

CENTRAL ASIA

Working together to fight poverty

After more than a decade of painful economic restructuring, growth has returned to Central Asia. With the improved security situation in Afghanistan, the countries of the region now have an opportunity to set an agenda for strengthened regional cooperation and expanded international links that could lead to more trade, more growth, and less poverty.

The logic of regional cooperation is clear. Central Asia is a vast, isolated, and sparsely populated region characterized by small domestic markets, limited trade links, and weak infrastructure. By opening borders, harmonizing trade and customs regulations, and working together on energy production and the use of natural resources, countries in the region can improve efficiency, and create jobs and opportunities.

As each country works through the transition from command economy to market-driven economy, it will need to identify outlets for products and services beyond its domestic markets. To prosper, the countries of the region have to both work together and link up with world markets.

The Asian Development Bank (ADB) is working with the European Bank for Reconstruction and Development, International Monetary Fund, United Nations Development Programme, and the World Bank to help each country make these connections.

ADB has been working with its members in Central Asia to promote regional cooperation since 1997. At the second Ministerial Conference on Central Asia Economic Cooperation in November 2003, delegations from Azerbaijan, People's



ADB approved more than \$239 million worth of loans to Central Asian governments in 2003

Republic of China (PRC), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan reaffirmed the importance of regional cooperation with an emphasis on the energy, transportation, and trade sectors. Afghanistan, India, Iran, Japan, and Russia participated as observers.

Seven countries are now part of ADB's Central Asia Regional Economic Cooperation Program: Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan, as well as the Xinjiang Uygur Autonomous Region of the PRC.

The Regional Power Transmission Modernization Project, under which ADB loaned Tajikistan and Uzbekistan \$90 million to promote regional trade in energy, highlights the potential of cooperation.

Potential benefits of power trade in Central Asia from an integrated regional

system designed to maximize use of the huge hydropower resources in the Kyrgyz Republic and Tajikistan and the immense fossil fuel reserves of Kazakhstan, Turkmenistan, and Uzbekistan could lead to annual savings of between \$25 million and \$30 million by 2011.

Efficient pooling of existing generating capacity would reduce the need for new capacity and result in fixed-cost savings of about \$40 million per year by 2011.

As each country determines that cooperation offers tangible benefits and real opportunities for growth and development, regional cooperation can progress quickly. ADB is committed to helping Central Asia strengthen the links that will help each country fight poverty and provide jobs, opportunities, and improved standards of living for its people. ■

Ending Poverty in Asia and the Pacific

The primary goal of the Asian Development Bank (ADB) is to put an end to poverty in Asia and the Pacific. Some 690 million people in the region survive on less than \$1 a day. We find this unacceptable.

We work closely with our 63 members and other partners to identify the key areas where our loans and grants will show the greatest results in reducing poverty, creating sustainable economic growth, and improving the lives of the poor.

All our work is shaped by our strong commitment to helping achieve the Millennium Development Goals set by the international community.

The first and most crucial goal is to halve the number of people living on less than \$1 a day by 2015. This cannot be achieved unless poverty is drastically reduced in Asia and the Pacific. The work of ADB is a critical part of that effort.

We believe every person should have access to basic education, health care, sufficient food and nutrition, clean drinking water, proper sanitation, shelter, and the chance to support themselves through their own work.

In Asia today, millions of people do not possess these essential tools. This represents a massive loss of potential productivity and personal fulfillment.

All our projects are designed to cut that loss. Whether we are helping governments train teachers, improve irrigation systems, draft banking legislation, or fight corruption, all our work aims to reduce poverty.

Each day, with our members and development partners, we make a difference in the lives of millions of people in Asia and the Pacific. Each day, we are one step closer to achieving our vision of a region free of poverty. ■

ADB Facts

- **Established:** 1966
- **Members:** 63
- **Total Loans in 2003:** \$6.1 billion
- **Top Borrowers in 2003:** India, People's Republic of China, Pakistan, Bangladesh
- **Loans by Sector (%), 2003:** Transport and Communications (42.2), Social Infrastructure (18.5), Energy (12.4), Finance (7.9)

FOCUS:

Azerbaijan

Joined ADB: 1999

Resident Mission: Baku

Total Lending to End-2003: \$22.1 million

Loan Program: ADB is processing two loans in 2004 totaling \$45 million. It plans to extend nearly \$40 million per year to Azerbaijan in 2005–2006

Focus: Assistance for micro- and rural finance, water supply and sanitation, early childhood development, and road transport

More Information: www.adb.org/Azerbaijan



Uzbekistan

Joined ADB: 1995

Resident Mission: Tashkent

Total Lending to End-2003: \$794.7 million

Loan Program: Approval of two loans totaling \$65 million is expected in 2004. ADB's prospective lending for 2005–2006 will be \$100–\$150 million a year, including regional projects

Focus: Promote economic growth through higher agricultural productivity, human development through health and education sector reforms, good governance and enterprise reform, and regional cooperation

More Information: www.adb.org/Uzbekistan

Central Asia Regional Economic Cooperation Member Countries

Kazakhstan

Joined ADB: 1994

Resident Mission: Astana

Total Lending to End-2003: \$501.6 million

Loan Program: ADB plans to extend loans amounting to \$50 million annually in 2005–2007

Focus: Rural poverty reduction and activities with regional impact. Rural poverty reduction will be supported with rural water supply, rural development, natural resources management, small and medium enterprise support, and rural education. Activities with regional impact could include work in the transport, trade and finance, and energy sectors

More Information: www.adb.org/Kazakhstan

Mongolia

Joined ADB: 1991

Resident Mission: Ulaanbaatar

Total Lending to End-2003: \$568.7 million

Loan Program: Annual indicative lending levels is \$28 million for 2005 and \$35 million for 2006, subject to change based on the revised policy on performance-based allocation of resources from the Asian Development Fund, ADB's concessional lending window

Focus: Themes, rather than sectors, will shape ADB's strategy. The themes will include capacity building and governance reform, private sector development, internal migration and its implications for rural and urban development, efficient delivery of social sector services, and subregional cooperation

More Information: www.adb.org/Mongolia

People's Republic of China

Joined ADB: 1986

Resident Mission: Beijing

Total Lending to End-2003: \$13.62 billion

Loan Program: ADB plans to extend loans averaging \$1.5 billion per year to the PRC between 2005 and 2007

Focus: Promoting pro-poor inclusive economic growth, building an enabling environment for the private sector, and strengthening public sector governance; fostering regional cooperation to help integrate the PRC into the global economy; and promoting environmental sustainability

More Information: www.adb.org/PRC

Tajikistan

Joined ADB: 1998

Resident Mission: Dushanbe

Total Lending to End-2003: \$210.9 million

Loan Program: Assistance in 2004 of about \$23 million from the Asian Development Fund (ADF), with an additional \$11 million for regional projects. Annual lending level for 2005–2006 will be about \$23 million, subject to change based on the revised policy on performance-based allocation of resources from the ADF. A regional gas transmission project is proposed for 2005

Focus: Strengthening of rural development through institution building, rehabilitation of power and rural infrastructure, and strengthening of regional cooperation through improved customs services and transport links

More Information: www.adb.org/Tajikistan

Kyrgyz Republic

Joined ADB: 1994

Resident Mission: Bishkek

Total Lending to End-2003: \$532.7 million

Loan Program: ADB's proposed lending program consists of five loans from the Asian Development Fund, ADB's concessional lending window, for a total of \$80 million in 2005–2006

Focus: Reduce poverty by promoting private sector-led economic growth and selective support for human development through support to the agriculture sector and rural development, the financial sector, regional cooperation, and education

More Information: www.adb.org/KyrgyzRepublic



Regional Cooperation to Fight Poverty in Central Asia

Central Asia is a region of difficult challenges and vast opportunities. The Asian Development Bank works with Central Asian governments to help them reduce poverty and to serve as an integral link between large and dynamic markets in Europe and Asia. “Regional cooperation is not an option but a necessity for Central Asia,” said ADB President Tadao Chino in an interview. Excerpts:

How can regional cooperation benefit Central Asia?

The countries of Central Asia are uniquely interdependent. Because of the region’s remoteness, integrated infrastructure, shared natural resources, and small individual country markets, regional cooperation provides a strategic framework for development. Last November in Tashkent, senior ministers declared the ‘critical and urgent importance of regional economic cooperation’ in fostering political stability and security in Central Asia.

What are the main challenges facing the region?

The primary challenge is poverty. It is unacceptable that nearly a third of the region’s population lives in poverty despite rich human and natural resources. Given the extensive interdependence of Central Asian countries, national development strategies should optimally be designed and implemented in an overall regional cooperation framework. Successful integration with world markets and the availability of physical and social infrastructure—essential for attracting foreign direct investment—can only realistically be achieved through a regional approach.

What is ADB doing to further cooperation?

It is important to emphasize that the pace, direction, and substance of regional cooperation depends principally on the countries of Central Asia themselves. The international community can play a supportive

role. With regional cooperation in Central Asia still in its early stages, tangible progress will require careful nurturing, demonstration of win-win outcomes, and building of political will and mutual trust. While not glamorous, this approach has proven successful in ADB’s regional cooperation program in the Greater Mekong Subregion.



ADB President Tadao Chino

In 1997, ADB initiated the Central Asia Regional Economic Cooperation (CAREC) Program. In 2003, the Program expanded to include EBRD, IMF, IsDB, UNDP, and World Bank. As a result, CAREC has become one of the principal forums for promoting regional cooperation. With buy-in from the countries and the prospect of coordinated efforts by development partners, CAREC represents the best bet for Central Asian economies to attract investment and achieve sustained economic growth.

Are there any initiatives to bring Afghanistan into the fold?

Afghanistan attended CAREC’s First and Second Ministerial Conference as an observer. Since then, ADB launched two initiatives to extend the benefits of regional cooperation to Afghanistan. In 2003, senior ministers from Afghanistan, Pakistan, Tajikistan, Turkmenistan and Uzbekistan established a forum to focus on building transport corridors linking Central Asia to warm water ports in Iran and Pakistan. Additionally, a feasibility study is being conducted for a gas pipeline for transporting

Central Asia Regional Economic Cooperation Program

Established 1997

Member Countries Azerbaijan, People’s Republic of China (Xinjiang Uygur Autonomous Region), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Uzbekistan

Priority Areas Energy, water, trade, and transport

Secretariat Asian Development Bank

Institutional Framework Components

- Ministerial Conference
- Senior Officials’ Meeting
- Sector Coordination Committees
- Project Working Groups
- National Focal Points
- Secretariat

Donor Participants (since 2003)

Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, World Bank

Key Regional Investment Projects

- Almaty-Bishkek Regional Road Rehabilitation
- Dushanbe-Kyrgyz Border Road Rehabilitation
- Regional Power Transmission Modernization
- Regional Trade Facilitation and Customs Cooperation Program

Total Lending to CAREC Countries

\$2.6 billion, including \$187 million in regional projects (as of April 2004, excluding PRC)

Technical Assistance Grants

\$175.8 million, including \$14.8 million in regional technical assistance grants (as of April 2004, excluding PRC)

More information www.adb.org/carec

natural gas from Turkmenistan to South Asian markets via Afghanistan. Both initiatives have significant potential for generating employment and income, and reducing poverty in Afghanistan by fostering greater cooperation among neighboring countries. ■

“Regional cooperation is not an option but a necessity for Central Asia”

Tadao Chino, President, Asian Development Bank