and private sector development in particular have been disappointing. There is clearly a need for enhanced initiative to develop market-based institutions and the supporting commercial regulatory and legal framework. Such an approach would imply a change in emphasis. Much greater attention should be placed on developing of effective institutions in the judiciary and the executive, supported by systems of clearly defined and enforceable property rights and secured transaction frameworks; providing banks with credit lines should follow. Greater importance also needs to be attached to developing independent regulators, to setting tariffs at full cost recovery, and to developing effective management and financial reporting systems that help create a track record of profitability, before privatisation of large SOEs responsible for monopoly infrastructure. Taxation reforms also need to be accorded much more importance, and this should be coupled with reforms in government, especially in regard to financing of departments through the budget, and delivering social support through budget-financed income transfers rather than subsidised services provided by loss-making SOEs. Similarly, regulatory evaluation frameworks need to be strengthened to minimise the potential for excessive regulation. Such interventions could be made at the national and regional levels.

176. ADB's lending and TA pipeline continues to focus on broad-based market development for assisting private-sector development.

- (i) In Uzbekistan, ADB's lending pipeline will continue to support policy reform with complementary financial assistance to enhance the competitiveness of the private sector, particularly SMEs. The third SME development project, planned for 2005, intends to revitalize and diversify Uzbekistan's SMEs, and to improve the policy, legal, and regulatory framework for this sector. The corporate governance and enterprise reform program (standby in 2006) will support sound policy and legal environment for corporate governance, as well as sequencing the privatization program and foreign and private sector investment policies. The second textbook development project (2004) includes a component that will consider changes in policy and business practices aimed at accelerating competition and privatization in the textbook industry. The education development project (2006) will fund key reforms, including encouraging public-private partnerships in education. The 2004 TA pipeline includes the TA for agriculture sector strategy, which will undertake a comprehensive sector assessment, including an in-depth analysis of policy areas such as investment incentives for the private sector.
- (ii) In the Kyrgyz Republic, related projects in the pipeline include the financial sector program II (2005), which will (i) strengthen the financial sector regulatory framework and its enforcement, (ii) promote consolidation of the banking sector, and (iii) develop the capital market to expand the investor-horizon for attracting investments to viable Kyrgyz enterprises. The third education project (2005) aims to promote the private sector's role in delivering education services. The TA on enforcement of financial and private-sector legislation (2005) seeks to increase confidence of the business community in the judiciary by supporting reforms leading to greater efficiency and transparency.

- (iii) In Kazakhstan, significant projects in the pipeline include the regional rural development project (2005), which will develop appropriate regional and rural development plans, including the identification of desired private sector investments. This project is also expected to deepen reforms that will promote rural private investment. The TA for financial sector governance in Kazakhstan (2004) aims to address numerous barriers that impede the development of a sound, transparent, and competitive business environment.
- (iv) In Tajikistan, future activities in support of private-sector development in Tajikistan include the rural enterprise development project (2006), which aims to (i) create an enabling environment for farm and nonfarm enterprises, (ii) provide capacity-building for enterprise development, and (iii) develop rural finance services to support working capital and investment financing. A piggybacked TA is expected to strengthen development services for private enterprises.

### CONCEPT PAPERS FOR LENDING PRODUCTS

This appendix contains the concept papers for the following lending products:

- (i) Table A10.1: Southern Transport Corridor Road (Osh-Sary Tash-Irkeshtan) Project, Phase I and II
- (ii) Table A10.2: Regional Road Development Project
- (iii) Table A10.3: Aktau-Atyrau Road Rehabilitation
- (iv) Table A10.4: Regional Customs Modernization and Infrastructure Development Project (Tajikistan)
- (v) Table A10.5: Regional Customs Modernization and Infrastructure Development Project (Kyrgyz Republic)
- (vi) Table A10.6: Dushanbe-Kyrgyz Border Road Rehabilitation Project, Phase II
- (vii) Table A10.7: Central Corridors Road Improvement I (Azerbaijan)
- (viii) Table A10.8: Regional Railways Development Project
- (ix) Table A10.9: Borovoe-Kokshetau-Petropavlovsk Road Rehabilitation Project
- (x) Table A10.10: Regional Customs Border Posts Infrastructure (Kyrgyz Republic)
- (xi) Table A10.11: Regional Gas Transmission Improvement Project in the CARs, Phase I and II
- (xii) Table A10.12: Regional Traffic Enhancement Project
- (xiii) Table A10.13: Regional Railways Improvement / North Tajik Modernization and Improvement Project (Tajikistan)

**Table A10.1: Southern Transport Corridor Road Project (Osh-Sary-Tash-Irkeshtan)  
Phase I and II  
Concept Paper**

**Date: 21 July 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input type="checkbox"/> Institutional development</p> <p><input type="checkbox"/> Other:</p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport and Communication Subsector: Roads and Highways</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p><input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p><input checked="" type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible Division/Department:</b> Transport and Communications Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB Officer(s):</b> J. Miller</p>								
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The Project will rehabilitate the sections of the Andizhan-Osh-Irkeshtam-Kashgar road passing through the southern Kyrgyz Republic. The road, which links the PRC and Uzbekistan, needs rehabilitation to allow effective use of this international transport corridor. Increased trade and communication along this route will improve relations among PRC, Kyrgyz Republic, and Uzbekistan, as well as generate economic benefits in all three. The route is likely to have extraregional transport potential as well. TA 6024-REG: Regional Cooperation in Transport Projects in Central Asia has studied cross-border issues,</p>								

financing modes, and regional coordination and dialogue (including establishing a regional working group) to facilitate preparation and implementation of this project.

**b. Goal and purpose:** To promote economic growth by increasing regional trade and cooperation by rehabilitating the road linking Andijan, Uzbekistan; Osh, Kyrgyz Republic; and Kashgar, PRC.

**c. Components and outputs:** The project will include civil works for rehabilitation, consulting services for project implementation, institutional strengthening and policy reform, and purchase of equipment for road maintenance.

**d. Expected results and deliverables:** Rehabilitation of the road, increased levels of regional trade and traffic, and improved road maintenance financing and practices.

**e. Social or environmental issues or concerns:** No environmental and social assessment of the project has been undertaken yet.

**f. Plans for disseminating results/deliverables:** To be determined

**7. Proposed Executing/Implementing Agencies:** Ministry of Transport and Communication of the Kyrgyz Republic, PRC, and Uzbekistan

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** A regional working group is being formed under TA 6024-REG, and meetings will begin in October 2002.

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2003

b. Expected date of submission for approval

Lending: 2004

Nonlending (project preparatory):

Nonlending (other than project preparatory): 2004

c. Period and duration of assistance

Lending: 2005–2008

Nonlending:

**10. Financing Plan**

a. For lending

☐ Ordinary capital resources:

☒ Asian Development Fund: \$25 million

☐ Other:

Anticipated cofinancing of about \$5 million, source not yet identified; also grant financing of about \$7.2 million has been offered by the PRC Government to improve road sections near the PRC-Kyrgyz border (on Kyrgyz side).

Source	Amount (\$)
ADB Financing	\$25 million
Government Financing	\$5.1 million
Other Financing	\$12.2 million
<b>Total Cost</b>	<b>\$42.3 million</b>

Source: Project Processing Information System (PPIS)

b. For nonlending

☐ No resources required, other than ADB staff

☐ ADB's administrative budget

☒ Grant TA funds (Capacity Building for Regional Road Planning attached to Southern Transport Corridor Road Rehabilitation Project)

☐ Other:

<b>Source</b>	<b>Amount (\$)</b>
ADB Financing	\$600,000
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

ADB = Asian Development Bank, CSP = country strategy and program, PRC = People's Republic of China, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A10.2: Regional Road Development Project  
Concept Paper**

**Date: April 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <input type="checkbox"/> Economic, thematic, and sector work  <input checked="" type="checkbox"/> Institutional development  <input type="checkbox"/> Other:         </p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Transport and Communication          Subsector: Roads and Highways</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>								
<p><b>4. Responsible Division/Department:</b> Transport and Communications Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB Officer(s):</b> H. Wang</p>								
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Mongolia's north-south road corridor, which extends from Altanbulag at the Russian border in the north through Ulaanbaatar to Zamyn-Uud at the PRC border in the south, is the main road corridor linking Russia and the PRC through major economic centers of Mongolia. This corridor constitutes a part of the Asian highway network as defined by UNESCAP. Improvement of this road corridor, which will promote faster, safer, and more reliable road transport, is essential not only to achieving sustainable economic growth in Mongolia, but also to fostering regional and international transit traffic. The Government of Mongolia has accorded improvement of this corridor high priority. Support for developing this road corridor is consistent with the Asian Development Bank (ADB)'s Country Strategy and Program for Mongolia and its effort for promoting regional cooperation.</p>								



To date, ADB has provided two loans totaling \$50 million to Mongolia for developing this road corridor. The first loan was approved in 1995 for rehabilitating selected sections between Ulaanbaatar and Altanbulag. This project was completed in 2001 and has been rated as highly successful. The second loan was approved in 1999 to develop the road section between Nalaih (the southern outskirts of Ulaanbaatar) and Choyr. The project is ongoing and expected to be completed in 2004.

**b. Goal and purpose:** The goal of the Project is to promote regional cooperation and sustainable economic growth in Mongolia. The purpose of the Project is to complete Mongolia's north-south road transport corridor to link the Asian highway networks of the PRC and Russia. The Project will (i) increase Mongolia's access to world markets, (ii) improve efficiency of domestic and international transit traffic, and (iii) foster economic and social development in the project area.

**c. Components and outputs:** The Project comprises five components: (i) construction of 428 km of a two-lane, asphalt concrete road between Choyr and the PRC border in Zamyn-Uud; (ii) implementation of a cross-border road transport facilitation plan; (iii) implementation of an area development program that includes (a) constructing four access roads totaling 34 km to connect Erdene, Orgon, and Saynshand; (b) establishing a pilot roadside station; (c) training local laborers on road construction and maintenance; and (d) enhancing stakeholder participation; (iv) road safety improvement, and (v) TA for awareness and prevention of HIV/AIDS and human trafficking on the north-south road.

**d. Expected results and deliverables:** The Project will (i) build the remaining section of Mongolia's main north-south road corridor between Choyr and the PRC border in Zamyn-Uud, four access roads, and a pilot roadside station; (ii) improve road safety; (iii) facilitate road transport across the Mongolian-PRC border; (iv) create job and income opportunities in the project area; and (v) promote greater awareness of and take preventive measures against HIV/AIDS and human trafficking on the north-south road corridor.

**e. Social or environmental issues or concerns:** No major environmental and social issues are anticipated at this stage.

**f. Plans for disseminating results/deliverables:** Not applicable

**7. Proposed Executing/Implementing Agencies:** Department of Roads

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Extensive consultations were held with the Government, civil society, local communities, and other external aid agencies during project preparation. The consultations revealed a high degree of public support for the Project. Stakeholder participation and consultation will continue during project implementation under the area development component. The Government will provide counterpart funds during project implementation.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2004
- b. Expected date of submission for approval
  - Lending: 2004
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): 2004
- c. Period and duration of assistance{s}
  - Lending: 2004–2009
  - Nonlending: 2004–2008

**10. Financing Plan**

- a. For lending
  - ☐ Ordinary capital resources:
  - ☒ Asian Development Fund: \$37.1 million
  - ☒ Other: Counterpart, \$15.6 million; cofinancing, \$25.4 million

Source	Amount (\$)
ADB Financing	\$37.1 million
Government Financing	\$15.6 million
Other Financing	\$25.4 million
<b>Total Cost</b>	<b>\$78.1 million</b>

Source: PPIS

b. For nonlending

- ☐ No resources required, other than ADB staff  
☐ ADB's administrative budget:  
☒ Grant TA funds  
☐ Other:

If cofinancing is required, indicate sources, and amount sought: \$23.9 million expected from the Republic of Korea and \$1.5 million from the PRC.

Source	Amount (\$)
ADB Financing	\$350,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CSP = country strategy and program, km = kilometer, PRC = People's Republic of China, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A10.3: Aktau-Atyrau Road Rehabilitation  
Concept Paper**

**Date: February 2004**

<p><b>1. Type/Modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work  <input checked="" type="checkbox"/> Institutional development  <input type="checkbox"/> Other:         </div> </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Transport and Communications          Subsector: Roads and Highways</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input type="checkbox"/> Governance  <input type="checkbox"/> Gender and development         </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability  <input type="checkbox"/> Regional cooperation  <input type="checkbox"/> Private sector development         </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p> <input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible Division/Department:</b> Transport and Communications Division, East and Central Asia          Department</p>		
<p><b>5. Responsible ADB Officer(s):</b> P. Seneviratne</p>		
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The proposed Transport Corridor Europe Caucasus Asia network includes the Atyrau-Aktau part of the north-south transport corridor extending from India and the Persian Gulf to northwest Kazakhstan and the Russian Federation. Kazakhstan's national road development program is also developing the road from Bejneu (midway on the Atyrau-Aktau road) to the Uzbekistan border, thereby creating an international corridor from Bishkek to Moscow.</p> <p><b>b. Goal and purpose:</b> Upgrade about 900 km of road from Atyrau and Aktau ports to link two major development centers in Kazakhstan and facilitate interregional trade by creating a transit corridor from the People's Republic of China to the Russian Federation via Kazakhstan, Kyrgyz Republic, and Uzbekistan.</p> <p><b>c. Components and outputs:</b> Upgrade and repair about 900 km of road and related infrastructure and</p>		

provide TA to manage infrastructure maintenance and traffic safety.

**d. Expected results and deliverables:** Road rehabilitation will lessen travel time and vehicle operating costs, and increase safety and security of travel. Approximately 900 km of road will be upgraded to international standards with uniform traffic control devices.

**e. Social or environmental issues or concerns:** None.

**f. Plans for disseminating results/deliverables:** Not applicable

**7. Proposed executing/implementing agencies:** Ministry of Transport and Communications (MOTC)/Committee of Roads (COR)

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** CSP Mission's discussions with MOTC, COR, and Ministry of Finance.

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2002

b. Expected date of submission for approval

Lending: 2004

Nonlending (project preparatory): 2003

Nonlending (other than project preparatory): 2004

c. Period and duration of assistance

Lending: 2004–2007

Nonlending: 2005

**10. Financing Plan**

a. For lending

☒ Ordinary capital resources: \$55 million

☐ Asian Development Fund:

☒ Other: \$150 million

EBRD, \$100 million. Total costs \$180 million: ADB, \$50 million; other, \$100 million; Government, \$30 million.

Source	Amount (\$)
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ADB Financing	\$55 million
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Government Financing	
----------------------	--

Other Financing	
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<b>Total Cost</b>	
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Source:

b. For nonlending

☐ No resources required, other than ADB staff

☐ ADB's administrative budget:

☒ Grant TA funds: \$150,000 for the PPTA and \$450,000 for the attached TA

☐ Other:

Source	Amount (\$)
--------	-------------

ADB Financing	\$150,000 for the PPTA and \$450,000 for the attached TA
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Government Financing	
----------------------	--

Other Financing	
-----------------	--

<b>Total Cost</b>	
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Source:

ADB = Asian Development Bank, CSP = country strategy and program, EBRD = European Bank for Reconstruction and Development, km = kilometer, PPTA = project preparatory technical assistance, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A10.4: Regional Customs Modernization and Infrastructure Development Project  
(Tajikistan)  
Concept Paper**

**Date: April 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p><input checked="" type="checkbox"/> Project loan</p> <p><input type="checkbox"/> Program loan</p> <p><input type="checkbox"/> Sector loan</p> <p><input type="checkbox"/> Sector development program loan</p> <p><input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p><input type="checkbox"/> Project preparatory</p> <p><input checked="" type="checkbox"/> Other than project preparatory</p> <p><input type="checkbox"/> Economic, thematic, and sector work</p> <p><input checked="" type="checkbox"/> Institutional development ADTA</p> <p><input type="checkbox"/> Other:</p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Industry and Trade Subsector: Trade</p> <p>b. For project preparatory and lending, classification</p> <p><input type="checkbox"/> Core poverty intervention</p> <p><input type="checkbox"/> Poverty intervention</p> <p><input type="checkbox"/> Other</p> <p>c. Key thematic area(s) Themes:</p> <table border="0"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p><input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible Division/Department:</b> Governance, Finance and Trade Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB Officer(s):</b> J. Liang</p>								
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Supporting regional economic cooperation to promote sustainable economic growth and poverty reduction is a key objective of ADB's operations. Facilitating trade, especially cross-border trade, has been a focus of ADB's program in the region since 1997. Despite the progress during the past decade, considerable barriers to trade continue to exist. Since 2000, ADB's trade facilitation has focused on the potential for customs modernization and cooperation. In 2002, program loans to support policy reforms for trade facilitation and customs modernization in Tajikistan and the Kyrgyz Republic were launched in</p>								

parallel with PPTAs aimed to assess needs, and financial and economic analysis of investments in computerization, customs equipment, and infrastructure to prepare for investment loans. Processing of investment loans is subject to successful implementation of policy and institutional reforms under the program loans and completion of the PPTAs.

**b. Goal and purpose:** The goal is to improve efficiency of the customs operations in order to facilitate trade and improve revenue collection. This has been supported by program loans in 2002 for policy and institutional reforms to facilitate trade and modernize customs. The proposed project will build on those reforms and finance investments in border infrastructure development, and information and communication technology for automated customs services.

**c. Components and outputs:** The project loans will support investments in infrastructure, equipment, and information and communication technology to modernize the Tajik customs services. The PPTA launched in 2002 will provide a detailed assessment of hardware and software needs and identification of the best options from a cost-benefit perspective. The project will conduct prioritized investment activities for automated customs services, border infrastructure, and equipment at priority border posts and processing points.

**d. Expected results and deliverables:** Improved operational efficiency resulting from an automated customs service with simplification of clearance and control procedures. Coordination among customs, tax, the Ministry of Finance, and other relevant agencies, will be strengthened. The details of the investment to be financed under the loan will be determined upon completion of the PPTAs.

**e. Social or environmental issues or concerns:** No social and environmental assessment of the project has been undertaken yet.

**f. Plans for disseminating results/deliverables:** not applicable

**7. Proposed Executing/Implementing Agencies:** Ministry of State Revenues and Duties

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Major stakeholders such as traders' association will be consulted during the project design and the proposed investment project is expected to strengthen the responsiveness of customs administration to the needs of stakeholders and private-public partnership in trade facilitation.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2002
- b. Expected date of submission for approval
  - Lending: 2004
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): 2004
- c. Period and duration of assistance
  - Lending: 32 years
  - Nonlending: 3 years

**10. Financing Plan**

- a. For lending
  - ☐ Ordinary capital resources:
  - ☒ Asian Development Fund: \$10 million
  - ☐ Other:

Source	Amount (\$)
ADB Financing	\$10 million
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

b. For nonlending

- ☐ No resources required, other than ADB staff  
☐ ADB's administrative budget:  
☒ Grant TA funds  
☐ Other:

Source	Amount (\$)
ADB Financing	\$500,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CSP = country strategy and program, PPTA = project preparatory technical assistance, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A10.5: Regional Customs Modernization and Infrastructure Development Project  
(Kyrgyz Republic)  
Concept Paper**

**Date: April 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input checked="" type="checkbox"/> Other than project preparatory  <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work  <input checked="" type="checkbox"/> Institutional development ADTA  <input type="checkbox"/> Other:           </div> </p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the            Sector: Industry and Trade            Subsector: Trade</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input checked="" type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)            Themes:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input checked="" type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input checked="" type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p> <input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input checked="" type="checkbox"/> Internal policy development         </p>								
<p><b>4. Responsible Division/Department:</b> Governance, Finance &amp; Trade Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB Officer(s):</b> J. Liang</p>								
<p><b>6. Description of Assistance(s)</b></p> <p>a. <b>Background/linkage to country/regional strategy:</b> Promotion of international trade is an integral part of ADB's pro-poor growth strategy for poverty reduction. Trade facilitation is critical to enable DMCs in Central Asia to overcome landlocked situations, broaden their production base, and gain access to the international markets. Among all the agencies involved in trade facilitation, customs administration is the most important because of its dual function of trade facilitation and control of illicit trade. Customs administrations must observe good governance practices and maintain operational efficiency to carry out the dual function. Recognizing this, ADB launched a Regional Trade Facilitation and Customs Cooperation Program (RTFCCP) Loan on 29 October 2002 to:</p>								



- (i) strengthen governance and transparency, and improve institutional capacity of customs administrations;
- (ii) strengthen the legal and regulatory framework for customs administrations in line with international standards and conventions,
- (iii) improve customs administrations' operational efficiency to facilitate trade and enhance revenue collection; and
- (iv) develop an effective mechanism for cooperation among the region's customs administrations.

The proposed investment loan is an integral part of the RTFCCP.

- b. Goal and purpose:** The objective of the proposed investment loan will complement and reinforce ADB's program loan support and regional customs cooperation initiative by upgrading IT and physical infrastructure. Specifically the proposed loan will improve customs administration's operational efficiency, strengthen communication with all the border agencies and thus their capacity in revenue collection and anti-smuggling, and participate effectively in regional customs cooperation.
- c. Components and outputs:** Tentatively the proposed investment loan will finance the following components: (i) development of an open and integrated IT infrastructure to automate customs declaration, support modern customs practices such as risk management and post-entry audit, and improve coordination with all border agencies and thus its capacity in revenues collection and anti-smuggling; (ii) limited physical infrastructure development in key border posts to complement IT infrastructure development. The components will be firmed up based on the needs-assessment conducted under the PPTA.
- d. Expected results and deliverables:** The project will (i) promote growth and help integrate the country into the world economy by enhancing customs efficiency in trade facilitation, (ii) strengthen customs integrity by reducing the discretionary powers of the customs officers in the process of customs clearance, and (iii) expand the country's ability to participate in regional customs cooperation particularly in areas of transit and data and intelligence sharing.
- e. Social or environmental issues or concerns:** The IT component will help further streamline customs services and thus may have impact on the overall staff strength including potential staff redeployment. Physical infrastructure development on customs posts is expected to be limited and no social and environmental issues (such as resettlement) are envisaged.
- f. Plans for disseminating results/deliverables:** Public consultation will be conducted with all the stakeholders and donor agencies involved in customs modernization.

**7. Proposed Executing/Implementing agencies:** Department of Customs Services under the Committee for Revenues of the Ministry of Finance

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Major stakeholders such as traders' association will be consulted during the project design and the proposed investment project is expected to strengthen the responsiveness of customs administration to the needs of stakeholders and private-public partnership in trade facilitation.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2004
- b. Expected date of submission for approval
  - Lending: 2004
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): 2004
- c. Period and duration of assistance
  - Lending: 2004–2008
  - Nonlending: 2004–2006

**10. Financing Plan**

## a. For lending

- ☐ Ordinary capital resources:  
☒ Asian Development Fund: \$5 million  
☐ Other:

Source	Amount (\$)
ADB Financing	\$5 million
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

## b. For nonlending

- ☐ No resources required, other than ADB staff  
☐ ADB's administrative budget:  
☒ Grant TA funds  
☐ Other:

Source	Amount (\$)
ADB Financing	\$500,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A10.6: Dushanbe-Kyrgyz Border Road Rehabilitation Project (Phase II)  
Concept Paper**

**Date: 21 July 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <input type="checkbox"/> Economic, thematic, and sector work  <input type="checkbox"/> Institutional development  <input type="checkbox"/> Other:         </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Transport and Communication          Subsector: Roads and Highways</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input checked="" type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input type="checkbox"/> Governance  <input type="checkbox"/> Gender and development         </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability  <input checked="" type="checkbox"/> Regional cooperation  <input type="checkbox"/> Private sector development         </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input checked="" type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible Division/Department:</b> Transport and Communications Division, East and Central Asia Department</p>		
<p><b>5. Responsible ADB Officer(s):</b> J. Miller</p>		
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The Project will continue the rehabilitation of key transport corridor linking Tajikistan to the Kyrgyz Republic and on to the PRC, in particular, the section from km 140 to Nimich (km 217). The project road provides the primary link between the Rasht Valley and Dushanbe. The project area was the scene of heavy fighting during Tajikistan's civil war in the mid-1990s, and has a poverty incidence estimated at about 90%. The project road will eventually connect to Sary Tash in the Kyrgyz Republic, and thus to the Osh-Sary Tash-Irkeshtam road corridor. The project is consistent with the regional strategy as it will assist in infrastructure rehabilitation, support poverty reduction and economic growth, and improve governance through policy reform.</p>		

**b. Goal and purpose:** To reduce poverty and increase regional trade and cooperation by rehabilitating the road linking Dushanbe in Tajikistan, to Sary Tash in the Kyrgyz Republic.

**c. Components and outputs:** The Project will include civil works for rehabilitation of about 77km of the road from Dushanbe to Kyrgyz border and about 100km of rural roads, consulting services for project implementation, associated Advisory and Operational Technical Assistance for institutional strengthening and policy reform, and purchase of equipment for road maintenance.

**d. Expected results and deliverables:** Rehabilitation of the Dushanbe-Kyrgyz border road and rural roads; improved road maintenance financing and practices.

**e. Social or environmental issues or concerns:** No environmental and social assessment of the Project has been undertaken yet.

**f. Plans for disseminating results/deliverables:** To be determined.

**7. Proposed Executing/Implementing Agencies:** Ministry of Transport

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

The Ministry of Transport and other relevant institutions (including local governments for the rural roads) will be involved in the project design.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2003
- b. Expected date of submission for approval
  - Lending: 2005
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory):
- c. Period and duration of assistance
  - Lending: 2005–2008
  - Nonlending:

**10. Financing Plan**

- a. For lending
  - ☐ Ordinary capital resources:
  - ☒ Asian Development Fund: \$23 million
  - ☐ Other:

Anticipated cofinancing of about \$5 million, source not yet identified.

Source	Amount (\$)
ADB Financing	\$23 million
Government Financing	
Other Financing	\$5 million
<b>Total Cost</b>	

Source:

- b. For nonlending
  - ☐ No resources required, other than ADB staff
  - ☐ ADB's administrative budget:
  - ☒ Grant TA funds
  - ☐ Other:

<b>Source</b>	<b>Amount (\$)</b>
ADB Financing	\$500,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, AOTA = advisory and operational technical assistance, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A10.7: Central Corridor Roads Improvement I  
Concept Paper**

**Date:** July 2004

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <input type="checkbox"/> Economic, thematic, and sector work  <input type="checkbox"/> Institutional development  <input type="checkbox"/> Other:         </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Transportation and Communication          Subsector: Roads and highways</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input checked="" type="checkbox"/> Other         </p> <p>c. Key thematic areas</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input type="checkbox"/> Governance  <input type="checkbox"/> Gender and development             </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability  <input checked="" type="checkbox"/> Regional cooperation  <input type="checkbox"/> Private sector development             </td> </tr> </table> <p style="margin-left: 20px;">Subthemes: Fostering Physical Infrastructure Development</p>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p> <input checked="" type="checkbox"/> Country Azerbaijan    <input type="checkbox"/> Subregional    <input checked="" type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible division/department:</b> Transport and Communications Division, East and Central Asia Department</p>		
<p><b>5. Responsible ADB officer:</b> H. Wang</p>		
<p><b>6. Description of assistances</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Given Azerbaijan's geographic location in the Caucasus region, adequate road infrastructure is of vital importance to ensure efficient trade flows and, thereby, balanced development of the economy. The road subsector is one of the four areas designated for ADB assistance in the Azerbaijan Country and Strategy Program Update (2004–2006) and the Interim Operational Strategy (2000). The central corridor highway between Baku, Azerbaijan's capital city, on the Caspian Sea, and the Georgian border, about 500 km long, and is the main access route for import and export of goods to and from Azerbaijan. It is Azerbaijan's portion of the trans-Caucasian corridor between the Caspian and Black seas, and of the main link in the proposed revival of the Silk Road. Sections of this road are now being rehabilitated by international funding agencies, including the World Bank, European Bank for Reconstruction and Development (EBRD), Islamic Development Bank, and others. The project contributes to ADB's overall strategy in Azerbaijan</p>		

of reducing poverty through enhanced economic growth. It is also in line with the second component of ADB's strategy, helping to correct imbalanced growth.

**b. Goal and purpose:** The project will contribute to the expansion of trade and transport services by improving the central corridor highway between Baku and Tbilisi, Georgia, which is currently in a dilapidated condition. It will also contribute to improved management of the transport sector.

**c. Components and outputs:** The Project will rehabilitate the Yevlakh-Ganja segment (88.3 kms) of the Baku-Tbilisi highway and provide connector roads in the adjoining districts. ADB's policy dialogue in the sector will address topics such as enhancing the policy-making and regulatory capacity of the Ministry of Transport, improving road safety, reducing vehicle emissions, and introducing private participation, especially in road maintenance and the financing of road projects. The project will include civil works for rehabilitation, consulting services for project implementation, institutional strengthening and policy reform, and possibly purchase of equipment for road maintenance.

**d. Expected results and deliverables:** Rehabilitation of the Yevlakh-Ganja segment of the Baku-Tbilisi highway, as well as connector roads. Implementation of policy reforms.

**e. Social or environmental issues or concerns:** The following issues would be addressed: (i) likely negative or positive impacts of the projects on indigenous people, (ii) involuntary resettlement effects of the project, and (iii) mitigation of potential adverse environmental impacts. Additional issues to be determined during the PPTA.

**f. Plans for disseminating results/deliverables:** To be determined.

**7. Proposed executing/implementing agencies:** Ministry of Transport

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Discussions have been held with the Cabinet of Ministers, Ministry of Economic Development, and Ministry of Transport on identifying the section of the road to be rehabilitated by the project. In addition, discussions have been led with other funding agencies involved the corridor, including World Bank, EBRD, Islamic Development Bank, and OPEC Fund for International Development. Beneficiary consultations will be carried out during the PPTA.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2001
- b. Expected date of submission for approval
  - Lending: First Half 2005
  - Nonlending (project preparatory): 2004
  - Nonlending (other than project preparatory):
- c. Period and duration of assistance{s}
  - Lending: 2005–2009
  - Nonlending: 2004, 4 months

**10. Financing**

## a. For lending

- ☒ Ordinary capital resources: \$22 million  
☐ Asian Development Fund: \$  
☐ Other: \$

If cofinancing is required, indicate amount and sources sought: \$25 million.

Source	Amount (\$)
ADB Financing	22.0 million
Government Financing	15.7 million
Other Financing	25.0 million
<b>Total Cost</b>	<b>62.7 million</b>

Source: ADB estimates.

## b. For nonlending

- ☐ No resources required, other than ADB staff  
☐ ADB's administrative budget: \$  
☒ Grant TA funds: \$400,000 (TASF)  
☐ Other:

If cofinancing is required, indicate amount and sources sought: \$\_\_\_\_, from \_\_\_\_\_.

If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance, TASF = technical assistance special fund.



**Table A10.8: Regional Railways Development Project  
Concept Paper**

**Date: February 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input checked="" type="checkbox"/> Other than project preparatory  <span style="margin-left: 20px;"><input type="checkbox"/> Economic, thematic, and sector work</span>  <input checked="" type="checkbox"/> Institutional development  <input type="checkbox"/> Other:         </p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector(s): Transport and Communication          Subsector(s): Railways</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p> <input checked="" type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>								
<p><b>4. Responsible Division/Department:</b> Transportation and Communication Division/East and Central Asia Department</p>								
<p><b>5. Responsible ADB Officer(s):</b> M. Parkash</p>								
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> ADB has two ongoing projects with Uzbekistan Railways, which is rehabilitating the main line from Chengeldy to the Khodjadavlet, which passes through Tashkent, Djizzak, Samarkand, and Bukhara.</p> <p><b>b. Goal and purpose:</b> The goal is to facilitate regional cooperation and economic growth in the region by developing and rationalizing the railway network and promoting reliable, safer, faster, and more accessible transportation.</p> <p><b>c. Components and outputs:</b> The Project will further ADB's program of railway network development in the region and in Uzbekistan. The Project will help the Government improve sector efficiency to meet the transportation needs of the domestic economy and international traffic. This will also continue ADB's support for</p>								

sound sector policy to facilitate market-based transport management and operations.

**d. Expected results and deliverables:** To be defined after receipt of the interim report of PPTA for Railway Development Project. Overall, the Project will improve the transport infrastructure particularly the railway infrastructure, and promote regional traffic of people and goods between Afghanistan, Tajikistan, and Uzbekistan.

**e. Social or environmental issues or concerns:** This will be assessed during the PPTA and the adverse social or environmental impacts will be satisfactorily mitigated.

**f. Plans for disseminating results/deliverables:** To be developed during project preparation

**7. Proposed Executing/Implementing Agencies:** Uzbek Railway Company (UTY)

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**  
The concept will be developed in close consultations with the Cabinet of Ministers, UTY.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2003
- b. Expected date of submission for approval  
Lending: 2005  
Nonlending (project preparatory):  
Nonlending (other than project preparatory): 2005 (Furthering Policy Reforms in Railway Sector)
- c. Period and duration of assistance  
Lending: To be defined during project preparation  
Nonlending:

**10. Financing Plan**

- a. For lending
  - ☒ Ordinary capital resources: \$20 million
  - ☐ Asian Development Fund:
  - ☐ Other:

Source	Amount (\$)
ADB Financing	\$20 million
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

- b. For nonlending
  - ☐ No resources required, other than ADB staff
  - ☐ ADB's administrative budget:
  - ☒ Grant TA funds
  - ☐ Other:

Source	Amount (\$)
ADB Financing	\$500,000 ADTA
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country strategy and program, PPTA = project/program preparatory technical assistance, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A10.9: Borovoe-Kokshetau-Petropavlovsk Road Rehabilitation Project  
Concept Paper**

**Date: February 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input checked="" type="checkbox"/> Other than project preparatory  <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work  <input checked="" type="checkbox"/> Institutional development  <input type="checkbox"/> Other: {specify}           </div> </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Transport and Communications          Subsector: Roads and Highways</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input type="checkbox"/> Governance  <input type="checkbox"/> Gender and development         </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability  <input checked="" type="checkbox"/> Regional cooperation  <input type="checkbox"/> Private sector development         </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p> <input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible division/department:</b> Transport and Communications Division, East and Central Asia Department</p>		
<p><b>5. Responsible ADB officer(s):</b> P. Seneviratne</p>		
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The first internationally financed road development project in Kazakhstan, which was part of the principal north-south road from Almaty to Petropavlovsk on the Russian Federation border, was prepared and financed by ADB in 1996. The project paved the way for more external involvement in the road transportation sector and interest in completing the link, as it is also a major thoroughfare for trade between East and Southeast Asia and Europe. Rehabilitation of many sections between Almaty and Barovoe are either complete or under way. The Government is seeking to rehabilitate the remaining section from Barovoe to Petropavlovsk.</p> <p><b>b. Goal and purpose:</b> Complete upgrading the main north-south road corridor; once completed, the road will facilitate fast, reliable, and safe domestic and international passenger and freight transportation</p>		

<p><b>c. Components and outputs:</b> Upgrading and repairing about 233 km of road and related infrastructure, and providing TA to reduce non-tariff barriers such as vehicle standards, access to traffic and investment restrictions</p> <p><b>d. Expected results and deliverables:</b> Road rehabilitation will lessen travel time and vehicle operating costs, and increase safety and security of travel. Approximately 233 km of road will be upgraded to international standards with uniform traffic control devices.</p> <p><b>e. Social or environmental issues or concerns:</b> None.</p> <p><b>f. Plans for disseminating results/deliverables:</b> Not applicable</p>																				
<p><b>7. Proposed Executing/Implementing Agencies:</b> Ministry of Transport and Communications (MOTC)/Committee of Roads (COR)</p>																				
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> CSP Mission's discussions with MOTC, COR and Ministry of Finance</p>																				
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2002</p> <p>b. Expected date of submission for approval            Lending: 2005            Nonlending (project preparatory):            Nonlending (other than project preparatory): 2004</p> <p>c. Period and duration of assistance{s}            Lending: 2004–2006            Nonlending: 2005</p>																				
<p><b>10. Financing Plan</b></p> <p>a. For lending</p> <div style="margin-left: 20px;"> <input checked="" type="checkbox"/> Ordinary capital resources: \$40 million  <input type="checkbox"/> Asian Development Fund:  <input type="checkbox"/> Other:          Islamic Development Bank, \$9.5 million; Government, \$62.5 million.       </div> <table style="margin-left: 150px; margin-top: 10px; width: 60%;"> <thead> <tr> <th style="text-align: left;">Source</th> <th style="text-align: left;">Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing</td> <td>\$40 million</td> </tr> <tr> <td>Government Financing</td> <td>\$62.5 million</td> </tr> <tr> <td>Other Financing</td> <td>\$9.5 million</td> </tr> <tr> <td><b>Total Cost</b></td> <td></td> </tr> </tbody> </table> <p style="margin-left: 150px;">Source:</p> <p>b. For nonlending</p> <div style="margin-left: 20px;"> <input type="checkbox"/> No resources required, other than ADB staff  <input type="checkbox"/> ADB's administrative budget:  <input checked="" type="checkbox"/> Grant TA funds  <input type="checkbox"/> Other:       </div> <table style="margin-left: 150px; margin-top: 10px; width: 60%;"> <thead> <tr> <th style="text-align: left;">Source</th> <th style="text-align: left;">Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing</td> <td>\$500,000</td> </tr> <tr> <td>Government Financing</td> <td></td> </tr> <tr> <td>Other Financing</td> <td></td> </tr> <tr> <td><b>Total Cost</b></td> <td></td> </tr> </tbody> </table> <p style="margin-left: 150px;">Source:</p>	Source	Amount (\$)	ADB Financing	\$40 million	Government Financing	\$62.5 million	Other Financing	\$9.5 million	<b>Total Cost</b>		Source	Amount (\$)	ADB Financing	\$500,000	Government Financing		Other Financing		<b>Total Cost</b>	
Source	Amount (\$)																			
ADB Financing	\$40 million																			
Government Financing	\$62.5 million																			
Other Financing	\$9.5 million																			
<b>Total Cost</b>																				
Source	Amount (\$)																			
ADB Financing	\$500,000																			
Government Financing																				
Other Financing																				
<b>Total Cost</b>																				

ADB = Asian Development Bank, CSP = Country Strategy and Program, Km = kilometer, RCSP = Regional Cooperation Strategy and Program, TA = technical assistance.

**Table A10.10: Regional Customs Border Posts Infrastructure  
Concept Paper**

**Date:** 18 May 2004

<p><b>1. Type/modality of assistance</b> (double-click on appropriate box)</p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work  <input checked="" type="checkbox"/> Institutional development  <input type="checkbox"/> Other:         </div> </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Industry and Trade          Subsectors: Trade</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input checked="" type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic areas</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input checked="" type="checkbox"/> Governance  <input type="checkbox"/> Gender and development         </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability  <input checked="" type="checkbox"/> Regional cooperation  <input checked="" type="checkbox"/> Private sector development         </td> </tr> </table> <p>ADB estimates.</p>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input checked="" type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input checked="" type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p> <input checked="" type="checkbox"/> Country                      <input type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input checked="" type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible division/department:</b> Governance, Finance, and Trade Division, East and Central Asia Department</p>		
<p><b>5. Responsible ADB officer:</b> J. Liang</p>		
<p><b>6. Description of assistances</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Promotion of international trade is an integral part of ADB's pro-poor growth strategy for poverty reduction. Trade facilitation is critical to enable developing member countries in Central Asia to overcome the problems of being landlocked, broaden their production base, and access international markets. Among the agencies involved in trade facilitation, customs administrations stand out as the most important because they also control illicit trade, particularly smuggling and drug trafficking. Customs administrations must practice good governance and maintain operational efficiency to carry out their dual function. Recognizing this, ADB launched a comprehensive Regional Trade Facilitation and Customs Cooperation Program (RTFCCP) on 29 October 2002 to (i)strengthen governance and transparency and improve institutional capacity of</p>		

customs administrations, (ii) strengthen the legal and regulatory framework for customs administrations in line with international standards and conventions, (iii) improve customs administrations' operational efficiency to facilitate trade and enhance revenue collection, and (iv) develop an effective mechanism for cooperation among the region's customs administrations.

The program has been carried out in a phased manner in light of the complexity and long process of customs reforms and modernization. The investment loan is an integral part of the RTFCCP and represents phase III of ADB's support for customs reforms and modernization, following program loan support in 2002 and project loan support for automation of customs services scheduled for 2004.

**b. Goal and purpose:** The project's objective will complement and reinforce the ongoing reforms and modernization, and strengthen customs' trade facilitation and control functions through enhanced border-post infrastructure conditions and efficiency of customs services. By rearranging border-post facilities in line with modern customs practices and providing adequate border-post infrastructure, the project will facilitate trade, including transit trade of neighboring countries, and enable the country to participate in regional customs cooperation initiatives.

**c. Components and outputs:** Tentatively the project will finance the following components: (i) construction and rehabilitation of border posts to improve working conditions (including rehabilitation of parking areas and installation of basic utilities); (ii) reorganization and provision of border-post facilities to strengthen customs' processing capacity and facilitate trade in line with modern customs control practices (including provision of small equipment such as post barriers and road signs, information boards, and traffic separation booths); (iii) provision of limited mobile intervention equipment and special customs equipment to strengthen patrol capacity and prevent smuggling and drug trafficking (including provision of appropriate vehicles for patrols, metal detectors, and small X-ray machines with a conveyor belt); and (iv) training in and institutional strengthening of risk management-based modern customs practices, intelligence gathering, and use of special customs equipment. The project components will be firmed up based on the ongoing preparatory work.

**d. Expected results and deliverables:** The project will (i) reduce time for border clearance and, therefore, the cost of cross-border trade; (ii) enhance staff morale by improving working conditions; (iii) reduce smuggling and drug trafficking and thus enhance revenue collection and reduce the social impact of illicit trade; (iv) reduce corruption and improve relationships with the trade community through modern customs practices and enhanced customs integrity; and (v) promote regional customs cooperation through data sharing and consultation while enhancing and reorganizing border-post facilities.

**e. Social or environmental issues or concerns:** No major environmental social issues are envisaged as civil works are done on the premises of customs border posts.

**f. Plans for disseminating results/deliverables:** Training and public consultation will be conducted with stakeholders and donor agencies involved in customs modernization. Experience and lessons learned from the project will be disseminated through the ADB-sponsored Regional Customs Cooperation Program.

**7. Proposed executing/implementing agency or agencies:** Customs Services Department, Ministry of Finance

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Relevant Government agencies and stakeholders such as traders' associations will be consulted during project design to maximize the project benefit of trade facilitation. Customs administrations of neighboring countries will also be consulted in the case of rehabilitation and reorganization of major border-post facilities.

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: CSP Update for 2005-06.

b. Expected date of submission for approval

Lending: 2005

Nonlending (project preparatory):

Nonlending (other than project preparatory): 2005 (While attached TA is not included in the CSPU, cofinancing will be sought to provide training and capacity building for project implementation.)

c. Period and duration of assistance

Lending: 2006—2010

Nonlending: 2006-2008

**10. Financing Plan**

## a. For lending

- ☐ Ordinary capital resources:  
☒ Asian Development Fund: \$ 2.5 million  
☐ Other:

If cofinancing is required, indicate amount and sources sought: \$ \_\_\_\_\_, from \_\_\_\_\_.

If known, provide cost estimates and financing arrangements.

Source	Amount (\$ million)
ADB Financing	2.500
Government Financing	0.625
Other Financing	
<b>Total Cost</b>	<b>3.125</b>

Source: ADB estimates.

## b. For nonlending

- ☐ No resources required, other than ADB staff  
☐ ADB's administrative budget:  
☐ Grant TA funds  
☒ Other: \$400,000 (potentially from the EU Tacis)

If cofinancing is required, indicate amount and sources sought: \$ \_\_\_\_\_, from \_\_\_\_\_.

If known, provide cost estimates and financing arrangements.

Source	Amount (\$'000)
ADB Financing	
Government Financing	
Other Financing	400.0
<b>Total Cost</b>	<b>400.0</b>

Source: ADB estimates.

ADB = Asian Development Bank, CSP = country strategy and program, EU = European Union, EU-Tacis = European Union-Technical Assistance to Commonwealth of Independent States, RCSP = regional cooperation strategy and program, RTFCCP = Regional Trade Facilitation and Customs Cooperation Program, TA = technical assistance.

**Table A10.11: Regional Gas Transmission Improvement Project in the CARs  
Phase I and II  
Concept Paper**

**Date: 21 July 2004**

<b>1. Type/Modality of Assistance</b>  <input checked="" type="checkbox"/> Lending <input checked="" type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> Other:  <input checked="" type="checkbox"/> Nonlending <input checked="" type="checkbox"/> Project preparatory <input type="checkbox"/> Other than project preparatory <input type="checkbox"/> Economic, thematic, and sector work <input type="checkbox"/> Institutional development <input type="checkbox"/> Other:
<b>2. Assistance Focus</b>  a. If assistance focuses on a particular sector or subsector, specify the Sector: Energy Subsector: Transmission and Distribution  b. For project preparatory and lending, classification <input type="checkbox"/> Core poverty intervention <input type="checkbox"/> Poverty intervention <input type="checkbox"/> Other  c. Key thematic area(s) Themes: <input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development
<b>3. Coverage</b>  <input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development
<b>4. Responsible Division/Department:</b> Transport and Communications Division, East and Central Asia Department
<b>5. Responsible ADB Officer(s):</b> E. Hassing
<b>6. Description of Assistance(s)</b>  <b>a. Background/linkage to country/regional strategy:</b> Natural gas is the predominant energy source in the CARs, and the extensive pipeline network in the region reflects its importance. However, inadequate infrastructure and lack of financial resources for exploiting natural gas resources and increasing operations are major hurdles to developing these resources for promotion of regional economic growth. Further policy and institutional arrangements need to be introduced and implemented to ensure that intercountry trade in energy including gas is consistent with market-oriented principles and practices. The natural gas sector represents a considerable potential for increasing regional cooperation in Central Asia, in particular among Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. This will help the region export more of its energy



meeting their own energy needs economically and efficiently. Promoting energy trade is a key area of ADB's regional assistance program as endorsed by the governments at the Ministerial Conference held in March 2002.

**b. Goal and purpose:** The goal is to promote sustained economic growth through regional cooperation in the CARs by eliminating technical and institutional bottlenecks and other barriers to the efficient operation and flow of natural gas, energy trade, and rational use of the transmission system linking them. The Project will encourage efficient natural gas trade in the region, and facilitate wider access to modern energy.

**c. Components and outputs:** The Project will rehabilitate and modernize the gas transmission network in the CARs, and improve the regional policy, institutional, and regulatory environment. Given the complexity of the issues, especially the number of countries involved and policy and institutional arrangements needed for improvement, the Project will adopt a phased approach to enable it to yield tangible benefits as building blocks for further cooperation. Turkmenistan is unlikely to participate in phase I of the Project, as it has focused on developing an export route through Afghanistan. Consultation with the governments is continuing.

**d. Expected results and deliverables:** Increased economic exchange of gas between the countries.

**e. Social or environmental issues or concerns:** To be assessed by ongoing PPTA.

**f. Plans for disseminating results/deliverables:** The ADB web site, regional conferences, and wide circulation among governments and development partners.

**7. Proposed Executing/Implementing Agencies:** Gas transmission company in each country

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** Energy is a key focus of ADB regional assistance, confirmed by the participating governments at the Ministerial Conference held in March 2002. The Conference also gave endorsement to this Project. Further regional consultation meetings will be held while the PPTA is ongoing.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2002
- b. Expected date of submission for approval
  - Lending: first phase in 2006
  - Nonlending (project preparatory): Phase II 2005
  - Nonlending (other than project preparatory):
- c. Period and duration of assistance
  - Lending: To be further assessed.
  - Nonlending:

**10. Financing Plan**

- a. For lending
  - ☒ Ordinary capital resources: \$25 million (Uzbekistan)
  - ☒ Asian Development Fund: \$29.8 million (Tajikistan/Kyrgyz Republic)
  - ☐ Other:

Source	Amount (\$)
--------	-------------

ADB Financing	
Government Financing	
Other Financing	

**Total Cost**

Source:

- b. For nonlending
  - ☐ No resources required, other than ADB staff
  - ☐ ADB's administrative budget:
  - ☒ Grant TA funds
  - ☐ Other:

<b>Source</b>	<b>Amount (\$)</b>
ADB Financing	\$800,000
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

ADB = Asian Development Bank, CAR = Central Asian republic, CSP = country strategy and program, PPTA = project preparatory technical assistance, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A10.12: Regional Traffic Enhancement Project  
Concept Paper**

**Date: August 2003**

<p><b>1. Type/Modality of Assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <input type="checkbox"/> Economic, thematic, and sector work  <input type="checkbox"/> Institutional development  <input checked="" type="checkbox"/> Other: RETA         </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Transport and Communication          Subsector: Roads and Highways</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input type="checkbox"/> Governance  <input type="checkbox"/> Gender and development             </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability  <input checked="" type="checkbox"/> Regional cooperation  <input checked="" type="checkbox"/> Private sector development             </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible Division/Department:</b> Transport and Communications Division, East and Central Asia Department</p>		
<p><b>5. Responsible ADB Officer(s):</b> M. Parkash</p>		
<p><b>6. Description of Assistance(s)</b></p> <p>a. <b>Background/linkage to country/regional strategy:</b> Central Asia, a region with strategic location and abundant resources, is flanked by Russia in the north, the People's Republic of China, and Mongolia in the east, Europe on the west, and Afghanistan and Iran in the south. Situated along the famous ancient Silk Road, the region is a historical land bridge between the east and the west (the PRC to Europe) and north and the south (Indian Ocean and Persian Gulf to Russia and Baltics). However, after the breakup of Russia, the new political existence is defining the need for these countries to cooperate on a variety of regional issues. The countries realize that their future is intertwined and they need to coordinate to solve their common problems and optimize the use of shared resources.</p>		

<p>To facilitate the flow of traffic and trade among the countries in the region, cross border facilities, including infrastructure and facilitation procedures, should be developed. Standardization and upgrading of the facilities will greatly enhance the transportation and trade both within the region and beyond the region. Such initiatives will provide an opportunity for sustainable economic and social development, promote economic diversification, and strengthen the regional cooperation and collaboration. The countries to be covered will include Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.</p>													
<p>b. <b>Goal and purpose:</b> The objectives of the RETA are to study and critically evaluate the existing interchange facilities (rail, road, and intermodal options included) and the facilitation measures at each of the borders, identify the potential investments required to develop these common facilities at the interchange points between these countries, and recommend policy support for such initiatives.</p>													
<p>c. <b>Components and outputs:</b> The components of the RETA include (i) comprehensive analysis of the current status of the cross-border facilities (rail and road) and the procedures; (ii) preparation of an inventory of the facilities (rail, road, and intermodal) at each of the border crossings; (iii) preparation of an investment plan for the development of infrastructure and facilities at the interchange point; (iv) recommendation of policy support for ensuring growth in regional traffic; and (v) dissemination of the findings with the stakeholders.</p>													
<p>d. <b>Expected results and deliverables:</b> At the end of the RETA, ADB will have a comprehensive plan for the development of facilities and infrastructure at the interchange points among the various countries in the region. The study will also identify the potential investments that need to be supported in the region for improving the cross border transport and facilitation and relate them to the potential economic benefits. The study will also identify the opportunities for various stakeholders including the private sector.</p>													
<p>e. <b>Social or environmental issues or concerns:</b> No environmental and social assessment of the Project has been undertaken yet.</p>													
<p>f. <b>Plans for disseminating results/deliverables:</b> To be determined</p>													
<p><b>7. Proposed executing/implementing agencies:</b> ADB will be the executing agency.</p>													
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b></p>													
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2003</p> <p>b. Expected date of submission for approval  Lending: 2006  Nonlending (project preparatory):  Nonlending (other than project preparatory): 2005</p> <p>c. Period and duration of assistance  Lending:  Nonlending: To be determined</p>													
<p><b>10. Financing Plan</b></p> <p>a. For lending  <input checked="" type="checkbox"/> Ordinary capital resources: \$40 million  <input checked="" type="checkbox"/> Asian Development Fund: \$10 million  <input checked="" type="checkbox"/> Other: \$50 million</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Source</th> <th style="text-align: right;">Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing</td> <td></td> </tr> <tr> <td>Government Financing</td> <td></td> </tr> <tr> <td>Other Financing</td> <td></td> </tr> <tr> <td><b>Total Cost</b></td> <td></td> </tr> <tr> <td colspan="2">Source:</td> </tr> </tbody> </table> <p>b. For nonlending  <input type="checkbox"/> No resources required, other than ADB staff  <input type="checkbox"/> ADB's administrative budget:</p>		Source	Amount (\$)	ADB Financing		Government Financing		Other Financing		<b>Total Cost</b>		Source:	
Source	Amount (\$)												
ADB Financing													
Government Financing													
Other Financing													
<b>Total Cost</b>													
Source:													

<input checked="" type="checkbox"/> Grant TA funds
<input type="checkbox"/> Other:

Source	Amount (\$)
ADB Financing	\$600,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CAR = Central Asian republic, CSP = country strategy and program, PRC = People's Republic of China, RETA = regional technical assistance, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A10.13: Regional Railway Improvement/North Tajik Modernization  
and Improvement Project  
Concept Paper**

**Date: April 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input checked="" type="checkbox"/> Other than project preparatory  <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work  <input checked="" type="checkbox"/> Institutional development  <input type="checkbox"/> Other:           </div> </p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector(s): Transport and Communication          Subsector(s): Railways</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p> <input checked="" type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>								
<p><b>4. Responsible Division/Department:</b> Transport and Communications Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB Officer(s):</b> M. Parkash</p>								
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> ADB has been associated in the development of the road sector in Tajikistan. This will be the first railway project that includes the rehabilitation and electrification of about 108 km of railway line, from Bekhabad to Khanebadam in Tajikistan. This is a transit route for Uzbekistan linking the central, western, and southern part of Uzbekistan to the Fergana Valley.</p> <p><b>b. Goal and purpose:</b> The goal is to facilitate regional cooperation and economic growth in the region by developing and rationalizing the railway network and promoting reliable, safer, faster, and more accessible transportation.</p>								

**c. Components and outputs:** The Project will further ADB's program of railway network development in Tajikistan and the region. The Project will help the Government improve sector efficiency to meet the transportation needs of the domestic economy and international traffic. This will also continue ADB's support for sound sector policy to facilitate market-based transport management and operations.

**d. Expected results and deliverables:** The Project will improve the transport infrastructure, particularly the railway infrastructure, and promote regional traffic of people and goods between Uzbekistan, Tajikistan, and Kyrgyz Republic.

**e. Social or environmental issues or concerns:** The project scope includes rehabilitation and electrification. The adverse social or environmental impacts will be satisfactorily mitigated.

**f. Plans for disseminating results/deliverables:** To be developed during project preparation.

**7. Proposed Executing/Implementing Agencies:** Tajik Rail

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**  
The concept will be developed in close consultations with the Ministry of Transport, Tajikistan.

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2003

b. Expected date of submission for approval  
Lending: 2006  
Nonlending (project preparatory):  
Nonlending (other than project preparatory):

c. Period and duration of assistance  
Lending: To be defined during project preparation  
Nonlending:

**10. Financing Plan**

- a. For lending
- ☐ Ordinary capital resources: to be determined
  - ☒ Asian Development Fund: \$20 million
  - ☐ Other: .

Source	Amount (\$)
ADB Financing	\$20 million
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

- b. For nonlending
- ☐ No resources required, other than ADB staff
  - ☐ ADB's administrative budget:
  - ☒ Grant TA funds
  - ☐ Other:

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country strategy and program, PPTA = project/program preparatory technical assistance, RCSP = regional cooperation strategy and program, TA = technical assistance.

## CONCEPT PAPERS FOR NONLENDING PRODUCTS AND SERVICES

This appendix contains the concept papers for the following nonlending products:

- (i) Table A11.1: Dushanbe-Kyrgyz Border Road Rehabilitation Project, Phase II
- (ii) Table A11.2: Altai Transport Corridor
- (iii) Table A11.3: Regional Tourism Development
- (iv) Table A11.4: Trade Facilitation and Customs Cooperation Program, Phase II
- (v) Table A11.5: Support for Greater Silk Road Initiative, 2004-2005
- (vi) Table A11.6: Mainstreaming Gender into Poverty Reduction Strategies in CAR
- (vii) Table A11.7: Central Asian Republics Initiative for Land Management (CARILM)
- (viii) Table A11.8: Central Asia Regional Cooperation in Trade, Transport and Transit
- (ix) Table A11.9: Regional Cooperation in Education (Examination and Curriculum Reform in Central Asia)
- (x) Table A11.10: Regional Road Development, Phase I
- (xi) Table A11.11: Southern Transport Corridor Road (Osh-Sary-Tash Irkeshtam) Project, Phase II (Kyrgyz Republic)
- (xii) Table A11.12: Regional Financial Sector Development, Phase II
- (xiii) Table A11.13: Trade Facilitation and Customs Cooperation Program, Phase III
- (xiv) Table A11.14: Capacity Building for Regional Water Management Organizations in Central Asia
- (xv) Table A11.15: A Pre-investment Feasibility Assessment of the South Kyrgyz Economic Corridor Development
- (xvi) Table A11.16: Central Asian Republics: Monitoring and Evaluation of CARILM Implementation
- (xvii) Table A11.17: Regional Railway Development, Phase I
- (xviii) Table A11.18: Dushanbe-Kyrgyz Border Road Rehabilitation Project, Phase III
- (xix) Table A11.19: Harmonization of Cross Border Initiatives for Transport Sector in Central Asia 2006
- (xx) Table A11.20: Support for Regional Economic Cooperation in Central Asia



**Table A11.1: Dushanbe–Kyrgyz Border Road Rehabilitation Project, Phase II  
Concept Paper**

**Date: 21 July 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input type="checkbox"/> Nonlending</p> <p>    <input checked="" type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the</p> <p>    Sector: Transport</p> <p>    Subsector: Roads</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input checked="" type="checkbox"/> Poverty intervention</p> <p>    <input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <p>    Themes:</p> <p>        <input checked="" type="checkbox"/> Sustainable economic growth</p> <p>        <input type="checkbox"/> Inclusive social development</p> <p>        <input checked="" type="checkbox"/> Governance</p> <p>        <input type="checkbox"/> Gender and development</p> <p>        <input type="checkbox"/> Environmental sustainability</p> <p>        <input checked="" type="checkbox"/> Regional cooperation</p> <p>        <input type="checkbox"/> Private sector development</p>
<p><b>3. Coverage</b></p> <p>    <input checked="" type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional</p> <p>    <input checked="" type="checkbox"/> Internal policy development</p>
<p><b>4. Responsible Division/Department:</b> Transport and Communications Division, East and Central Asia Department</p>
<p><b>5. Responsible ADB Officer(s):</b> J. Miller</p>
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The TA will prepare the second phase of the rehabilitation of the Dushanbe-Sary Tash road, a key transport corridor linking Tajikistan to the Kyrgyz Republic and on to the People's Republic of China. The first phase will rehabilitate the Dushanbe-Darband section, and this PPTA will determine which of the remaining sections should be rehabilitated under the second phase. The project road provides the primary link between the Rasht Valley and Dushanbe. The project area was the scene of heavy fighting during Tajikistan's civil war in the mid-1990s, and has a poverty incidence estimated at 85–95%. The project road will eventually connect to Sary Tash in the Kyrgyz Republic, and thus to the Osh-Sary Tash-Irkeshtam road corridor currently being studied under the for Regional Cooperation in Transport Projects in</p>

Central Asia. The project is consistent with the regional strategy, as it will assist in infrastructure rehabilitation, support poverty reduction and economic growth, improve governance through policy reform, and increase regional traffic and trade.

**b. Goal and purpose:** The goal is to prepare the phase II Project, which will aim to reduce poverty and increase regional trade and cooperation by rehabilitating the road linking Dushanbe in Tajikistan, to Sary Tash in the Kyrgyz Republic.

**c. Components and outputs:** The TA will prepare the phase II Project, suitable for ADB financing. The Project will include civil works for rehabilitating the Dushanbe-Sary Tash road and feeder roads, consulting services for project implementation, associated AOTAs for institutional strengthening and policy reform, and (possibly) purchase of equipment for road maintenance.

**d. Expected results and deliverables:** Rehabilitation of the Dushanbe-Sary Tash road and feeder roads and improved road maintenance financing and practices.

**e. Social or environmental issues or concerns:** No environmental and social assessment of the Project has been undertaken yet.

**f. Plans for disseminating results/deliverables:** To be determined.

**7. Proposed executing/implementing agencies:** Ministry of Transport

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

The Ministry of Transport and other relevant institutions (including local governments for the feeder roads) are involved in the project design currently being prepared under the TA for the Second Road Rehabilitation Project.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2001
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory): 2004
  - Nonlending (other than project preparatory):
- c. Period and duration of assistance
  - Lending: 2004/2005
  - Nonlending:

**10. Financing Plan**

- a. For lending
  - ☐ Ordinary capital resources:
  - ☐ Asian Development Fund:
  - ☐ Other:

Anticipated cofinancing of about \$5 million for each phase, source not yet identified.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

- b. For nonlending
  - ☐ No resources required, other than ADB staff
  - ☐ ADB's administrative budget:
  - ☒ Grant TA funds

☐ Other:

Source	Amount (\$)
ADB Financing	\$500,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, AOTA = advisory and operational technical assistance, CSP = country strategy and program, PPTA = project preparatory technical assistance, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A11.2: Altai Transport Corridor  
Concept Paper**

**Date: 5 May 2004**

<b>1. Type/Modality of Assistance</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Lending             <ul style="list-style-type: none"> <li><input type="checkbox"/> Project loan</li> <li><input type="checkbox"/> Program loan</li> <li><input type="checkbox"/> Sector loan</li> <li><input type="checkbox"/> Sector development program loan</li> <li><input type="checkbox"/> Other</li> </ul> </li> <li><input checked="" type="checkbox"/> Nonlending             <ul style="list-style-type: none"> <li><input type="checkbox"/> Project preparatory</li> <li><input checked="" type="checkbox"/> Other than project preparatory                 <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Economic, thematic, and sector work</li> <li><input type="checkbox"/> Institutional development</li> <li><input type="checkbox"/> Other</li> </ul> </li> </ul> </li> </ul>						
<b>2. Assistance Focus</b> <ul style="list-style-type: none"> <li>a. If assistance focuses on a particular sector or subsector, specify the              Sector: Transport and Communications              Subsector: Roads and Highways</li> <li>b. For project preparatory and lending, classification             <ul style="list-style-type: none"> <li><input type="checkbox"/> Core poverty intervention</li> <li><input type="checkbox"/> Poverty intervention</li> <li><input type="checkbox"/> Other</li> </ul> </li> <li>c. Key thematic area(s)              Themes:             <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input type="checkbox"/> Governance  <input type="checkbox"/> Gender and development                 </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability  <input checked="" type="checkbox"/> Regional cooperation  <input type="checkbox"/> Private sector development                 </td> </tr> </table> </li> </ul>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development				
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development					
<b>3. Coverage</b> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;"><input checked="" type="checkbox"/> Country</td> <td style="width: 33%;"><input checked="" type="checkbox"/> Subregional</td> <td style="width: 33%;"><input type="checkbox"/> Interregional</td> </tr> <tr> <td><input type="checkbox"/> Internal policy development</td> <td></td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Country	<input checked="" type="checkbox"/> Subregional	<input type="checkbox"/> Interregional	<input type="checkbox"/> Internal policy development		
<input checked="" type="checkbox"/> Country	<input checked="" type="checkbox"/> Subregional	<input type="checkbox"/> Interregional				
<input type="checkbox"/> Internal policy development						
<b>4. Responsible Division/Department:</b> Transport and Communications Division, East and Central Asia Department						
<b>5. Responsible ADB Officer(s):</b> H. Wang						
<b>6. Description of Assistance(s)</b> <p><b>a. Background/linkage to country/regional strategy:</b> The road subsector is a strategic focus of ADB operations in Mongolia and ADB's efforts for promoting regional cooperation. ADB has been assisting Mongolia in the development of its north-south road transport corridor to link the road systems in the People's Republic of China (PRC) and Russia through major economic centers of Mongolia. To further develop sub-regional transport linkages, the three governments have informally discussed a further north-south Altai road transport corridor that would link the southwest Siberia (from Novosibirsk) with the Xinjiang Uygur Autonomous Region of the PRC via western Mongolia. This corridor constitutes a part of the Asian highway network as designed by the United Nations Economic and Social Commission for Asia and the Pacific, and is expected to promote cooperation among the PRC, Mongolia, Russia, and Central Asia countries. The Government of Mongolia has requested technical assistance from ADB to undertake a pre-feasibility study on this road transport corridor.</p>						

**b. Goal and purpose:** The goal of the Project is to accelerate sustainable economic growth in Mongolia, particularly in its remote and isolated western area and to promote regional cooperation. The purpose of the Project is to undertake a pre-feasibility study on the north-south Altai road transport corridor.

**c. Components and outputs:** The project components are to (i) conduct a pre-feasibility study on the development of the north-south Altai road transport corridor, covering its economic, financial, technical, environmental, and social impacts; and (ii) identify the policy and operational instruments that will be required to facilitate cross-border movement of vehicles, goods, and passengers on the Altai road corridor.

**d. Expected results and deliverables:** The results will be a report on the north-south Altai road transport corridor, which covers (i) a pre-feasibility study on the economic, financial, technical, environmental, and social aspects of the corridor development; and (ii) identified policy and operational instruments to facilitate movement of people and goods across the borders among Mongolia, the PRC and Russia on the road corridor.

**e. Social or environmental issues or concerns:** To be specified during TA fact finding.

**f. Plans for disseminating results/deliverables:** The findings of the study will be disseminated to the governments of Mongolia, the PRC, and other stakeholders.

## 7. Proposed Executing/Implementing Agencies: ADB

## 8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:

The governments of the PRC and Mongolia have been involved in identifying and conceptualizing the Project. The PRC government agencies consulted comprise the National Development and Reform Commission, Ministry of Finance, Ministry of Communications, Xinjiang Uygur Autonomous Region, and Inner Mongolia Autonomous Region. The Mongolian government agencies consulted are the Ministry of Finance and Economy, Ministry of Infrastructure, and Department of Roads. In September 2003 officials from central and local governments of Mongolia, the government of Xinjiang Uygur Autonomous Region, and ADB staff visited western Mongolia to conduct a preliminary examination of economic, technical, environmental, and social aspects of developing the road corridor.

## 9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2004
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): 2004
- c. Period and duration of assistance
  - Lending:
  - Nonlending: 18 months

## 10. Financing Plan

- a. For lending
  - ☐ Ordinary capital resources:
  - ☐ Asian Development Fund:
  - ☐ Other:

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

- b. For nonlending
  - ☐ No resources required, other than ADB staff
  - ☐ ADB's administrative budget:
  - ☒ Grant TA funds
  - ☐ Other:

<b>Source</b>	<b>Amount (\$)</b>
ADB Financing	\$150,000
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance, UNESCAP = United Nations Economic and Social Commission for Asia and the Pacific.

**Table A11.3: Regional Tourism Development  
Concept Paper**

**Date: February 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work  <input type="checkbox"/> Institutional development  <input checked="" type="checkbox"/> Other: RETA         </div> </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Industry and Trade          Subsector: Industry</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input type="checkbox"/> Governance  <input type="checkbox"/> Gender and development         </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability  <input checked="" type="checkbox"/> Regional cooperation  <input checked="" type="checkbox"/> Private sector development         </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p style="margin-left: 20px;"> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible Division/Department:</b> Operations Coordination Division, East and Central Asia Department</p>		
<p><b>5. Responsible ADB officer(s):</b> Y. Fei</p>		
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> In line with the strategic objective to promote regional cooperation, one particular area that lends itself to regional cooperation in Central Asia is tourism. Tourism is an important engine of economic growth, generating foreign exchange, diversifying the economic base, reducing poverty, and promoting sustainable development. The countries in the region have natural attractions and a rich historic and cultural heritage. Topography and politics have resulted in historic trade patterns in the region, such as the legendary "Silk Road," a loose network of trade routes linking the CARs with the PRC, Europe, South Asia, and central Siberia. Great mountains and beautiful lakes in the region attract skiers and trekkers. Regional cooperation in tourism will enable the landlocked countries to address their remoteness and generate more economic benefits than what they could achieve individually.</p> <p><b>b. Goal and purpose:</b> The objectives of the RETA are to (i) evaluate the potential and economic feasibility of</p>		

tourism development in light of regional cooperation, (ii) analyze the physical and institutional barriers to regional cooperation in the tourism, (iii) explore and facilitate the development of a policy and institutional framework to promote regional tourism development, (iv) identify and explore the mechanism to encourage public and private sector partnership for regional tourism development, and (v) identify a pipeline of priority projects for regional tourism development.

**c. Components and outputs:** The major components and outputs of the RETA include (i) a comprehensive analysis of the current status of the tourism sector in the region, including identification of obstacles to sector development on a regional basis and recommendations on public intervention needed to address them; and (ii) a pipeline of priority projects for regional tourism development. In addition, the RETA will provide a mechanism for consensus building among the countries in the region. The RETA will also organize international workshops to encourage interactions between the public and private sectors on promotion of the regional tourism development.

**d. Expected results and deliverables:** The results of the RETA will be presented in a comprehensive sector study on regional tourism development to guide the public and private sector investments on tourism development in the region.

**e. Social or environmental issues or concerns:** Social and environmental issues associated with regional tourism development will be assessed under the RETA.

**f. Plans for disseminating results/deliverables:** To be determined.

**7. Proposed executing/implementing agencies:** ADB will be the executing agency.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2004
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): 2004
- c. Period and duration of assistance
  - Lending:
  - Nonlending: About 15 months, with field work to start from early 2005

#### 10. Financing Plan

- a. For lending
  - ☐ Ordinary capital resources:
  - ☐ Asian Development Fund:
  - ☐ Other:

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

- b. For nonlending
  - ☐ No resources required, other than ADB staff
  - ☐ ADB's administrative budget:
  - ☒ Grant TA funds
  - ☐ Other:



<b>Source</b>	<b>Amount (\$)</b>
ADB Financing	\$800,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CAR = Central Asian republic, CSP = country strategy and program, PRC = People's Republic of China, RETA = regional technical assistance, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A11.4: Trade Facilitation and Customs Cooperation Program, Phase II  
Concept Paper**

**Date: May 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work  <input type="checkbox"/> Institutional development  <input checked="" type="checkbox"/> Other: RETA         </div> </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Industry and Trade          Subsector: Trade</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input type="checkbox"/> Governance  <input type="checkbox"/> Gender and development         </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability  <input checked="" type="checkbox"/> Regional cooperation  <input type="checkbox"/> Private sector development         </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p style="margin-left: 20px;"> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible Division/Department:</b> Governance, Finance, and Trade Division, East and Central Asia Department</p>		
<p><b>5. Responsible ADB Officer(s):</b> To be determined.</p>		
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Supporting regional economic cooperation to promote sustainable economic growth and poverty reduction is a key objective of ADB's operations. Facilitating trade, especially cross-border trade, has been a focus of ADB's program in Central Asia since 1997. Since 2000, ADB's trade facilitation has focused on the potential for customs modernization and cooperation. The first phase of the TA for regional trade facilitation and customs cooperation was processed in 2002, comprising the following components: (i) harmonization and simplification of documentation, (ii) simplification of border and transit procedures, (iii) establishment of data transfer protocols, (iv) coordinated data gathering and information systems, (v) development of common performance standards, (vi) effective use of technical resources, (vii) possible regional initiatives to promote post-transit/entry compliance audits, (viii) establishment of pilot joint</p>		

processing centers of customs, and (ix) regional capacity-building and training initiatives.

**b. Goal and purpose:** The goal is to attain an efficient and effective customs services that significantly contribute to trade facilitation and shared economic prosperity. The purpose of the TA is to promote regional customs cooperation and strengthen the Customs Cooperation Committee (CCC) as a regional cooperation mechanism that vigorously addresses issues of common concerns and promote concerted customs reforms and modernization.

**c. Components and outputs:** The TA will focus on (i) regional activities with strong country ownership (such as supporting CCC Meetings, CCC WG and Expert Group Meetings, and bilateral meetings for among others, establishment of the platform for data-sharing, transit development, and joint-border processing), (ii) country specific activities with strong regional orientation (such as support for KAZ Customs' inter-agency cooperation and consultations with trade-related private associations to broaden trade facilitation initiatives, support for PRCs accession to the TIR Convention and support for TAJ implementation of the TIR Convention and establishment of brokers' association), and (iii) capacity building and knowledge-sharing activities (such as support for the CCC Annual Forum on Customs Reforms and Modernization; and support for regional training workshops on among others, the Revised Kyoto Convention, anti-smuggling and customs intelligence, TIR Convention, risk management and post-entry audit).

**d. Expected results and deliverables:** Reports, workshops, and seminars.

**e. Social or environmental issues or concerns:** None foreseen.

**f. Plans for disseminating results/deliverables:** Publication of reports and seminar proceedings.

**7. Proposed executing/implementing agencies:** The ministries for trade and state customs administrations in the respective countries in the East and Central Asian Region will be the implementing agencies. ADB will execute the overall TA.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

Consultations with the governments/beneficiaries were undertaken during the Bishkek CCC Regional Meeting in February 2004, and Beijing CCC Regional Conference in April 2004. Endorsement of the TA by the heads of customs administrations will be sought during the Third CCC Meeting in September 2004.

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2002

b. Expected date of submission for approval

Lending:

Nonlending (project preparatory):

Nonlending (other than project preparatory): 2004

c. Period and duration of assistance

Lending:

Nonlending: To be determined

**10. Financing Plan**

a. For lending

☐ Ordinary capital resources:

☐ Asian Development Fund:

☐ Other:

**Source**

**Amount (\$)**

ADB Financing

Government Financing

Other Financing

**Total Cost**

Source:

## b. For nonlending

- ☐ No resources required, other than ADB staff  
☐ ADB's administrative budget:  
☒ Grant TA funds  
☐ Other:

Source	Amount (\$)
ADB Financing	\$600,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance, WTO = World Trade Organization.

**Table A11.5: Support for Greater Silk Road Initiative 2004–2005  
Concept Paper**

**Date: May 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <input checked="" type="checkbox"/> Economic, thematic, and sector work  <input checked="" type="checkbox"/> Institutional development  <input type="checkbox"/> Other:         </p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Law, Economic Management, and Public Policy          Subsector: Economic Management</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>								
<p><b>4. Responsible Division/Department:</b> Operations Coordination Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB Officer(s):</b> C. J. Kim</p>								
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Supporting regional economic cooperation is one of the three pillars of ADB's poverty reduction strategy, and a strategic focus in ADB operations as enunciated in the Long Term Strategic Framework. ADB has provided support for economic cooperation in Central Asia since 1997 through its Central Asia Regional Economic Cooperation (CAREC) program. The program has strategically aimed at two sets of challenges facing the region. The first refers to a set of regional issues whose solutions will require joint efforts of two or more countries. Prominent among them are issues arising from the geographic isolation of the region, which, coupled with the limited domestic market in each individual country, presents formidable location and economic disadvantages to the region. The geographic isolation also makes it compulsory for the countries to share vital resources such as energy and water. The second set is consists of</p>								

common issues where countries can benefit from each other's experience. Examples include promoting good governance, private sector development, education and health issues, and environmental protection and management.

Guided by these strategic considerations, the program has focused on (i) building mutual trust and understanding among the countries; and (ii) identifying, preparing, and implementing flagship projects as building blocks toward achieving longer term strategic objectives. With this pragmatic approach, strong country support, and active participation, the program has identified a set of flagship projects now in various stages of preparation or implementation. An overall institutional framework was established in January 2002, which will greatly strengthen the overall planning, prioritization, and implementation of the program and its coordination with other aid agencies.

**b. Goal and purpose:** The overall goal of the TA is to promote economic growth, thereby reducing poverty in Central Asia. The specific purpose of the TA is to promote economic cooperation through (i) building trust and confidence in order to enhance economic cooperation, (ii) strengthening the CAREC program, and (iii) elevating efforts to identify and prepare flagship projects across regional and common issues.

**c. Components and outputs:** The TA will have the following components and corresponding outputs:

- (i) trust and consensus building among the countries, especially through the overall institutional framework with ADB as the secretariat, will be supported through an annual ministerial conference, senior officials' meeting, and various sector coordinating committee meetings in addition to other regular consultation between ADB and the countries;
- (ii) strengthening of the CAREC program, especially with respect to overall planning, prioritization, and implementation, with outputs being an effective programming mechanism, 3-year rolling regional program, and improved implementation capacity and support;
- (iii) identification and preparation of flagship projects that have significant impact on regional and common issues, especially in the areas of trade, transport, energy, environmental protection and management, governance, and human development.; and
- (iv) analytical works on regional cooperation, including subregional poverty reduction strategies and the establishment of a regional information network.

**d. Expected results and deliverables:** The TA is expected to generate (i) enhanced mutual trust and understanding among the countries and stronger partnership between ADB and the countries; (ii) enhanced economic cooperation through an improved CAREC program based on better planning, enhanced economic, thematic, and sector work, effective consultation, and better coordination between aid agencies and within ADB; and (iii) concrete progress and gains to participating countries through investment projects and an improved policy environment.

**e. Social or environmental issues or concerns:** None foreseen

**f. Plans for disseminating results/deliverables:** Dissemination will be through conferences, workshops, meetings, publications, and other means, in addition to wide circulation of materials (including consultant reports) within each government and among aid agencies and other stakeholders.

**7. Proposed executing/implementing agencies:** Operations Coordination Division, East and Central Asia Department

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** ADB has committed to serving as the secretariat to the overall institutional framework established in January 2002 for guiding the CAREC program. This was declared in the ministerial statements issued at the first and second Ministerial Conference on Central Asia Economic Cooperation held in March 2002 and November 2003. The proposed TA is the umbrella TA to enable ADB to honor the commitment to enhance support for economic cooperation in Central Asia.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2002
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): 2004, 2005

## c. Period and duration of assistance

Lending:

Nonlending: 2004–2005

**10. Financing Plan**

## a. For lending

☐ Ordinary capital resources:☐ Asian Development Fund:☐ Other:

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	

ADB Financing

Government Financing

Other Financing

**Total Cost**

Source:

## b. For nonlending

☐ No resources required, other than ADB staff☐ ADB's administrative budget:☒ Grant TA funds☐ Other:

Source	Amount (\$)
ADB Financing	\$900,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

ADB Financing

Government Financing

Other Financing

**Total Cost**

Source:

ADB = Asian Development Bank, CSP = country strategy and program, LTSF = long-term strategic framework, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A11.6: Mainstreaming Gender into Poverty Reduction Strategies in CAR  
Concept Paper**

**Date: April 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <input type="checkbox"/> Economic, thematic, and sector work  <input type="checkbox"/> Institutional development  <input checked="" type="checkbox"/> Other:         </p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Law, Economic Management, and Public Policy          Subsector: Economic Management</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input checked="" type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input checked="" type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input checked="" type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>								
<p><b>4. Responsible Division/Department:</b> Social Sectors Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB Officer(s):</b> Sri Handayani</p>								
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b></p> <p><b>Poverty Situation.</b> The breakup of the Former Soviet Union (FSU) and the consequent economic decline led to substantial increase in the incidence of poverty in Central Asia. The Central Asian republics (CARs) have experienced a major reversal in both economic and social development. The economic upheaval accompanying transition from a planned to a market-led economy has increased the number of poor people. In Azerbaijan, 49% of the population live in poverty while 17% live in extreme poverty (State Statistical Committee/SSC of Azerbaijan, 2001). In the Kyrgyz Republic, despite economic progress in 2000–2001, the poverty level remains very high, with 50% of the population living in absolute poverty and 25% in extreme poverty. During the transition period, the number of births dropped to 1940 levels, in part due to a rapid decrease in living standards and increased poverty. At independence in 1991, Tajikistan was the poorest of all the Soviet republics. In 1999, according to the results of a survey of household living standards, two thirds of the population live below the</p>								



World Bank poverty line and a third live below the extreme poverty line (the Tajik State Statistical Agency, 2001). While in Kazakhstan, approximately two thirds of the population were living below poverty line.

**Gender and Poverty in CARs.** Economic transition has ended many of the state structures and benefits such as universal child allowances and extensive child care facilities that supported women in combining their reproductive and productive roles. Women have been particularly hard hit as reproductive health services have diminished if not collapsed. Widening inequalities have been noted in access to health care services, which are disproportionately used by women and children. Political and economic participation has also decreased but again women have been affected disproportionately. In general, unemployment is higher among women than men. Women are also concentrated in the lowest paid sectors of the economy, such as agriculture, education, and health, where wages are insufficient. The balance between women's roles in the public and private spheres during the Soviet era appears to be changing and many advances in gender equality gained in the FSU are now at risk.

In general in the CARs, men and women experience poverty differently. Women and men frequently have different priorities and are affected differently by development interventions. Evidence is growing that gender-inclusive development strategies contribute significantly to economic growth, poverty reduction, and equity objectives by ensuring that all groups of the poor share development benefits. Yet, differences between men and women's needs are often not fully recognized in poverty analysis and are frequently not taken into consideration when designing the CSP. Poverty reduction strategies should be sensitive to the gender aspects of poverty and should empower women to enhance their capabilities and facilitate their participation in economic, political, and social spheres.

**Issues.** To achieve sustainable development, gender-sensitive poverty reduction strategies are important, from both an equity and efficiency perspectives. Low levels of human capital and poor health status not only depress women's quality of life but they also limit economic productivity. Failure to address the factors that limit women's participation will impede effective implementation of the poverty reduction strategy. The ADB Policy on Gender and Development (1998) adopted mainstreaming as a key strategy for promoting gender equity. ADB's policy is to explicitly integrate gender considerations into all aspects of ADB operations. Key elements of the policy include (i) mainstreaming gender in all ADB operations, (ii) increasing gender sensitivity for ADB operations, (iii) formulating strategies to bring about equal opportunities for men and women, and (iv) assisting DMCs to develop strategies and actions to promote gender equality and reduce gender disparities.

ADB has been integrating gender issues more consistently into its policy dialogue, and there are many examples suggesting that the focus on gender has increased over the past few years in some regions and sectors. On the other hand, attention to gender issues and gender responsive actions remains unevenly addressed in ADB's operations, especially investment projects outside of the human development areas. This suggests that the links between poverty and gender are not clearly understood and more systematic attention to gender is desirable.

Despite the progress in mainstreaming gender, ADB's effectiveness can be improved by paying more systematic and widespread attention to gender issues in the context of its poverty reduction mandate. Gender mainstreaming in ADB's CSP will increase the opportunities for improving the poverty reduction impact, e.g., by making ADB interventions more responsive to country gender conditions and commitments; making the intervention more strategic; and improving the alignment of ADB policies, processes and resources to support such interventions. In other words, ADB assistance to DMCs can become more efficient and effective if CSPs are shaped by an understanding of gender dimensions of poverty and by an analysis of the opportunities that gender-responsive actions create for enhanced poverty reduction impact and sustainable growth.

**b. Goal and purpose:** The development goal is to contribute to the poverty reduction goals of four CARs e.g. Republic of Azerbaijan, Republic of Kazakhstan, Kyrgyz Republic and Republic of Tajikistan by supporting governments in identifying key gender issues for poverty reduction and assisting them to take action on these issues. The objectives of the Project are to (i) assist the DMCs to assess the gender dimensions of poverty and develop strategy interventions to address these dimensions, (ii) develop interventions for potential ADB financing to address gender dimensions of poverty, (iii) prepare gender strategy papers, and (iv) develop an effective system to monitor and evaluate gender impacts of the DMC and ADB poverty reduction strategies.

**c. Components and outputs:** The Project will assist the DMCs to assess gender dimensions of poverty by conducting country gender assessments. The assessments are the principal means by which ADB and the DMCs participate in a collaborative process to analyze the gender dimensions of poverty, identify gender responsive policies and action important for poverty reduction, and integrate these strategies and actions into the DMC's strategy for poverty reduction. The Project will have the following scope:

<p>(i) <b>Situation analysis and strategy development:</b> This component will (a) review the country context, including policies, priorities, legal and regulatory framework, and institutional arrangements for implementing its gender and development goals; (b) review the gender dimensions of the ADB portfolio of ongoing projects in the country; and (c) provide a set of suggested gender-responsive priority policy and operational interventions that the evidence indicates are important for poverty reduction.</p> <p>(ii) <b>Participatory gender assessment:</b> Through participatory assessment, this component will provide a profile of (a) the different roles of males and females, including their participation in the market and household economies; (b) gender disparities in access to, control over, and use of assets and productive resources; (c) gender disparities in human development indicators; (d) inequalities between males and females in the ability to participate in development decision making at the local and national levels; and (e) laws, institutional frameworks, norms, and other societal practices that lead (explicitly or implicitly) to gender discrimination and/or gender inequality.</p> <p>(iii) <b>Institutional capacity building:</b> Dialogue with the government and other stakeholders on policy and operational interventions that the government wishes to take will be conducted through public consultations and in-country workshops. Furthermore, a monitoring and evaluation system for tracking and evaluating gender mainstreaming in the ADB CSP will be developed.</p> <p>(iv) <b>Gender strategy paper.</b> Gender strategies for integration into ADB's CSPs will be prepared.</p> <p><b>d. Expected results and deliverables:</b> The Project is intended to foster country-led and country-specific strategies for mainstreaming gender in ADB's CSP. Gender plays an important role in determining economic growth, poverty reduction, and development effectiveness, yet is not systematically integrated into ADB's operations. (Other risks and assumptions can be found in Project framework.)</p> <p><b>e. Social or environmental issues or concerns:</b></p> <p><b>f. Plans for disseminating results/deliverables:</b> The Project will be implemented over 8 months, July 2004–March 2005. It will comprise three stages: (i) reviews and an inception workshop for strategy development, (ii) participatory gender assessment and capacity building, and (iii) country and regional workshops.</p>	<p><b>7. Proposed executing/implementing agencies:</b><sup>1</sup> At the country level, the consultant and development partners will work with the project steering committee, which will be established prior to inception workshop. The committee will comprise representatives from ministries of finance, women, executing agencies for future and ongoing ADB projects, and prominent NGOs working on gender. ADB consultants will supervise and facilitate the process.</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> Stakeholder consultations will be conducted during fact-finding missions.</p>	<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan:</p> <p>b. Expected date of submission for approval Lending: Nonlending (project preparatory): Nonlending (other than project preparatory): 2004</p> <p>c. Period and duration of assistance{s} Lending: Nonlending: April 2004–March 2005</p>

<sup>1</sup> The Social Sector Division of the East and Central Asia Department will execute the TA, in consultation with the concerned Resident Missions.

**10. Financing Plan**

## a. For lending

- ☐ Ordinary capital resources:  
☐ Asian Development Fund:  
☐ Other:

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

## b. For nonlending

- ☐ No resources required, other than ADB staff  
☐ ADB's administrative budget:  
☐ Grant TA funds  
☒ Other: NPRS \$350,000

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	\$350,000
<b>Total Cost</b>	

Source:

ADB=Asian Development Bank, CSP=country strategy and program, DMC = developing member country, RCSP=regional cooperation strategy and program, TA=technical assistance.

**Table A11.7: Central Asian Republics Initiative for Land Management (CARILM)  
Concept Paper**

**Date: April 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work  <input checked="" type="checkbox"/> Institutional development  <input type="checkbox"/> Other:         </div> </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Agriculture and Natural Resources          Subsector: Environmental and Biodiversity</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input checked="" type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input type="checkbox"/> Governance  <input type="checkbox"/> Gender and development         </td> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Environmental sustainability  <input type="checkbox"/> Regional cooperation  <input type="checkbox"/> Private sector development         </td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Environmental sustainability <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development
<input type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Environmental sustainability <input type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p style="margin-left: 20px;"> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible Division/Department:</b> Agriculture, Environment, and Natural Resources Division, East and Central Asia Department</p>		
<p><b>5. Responsible ADB Officer(s):</b> J. Whittle</p>		
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Land degradation is a serious economic and environmental issue in the countries of Central Asia (Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan). The main land degradation problems, causes, and impacts include (i) salinization and waterlogging of soils due to mismanagement of irrigated agriculture leading to lower yields and economic losses; (ii) degradation of pasture due to overgrazing, and removal of forest and grassland vegetative cover leading to reductions in forest and fodder productivity and loss of biodiversity; and (iii) deteriorating conditions of wetland and riparian ecosystems in the Syr Darya and Amu Darya river networks, Lake Balkash region, and several other inland water bodies as a result of diversions and disruptions of river waters for irrigation and hydropower,</p>		

with both ecological and economic repercussions.

Agricultural yields are reported to have decreased by 20–30% across the region since these countries achieved independence a decade ago. The regional losses each year just from salinization have been estimated to be at least \$2 billion (or roughly 5% of the region's GDP). Desertification processes have also led to high social, economic, and environmental costs—an estimated \$6.2 billion annually in Kazakhstan alone.

Until very recently, planning processes for implementing the UN Convention to Combat Desertification (UNCCD) in Central Asia have emphasized creation of national action programs (NAPs) that have been largely disconnected from the mainstream of economic and sectoral development policies and plans. To address land degradation problems, land management considerations should be included in sustainable development policies and programs at the national and sectoral levels, and institutions crucial to implementation should be strengthened.

In recognition of the challenges inherent to implementation of sustainable land management initiatives, the Global Mechanism of the UNCCD spearheaded the formulation of the Strategic Partnership for UNCCD Implementation in CARs (SPA) bringing together the Global Mechanism; ADB, through its regional technical assistance on Combating Desertification in Asia; the Canadian International Development Agency (CIDA); the CCD Project of GTZ (Germany); the Swiss Agency for Development Cooperation (SDC); the International Fund for Agricultural Development (IFAD); and the International Center for Agricultural Research in Dryland Areas (ICARDA). Among several activities being undertaken by the SPA is a partnership-building forum convened in mid-2003 in Tashkent, Uzbekistan, bringing together relevant national actors and funding agencies to identify the challenges and opportunities for addressing land degradation issues. The two main outcomes of the forum were preparation of the Tashkent Joint Platform of Action for CCD Implementation and the call for the establishment in each CAR of a working group on partnership development for CCD implementation. The working groups have been established in all of the CARs except Turkmenistan and comprise a wide range of national stakeholders, including line ministries, civil society organizations, and funding agencies.

The involvement of the Global Environment Facility (GEF) through its Operational Program on Sustainable Land Management (OP15) is expected to serve an important catalytic role in mobilizing political will and financial resources needed to effectively address these problems and to achieve incremental global benefits.

Given the region's high vulnerability to land degradation and the progress already made in partnership formation with SPA support, the CARs are well positioned to cooperate with GEF's OP15 in developing an initiative to promote measures to address land degradation in the region. Such an initiative would support the mainstreaming of sustainable land management into national development planning processes, encourage the adoption of integrated natural resource management, build synergies between the environment and other sectors of the economy, and consolidate and coordinate external financing while reducing transaction costs through the streamlining of partner's project cycle procedures, among other activities.

The CARILM supports the regional cooperation strategy.

**b. Goal and purpose:** The goal is to reduce land degradation in the countries of the Central Asian region. The purpose is to implement a comprehensive and integrated sustainable land management program in each country.

**c. Components and outputs:** The components and outputs include (i) strengthened policy, regulatory, and economic incentive framework to support sustainable land management; (ii) expanded and enhanced institutional and human resource capacity to manage land resources sustainably; and (iii) an investment program in agriculture, sustainable rangeland and pasture management, and sustainable forest and woodland management.

**c. Expected results and deliverables:** The results are to include: (i) effective coordination of government and external funding partners' activities at the national level; (ii) a strengthened environment to promote an appropriate incentive framework for sustainable land management, particularly by communities and beneficiaries; (iii) improvements in the livelihood and economic well-being of local beneficiaries; and (iv) preservation or restoration of ecosystem stability, functions, and services.

**d. Social or environmental issues or concerns:** The CARILM will address the key environmental issue of land degradation and related policy, legislation, and institutional aspects that influence the economic incentives and social effects on communities and beneficiaries.

<b>e. Plans for disseminating results/deliverables:</b> Results will be disseminated primarily through national and regional workshops.																				
<b>7. Proposed executing/implementing agencies:</b> To be determined in consultation with each government.																				
<b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> An extensive country consultation mission was conducted in each country with meetings of all key stakeholders. This culminated in a regional workshop in Almaty in February 2004, comprising government, NGO, and funding agency representatives.																				
<b>9. Timetable for assistance design, processing, and implementation</b> a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2004 b. Expected date of submission for approval Lending: Nonlending (project preparatory): 2004 Nonlending (other than project preparatory):  c. Period and duration of assistance Lending: Nonlending: 2004–2005																				
<b>10. Financing Plan</b> a. For lending <input type="checkbox"/> Ordinary capital resources: <input type="checkbox"/> Asian Development Fund: <input type="checkbox"/> Other:  <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Source</th> <th style="text-align: right; border-bottom: 1px solid black;">Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing</td> <td></td> </tr> <tr> <td>Government Financing</td> <td></td> </tr> <tr> <td>Other Financing</td> <td></td> </tr> <tr> <td><b>Total Cost</b></td> <td></td> </tr> </tbody> </table> Source: b. For nonlending <input type="checkbox"/> No resources required, other than ADB staff <input type="checkbox"/> ADB's administrative budget: <input checked="" type="checkbox"/> Grant TA funds <input type="checkbox"/> Other:  <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Source</th> <th style="text-align: right; border-bottom: 1px solid black;">Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing</td> <td style="text-align: right;">\$500,000</td> </tr> <tr> <td>Government Financing</td> <td></td> </tr> <tr> <td>Other Financing</td> <td></td> </tr> <tr> <td><b>Total Cost</b></td> <td></td> </tr> </tbody> </table> Source:	Source	Amount (\$)	ADB Financing		Government Financing		Other Financing		<b>Total Cost</b>		Source	Amount (\$)	ADB Financing	\$500,000	Government Financing		Other Financing		<b>Total Cost</b>	
Source	Amount (\$)																			
ADB Financing																				
Government Financing																				
Other Financing																				
<b>Total Cost</b>																				
Source	Amount (\$)																			
ADB Financing	\$500,000																			
Government Financing																				
Other Financing																				
<b>Total Cost</b>																				

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A11.8: Central Asia Regional Cooperation in Trade, Transport, and Transit  
Concept Paper**

**Date: 31 May 2004**

<p><b>1. Type/modality of assistance</b></p> <p><input type="checkbox"/> Lending</p> <p>    <input type="checkbox"/> Project loan</p> <p>    <input type="checkbox"/> Program loan</p> <p>    <input type="checkbox"/> Sector loan</p> <p>    <input type="checkbox"/> Sector development program loan</p> <p>    <input type="checkbox"/> Other:</p> <p><input checked="" type="checkbox"/> Nonlending</p> <p>    <input type="checkbox"/> Project preparatory</p> <p>    <input type="checkbox"/> Other than project preparatory</p> <p>        <input checked="" type="checkbox"/> Economic, thematic, and sector work</p> <p>        <input type="checkbox"/> Institutional development</p> <p>        <input type="checkbox"/> Other:</p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the Sector: Trade, Transport, and Transit in Central Asia Subsector:</p> <p>b. For project preparatory and lending, classification</p> <p>    <input type="checkbox"/> Core poverty intervention</p> <p>    <input type="checkbox"/> Poverty intervention</p> <p>    <input type="checkbox"/> Other</p> <p>c. Key thematic area(s)</p> <p>Themes:</p> <table border="0"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p><input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input checked="" type="checkbox"/> Interregional</p> <p><input type="checkbox"/> Internal policy development</p>								
<p><b>4. Responsible division/department:</b> Operations Coordination Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB officer(s):</b> B. Ganiev and G. Wignaraja</p>								
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Since 1997, ADB has actively been promoting regional economic cooperation in Central Asia, in close collaboration with other development agencies, including the EBRD, IMF, IsDB, UNDP, and World Bank. Accordingly, one of the strategic objectives of ADB's first Regional Cooperation Strategy and Program (RCSP) for the Central Asian Republics (CARs), People's Republic of China (PRC), and Mongolia—which will be discussed at a Board seminar in June 2004—is to foster economic cooperation among CARs and their economic integration with neighboring countries. Essential to achieving this objective are (i) thorough analyses of the cost and benefits of regional cooperation in various areas for the CARs, (ii) better understanding of the existing constraints on economic cooperation in Central Asia; (iii) closer collaboration among development agencies in fostering economic cooperation in the region; and (iv) a continued dialogue among all stakeholders, including governments, civil society, and the private sector. Publication by ADB</p>								

and other development agencies of analytical reports on regional economic cooperation in Central Asia, prepared in a participatory and collaborative manner, would serve these purposes and help achieve the strategic objective of ADB's RCSP.

**b. Goal and purpose:** The overall goal of the TA is to foster regional economic cooperation in Central Asia. Its purpose is to prepare analytical reports on regional economic cooperation in Central Asia.

**c. Components and outputs:** The TA will have two components and corresponding outputs:

- Preparation and publication of a self-contained ADB report on regional cooperation in Central Asia in the areas of trade, transport and transit; and
- Preparation of a chapter on trade, transport, and transit for the UNDP report on human development and security in Central Asia, which will examine how regional cooperation in Central Asia can contribute to human development and security in the region.<sup>2</sup>

**d. Expected results and deliverables:** In addition to the stand-alone ADB report and the chapter for the UNDP report, the TA is expected to generate, or contribute to, the following:

- Qualitative assessments and quantitative estimates of the costs and benefits of expanded regional cooperation in Central Asia in the areas of trade, transport, and transit;
- Better understanding of geopolitical, political, institutional, and other constraints on, and options for promoting, regional cooperation in Central Asia in these areas;
- Development of baselines and benchmarks, against which future progress in expanding regional cooperation in the three areas can be measured;
- Closer collaboration among ADB, the UNDP, and other development agencies in fostering regional economic cooperation in Central Asia;
- A continued dialogue among various stakeholders on issues pertaining to regional economic cooperation in Central Asia; and
- A joint ADB/UNDP Central Asia economic database.

**e. Social or environmental issues or concerns:** No social and environmental issues or concerns are involved in the TA itself, though such issues and concerns, insofar as they are related to regional economic cooperation in Central Asia, will be examined in both the ADB report and the UNDP report.

**f. Plans for disseminating results/deliverables:** Both the ADB report and the UNDP report will be published.

## 7. Proposed executing/implementing agency: ECOC

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** ADB and UNDP staff will hold joint consultations with governments of the CARs and other stakeholders on the purpose and the scope of both the ADB report and the UNDP report in late June-early July 2004. Further, ADB and the UNDP will jointly identify local experts and institutions in the CARs that will be closely involved in the preparation of both reports.

## 9. Timetable for assistance design, processing, and implementation

- a. Year included in CSP, CSP Update, RCSP, RCSP Update, or interregional work plan: Not applicable
- b. Expected date of submission for approval  
Lending:

<sup>2</sup> A number of other development agencies, including the World Bank, are expected to provide inputs to the report.



Nonlending (project preparatory):  
Nonlending (other than project preparatory): June 2004

c. Period and duration of assistance

Lending:

Nonlending: 1 July 2004-30 June 2005

## 10. Financing Plan

a. For lending

- ☐ Ordinary capital resources:  
☐ Asian Development Fund:  
☐ Other:

If cofinancing is required, indicate amount and sources sought: \$\_\_\_\_, from \_\_\_\_\_.

If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
--------	-------------

ADB Financing	
Government Financing	
Other Financing	

**Total Cost**

Source:

b. For nonlending

- ☐ No resources required, other than ADB staff  
☐ ADB's administrative budget:  
☒ Grant TA funds: \$350,000.  
☐ Other:

If cofinancing is required, indicate amount and sources sought: \$\_\_\_\_, from \_\_\_\_\_.

If known, provide cost estimates and financing arrangements.

Source	Amount (\$)
--------	-------------

ADB Financing	
Government Financing	
Other Financing	

**Total Cost**

Source:

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A11.9: Regional Cooperation in Education  
(Examination and Curriculum Reform in Central Asia)  
Concept Paper**

**Date: March 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input checked="" type="checkbox"/> Other than project preparatory  <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work  <input checked="" type="checkbox"/> Institutional development  <input type="checkbox"/> Other: RETA         </div> </p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Education          Subsector: Education Sector Development</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input checked="" type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input checked="" type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input checked="" type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p style="margin-left: 20px;"> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>								
<p><b>4. Responsible Division/Department:</b> Social Sectors Division, East and Central Asia Regional Department</p>								
<p><b>5. Responsible ADB Officer(s):</b> To be determined.</p>								
<p><b>6. Description of Assistance(s)</b></p> <p>a. <b>Background/linkage to country/regional strategy:</b> Reforming education is a political priority of DMCs of Central Asia and the Caucasus. In support of national reform efforts, ADB has led major lending and nonlending operations and is the principal development partner for education in the subregion both in terms of TA and policy advice and volume of investment.</p> <p style="margin-top: 20px;">To further policy exchanges and cooperation between the DMCs of the subregion, ADB supported TA for subregional cooperation in managing education reforms (TA 5946-REG approved on 20 October 2000 for the equivalent of \$750,000) and for establishing the Central Asia Education Cooperation network (TA 6124-REG approved on 6 October 2003 for the equivalent of \$200,000, in cooperation with the Open Society</p>								

<p>Institute). While all DMCs recognize the benefits of regional cooperation, ongoing sharing of experience and collaboration must be through the sustenance and networks of established agencies in the region. The networks of agencies such as UNESCO, UNICEF, SOROS, and Aga Khan can provide excellent support to education authorities and to ADB.</p> <p>The third proposed education subregional TA will focus on examination and curriculum, an area identified as a key priority of education reforms that presents the largest value-added and the strongest commitment from the participating DMCs. Establishing fair and transparent examination systems in accordance with new curricula is also a response to the expressed need to eliminate corrupt practices, which are said to be rampant and eroding the credibility of the entire education system.</p> <p><b>b. Goal and purpose:</b> The objective of the TA is to initiate a coherent process to support examination and curriculum reform in the CARs. The TA will include four DMCs—Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan. The TA will help make the education system more transparent, better linked to school teaching and learning, and more closely aligned to university entrance requirements.</p> <p><b>c. Components and outputs:</b> The TA could be implemented in three stages. During the first stage, consultants will support working groups in each country to prepare a country paper, including mapping examination and curriculum issues, reform initiatives, and challenges encountered at the upper secondary level, and determine how the situation compares with international practice. During the second stage, the working group will develop a conceptual framework for reforming examinations and curriculum, propose an action plan for reform, and propose areas of regional cooperation. The third stage will pull together all the country-level proposals and recommendations to develop an action plan for regional cooperation.</p> <p><b>d. Expected results and deliverables:</b> By the end of the TA, the team will produce (i) a curriculum framework and an examination framework for the core subjects identified for primary, lower secondary, and upper secondary levels; (ii) workshop proceedings on international experience on examination and curriculum reform; (iii) guidelines, procedures, and case studies on reforms developed jointly by country teams; (iv) a costed action plan, including roles and responsibilities and capacity-building needs for curriculum reform and examination reform in the subject(s) identified; (v) strategies for regional cooperation in curriculum and examination reform; and (vi) a financial and TA plan to take the reform initiatives to scale.</p> <p><b>e. Social or environmental issues or concerns:</b> None.</p> <p><b>f. Plans for disseminating results/deliverables:</b> The reports will be disseminated through the websites, focal points, and networks supported under the ADB-OSI Central Asia Education Cooperation Network. During TA preparations, partnerships with other knowledgeable international institutions, such as UNESCO and the OSI, will be explored to improve the quality and dissemination of results.</p>	<p><b>7. Proposed executing/implementing agencies:</b> ADB will be the Executing Agency, possibly in cooperation with other international education agencies. Ministries of education and/or other appropriate educational institutions in the selected DMCs will act as implementing agencies.</p>
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b> The research work carried out under TA for subregional cooperation in managing education reforms involved government officials (ministries of education, finance, planning) and civil society (NGOs and faculties). All partners have expressed the need to bring the subregional cooperation effort further in the area of curriculum reform. During fact-finding, the concept of the envisaged TA initiative will be discussed and revised with key stakeholders, including education authorities in the four concerned countries.</p>	<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, SCSP, SCSP update, or interregional work plan: 2004</p> <p>b. Expected date of submission for approval</p> <p style="padding-left: 40px;">Lending:</p> <p style="padding-left: 80px;">Nonlending (project preparatory):</p> <p style="padding-left: 120px;">Nonlending (other than project preparatory): 2004</p> <p>c. Period and duration of assistance</p> <p style="padding-left: 40px;">Lending:</p> <p style="padding-left: 80px;">Nonlending: 24 months</p>
<p><b>10. Financing Plan</b></p>	

## a. For lending

- ☐ Ordinary capital resources:  
☐ Asian Development Fund:  
☐ Other:

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

## b. For nonlending

- ☐ No resources required, other than ADB staff  
☐ ADB's administrative budget:  
☒ Grant TA funds  
☐ Other:

Source	Amount (\$)
ADB Financing	\$600,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CAR = Central Asian republic, CSP = country strategy and program, DMC = developing member country, ECSS = Social Sectors Division, ECRD = East and Central Asia Department, NGO = nongovernment organization, OSI = Open Society Institute, RETA = regional technical assistance, RCSP = regional cooperation strategy and program, TA = technical assistance, UNESCO = United Nations Educational, Scientific and Cultural Organization, UNICEF = United Nations Children's Fund.

**Table A11.10: Regional Road Development, Phase I  
Concept Paper**

**Date: April 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory              <input type="checkbox"/> Economic, thematic, and sector work              <input type="checkbox"/> Institutional development  <input checked="" type="checkbox"/> Other: RETA         </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the              Sector: Transport and Communication              Subsector: Roads and Highways</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input type="checkbox"/> Governance  <input type="checkbox"/> Gender and development             </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability  <input checked="" type="checkbox"/> Regional cooperation  <input checked="" type="checkbox"/> Private sector development             </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p style="margin-left: 20px;"> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible Division/Department:</b> Transport &amp; Communications Division, East and Central Asia Department</p>		
<p><b>5. Responsible ADB Officer(s):</b> To be determined.</p>		
<p><b>6. Description of Assistance(s)</b></p> <p>a. <b>Background/linkage to country/regional strategy:</b> Central Asia, a region with strategic location and abundant resources, is flanked by Russia in the north, PRC and Mongolia in the east, Europe on the west, and Afghanistan and Iran in the south. The region is a historical land bridge between the east and the west (PRC to Europe). To facilitate the flow of traffic in the region, the road network must be analyzed, and the infrastructure standardized and upgraded, which would greatly enhance the transportation and trade within and beyond the region. This will also provide an opportunity for sustainable economic and social development, promote economic diversification, and strengthen the regional cooperation and collaboration. The countries to be covered include Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.</p>		

<p>b. <b>Goal and purpose:</b> The objectives of the regional TA are to study and critically evaluate the road infrastructure and identify the investments required to develop this infrastructure to meet the needs of regional transport in these countries.</p> <p>c. <b>Components and outputs:</b> The components of the TA include (i) a comprehensive analysis of the current status of the road corridor infrastructure, (ii) preparation of an inventory matrix giving the present status, (iii) preparation of an investment plan for the development of infrastructure and facilities, and (iv) recommendations of policy support for ensuring growth in regional traffic.</p> <p>d. <b>Expected results and deliverables:</b> At the end of the TA, ADB will have a comprehensive plan for road sector development for regional traffic. The study will also identify the potential investments that need to be supported in the region and relate them to the potential economic benefits. The study will also identify the opportunities for stakeholders including the private sector.</p> <p>e. <b>Social or environmental issues or concerns:</b> No environmental and social assessment of the project has been undertaken yet.</p> <p>f. <b>Plans for disseminating results/deliverables:</b> To be determined.</p>																				
<p><b>7. Proposed executing/implementing agencies:</b> ADB will be the Executing Agency.</p>																				
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b></p>																				
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2003</p> <p>b. Expected date of submission for approval</p> <p style="margin-left: 20px;">Lending:</p> <p style="margin-left: 40px;">Nonlending (project preparatory):</p> <p style="margin-left: 40px;">Nonlending (other than project preparatory): 2005</p> <p>c. Period and duration of assistance</p> <p style="margin-left: 20px;">Lending:</p> <p style="margin-left: 20px;">Nonlending:</p>																				
<p><b>10. Financing Plan</b></p> <p>a. For lending</p> <div style="margin-left: 20px;"> <input type="checkbox"/> Ordinary capital resources:  <input type="checkbox"/> Asian Development Fund:  <input type="checkbox"/> Other: </div> <table style="margin-left: 100px; width: 60%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Source</th> <th style="text-align: right; border-bottom: 1px solid black;">Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing</td> <td></td> </tr> <tr> <td>Government Financing</td> <td></td> </tr> <tr> <td>Other Financing</td> <td></td> </tr> <tr> <td><b>Total Cost</b></td> <td></td> </tr> </tbody> </table> <p style="margin-left: 40px;">Source:</p> <p>b. For nonlending</p> <div style="margin-left: 20px;"> <input type="checkbox"/> No resources required, other than ADB staff  <input type="checkbox"/> ADB's administrative budget:  <input checked="" type="checkbox"/> Grant TA funds  <input type="checkbox"/> Other: </div> <table style="margin-left: 100px; width: 60%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Source</th> <th style="text-align: right; border-bottom: 1px solid black;">Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing</td> <td style="text-align: right;">\$600,000</td> </tr> <tr> <td>Government Financing</td> <td></td> </tr> <tr> <td>Other Financing</td> <td></td> </tr> <tr> <td><b>Total Cost</b></td> <td></td> </tr> </tbody> </table> <p style="margin-left: 40px;">Source:</p>	Source	Amount (\$)	ADB Financing		Government Financing		Other Financing		<b>Total Cost</b>		Source	Amount (\$)	ADB Financing	\$600,000	Government Financing		Other Financing		<b>Total Cost</b>	
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ADB = Asian Development Bank, CAR = Central Asian republic, CSP = country strategy and program, ECGF = Governance, Finance, and Trade Division, ECRD = East and Central Asia Department, PRC = People's Republic of China, RETA = regional technical assistance, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A11.11 Southern Transport Corridor Road (Osh-Sary Tash-Irkeshtam) Project  
Phase II (Kyrgyz Republic)  
Concept Paper**

**Date:** 19 May 2004

<p><b>1. Type/modality of assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work  <input type="checkbox"/> Institutional development  <input type="checkbox"/> Other:           </div> <input type="checkbox"/> Activities financed by JFICT or JFPR         </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Transport and Communication          Subsector: Roads and highways</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input checked="" type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic areas</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input type="checkbox"/> Governance  <input type="checkbox"/> Gender and development             </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability  <input checked="" type="checkbox"/> Regional cooperation  <input type="checkbox"/> Private sector development             </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p> <input checked="" type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible division/department:</b> Trade and Communications Division, East and Central Asia Department</p>		
<p><b>5. Responsible ADB officer:</b> J. Miller</p>		
<p><b>6. Description of assistances</b></p> <p><b>a. Background/linkage to country/regional strategy:</b></p> <p>The project will rehabilitate sections of the Andizhan-Osh-Irkeshtam-Kashgar road passing through the southern Kyrgyz Republic. The road, which links the PRC and Uzbekistan, needs rehabilitation to allow effective use of this international transport corridor. Under the first phase, scheduled for approval in 2004, the road from Osh to Sopy Korgon as well as part of the section between Sary Tash and Irkeshtam will be rehabilitated. The project will focus on the sections between Sopy Korgon and Sary Tash.</p> <p><b>b. Goal and purpose:</b></p> <p>To reduce poverty and increase regional trade and cooperation by rehabilitating the road linking Andijan, Uzbekistan; Osh, Kyrgyz Republic; and Kashgar, Peoples Republic of China</p> <p><b>c. Components and outputs:</b></p> <p>The project will include civil works for rehabilitation, consulting services for project implementation, and institutional strengthening and policy reform.</p>		

<p><b>d. Expected results and deliverables:</b> Road rehabilitation. Increased regional trade and traffic. Reforms in cross-border procedures. Improved road maintenance financing and practices.</p> <p><b>e. Social or environmental issues or concerns:</b> A draft initial environmental examination and social assessment of the project have been submitted under TA 6024-REG<sup>3</sup>. ADB's policies on involuntary resettlement, land acquisition, and impact on ethnic minorities and indigenous people will be implemented as required.</p> <p><b>f. Plans for disseminating results/deliverables:</b> To be determined.</p>											
<b>7.</b>	<b>Proposed executing/implementing agencies:</b> Ministry of Transport and Communications										
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b></p> <p>Two working group meetings of concerned governments have been held under TA 6024-REG. Consultants and missions for the first phase loan have discussed the project with residents of the project area.</p>											
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2004</p> <p>b. Expected date of submission for approval  Lending: 2006  Nonlending (project preparatory): 2005  Nonlending (other than project preparatory):</p> <p>c. Period and duration of assistance  Lending: 2007–2009  Nonlending: 2005–2006</p>											
<p><b>10. Financing Plan</b></p> <p>a. For lending</p> <p><input type="checkbox"/> Ordinary capital resources:</p> <p><input checked="" type="checkbox"/> Asian Development Fund: \$20 million</p> <p><input type="checkbox"/> Other:</p> <p>If cofinancing is required, indicate amount and sources sought: Anticipated cofinancing of about \$5 million for each phase, source not yet identified.</p> <table border="1"> <thead> <tr> <th>Source Amount (\$ million)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing 20.0</td> </tr> <tr> <td>Government Financing 5.0</td> </tr> <tr> <td>Other Financing</td> </tr> <tr> <td><b>Total Cost 25.0</b></td> </tr> </tbody> </table> <p>Source: ADB estimates.</p> <p>b. For nonlending</p> <p><input type="checkbox"/> No resources required, other than ADB staff</p> <p><input type="checkbox"/> ADB's administrative budget:</p> <p><input checked="" type="checkbox"/> Grant TA funds: \$300,000</p> <p><input type="checkbox"/> Other: (source to be determined)</p> <table border="1"> <thead> <tr> <th>Source Amount (\$'000)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing 300.0</td> </tr> <tr> <td>Government Financing 55.0</td> </tr> <tr> <td>Other Financing</td> </tr> <tr> <td><b>Total Cost 355.0</b></td> </tr> </tbody> </table> <p>Source: ADB estimates.</p>		Source Amount (\$ million)	ADB Financing 20.0	Government Financing 5.0	Other Financing	<b>Total Cost 25.0</b>	Source Amount (\$'000)	ADB Financing 300.0	Government Financing 55.0	Other Financing	<b>Total Cost 355.0</b>
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<b>Total Cost 355.0</b>											

ADB = Asian Development Bank, CSP = country strategy and program, JFICT = Japan Fund for Information and Communication Technology, JFPR = Japan Fund for Poverty Reduction, PRC = Peoples Republic of China, RCSP = regional cooperation strategy and program, TA = technical assistance.

<sup>3</sup> Regional Cooperation in Transport Projects in Central Asia



**Table A11.12: Regional Financial Sector Development, Phase II  
Concept Paper**

**Date: May 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work  <input type="checkbox"/> Institutional development  <input checked="" type="checkbox"/> Other: RETA         </div> </p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Finance          Subsector: Banking Systems</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; margin-left: 40px;"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>								
<p><b>4. Responsible Division/Department:</b> Governance, Finance and Trade Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB Officer(s):</b> To be determined.</p>								
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The financial sectors in the CARs are dominated by banks, which provide basic financial services, but the financial sectors are shallow, as indicated by (i) low ratios of deposits and credit to GDP, (ii) ineffective financial intermediation due to inadequate experience in credit risk and management, and (iii) ineffective provision of credit and trade finance to the private sector. While efforts have been made to improve regulation and supervision of financial institutions, enforcement is still lagging. The financial institutions are not effective in providing financing and in catalyzing private sector development in the region, and capital markets have yet to develop to broaden and deepen the financial sectors. Effective financial sectors and institutions will catalyze private sector development and facilitate regional trade and growth.</p>								

<p><b>b. Goal and purpose:</b> The goal is to promote in the region effective financial sectors that can catalyze private sector development, regional trade, and growth.</p> <p><b>c. Components and outputs:</b> The second phase of assistance for the region's financial sectors will aim to implement reforms identified during phase I, in the areas of (i) harmonization of banking sector policies, (ii) capacity building for regulators, and (iii) development and integration of capital markets. The details will be decided on upon completion of the first phase TA in 2003.</p> <p><b>d. Expected results and deliverables:</b> To be determined.</p> <p><b>e. Social or environmental issues or concerns:</b> None.</p> <p><b>f. Plans for disseminating results/deliverables:</b> To be determined.</p>																				
<p><b>7. Proposed executing/implementing agencies:</b> ADB will execute the overall TA. The ministries of finance, central banks, and other regulatory agencies in the respective countries in the East and Central Asian Region will be the implementing agencies.</p>																				
<p><b>8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:</b></p>																				
<p><b>9. Timetable for assistance design, processing, and implementation</b></p> <p>a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2002</p> <p>b. Expected date of submission for approval            Lending:            Nonlending (project preparatory):            Nonlending (other than project preparatory): 2005</p> <p>c. Period and duration of assistance            Lending:            Nonlending: To be determined.</p>																				
<p><b>10. Financing Plan</b></p> <p>a. For lending</p> <div style="margin-left: 20px;"> <input type="checkbox"/> Ordinary capital resources:  <input type="checkbox"/> Asian Development Fund:  <input type="checkbox"/> Other:         </div> <table style="width: 100%; margin-left: 100px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Source</th> <th style="text-align: right; border-bottom: 1px solid black;">Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing</td> <td></td> </tr> <tr> <td>Government Financing</td> <td></td> </tr> <tr> <td>Other Financing</td> <td></td> </tr> <tr> <td><b>Total Cost</b></td> <td></td> </tr> </tbody> </table> <p>Source:</p> <p>b. For nonlending</p> <div style="margin-left: 20px;"> <input type="checkbox"/> No resources required, other than ADB staff  <input type="checkbox"/> ADB's administrative budget:  <input checked="" type="checkbox"/> Grant TA funds  <input type="checkbox"/> Other:         </div> <table style="width: 100%; margin-left: 100px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Source</th> <th style="text-align: right; border-bottom: 1px solid black;">Amount (\$)</th> </tr> </thead> <tbody> <tr> <td>ADB Financing</td> <td style="text-align: right;">\$500,000</td> </tr> <tr> <td>Government Financing</td> <td></td> </tr> <tr> <td>Other Financing</td> <td></td> </tr> <tr> <td><b>Total Cost</b></td> <td></td> </tr> </tbody> </table> <p>Source:</p>	Source	Amount (\$)	ADB Financing		Government Financing		Other Financing		<b>Total Cost</b>		Source	Amount (\$)	ADB Financing	\$500,000	Government Financing		Other Financing		<b>Total Cost</b>	
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ADB = Asian Development Bank, CAR = Central Asian republic, CSP = country strategy and program, ECGF = Governance, Finance, and Trade Division, ECRD = East and Central Asia Department, GDP = gross domestic product, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A11.13: Trade Facilitation and Customs Cooperation Program, Phase III  
Concept Paper**

**Date: May 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <input type="checkbox"/> Economic, thematic, and sector work  <input type="checkbox"/> Institutional development  <input checked="" type="checkbox"/> Other: RETA         </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector(s): Industry and Trade          Subsector(s): Trade</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input checked="" type="checkbox"/> Governance  <input type="checkbox"/> Gender and development             </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability  <input checked="" type="checkbox"/> Regional cooperation  <input checked="" type="checkbox"/> Private sector development             </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input checked="" type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input checked="" type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible Division/Department:</b> Governance, Finance and Trade Division, East and Central Asia Department</p>		
<p><b>5. Responsible ADB Officer(s):</b> To be determined.</p>		
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Supporting regional economic cooperation to promote sustainable economic growth and poverty reduction is a key objective of ADB's operations. Facilitating trade, especially cross-border trade, has been a focus of ADB's program in the region since 1997. Since 2000, ADB's trade facilitation has focused on the potential for customs modernization and cooperation. The first phase of TA for regional trade facilitation and customs cooperation was being processed in 2002. The first phase had the following components: (i) harmonization and simplification of documentation, (ii) simplification of border and transit procedures, (iii) establishment of data transfer protocols, (iv) coordinated data gathering and information systems, (v) development of common performance standards, (vi) effective use of technical resources, (vii) possible regional initiatives to promote posttransit and entry compliance audits, (viii) establishment of pilot joint processing centers of customs, and (ix) regional capacity-building and training initiatives. The phase II TA in</p>		

2004 will aim to carry forward these initiatives to ensure continuity and expand more on WTO-related issues, while the phase III will expand and carry forward these initiatives and strengthen regional cooperation.

**b. Goal and purpose:** The goal is to establish efficient and effective trade and customs arrangements in the region that will facilitate foreign trade and investment, encourage movement of goods and people, and promote economic growth.

**c. Components and outputs:** Phase III will carry forward the components initiated in phases I and II, to ensure continuity in capacity building, harmonization of procedures, and data sharing. Phase III will have a stronger focus on WTO accession matters for applicant countries, by providing them more capacity building to facilitate necessary adjustments in policies, regulations, and standards to comply with WTO requirements. The details will be decided on upon completion of Phase II TA in 2004.

**d. Expected results and deliverables:** Reports, workshops, and seminars.

**e. Social or environmental issues or concerns:** None.

**f. Plans for disseminating results/deliverables:** To be determined.

**7. Proposed executing/implementing agencies:** The state customs administrations in the respective countries in the East and Central Asian Region will be the implementing agencies. ADB will execute the overall TA.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

**9. Timetable for assistance design, processing, and implementation**

a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2002

b. Expected date of submission for approval

Lending:

Nonlending (project preparatory):

Nonlending (other than project preparatory): 2005

c. Period and duration of assistance

Lending:

Nonlending: To be determined.

**10. Financing Plan**

a. For lending

☐ Ordinary capital resources:

☐ Asian Development Fund:

☐ Other:

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

b. For nonlending

☐ No resources required, other than ADB staff

☐ ADB's administrative budget:

☒ Grant TA funds

☐ Other:

<b>Source</b>	<b>Amount (\$)</b>
ADB Financing	\$500,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CSP = country strategy and program, ECGF = Governance, Finance and Trade Division, ECRD = East and Central Asia Department, RCSP = regional cooperation strategy and program, TA = technical assistance, WTO = World Trade Organization.

**Table A11.14: Capacity Building for Regional Water Management  
Organizations in Central Asia  
Concept Paper**

**Date: May 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <input checked="" type="checkbox"/> Economic, thematic, and sector work  <input type="checkbox"/> Institutional development  <input type="checkbox"/> Other:         </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Law, Economic Management, and Public Policy          Subsector: National Government Administration</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)</p> <p style="margin-left: 20px;">Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="vertical-align: top; width: 50%;"> <input type="checkbox"/> Sustainable economic growth  <input checked="" type="checkbox"/> Inclusive social development  <input type="checkbox"/> Governance  <input type="checkbox"/> Gender and development         </td> <td style="vertical-align: top; width: 50%;"> <input checked="" type="checkbox"/> Environmental sustainability  <input checked="" type="checkbox"/> Regional cooperation  <input type="checkbox"/> Private sector development         </td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth <input checked="" type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development
<input type="checkbox"/> Sustainable economic growth <input checked="" type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input checked="" type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible Division/Department:</b> Agriculture, Environment, and Natural Resources Division, East and Central Asia Department</p>		
<p><b>5. Responsible ADB Officer(s):</b> T. Bayarsaihan</p>		
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Central Asia is a relatively water-rich region. Two large river systems, the Amu Darya and Syr Darya, provide more than 90% of the water resources flowing into the Aral Sea Basin. Both the Amu Darya and Syr Darya basins have been intensively developed for irrigated crops through massive irrigation infrastructure built in 1960s. Over-extraction of water from the rivers significantly reduced the amount of water discharged to the Aral Sea. In reaction, the sea began to recede rapidly, with high salt concentrations leading to environmental and ecological disasters. Despite worsening environmental degradation in and around the Aral Sea, the riparian countries remain heavily dependent on the water in these</p>		

rivers to support irrigated agriculture as a key to support national economies and livelihood of vast rural populations, as well as industry and domestic water supply.

Water management facilities in the Aral Sea Basin were originally built in the Soviet era, to allow sharing among the Central Asian countries of a multiyear supply of water for power generation (required by the upstream riparian countries in the winter) and irrigation (for the lower riparian countries during the summer). With the collapse of the Soviet Union, however, the mechanism to manage trans-boundary water in the Amu Darya and the Syr Darya has become dysfunctional. The collaborative framework built since 1993—based on the Interstate Commission for Water Coordination (ICWC)—has not been effective, leaving the riparian states to manage increasingly critical and difficult issues of trans-boundary water on a highly ad-hoc annual agreement among the riparian states. The issue of trans-boundary water management has been recognized as key to forging sustained economic and environmental collaboration among the Aral Sea Basin countries. Support and assistance from funding agencies to address the trans-boundary water management issue, particularly in the Syr Darya basin, have been substantial, but the outputs delivered so far are less spectacular.

During the recent ICWC Conference, held in February 2002 in Almaty, the riparian states renewed their commitment for improved cooperation, and requested donors for increased assistance. A specific proposal was also presented to ADB for assistance to strengthen water management in the Amu Darya basin, through strengthening of the existing Basin Water Organization (a river basin authority created as an executive arm of ICWC).

The Amu Darya is the larger of the two rivers, and drains about 700,000 square kilometers in Afghanistan, Tajikistan, Turkmenistan, and Uzbekistan. Compared to the Syr Darya, the Amu Darya basin does not currently experience highly visible transboundary conflicts. At present, Turkmenistan and Uzbekistan split the Amu Darya River discharge of approximately 60 cubic kilometer per year on average, with Afghanistan only using 2 cubic kilometer. With investment and development interests for Afghanistan, however, Turkmenistan and Uzbekistan now recognize Afghanistan's increasing need for its share of water as a possible transboundary issue.

**b. Goal and Purpose:** The goal of the proposed study is to forge stronger and sustainable collaborative framework among the Amu Darya's riparian states for more efficient and environmentally sustainable management of the water resources in the Amu Darya basin.

The specific purpose of the study is to help the Amu Darya's riparian states identify the existing and emerging trans-boundary water management issues, identify specific skill/institutional gaps that need to be filled up for them to address, or to initiate in addressing such issues, and formulate a practical program to fill the identified gaps by realigning the institutional framework and skills within the short and medium term.

**c. Components and outputs:** Subject to further review by and discussions with the riparian states, the proposed study will include the following as components:

- (i) resources endowment review and assessment,
- (ii) institutional review of regional and national water management agencies,
- (ii) identification and analysis of transboundary water management issues,
- (iii) comparative analysis with other international experience in managing transboundary waters,
- (iv) specific need assessment and formulation of institutional and skill development programs, and
- (v) multi-stakeholder workshops.

The study will be based on the outputs from the ongoing RETA (6001) for the Regional Consultation for the Third World Water Forum, under which preliminary consultation and discussions are to be held with the Central Asian governments on transboundary water issues and the necessary policy actions.

**d. Expected results and deliverables:** The study will result in (i) a set of specific transboundary issues, either existing or emerging, as mutually recognized and agreed upon by the riparian states; and (ii) specific proposals for the riparian states to address these issues through closer and stronger cooperation framework, using the existing Amu Darya Basin Water Organization.

**e. Social or environmental issues or concerns:** Issues relating to environmental and ecological degradation in and around the Aral Sea have attracted international concerns and interests. There have been a number of externally assisted activities in this regard. In addition, ADB has assisted the formulation of Regional Environmental Action Plan in Central Asia (TA 5934). The proposed study will maintain close linkage with these past/ongoing studies and initiatives to make sure that the study reflects the experiences and findings of the existing and emerging environmental issues relating to water resources in general and to the Amu Darya in

particular.

**f. Plans for disseminating results/deliverables:** The study is expected to involve a number of multistakeholder workshops with a large number of participants from the riparian states. Through these workshops, progress and outcomes of the study will be disseminated.

**7. Proposed executing/implementing agencies:** Asian Development Bank

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** The request for assistance was conveyed by the Scientific and Information Center of ICWC during the ICWC conference held in Almaty in February 2002 (ref. BTOR, 25 March 2002 by T. Bayarsaihan, ECAE). Further detailed framework of the study will be discussed with the concerned authorities of the Central Asian governments through RETA 6163, which was approved on 19 December 2003.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2002
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): 2005
- c. Period and duration of assistance{s}
  - Lending:
  - Nonlending: 2005-2006

**10. Financing Plan**

- a. For lending
  - ☐ Ordinary capital resources:
  - ☐ Asian Development Fund:
  - ☐ Other:

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

- b. For nonlending
  - ☐ No resources required, other than ADB staff
  - ☐ ADB's administrative budget:
  - ☒ Grant TA funds
  - ☐ Other:

Source	Amount (\$)
ADB Financing	\$800,000 (Japan Special Fund)
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, ECAE, Agriculture, Environment, and Natural Resources Division, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.



**Table A11.15: A Pre-investment Feasibility Assessment of the South  
Kyrgyz Economic Corridor Development  
Concept Paper**

**Date: May 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <input checked="" type="checkbox"/> Economic, thematic, and sector work  <input type="checkbox"/> Institutional development  <input type="checkbox"/> Other:         </p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Multisector          Subsector: Industry, Trade, Roads and Highways</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p style="margin-left: 20px;"> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>								
<p><b>4. Responsible Division/Department:</b> Operations Coordination Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB Officer(s):</b> C. J. Kim</p>								
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The overall institutional framework (OIF) established in Jan. 2002 provides overall guidance to the ADB-supported Central Asia Regional Economic Cooperation Program (the Program). The 1st Ministerial Conference on Central Asia Economic Cooperation, the decision-making body of the OIF, was held in March 2002 at which the priority areas of the Program were reconfirmed. They are transport, energy and trade facilitation. The focus in the transport sector has been on strengthening regional corridors that link countries in the OIF and connect them with countries outside region that are economically important.</p>								

The South Kyrgyz road connects Kashgar of Xinjiang Uygur Autonomous Region, PRC, with Fergana Valley shared by The Kyrgyz Republic through southern part of Kyrgyz, Tajikistan and Uzbekistan. This road is a part of the larger corridor that, on the east, links up with existing roads and rail extending to the east coast of the PRC, and on the southwest, through Uzbekistan and Tajikistan to link up with South Asia and Iran through Afghanistan. ADB is supporting the rehabilitation of this road as a priority regional investment project with intergovernmental cross border agreements.

While a feasibility study has been conducted on the road rehabilitation and related economic and financial analysis, the TA will examine a broader range of issues and areas along the road with a view to maximizing potential benefits of the improved physical infrastructure (road) and giving impetus to economic development.

**b. Goal and purpose:** The main goal of the TA is to strengthen economic cooperation along the region linked by the south Kyrgyz road. The purposes of the TA are to determine the basic feasibility of the South Kyrgyz economic corridor and identify priority projects, policies, institutions, and financing needed to realize the potential benefits of the corridor. The likely focus of the TA, will be on infrastructure, particularly transport and communications; industry especially agro-industry; export processing facilities; trade and investment policies and institutions.

**c. Components and outputs:** The TA's components will (i) clarify and recommend exact geographical coverage of the economic corridor; (ii) identify the benefits and costs; (iii) identify the priority projects, policies, programs, and institutions required to realize the full potential; and (v) clarify the roles of the public and private sectors in developing the economic corridor.

The TA will produce a preinvestment feasibility study of the south Kyrgyz economic corridor which will include a strategy or action plan for developing and promoting the corridor.

**d. Expected results and deliverables:** Expected results include, through consultation and project work, (i) identification of investment projects with initial economic and financial assessment; (ii) identification of policy areas and institutional arrangements that need improvement, and recommendations on ways and processes to remedy them; (iii) identification of private and public roles and especially the partnership and recommendations on how to bring this about; and (iv) based on the foregoing, a development plan of the corridor that takes a holistic and long-term view.

Deliverables include a final report, intermedium reports, inception reports, regional consultation meetings, and various meetings and reports to be specified at a later date.

**e. Social or environmental issues or concerns:** None anticipated at this stage.

**f. Plans for disseminating results/deliverables:** Appropriate regional meetings and ADB website.

**7. Proposed executing/implementing agencies:** Operations Coordination Division, East and Central Asia Department

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

ADB consulted with government on the concept and the proposed project in the Program, and received their initial endorsement during 2nd quarter 2003. Consultation with NGOs is expected during the TA fact finding and other activities.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2003 RCSP update.
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): 2005
- c. Period and duration of assistance
  - Lending:
  - Nonlending: 2nd quarter 2004–1st quarter 2005

**10. Financing Plan**

## a. For lending

- ☐ Ordinary capital resources:  
☐ Asian Development Fund:  
☐ Other:

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

## b. For nonlending

- ☐ No resources required, other than ADB staff  
☐ ADB's administrative budget:  
☒ Grant TA funds  
☐ Other:

Source	Amount (\$)
ADB Financing	\$600,000
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

ADB = Asian Development Bank, CSP = country strategy and program, NGO = nongovernment organization, OIF = overall institutional framework, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A11.16: Central Asian Republics Monitoring and Evaluation of  
CARILM Implementation  
Concept Paper**

**Date: April 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work  <input checked="" type="checkbox"/> Institutional development  <input type="checkbox"/> Other:         </div> </p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Agriculture and Natural Resources          Subsector: Environment and Biodiversity</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input checked="" type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td><input type="checkbox"/> Sustainable economic growth</td> <td><input checked="" type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input type="checkbox"/> Sustainable economic growth	<input checked="" type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>								
<p><b>4. Responsible Division/Department:</b> Agriculture, Environment, &amp; Natural Resources Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB Officer(s):</b> John Whittle</p>								
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> This regional TA will follow on from the Central Asian Republics Initiative for Land Management (CARILM). The initial TA will facilitate the design of CARILM with the preparation of a prioritized and coordinated program for sustainable land management in each of the five Central Asian countries. While CARILM is a 10-year program, it is divided into three separate programming and funding cycles to correspond with the programming and financing cycles of funding agencies. The first cycle is for 3 years from 2004 to 2006. During 2006, CARILM will be comprehensively reviewed against the performance criteria established during the design phase.</p>								

This TA will provide for a comprehensive review, comprising participation of representative stakeholders within each country and funding partners under the special partnership agreement.

**b. Goal and purpose:**

Goal: To reduce land degradation in the countries of the Central Asian region.

Purpose: To assess the performance of CARILM and establish recommendations for future monitoring and evaluation of further assistance.

**c. Components and outputs:** Details to be provided.

**d. Expected results and deliverables:** Comprehensive assessment of the performance of CARILM, detailed recommendations for future assistance to CARILM, recommendations for effective monitoring, and evaluation of CARILM.

**e. Social or environmental issues or concerns:** CARILM will address the key environmental issue of land degradation and related policy, legislation, and institutional aspects that influence the economic incentives and social effects on communities and beneficiaries.

**f. Plans for disseminating results/deliverables:** Results will be disseminated primarily through a process of national and regional workshops

**7. Proposed executing/implementing agencies:** To be determined in consultation with each government.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

An extensive consultation mission was conducted in each country with meetings of all key stakeholders. This culminated in a regional workshop in Almaty in February 2004 comprising government, NGO, and funding agency representatives.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2004
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory): 2005
  - Nonlending (other than project preparatory):
- c. Period and duration of assistance
  - Lending:
  - Nonlending: 2005

**10. Financing Plan**

- a. For lending
  - ☐ Ordinary capital resources:
  - ☐ Asian Development Fund:
  - ☐ Other:

Source	Amount (\$)
--------	-------------

ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

- b. For nonlending
  - ☐ No resources required, other than ADB staff
  - ☐ ADB's administrative budget:
  - ☒ Grant TA funds

☐ Other:

Source	Amount (\$)
ADB Financing	\$300,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A11.17: Regional Railway Development, Phase I  
Concept Paper**

**Date: April 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input checked="" type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <input type="checkbox"/> Economic, thematic, and sector work  <input type="checkbox"/> Institutional development  <input checked="" type="checkbox"/> Other: RETA         </p>		
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Transport and Communication          Subsector: Railways</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Sustainable economic growth  <input type="checkbox"/> Inclusive social development  <input type="checkbox"/> Governance  <input type="checkbox"/> Gender and development         </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Environmental sustainability  <input checked="" type="checkbox"/> Regional cooperation  <input checked="" type="checkbox"/> Private sector development         </td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development
<input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development	<input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development	
<p><b>3. Coverage</b></p> <p> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>		
<p><b>4. Responsible Division/Department:</b> Transport and Communications Division, East and Central Asia Department</p>		
<p><b>5. Responsible ADB officer(s):</b> M. Parkash</p>		
<p><b>6. Description of Assistance(s)</b></p> <p>a. <b>Background/linkage to country/regional strategy:</b> Central Asia, a region with strategic location and abundant resources, is flanked by Russia in the north, PRC, and Mongolia in the east, Europe on the west, and Afghanistan and Iran in the south. The region is a historical land bridge between the east and the west (PRC to Europe) and railways carry the bulk of the traffic in the region. To facilitate the seamless flow of traffic in the region, railway infrastructure should be upgraded. Standardization and upgrading of the infrastructure will enhance the transportation and trade within the region and beyond. This will provide an opportunity for sustainable economic and social development, promote economic diversification, and strengthen the regional</p>		

cooperation and collaboration. The countries to be covered include the PRC, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

- b. **Goal and purpose:** The objectives of the TA are to study and critically evaluate the existing railway infrastructure, develop a regional railway network, and identify the potential investments required to develop infrastructure on this network to meet the needs of regional transport in these countries.
- c. **Components and outputs:** The components of the TA include (i) comprehensive analysis of the current status of the railway infrastructure, (ii) preparation of a regional railway network and an inventory matrix giving the present status of the infrastructure for each of the railways, (iii) preparation of an investment plan for the development of infrastructure and facilities, and (iv) recommendations for policy support to ensure growth in regional traffic.
- d. **Expected results and deliverables:** At the end of the TA, ADB will have a comprehensive plan (including an identified network) for railway development for regional traffic. The study will also identify the (i) potential investments needed in the region and relate them to the potential economic benefits, and (ii) opportunities for various stakeholders including the private sector.
- e. **Social or environmental issues or concerns:** No environmental and social assessment of the project has been undertaken yet.
- f. **Plans for disseminating results/deliverables:**

**7. Proposed executing/implementing agencies:** ADB will be the Executing Agency.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2003
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): 2006
- c. Period and duration of assistance
  - Lending:
  - Nonlending: To be determined

**10. Financing Plan**

- a. For lending
  - ☐ Ordinary capital resources:
  - ☐ Asian Development Fund:
  - ☐ Other:

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

- b. For nonlending
  - ☐ No resources required, other than ADB staff
  - ☐ ADB's administrative budget:
  - ☒ Grant TA funds
  - ☐ Other:



<b>Source</b>	<b>Amount (\$)</b>
ADB Financing	\$850,000
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

ADB = Asian Development Bank, CAR = Central Asian republic, CSP = country strategy and program, ECGF = Governance, Finance, and Trade Division, ECRD = East and Central Asia Department, PRC = People's Republic of China, RETA = regional technical assistance, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A11.18: Dushanbe–Kyrgyz Border Road Rehabilitation Project, Phase III  
Concept Paper**

**Date: April 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input checked="" type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <div style="margin-left: 20px;"> <input type="checkbox"/> Economic, thematic, and sector work  <input type="checkbox"/> Institutional development  <input type="checkbox"/> Other:           </div> </p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Transport and Communication          Subsector: Roads and Highways</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input checked="" type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input checked="" type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input checked="" type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p> <input checked="" type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input checked="" type="checkbox"/> Internal policy development         </p>								
<p><b>4. Responsible Division/Department:</b> Transport and Communications Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB officer(s):</b> J. Miller</p>								
<p><b>6. Description of Assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> The TA will prepare the third phase of the rehabilitation of the Dushanbe-Kyrgyz border road, a key transport corridor linking Tajikistan to the Kyrgyz Republic and on to the PRC. The first and second phases will rehabilitate the sections from Dushanbe to approximately km 217 and this project preparatory technical assistance will determine which of the remaining sections should be rehabilitated under the third phase. The project road provides the primary link between the Rasht Valley and Dushanbe. The project area has a poverty incidence estimated at 85–95%. The project road will eventually connect to Sary Tash in the Kyrgyz Republic, and thus to the Osh-Sary Tash-Irkeshtam road corridor currently being studied under TA 6024-REG: Regional Cooperation in Transport Projects in Central Asia. The proposed project is consistent with the regional strategy, as it will assist in infrastructure rehabilitation,</p>								

support poverty reduction and economic growth, improve governance through policy reform, and increase regional traffic and trade.

**b. Goal and purpose:** The goal is to prepare the phase III Project, which will aim to reduce poverty and increase regional trade and cooperation by rehabilitating the road linking Dushanbe, Tajikistan, to the border with the Kyrgyz Republic.

**c. Components and outputs:** The TA will prepare the Phase III Project suitable for ADB financing. The Project will include civil works for rehabilitation of the Dushanbe-Sary Tash road and rural roads, consulting services for project implementation, associated advisory TAs for institutional strengthening and policy reform, and (possibly) purchase of equipment for road maintenance.

**d. Expected results and deliverables:** Rehabilitation of the Dushanbe-Kyrgyz border road and rural roads; improved road maintenance financing and practices.

**e. Social or environmental issues or concerns:** No environmental and social assessment of the project has been undertaken yet.

**f. Plans for disseminating results/deliverables:** To be determined.

**7. Proposed executing/implementing agencies:** Ministry of Transport

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

The Ministry of Transport and other relevant institutions (including local governments for the rural roads) will be involved in the project design to be prepared under the TA.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2003
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory): 2006
  - Nonlending (other than project preparatory):
- c. Period and duration of assistance
  - Lending: 2006/2007
  - Nonlending:

**10. Financing Plan**

- a. For lending
  - ☐ Ordinary capital resources:
  - ☐ Asian Development Fund:
  - ☐ Other:

Anticipated cofinancing of about \$5 million for each phase, source not yet identified.

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

- b. For nonlending
  - ☐ No resources required, other than ADB staff
  - ☐ ADB's administrative budget:
  - ☒ Grant TA funds
  - ☐ Other:

<b>Source</b>	<b>Amount (\$)</b>
ADB Financing	\$400,000
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

ADB = Asian Development Bank, AOTA = advisory and operational technical assistance, CSP = country strategy and program, PPTA = project preparatory technical assistance, PRC = People's Republic of China, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A11.19: Harmonization of Cross Border Initiatives for Transport Sector in Central Asia 2006**  
**Concept Paper**

**Date: April 2004**

<b>1. Type/Modality of assistance</b> <input type="checkbox"/> Lending <input type="checkbox"/> Project loan <input type="checkbox"/> Program loan <input type="checkbox"/> Sector loan <input type="checkbox"/> Sector development program loan <input type="checkbox"/> Other: <input checked="" type="checkbox"/> Nonlending <input type="checkbox"/> Project preparatory <input type="checkbox"/> Other than project preparatory <input type="checkbox"/> Economic, thematic, and sector work <input type="checkbox"/> Institutional development <input checked="" type="checkbox"/> Other: RETA	
<b>2. Assistance Focus</b> a. If assistance focuses on a particular sector or subsector, specify the Sector: Transport and Communication Subsector: Roads and Highways b. For project preparatory and lending, classification <input type="checkbox"/> Core poverty intervention <input type="checkbox"/> Poverty intervention <input type="checkbox"/> Other c. Key thematic area(s) Themes: <input checked="" type="checkbox"/> Sustainable economic growth <input type="checkbox"/> Inclusive social development <input type="checkbox"/> Governance <input type="checkbox"/> Gender and development <input type="checkbox"/> Environmental sustainability <input checked="" type="checkbox"/> Regional cooperation <input checked="" type="checkbox"/> Private sector development	
<b>3. Coverage</b> <input type="checkbox"/> Country <input checked="" type="checkbox"/> Subregional <input type="checkbox"/> Interregional <input type="checkbox"/> Internal policy development	
<b>4. Responsible Division/Department:</b> Transport and Communications Division, East and Central Asia Department	
<b>5. Responsible ADB Officer(s):</b> M. Parkash	
<b>7. Description of Assistance(s)</b> <p><b>a. Background/linkage to country/regional strategy:</b> Central Asia, a region with strategic location and abundant resources, is flanked by Russia in the north, China and Mongolia in the east, Europe on the west, and Afghanistan and Iran in the south. Situated along the famous ancient Silk Road, the region is a historical land bridge between the east and the west (PRC to Europe) and north and the south (Indian Ocean and Persian Gulf to Russia and the Baltics). However, after the breakup of the former Soviet Union, the new political administrations are defining the need for these countries to cooperate on a variety of regional issues. The countries realize that their futures are intertwined and they need to coordinate to solve their common problems and optimize the use of shared resources. The emerging economies, both in the region and nearby, the Central Asian countries as well as the</p>	

Baltics, PRC, Russia, Ukraine, and the western European countries also look forward to a well-developed region and transport infrastructure to support the growth of trade in and beyond the region.

To facilitate the flow of traffic and trade among the countries in the region, cross border facilities should be harmonized including the infrastructure and the facilitation procedures. Standardization and upgrading of the facilities will enhance transportation and trade within the region and beyond. Such initiatives will provide an opportunity for sustainable economic and social development, promote economic diversification, and strengthen the regional cooperation and collaboration. The countries to be covered are all the Central Asian countries, including Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

**b. Goal and purpose:** The objectives of the TA are to (i) study and critically evaluate the facilities and the facilitation measures at each of the borders, (ii) develop common minimum standards, (iii) identify the necessary changes in legislation and the cross border procedures, and (v) identify the potential investments required to develop these common minimum standard.

**c. Components and outputs:** The components of the TA include (i) comprehensive analysis of the current status of the cross-border facilities and the procedures, (ii) preparation of an inventory matrix giving the present status of facilities and procedures for each of the border crossings, (iii) preparation of an action plan and a road map identifying the changes required for rationalization and the development of common minimum standards, and (iv) dissemination of the findings with the stakeholders.

**d. Expected results and deliverables:** The TA will produce a comprehensive plan to harmonize the common minimum standards among the various countries in the region. The study will also identify the potential investments that needed in the region for improving the cross border facilitation and will relate them to the potential economic benefits. The study will also identify the opportunities for various stakeholders including the private sector.

**e. Social or environmental issues or concerns:** No environmental and social assessment of the project has been undertaken yet.

**Plans for disseminating results/deliverables:** To be determined.

**7. Proposed executing/implementing agencies:** ADB will be the Executing Agency.

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:**

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2003
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory):
  - Nonlending (other than project preparatory): 2006
- c. Period and duration of assistance
  - Lending:
  - Nonlending: To be determined

**10. Financing Plan**

- a. For lending
  - ☐ Ordinary capital resources:
  - ☐ Asian Development Fund:
  - ☐ Other:

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	
Source:	

## b. For nonlending

- ☐ No resources required, other than ADB staff  
☐ ADB's administrative budget:  
☒ Grant TA funds  
☐ Other:

Source	Amount (\$)
ADB Financing	\$850,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CAR = Central Asian republic, CSP = country strategy and program, PRC = People's Republic of China, RETA = regional technical assistance, RCSP = regional cooperation strategy and program, TA = technical assistance.

**Table A11.20: Support for Regional Economic Cooperation in Central Asia  
Concept Paper**

**Date: April 2004**

<p><b>1. Type/Modality of Assistance</b></p> <p><input type="checkbox"/> Lending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project loan  <input type="checkbox"/> Program loan  <input type="checkbox"/> Sector loan  <input type="checkbox"/> Sector development program loan  <input type="checkbox"/> Other:         </p> <p><input checked="" type="checkbox"/> Nonlending</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Project preparatory  <input type="checkbox"/> Other than project preparatory  <input checked="" type="checkbox"/> Economic, thematic, and sector work  <input checked="" type="checkbox"/> Institutional development  <input type="checkbox"/> Other:         </p>								
<p><b>2. Assistance Focus</b></p> <p>a. If assistance focuses on a particular sector or subsector, specify the          Sector: Law, Economic Management, and Public Policy          Subsector: Economic Management</p> <p>b. For project preparatory and lending, classification</p> <p style="margin-left: 20px;"> <input type="checkbox"/> Core poverty intervention  <input type="checkbox"/> Poverty intervention  <input type="checkbox"/> Other         </p> <p>c. Key thematic area(s)          Themes:</p> <table style="width: 100%; margin-left: 20px;"> <tr> <td><input checked="" type="checkbox"/> Sustainable economic growth</td> <td><input type="checkbox"/> Environmental sustainability</td> </tr> <tr> <td><input type="checkbox"/> Inclusive social development</td> <td><input checked="" type="checkbox"/> Regional cooperation</td> </tr> <tr> <td><input type="checkbox"/> Governance</td> <td><input type="checkbox"/> Private sector development</td> </tr> <tr> <td><input type="checkbox"/> Gender and development</td> <td></td> </tr> </table>	<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability	<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation	<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development	<input type="checkbox"/> Gender and development	
<input checked="" type="checkbox"/> Sustainable economic growth	<input type="checkbox"/> Environmental sustainability							
<input type="checkbox"/> Inclusive social development	<input checked="" type="checkbox"/> Regional cooperation							
<input type="checkbox"/> Governance	<input type="checkbox"/> Private sector development							
<input type="checkbox"/> Gender and development								
<p><b>3. Coverage</b></p> <p> <input type="checkbox"/> Country                      <input checked="" type="checkbox"/> Subregional                      <input type="checkbox"/> Interregional  <input type="checkbox"/> Internal policy development         </p>								
<p><b>4. Responsible Division/Department:</b> Operations Coordination Division, East and Central Asia Department</p>								
<p><b>5. Responsible ADB officer(s):</b> C.J. Kim</p>								
<p><b>6. Description of assistance(s)</b></p> <p><b>a. Background/linkage to country/regional strategy:</b> Regional cooperation is one of ADB's key policies in pursuing its overarching goal of poverty reduction. Economic cooperation in Central Asia is particularly important, serving not only as a vehicle for fostering growth and poverty reduction, but also as an essential and investment in peace and security. ADB has provided support for economic cooperation in Central Asia since 1997 through its Central Asia Regional Economic Cooperation (CAREC) program.</p> <p>ADB support for regional cooperation in Central Asia has been fundamentally results-oriented and pragmatic. Its sectoral focus on transport, energy, and trade aims at addressing key development challenges facing the region through financing regional infrastructure projects and undertaking related policy improvement as building blocks towards achieving longer- term strategic objectives. This approach has won strong support and active</p>								



participation of the participating countries, and the program has achieved concrete results in terms of a set of regional projects and the establishment of the overall institutional framework (OIF) in Jan 2002.

Building on lessons learned from experiences and ADB's new regional strategy, which is being formulated, ADB will continue to support regional economic cooperation in Central Asia as a strategic means to achieving prosperity and security.

**b. Goal and purpose:** The goal of the TA is to promote sustained economic growth and poverty reduction in Central Asia. The purpose is to enhance economic cooperation through (i) strengthening the framework of the CAREC program, (ii) supporting regional projects, and (iii) supporting regional cooperation through capacity building.

**c. Components and outputs:** The TA will have the following components and corresponding outputs:

- (i) strengthening the framework of the CAREC program through ministerial conferences, workshops, meetings, etc. with outputs being a more effective mechanism for regional cooperation in terms of regional programming, implementation, close coordination of funding, and enhanced cooperation with neighboring countries;
- (ii) providing support for regional projects, with outputs being the identification and preparation of regional projects that have significant impact on regional issues in the priority sectors of trade, transport, and energy, and in the other important sectors such as telecommunication, financial management, environmental protection, migration; and
- (iii) supporting regional cooperation through capacity building, with outputs being stronger administrative and technical capacity of participating countries to coordinate and prepare regional projects.

**d. Expected results and deliverables:** The TA is expected to generate (i) enhanced regional cooperation through an improved CAREC program, based on better planning, effective consultation, and better coordination between development partner agencies and within ADB; (ii) tangible progress in investment projects and related policy reform in priority sectors and other sectors that have regional impacts; and (iii) strengthened institutional, administrative, and technical capacity in furthering regional cooperation in general.

**e. Social or environmental issues or concerns:** None foreseen.

**f. Plans for disseminating results/deliverables:** Dissemination will be through conferences, workshops, publications, and other means, in addition to wide circulation of materials (including consultant reports) within each government and among aid agencies and other stakeholders. The reports will be posted on the CAREC web site as appropriate.

**7. Proposed executing/implementing agencies:** Operations Coordination Division, East and Central Asia Department

**8. Nature/extent of government/beneficiary involvement in identifying or conceptualizing the assistance:** ADB has committed to serving as the secretariat to the OIF, established in January 2002 for guiding the CAREC program. The proposed TA is the umbrella TA to enable ADB to honor this commitment to enhancing support for economic cooperation in Central Asia.

**9. Timetable for assistance design, processing, and implementation**

- a. Year included in CSP, CSP update, RCSP, RCSP update, or interregional work plan: 2003
- b. Expected date of submission for approval
  - Lending:
  - Nonlending (project preparatory): 2006
- c. Period and duration of assistance
  - Lending:
  - Nonlending: 2004–2005

**10. Financing Plan**

## a. For lending

- ☐ Ordinary capital resources:  
☐ Asian Development Fund:  
☐ Other:

Source	Amount (\$)
ADB Financing	
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

## b. For nonlending

- ☐ No resources required, other than ADB staff  
☐ ADB's administrative budget:  
☒ Grant TA funds  
☐ Other:

Source	Amount (\$)
ADB Financing	\$950,000
Government Financing	
Other Financing	
<b>Total Cost</b>	

Source:

ADB = Asian Development Bank, CSP = country strategy and program, RCSP = regional cooperation strategy and program, TA = technical assistance.

## INDICATIVE BENCHMARKS FOR EVALUATION OF REGIONAL STRATEGY

**Table A12.1: Outcome Indicators for Evaluation of RCSP**

<b>RCSP</b> Goal: Sustained pro-poor growth	<b>Energy</b> Goal: Increase in Intra Regional Energy Trade	<b>Trade Facilitation</b> Goals: (i) Increase in trade flows; (ii) Lower transactions costs	<b>Transport</b> Goals: (i) Increased intra-regional and extra-regional transport; (ii) Improved CARs' connectivity with each other and with the outside world
<b>Outcome Indicators</b>	<b>Outcome Indicators</b>	<b>Outcome Indicators</b>	<b>Outcome Indicators</b>
1. Increase in average annual GDP growth rate during 2004-2007, compared to 2000-2003  2. Increase in GDP per capita compared with 2003  3. Decrease in the number of poor in the region  4. Decline in the level of inequality in the region  5. Increase in the share of manufacturing in GDP	1. Increase in intra-regional power trade compared with 2003 levels  2. Increase in intra regional gas trade compared with 2003 levels	1. Growth in overall CARs trade with outside world  2. Growth in intra-regional trade  3. Reduction in average time taken at border crossings  4. Growth in customs revenues for all CARs	1. Increase in number of cities/towns on the regional railway/roadway networks  2. Reduction in average travel time between two selected points