

Development through Cooperation

CENTRAL ASIA REGIONAL COOPERATION STRATEGY
AND PROGRAM UPDATE, 2006–2008



ADB

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AND PROGRAM UPDATE, 2006–2008

Asian Development Bank

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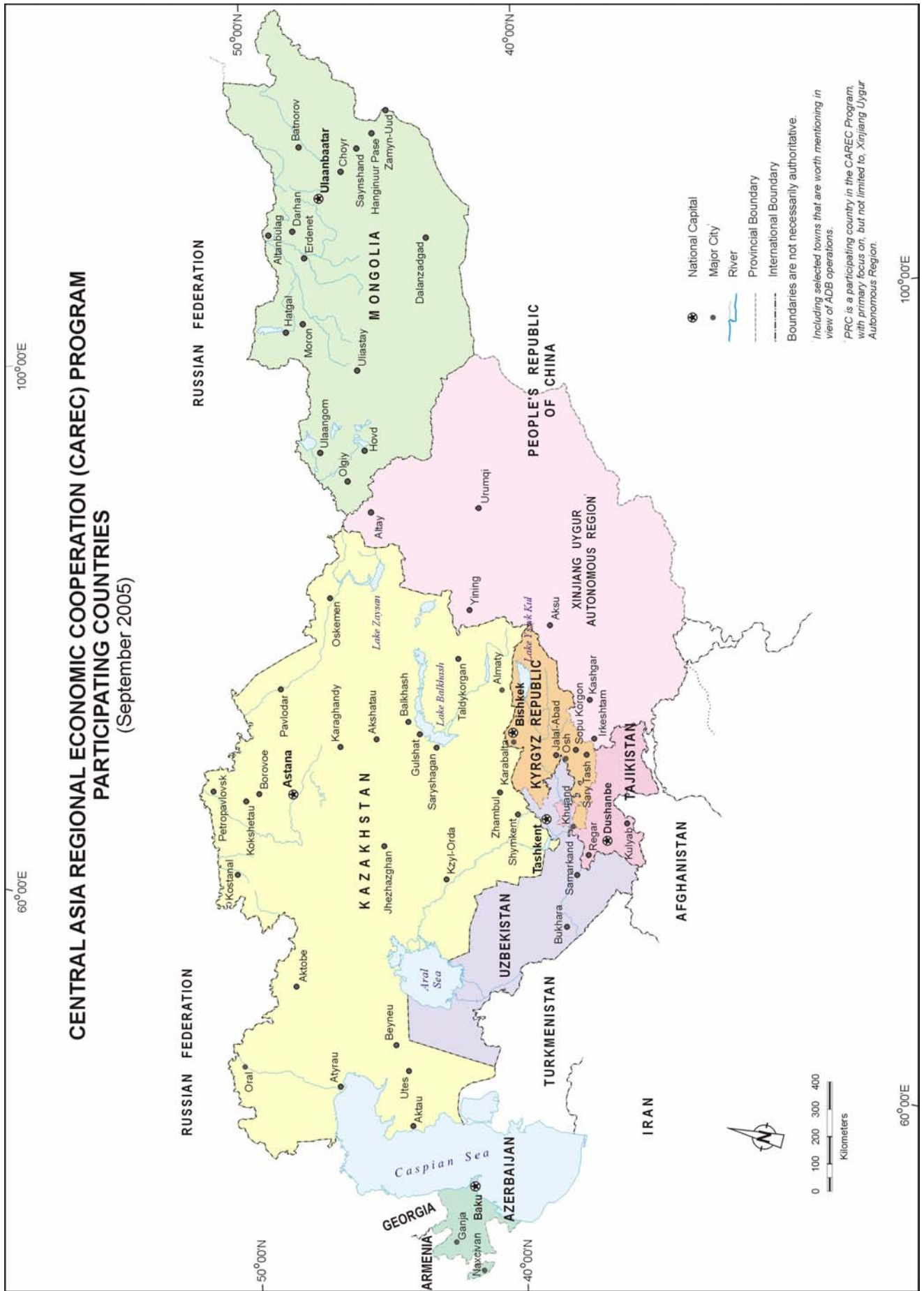
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Abbreviations

ADB	– Asian Development Bank
CACO	– Central Asia Cooperation Organization
CAREC	– Central Asia Regional Economic Cooperation
CARECU	– Central Asia Regional Economic Cooperation Unit
CMERF	– CAREC Members Electricity Regulators Forum
EBRD	– European Bank for Reconstruction and Development
ICT	– information and communications technology
IMF	– International Monetary Fund
MDGs	– Millennium Development Goals
MI	– multilateral institution
OIF	– overall institutional framework
PRC	– People's Republic of China
RBR	– regional business roundtable
RCSP	– regional cooperation strategy and program
RCSPU	– regional cooperation strategy and program update
RETA	– regional technical assistance
SCO	– Shanghai Cooperation Organization
SOM	– senior officials' meeting
TA	– technical assistance
TIR	– Transports Internationaux Routiers
TPCC	– Trade Policy Coordinating Committee

Note: In this report, "\$" refers to US dollars.

CENTRAL ASIA REGIONAL ECONOMIC COOPERATION (CAREC) PROGRAM PARTICIPATING COUNTRIES (September 2005)





Current Development Trends and Issues

This regional cooperation strategy and program update (RCSPU) on the Central Asia Regional Economic Cooperation (CAREC) Program reviews its response to changing circumstances and emerging needs.¹ Since 2000, there has been strong economic growth in the region, but more limited improvements in living standards and poverty reduction. Also, several countries have experienced heightened political and social uncertainty. The CAREC program is focused on transport, trade, and energy where cooperation will lead to better progress in poverty reduction. The Program's relevance and effectiveness are being strengthened by a broadening geographic coverage and scope, an enhanced partnership with multilateral institutions (MIs), and by organizational changes and capacity building for regional cooperation.

Regional and Global Developments

The strategic position of Central Asia at the crossroads of Europe and East and South Asia has been reinforced by the strong economic performance of the People's Republic of China (PRC) and India, the improved performance of the Russian Federation, and the gradual economic reintegration of Afghanistan. Further, the strong growth of the global economy, together with concerns about energy security, has meant record-high petroleum prices—a boon to those CAREC countries with significant petroleum resources (Azerbaijan, Kazakhstan, and, to a lesser extent, Uzbekistan).

Economic Performance: Continuing Growth

All CAREC countries experienced rapid economic growth in 2004, as a result of sharply increased energy exports, high commodity prices (for gold as well, but not for cotton), increased foreign investment,

¹ The Central Asia Regional Economic Cooperation (CAREC) is an Asian Development Bank (ADB)-supported initiative to encourage economic cooperation in Central Asia. Begun in 1997, the Program has so far focused on regional initiatives in transport, energy, trade facilitation, and trade policy critical to improving the economic performance of the region and the livelihoods of all people, especially of the poor. Participating countries are Azerbaijan, People's Republic of China (PRC) (Xinjiang Uygur Autonomous Region), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. CAREC is also an alliance of multilateral institutions active in promoting economic cooperation in Central Asia. Those institutions, besides ADB, are the European Bank for Reconstruction and Development (EBRD), International Monetary Fund (IMF), Islamic Development Bank (IsDB), United Nations Development Programme (UNDP), and World Bank. Moreover, the CAREC Program operates in partnership with other key regional cooperation programs and institutions, particularly the Shanghai Cooperation Organization and the Central Asia Cooperation Organization. CAREC, indeed, is the only forum that brings together the countries of the region and the key multilateral and regional institutions cited above within a single institutional framework. The Fourth Ministerial Conference of the CAREC Program will be held in Bishkek on 5–6 November 2005. The Islamic Republic of Afghanistan and the Russian Federation are expected to be represented at the conference for the first time, as full participants in the Program.

Macroeconomic outlook for CAREC countries is favorable both in the medium and long term

improved macroeconomic management, and other factors. Growth rates were 10.2% in Azerbaijan, 9.4% in Kazakhstan, 7.1% in Kyrgyz Republic, 10.6% in Mongolia, 9.5% in the PRC, 10.6% in Tajikistan, and 7.7% in Uzbekistan. While there are common sources of economic growth, there are also important differences. In Azerbaijan and Kazakhstan, oil is the main driver, with the value of exports increasing by 32% and 54%, respectively, in 2004. In Mongolia, high commodity prices and improved agricultural conditions were important sources of economic growth. In Tajikistan, an important source of growth was recovery from civil strife; in the PRC, it was the continued extraordinary growth of the manufacturing sector and private investment; in the Kyrgyz Republic, economic recovery supported by major economic reforms; in Uzbekistan, foreign investment in the natural gas sector and solid export performance. For the non-petroleum-rich Central Asian republics (CARs), agriculture still accounts for about one third of GDP.

Private sector development in the region continues to be of concern, for in most cases the reforms that have spurred such growth in the PRC (and in Mongolia) have lagged behind in the CARs. The

contribution of the private sector to GDP is hindered by a poor business environment, reflecting the continued presence of large state enterprises, the lack of necessary support services, and a generally poor policy, legal, and regulatory framework for private sector development. To address these issues, and to engage greater business participation in the CAREC Program, a Central–South Asia regional business roundtable will be held in conjunction with the Fourth Ministerial Conference (MC) in November 2005.

In the medium term the macroeconomic outlook is favorable, with expected annual GDP growth of 9–10% in 2005–2007. However, wide variations in performance are anticipated, with the western PRC and the petroleum-rich CARs leading the way (Azerbaijan projects growth in excess of 20% annually). In contrast, Kyrgyz Republic, Uzbekistan, and Tajikistan are projected to experience 5–7% growth. This positive outlook is linked to expectations that commodity prices (except for cotton) will remain high and foreign investment will increase to help develop the region's vast mineral and petroleum resources. Inflation will need to be carefully monitored; as the IMF's Article IV mission to Uzbekistan in 2005 concluded, increased foreign investment and higher energy prices could push inflation to double digits.

Longer-term projections also indicate a positive outlook. By 2015, per capita GDP could double to about \$2,000 and the incidence of poverty could be halved to about 24%.² This view, however, is conditional on continued buoyancy from natural resources, adequate infrastructure investment, a climate conducive to private enterprise development, and greater regional integration to overcome impediments to trade, investment, and development. Political stability, or at least the avoidance of civil strife in the transition to more democratic and transparent policies and regulations, will be critical.

Traditionally, CAR exports have been concentrated in a handful of primary commodities such as crude oil, metals, and



² Staff estimates.

Table 1: Comparative Income Poverty and Distribution Indicators for CARs

Country	Per Capita GDP		Poverty Incidence (%)						Gini Coefficient	
			Based on National Poverty Line		\$1-a-day					
	\$ (2003)	PPP Basis ^a (2003)	1992/1993	Latest ^b	Head Count Ratio ^a		Magnitude ^a (in '000)		Earliest ^c	Latest ^d
Azerbaijan	865	3,617	39.0 ^e	35.9	46.0	34.2	3,953	4,267	0.37	0.45
China, People's Rep. of	1,100	5,003	23.8 ^f	7.9 ^f	33.0	15.9	377,055	203,153	0.31	0.35
Kazakhstan	1,995	6,671	46.0	32.7	52.7	30.4	2,183	1,684	0.29	0.37
Myanmar		176 ^h		22.9						
Thailand	1,945	2,544	23.2	9.8	10.1	2.2	5,651	1,354	0.54	0.50
Viet Nam	144	500	58.1	28.9	50.7	13.1	33,446	10,509	0.18 ⁱ	0.20 ⁱ

ADB = Asian Development Bank, GDP = gross domestic product; GMS = Greater Mekong Subregion, Lao PDR = Lao People's Democratic Republic, Rep. = Republic.

^aWorld Bank. 1990. *PovcalNet Database*. Washington, D.C.; ADB. 2004. *Key Indicators*. Manila; and ADB estimates.

^bCambodia, 1999; Yunnan Province, PRC, 2001; Lao PDR, 2003; Myanmar, 1997; Thailand and Viet Nam, 2002.

^cCambodia, 1994; PRC and Thailand, 1992; Lao PDR and Viet Nam, 1993.

^dCambodia, 1999; PRC, 2000; Lao PDR, 1997–1998; Thailand and Viet Nam, 2001.

^eFor 1994.

^fFor Yunnan Province.

^gFor 2003.

^hFor FY2002 (April 2002–March 2003); based on data from the International Monetary Fund (IMF).

ⁱBased on Theil L index, a measure of inequality based on information/probability theory.

Sources: ADB. 2005. *Country Strategy and Program (2005–2009): Cambodia*. Manila; ADB. 2004. *Key Indicators 2004*. Manila; ADB. 2005. *Country Strategy and Program Update (2006–2008): People's Republic of China*. Manila; ADB. 2005. *Country Strategy and Program Update (2006–2008): Lao PDR*. Manila; ADB. 2005. *Country Strategy and Program Update (2006–2008): Viet Nam*. Manila; ADB. 2001. *Country Economic Report: Myanmar*. Manila; ADB. 2005. *Poverty and Development Indicators Database*. Manila; Wang Sangui. 2004. *Poverty Targeting in the People's Republic of China*. ADB Institute Discussion Paper No. 4. Tokyo; IMF. 2004. *Article IV Consultation Meeting*. Washington, D.C.; National Statistical Office of Thailand. 2003. *Development Indicators*. Available: <http://www.nso.go.th>.

cotton. Imports are still dominated by finished products including machinery and equipment, and consumer goods. Foreign investment in the region has so far done relatively little to diversify the regional economy; of the \$22 billion in foreign direct investment since 1997, more than 90% has been for the development of Azerbaijan's and Kazakhstan's energy- and resource-related industries. Diversifying production, making the CARs more attractive to investors, and building the infrastructure links needed for effective intra- and interregional trade remain important goals. The Xinjiang Uygur Autonomous Region is benefiting from the PRC's "Go West" policy,³ and the long-sustained economic boom in the PRC.

Social, Political, and Environmental Developments: Progress with Uncertainty

While rapid economic growth has increased per capita incomes and employment, and reduced the incidence of poverty. However, income disparities have also widened sharply, and the very low social sector spending by the CARs is slowing progress in reducing poverty. The region as a whole, in fact, faces serious problems with poverty.⁴ The PRC's western provinces account for 50% of the country's poor, but less than 30% of the total population. Per capita GDP is less than \$450 in Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan, and barely half this amount in Tajikistan. An important goal for the CAREC Program, therefore, is to help

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³ The PRC's "Go West" policy involves a massive redistribution of resources from coastal areas to 12 western provinces. These lagging areas represent 18% of the PRC's GDP, 29% of its population, and 50% of its poor. The policy is designed to create conditions supportive of a wide range of competitive economic activities. Investments in transport infrastructure, logistics, and utilities feature prominently in the strategy, as do protection of the natural environment, investment in education and health, and promotion of private investment.

⁴ Although human development indicators including education are relatively good, countries in the region face an uphill task to meet the Millennium Development Goals (MDGs), especially those related to health and the environment. Another particularly worrisome issue is the spread of tuberculosis and HIV/AIDS.

CAREC's goal of improving living standards and reducing poverty in CAREC countries through rapid, broad-based, and sustainable economic growth is still valid, as are the original building blocks: transport, energy, and trade.

ensure that economic growth translates into less poverty and improved social indicators.

Governance reforms that will set up more decentralized, responsive, and transparent public administration pose special challenges for the CARs, with their legacy of Soviet central planning and control. Progress has been slow; most CARs keep a tight grip on domestic activities to thwart the perceived intent of some factions to destabilize the country. Steps forward in some countries have been partially offset by regressive steps in others. Measures to counter extremism, separatism, and terrorism may have a negative fallout and, however unintended, curtail the growth of civil society, impede the exercise of democracy, and detract from economic integration. Despite lofty declarations of regional cooperation and an abundance of regional institutions, actions in this regard fall far short of expectations. The positive macroeconomic outlook is subject therefore to considerable risks to the political economy, as illustrated by recent events in Azerbaijan, Kyrgyz Republic, and Uzbekistan.

Environmental developments call as well for regional cooperation but also threaten to undermine trust and mutual advantage between countries. The CARs are recovering from severe drought, which has caused acute water shortages and crop reductions or failures. Meanwhile, the CARs have competing agendas for water use.

Upstream and downstream interests are in sharp conflict; the former are anxious to increase water flow during the winter to generate hydroelectric power, and the latter would rather store water during the winter to maximize irrigation for agricultural use. The technical work has been done to manage competing uses in a rational way and halt environmental damage, with support from the World Bank, Asian Development Bank (ADB), and other development partners, but international agreements will take considerable time and compromise—something that has yet to materialize—to implement. There is also growing concern over water security and environmental protection owing to climate warming, deforestation, and other problems.

Implications for Regional Cooperation (CAREC)

Regional cooperation is important in three respects:

- (i) While neighboring the world's largest and fastest-growing markets (PRC, India, and Russian Federation), Central Asia is landlocked, so regional transport costs are a serious impediment to development. Cooperation in trade, transit, and transport will yield important benefits.



- (ii) Countries in the region share vital resources, notably energy and water. Harnessing these resources in a sustainable manner, and managing their shared use in support of agriculture, industry, and livelihoods, requires a high degree of regional cooperation and third-party assistance.
- (iii) Regional cooperation programs collectively address most regional “goods” (e.g., knowledge sharing, trade cost reduction, remittance increase, water management, and flood control) and regional “bads” (e.g., human immunodeficiency virus [HIV], tuberculosis, drug trade and use, terrorism, and natural disasters). While individual programs like CAREC may be focused on only a limited number of regional “goods” and “bads,” their

contribution to building trust and confidence in Central Asia is part of the needed response.

CAREC’s goal of improving living standards and reducing poverty in CAREC countries through rapid, broad-based, and sustainable economic growth is still valid, as are the original building blocks: transport, energy, and trade. At the same time, these realities underscore the need for more efficient and effective regional cooperation, to extend the scope of CAREC, to strengthen the institutional framework and capacity for regional cooperation, and to position CAREC more effectively with respect to other regional initiatives, particularly the Shanghai Cooperation Organization (SCO) and the Central Asia Cooperation Organization (CACO).





Implementation of the CAREC Regional Cooperation Strategy and Program

Progress in the Partnership and Organization Structure

Key partnerships and organizational initiatives have featured in the implementation of the RCSP:

Partnership of multilateral institutions (MIs). The coordination of support for the CAREC Program has strengthened over the past year. The participating MIs (ADB, EBRD, IsDB, UNDP, IMF, and World Bank) met at the EBRD headquarters in October 2004 to discuss how best to pool their resources and expertise. ADB is taking the lead in transport and trade facilitation, the IMF in trade policy, the World Bank in water-energy, and the EBRD in private sector initiatives. UNDP is preparing a human development report on Central Asia with inputs from ADB and the World Bank, and is coordinating a Silk Road investment forum with ADB's regional business roundtable for Central and South Asia. EBRD, IsDB, and UNDP participate actively with ADB, the IMF, and the World Bank in meetings of senior officials, sector committees, and working groups. The MIs will be represented at senior levels at the Fourth MC of CAREC in November in Bishkek.

ADB's organization structure. The Central Asia Regional Economic Cooperation Unit (CARECU) head is stationed at ADB's CAREC field office in Almaty, Kazakhstan, which was opened to allow CAREC to be more responsive to participating countries and to interact more closely with the MIs on regional cooperation issues. In addition, most resident missions of ADB

have local specialists in regional cooperation.

National focal points. Steps are under way to appoint senior domestic advisers to each CAREC national focal point, together with other institutional and capacity-building measures. These measures are becoming important elements of CAREC, complementing the core program.

Results-based approach. A results-based approach is increasingly becoming part of CAREC operations. In particular, performance indicators are being developed to guide both the planning and monitoring of CAREC initiatives, and a comprehensive action plan is being prepared.

The geographic boundaries and scope of the CAREC Program are being broadened in response to changing conditions and needs in the region:



CAREC countries agreed in March 2005 on a regional transport sector road map (2005–2010), with the goal of developing an integrated and efficient transport system.

Geographic scope of the Program and participation of the Russian Federation and Afghanistan. Senior officials of CAREC countries generally agreed during their meeting in April 2005 that the Program would be more effective with the participation of the Russian Federation and Afghanistan. (The Russian Federation has long been a major trade partner of the CARs, as essential infrastructure links show. Participation in CAREC would advance Afghanistan's economic reintegration into the region.)

Positioning of the CAREC Program. CAREC is forming partnerships with other key regional cooperation programs and institutions, particularly SCO in transport, CACO in water-energy, the European Economic Community (EEC) in trade, and Transport Corridor Europe Caucasus Asia (TRACECA) in transit facilitation. The purpose is to generate synergy, reduce useless duplication, and benefit from the vast regional knowledge base and strong links of these organizations, while guarding CAREC's flexibility and unique identity, given the initial focus of these other programs on political and security issues.

Private sector participation. The CAREC countries have shown increasing interest in private sector participation. In response, a regional business roundtable

will be convened in conjunction with the Fourth MC, and a strategy note identifying options for involving the private sector will be presented.

Progress in Focus Areas of the Program

Progress has been achieved over the past year in CAREC's priority areas, as follows:

Transport

Cooperation in the transport sector is needed to link the landlocked countries of Central Asia more closely with neighboring countries and achieve rapid, pro-poor growth. CAREC countries agreed in March 2005 on a regional transport sector road map (2005–2010), with the goal of developing an integrated and efficient transport system. An integrated multimodal transport infrastructure network will strengthen links within the CAREC countries, give the countries better access to outside markets, reduce transport costs, improve transport services, and facilitate cross-border and transit traffic in the region. The five strategic priorities are:

- (i) Harmonizing and simplifying cross-border transport procedures and documentation among the CAREC



countries to facilitate the movement of passengers and freight across borders;

- (ii) Harmonizing transport regulations among the CAREC countries to create a level playing field for transport operators and promote efficient and better services;
- (iii) Developing and improving regional and international transport corridors to link production centers and markets within the CAREC countries, and to improve the countries' access to neighboring regions and markets;
- (iv) Restructuring and modernizing railways through private sector participation and improved corporate governance; and
- (v) Improving sector funding and management to ensure that the regional transport network is properly developed and maintained.

ADB is the lead agency in coordinating transport sector activities under CAREC. Since its first meeting in June 2004, the Transport Sector Coordinating Committee has focused on improving the regional transport network and setting the framework for addressing sector policy issues. The sector road map is aimed at addressing the key sector issues related to regulatory differences, lack of transport connections, poorly equipped border posts, bureaucratic cross-border procedures, poor infrastructure maintenance due to insufficient funding, lack of competition in the rail system, and limited institutional and human resource capacity in the transport sector.

In relation to strategic priorities (i) and (ii), a study is being done to harmonize transport regulations (phase 1) and simplify cross-border road and rail transport procedures in CAREC countries. Information is being collected on the following aspects of regulation and enforcement: vehicle emission requirements; axle load control; tariffs, road user charges, and transit fees; traffic safety; and provision of transport services. The findings and recommendations

of the study will be presented at the Fourth MC.

A regional transport agreement is vital to reducing nonphysical barriers to trade. Drawing on the experience of the Greater Mekong Subregion (GMS) Program, the SCO countries (PRC, Kazakhstan, Kyrgyz Republic, Russian Federation, Tajikistan, and Uzbekistan) are striving to draft such an agreement for road transport, with help from ADB—through ADB. 2004. *Technical Assistance for Formulating and Implementing an Intergovernmental Agreement of the Shanghai Cooperation Organization Member States on Facilitation of International Road Transport*. Manila. (TA No. 6223-REG, approved on 23 December 2004 for \$500,000)—and from the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

Major investments made by the MIs since January 2004 include: (i) the Southern Transport Corridor Road Rehabilitation Project in the Kyrgyz Republic, financed by ADB (\$32 million) with cofinancing from the OPEC Fund (\$4 million) and a separate grant from the PRC (\$7.3 million);⁵ (ii) the Hacıqabol–Kurdamir section of the highway from Baku, Azerbaijan, to the Georgian border, financed by EBRD (\$41 million); (iii) the Sumgayit–Zarat section of the highway from Baku to the Russian Federation border, financed by EBRD (\$85.3 million); and (iv) the Central North–South road corridor in Mongolia, cofinanced by ADB (\$37.1 million), PRC (\$1.5 million grant), and Republic of Korea (\$23.9 million).⁶ In addition, two transport projects are being processed by ADB, for approval in 2005: (i) East-West Highway Improvement Project in Azerbaijan (\$52 million) and (ii) Dushanbe–Kyrgyz Border Road Rehabilitation Project, Phase II in Tajikistan (\$30 million).

For strategic priority (iii), an investment plan will be prepared in 2006 to include support for prefeasibility studies of key regional transport corridor development

CAREC energy projects include investment projects to rehabilitate and expand the energy infrastructure in the region, and TA projects to help create the economic and institutional conditions needed for the optimal use of such infrastructure.

⁵ ADB. 2004. Report and Recommendation of the President to the Board of Directors on Proposed Loan to the Kyrgyz Republic for the Southern Transport Corridor Road Rehabilitation Project. Manila. (Loan No. 2106-KGZ, approved in November 2004).

⁶ ADB. 2004. Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Mongolia for the Regional Road Development Project. Manila. (Loan No. 2087-MON, approved in July 2004).

projects for both the road and rail subsectors. The combined program of the MIs for 2005–2006 so far comprises 20 loan projects totaling \$511.6 million and 13 grant projects totaling \$6.0 million. Strategic priorities (iv) and (v) are to be included in the work plan for 2006–2007.

Energy

Energy endowments in Central Asian countries are complementary, and the region could reap considerable economic benefits through the optimal use of hydropower and energy from fossil fuels. The Central Asia power system, with its unified dispatch center in Tashkent, allows southern Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan to share power generation resources. Similarly, natural gas pipelines and storage facilities are used to provide energy from Uzbekistan to its neighbors during the winter months, when the demand for heat is high. Energy (power and gas) is exchanged regularly between these countries; however, pricing and supply security issues have not been specifically addressed. A proper energy

market with supporting contractual arrangements would attract new investments in greenfield energy projects to meet future demand for energy in the region, as well as from export markets in the PRC, the Russian Federation, and South Asia. To move Central Asia toward such a market, as CAREC plans to do by 2010, it is requiring countries first to introduce the right incentives for the sustainable development of their internal energy sectors by governing with more transparency, instilling commercial discipline, and restructuring.

CAREC energy projects include investment projects to rehabilitate and expand the energy infrastructure in the region, and TA projects to help create the economic and institutional conditions needed for the optimal use of such infrastructure. The investment projects of CAREC in the energy sector include the following:

- (i) The North–South Transmission Line Project in Kazakhstan will help to alleviate shortages of electricity during winter in southern Kazakhstan. When complete (by 2009), the transmission line will strengthen the exchange of power between the power systems of northern Kazakhstan, Russian Federation, and Central Asia. The project is being implemented in three phases by the Kazakhstan Electricity Grid Operating Company (KEGOC). The first phase, funded by EBRD (\$89 million), is now complete. Discussions between EBRD, World Bank, and KEGOC are ongoing for the funding of the second phase.
- (ii) The 220-kV Batken (Kyrgyz Republic)–Kanibodom (Tajikistan) transmission line was built to transmit electricity imports from the Kyrgyz Republic to northern Tajikistan. The \$9 million project was financed by Tajikistan.
- (iii) The Regional Power Transmission Modernization Project financed by ADB,⁷ with potential cofinancing from EBRD, was intended to restore the high-voltage transmission system in Tajikistan and Uzbekistan. The loan to Uzbekistan



⁷ ADB. 2002. Report and Recommendation of the President to the Board of Directors on Proposed Loans to Tajikistan and Uzbekistan for the Regional Power Transmission Modernization Project. Manila. (Loan Nos. 1977-TAJ, and 1976-UZB, approved in December 2002).

was terminated in September 2005 because the power trade relations agreement between Uzbekistan and Tajikistan was not signed.

- (iv) The Uzbekistan–Dushanbe gas pipeline is planned to be rehabilitated. ADB has begun project preparations on the basis of a RETA approved in 2002.⁸ When implemented (by 2008), the pipeline will improve the supply of natural gas in Tajikistan for use during winter, when domestic hydropower capacity is low. Three regional TA activities also have an important bearing on cooperation in the energy sector:
 - (i) A diagnostic review of regulatory approaches and challenges (DRRAC), highlighting deficiencies in the commercial discipline of electricity distribution companies, and inappropriate industry structures in general, was prepared by the ADB-led CAREC Members Electricity Regulators Forum (CMERF). It was discussed at a CMERF meeting in Beijing in July 2005. CMERF, which will be formally established by the end of 2005, has prioritized five other areas of study over the next year.
 - (ii) The Regional Electricity Export Potential Study finalized by the World Bank in January 2005 addressed the feasibility of meeting CAR electricity demand in summer through loss reduction, rehabilitation of generation capacity, and regional trade. It also recommended a least-cost generation development plan to meet regional demand, especially in winter, and increase exports, possibly to Afghanistan, PRC, Iran, Pakistan, and the Russian Federation. In this regard, the World Bank is leading the preparation of the Sangtuda I hydropower project in Tajikistan, which will be designed to export power to Afghanistan and Pakistan starting in 2009.
 - (iii) The concept of an international water and energy consortium (IWECC) was

approved by CACO heads of state in May 2004. It will manage regional reservoir operations, mobilize investments in hydropower infrastructure, and coordinate power generation and the export of electricity. A working group met in Almaty in February 2005. Participating countries must reach greater consensus for this proposal to move forward. In light of the above activities, preparations are underway for the establishment of a CAREC energy sector coordinating committee.

Trade Facilitation

Recent initiatives under CAREC's Trade Facilitation Program have built on earlier initiatives, including information technology for automated customs services and data exchanges; risk management and post-clearance audit; joint customs control and single window practices; and regional transit development. ADB has led the Trade Facilitation Program, including the following initiatives:

Revision of Customs Codes to harmonize customs procedures and establish a sound legal framework in accordance with the Revised Kyoto Convention. With support from ADB, Kyrgyz Republic and Tajikistan adopted new Customs Codes in 2004.

Reengineering of customs business processes and development of customs modernization plans. With support from ADB, Azerbaijan and Mongolia have assessed their modernization needs and Kyrgyz Republic and Tajikistan have prepared master plans for customs information systems.

Customs modernization and infrastructure development. With support from ADB (\$18.2 million),⁹ the Kyrgyz Republic and Tajikistan are developing a unified automated information system (UAIS) and customs border-post infrastructure. Support has also been given to Kazakhstan and Kyrgyz Republic to pilot testing of joint customs control at the

Recent initiatives under CAREC's Trade Facilitation Program have built on earlier initiatives, including information technology for automated customs services and data exchanges; risk management and post-clearance audit; joint customs control and single window practices; and regional transit development.

⁸ ADB. 2002. Technical Assistance for Preparing the Regional Gas Transmission Improvement Project in the Central Asian Republics. Manila. (TA No. 6023-REG, approved on 12 March 2002, for \$900,000).

⁹ ADB. 2004. Report and Recommendation of the President to the Board of Directors on Proposed Loans to the Kyrgyz Republic and Tajikistan for the Regional Customs Modernization and Infrastructure Development Project. Manila. (Loan Nos. 2113-KGZ and 2114-TAJ, approved in November 2004).

The senior officials meeting (SOM) in April 2004 called for the creation of a trade policy coordinating committee (TPCC), and IMF has provided support for its establishment.

Kordai-Akzhol border crossing, resulting in the formation of interagency working groups towards single window inspection.

Bilateral customs cooperation.

Bilateral transit agreements have been signed between Kyrgyz Republic - Kazakhstan and Kyrgyz Republic - Tajikistan. In addition, Azerbaijan and Kyrgyz Republic reached agreement on exchange of customs statistics. Bilateral agreements on mutual administrative assistance and cooperation were also signed between Azerbaijan and Kyrgyz Republic, Azerbaijan and PRC, and PRC and Uzbekistan.

Capacity building and knowledge sharing. To enhance the knowledge and skills of trade facilitation practitioners from CAREC countries, a succession of capacity building activities have been conducted in 2005 emphasizing international best practices and country experiences on (a) customs automation and data exchange, (b) risk management and post-clearance audit, and (c) single window and one stop service, in Singapore, Shenzhen, and Bangkok, respectively. A Regional Transit Development Forum will be held in October 2005 to support the PRC's accession to the *Transports Internationaux Routiers* (TIR) Convention and bilateral transit agreements. Also, a website has been developed for trade facilitation and customs cooperation.

The EBRD, with funding assistance from the Swiss and German governments, is providing advisory services on trade finance to small banks in Azerbaijan, Kazakhstan,

Kyrgyz Republic, Tajikistan and Uzbekistan. It has also been providing guarantees for trade finance instruments and short-term advances to banks to facilitate foreign trade. In April 2005, the IsDB organized a Forum on Trade and Counter-trade Promotion between Central Asia and Organization of the Islamic Conference (OIC) countries. The IMF prepared an "Issues Paper on Regional Integration" and the World Bank prepared a "Trade and Transport Study." The *Deutsche Gesellschaft für Technische Zusammenarbeit* (GTZ) provided assistance to Kazakhstan and Tajikistan in connection with their preparations for World Trade Organization (WTO) accession.

UNDP has launched the second phase of its Silk Road Regional Programme, with five participating countries: China, Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan. UNDP's Silk Road Regional Programme was started independently of the CAREC Program but, as one of the six MIs that support the CAREC Program, the UNDP has been careful to coordinate initiatives concerning trade and transport. The trade component of the Programme will include, for 2005–2007, the following: (i) improving the policy and legal environment for trade and transit in the Silk Road area, and (ii) promoting fruitful dialogue between the public and private sectors and increase the level of private sector participation in trade and transit promotion and facilitation. The trade component of the Programme is strongly related to tourism development and investment facilitation.



Trade Policy

The senior officials meeting (SOM) in April 2004 called for the creation of a trade policy coordinating committee (TPCC), and IMF has provided support for its establishment. The TPCC held its second meeting in April 2005 at ADB headquarters. It discussed at length the papers that had been prepared by the MIs, as requested at the third MC, together with their policy implications. The papers were as follows: (i) ADB's analysis of barriers to trade in Central Asia and possible measures to facilitate trade; (ii) a World Bank study on Central Asia's actual or potential comparative advantage in global trade; and

(iii) an IMF review of regional trade agreements, analysis of potential conflicts between these agreements and WTO accession, and review of the lessons that can be learned from regional trade agreements elsewhere.¹⁰

The SOM of April 2005 endorsed two recommendations of the TPCC. First, it agreed that entrance and transit delays and financial costs must be reduced. The TPCC was instructed to analyze these delays and costs, and to recommend ways of reducing them, at the next SOM; this analysis will be led by the IMF. Second, and similarly, the TPCC was asked to review barriers to border trade and to recommend improvements in these policies and procedures at the next SOM; the Kazakh authorities will take the lead in this analysis to heighten country ownership. While urging the TPCC to focus on the problems posed by differential excise duties on domestic and imported goods, the SOM endorsed the TPCC's objectives and proposed work program and noted that its analyses and discussions would be useful in addressing regional trade policy issues. The challenge now is to build on these discussions, and to produce concrete policy and regulatory reforms.

Building on Success

The following factors have contributed to CAREC's success: (i) a simple but effective institutional structure; (ii) emphasis on ownership by the participating countries and on consensus building, while also pressing ahead with national, bilateral, and subregional initiatives of broad benefit; (iii) effective partnership among the six MIs; (iv) results-oriented focus on priority sectors (transport, trade, and energy) critical to competitiveness and development; (v) willingness to expand the CAREC

Program to include neighboring countries that are important trade partners (e.g., Afghanistan and the Russian Federation) and allow access to wider markets; (v) willingness to cooperate fully with other regional cooperation initiatives (e.g., CACO in establishing the water-energy consortium, and SCO in drafting an international agreement to facilitate cross-border road transport; (vi) care taken to avoid divisive issues, while building trust and confidence through progress in other areas; and (vii) the honest broker, third-party facilitator role played by ADB and other MIs.

But there have also been frustrations and unmet expectations: (i) slowness in identifying, assessing, and implementing regional infrastructure projects (e.g., the Almaty–Bishkek Regional Road Rehabilitation Project);¹¹ (ii) the need to improve intersectoral coordination (e.g., between the transport and trade working groups) and to better incorporate crosscutting themes (e.g., environmental protection); (iii) the lack of a “flagship” project symbolizing progress toward regional cooperation (e.g., a regional transport corridor or power trade agreement); (iv) institutional limitations in broadening the scope of the Program (e.g., tourism, telecommunications); (v) research and information limitations, especially in support of decision making and better understanding by civil society; (vi) insufficient resource mobilization, resulting in a limited pipeline of initiatives; (vii) until the Central–South Asia regional business roundtable in November 2005, extremely limited provision for private sector participation; and (viii) continuing problems in coordinating among regional cooperation programs, and in avoiding duplication and unnecessary parallel meetings.

¹⁰ The first paper analyzes the appropriate sequencing between accession to the World Trade Organization (WTO) and implementation of the Eurasian Economic Community (EAEC) customs union. It concludes that welfare will be greater if WTO accession precedes the EAEC Customs Union. The second paper summarizes best practices in designing regional trade agreements, and touches briefly on the issues of WTO accession and regional trade integration. The aforementioned papers are discussed in the CAREC newsletter issue of July 2005 (www.adb.org/Documents/Periodicals/CAREC/newsletter-jul2005.pdf).

¹¹ ADB. 2000. Report and Recommendation of the President to the Board of Directors on Proposed Loans to Kazakhstan and the Kyrgyz Republic for the Almaty–Bishkek Regional Road Rehabilitation Project. Manila (Loan Nos. 1774-KAZ and 1775-KGZ, approved in October 2000).



External Funding and Partnership Arrangements

CAREC provides scope for interagency collaboration and coordination among ADB's major multilateral development partners (EBRD, IMF, IsDB, UNDP, and World Bank) and bilateral partners (European Union, Germany, Japan, United Kingdom, and United States). The proposed program has been discussed with those partners and complements their operational priorities and programs. To

maximize cofinancing, ADB will maintain its dialogue with governments and organizations active in the region, particularly the SCO and CACO, and will continue to pursue cofinancing opportunities with them to address CAREC priorities. Donor coordination must be further strengthened to accommodate the anticipated expansion in CAREC participation, assuming Afghanistan and the Russian Federation (a non-ADB member) are invited to join.





Portfolio Management Issues

A. Portfolio Performance

As of 30 June 2005, ADB had approved 11 loans totaling \$275.1 million for seven CAREC-related projects. Of this amount, \$122 million was funded through ordinary capital resources (OCR) and \$153.1 million through the Asian Development Fund (ADF). ADB had also leveraged cofinancing amounting to \$140.7 million for three projects. Six of the seven loans to Kazakhstan, Kyrgyz Republic, and Tajikistan for four projects are in effect (Appendix 5). Disbursements under these loans totaled \$62.3 million, or 64% of the commitments approved by ADB. None of these projects

was sufficiently advanced to warrant evaluation, although midterm review is due. The other three projects involve four loans, none of which has been declared effective. Two of the projects were approved in 2004 and another was approved in 2002 (Regional Power Transmission Modernization Project).¹² Regarding the project that was approved in 2002, loan effectiveness required the signing of a power trade relations agreement (PTRA) between the governments of Uzbekistan and Tajikistan. Despite ADB's best efforts, the two governments did not sign the PTRA, mostly because of issues and concerns raised by



¹² ADB. 2002. Report and Recommendation of the President to the Board of Directors on Proposed Loans to Tajikistan and Uzbekistan for the Regional Power Transmission Modernization Project. Manila. (Loan Nos. 1976-TAJ, and 1977-UZB, approved in December 2002).

ADB, as the lead agency for the CAREC Program, must strengthen this leadership role by demonstrating that it can mobilize the necessary resources to pick up the pace of regional cooperation and integration in Central Asia.

Uzbekistan (e.g., water regime management, third-party transit of electricity, and trans-boundary pollution). In September 2005, the loan to Uzbekistan for this project was terminated, according to section 10.04 of the ADB loan regulations.

With respect to CAREC-related non-lending products, from October 2000 to June 2005, ADB approved 23 TA projects totaling \$17.44 million in ADB grants. Three of these TAs were completed; one was evaluated and rated satisfactory. The other TA projects are ongoing.

The CAREC Program got off to a cautious start, reflecting the difficult circumstances in the region and the fact that the program was following on the heels of several other well-established regional cooperation programs, and potentially competing with several high-profile new ones. Nonetheless, CAREC, involving as it does seven countries and six

multilateral institutions, is increasingly being recognized as a program to be reckoned with. Its expansion to include Afghanistan and the Russian Federation would add very significantly to its profile, scope, and depth. Increased support for the private sector, the research community, and civil society would reinforce demand-driven project selection, leading to better results and greater poverty reduction.

ADB, as the lead agency for the CAREC Program, must strengthen this leadership role by demonstrating that it can mobilize the necessary resources to pick up the pace of regional cooperation and integration in Central Asia. Although the coordination of support for the CAREC Program has strengthened over the past year, the termination of the Regional Power Transmission Modernization Project in July 2005 illustrates what is at stake for the region and ADB alike.



First-Year Implementation of the CAREC RCSP Pipeline (2004–2006)

The outputs in 2004 from CAREC-related lending products and non-lending products and services were broadly in line with the assistance pipeline (2004–2006) in the RCSP.¹³ Four loan projects totaling \$88.1 million scheduled for processing during the first year of the planned period were

approved in 2004.¹⁴ Funding was all ADF-based. One standby loan project for \$55 million was dropped.¹⁵ Regarding non-lending products and services, a total of 13 TAs for \$6.5 million were planned for 2004, of which nine TAs for \$4.95 million were approved in 2004 and two slipped to 2005.¹⁶ The remaining two TAs, including one that had been on standby, were dropped or not pursued as a result of reprioritization.¹⁷



¹³ ADB. 2004. Regional Cooperation Strategy and Program for Central Asia Regional Economic Cooperation (CAREC) Member Countries (2005-2007). Manila.

¹⁴ ADB. 2004. Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Kyrgyz Republic for the Southern Transport Corridor Road Rehabilitation Project. Manila. (Loan No. 2106-KGZ, approved in October 2004 for \$32.8 million); ADB. 2004. Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Mongolia for the Regional Road Development Project. Manila. (Loan No. 2087-MON, approved in July 2004 for \$37.1 million); and ADB. 2004. Report and Recommendation of the President to the Board of Directors on Proposed Loans to the Kyrgyz Republic and Tajikistan for the Regional Customs Modernization and Infrastructure Development Project. Manila. (Loan Nos. 2113-KGZ for \$7.5 million and 2114-TAJ for \$10.7 million, approved in November 2004).

¹⁵ The Aktau–Atyrau Road Rehabilitation Project in Kazakhstan was dropped in May 2005 because the Government opted to finance the project from state budget resources.

¹⁶ ADB. 2005. Technical Assistance for Central Asian Countries Initiative for Land Management (Cofinanced by the Global Environment Facility and the Global Mechanism). Manila. (TA No. 6236-REG, approved on 23 March 2005 for \$500,000); and ADB. 2005. Technical Assistance to Mongolia for Prefeasibility Study of the Western Regional Road Corridor Development. Manila. (TA No. 4643-MON approved on 5 September 2005 for \$150,000).

¹⁷ RETA for Tourism Development (\$800,000) was not pursued. RETA for Cooperation in Education (Curriculum and Testing) will be replaced by RETA for Information and Communication Technology (ICT) to be approved in November 2005 (\$600,000).



Level of Assistance Proposed

The proposed CAREC core program¹⁸ for 2006–2008 comprises 16 projects totaling \$943 million¹⁹ and 13 TA projects totaling \$9.0 million, for a total of \$952 million, with a continued focus on transport, energy, and trade.²⁰ As such, it implies a substantial increase in ADB’s support for regional economic cooperation in Central Asia. Efforts are under way to seek cofinancing by development partners for the lending and non-lending programs. The likely annual share of CAREC in the ADF regional allocation is about \$30 million–\$40 million, which is in addition to the country-specific indicative planning figures. However, this is well below the likely financial requirements of the CAREC lending program, and highlights the need for greater efforts to mobilize resources from other sources, including the private sector, and the possible use of OCR for revenue-generating projects with loan repayment capability.²¹ The proposed RETA program includes support for capacity building for regional cooperation, logistics development for trade facilitation, regional road maintenance, traffic enhancement, promotion of the insurance industry to

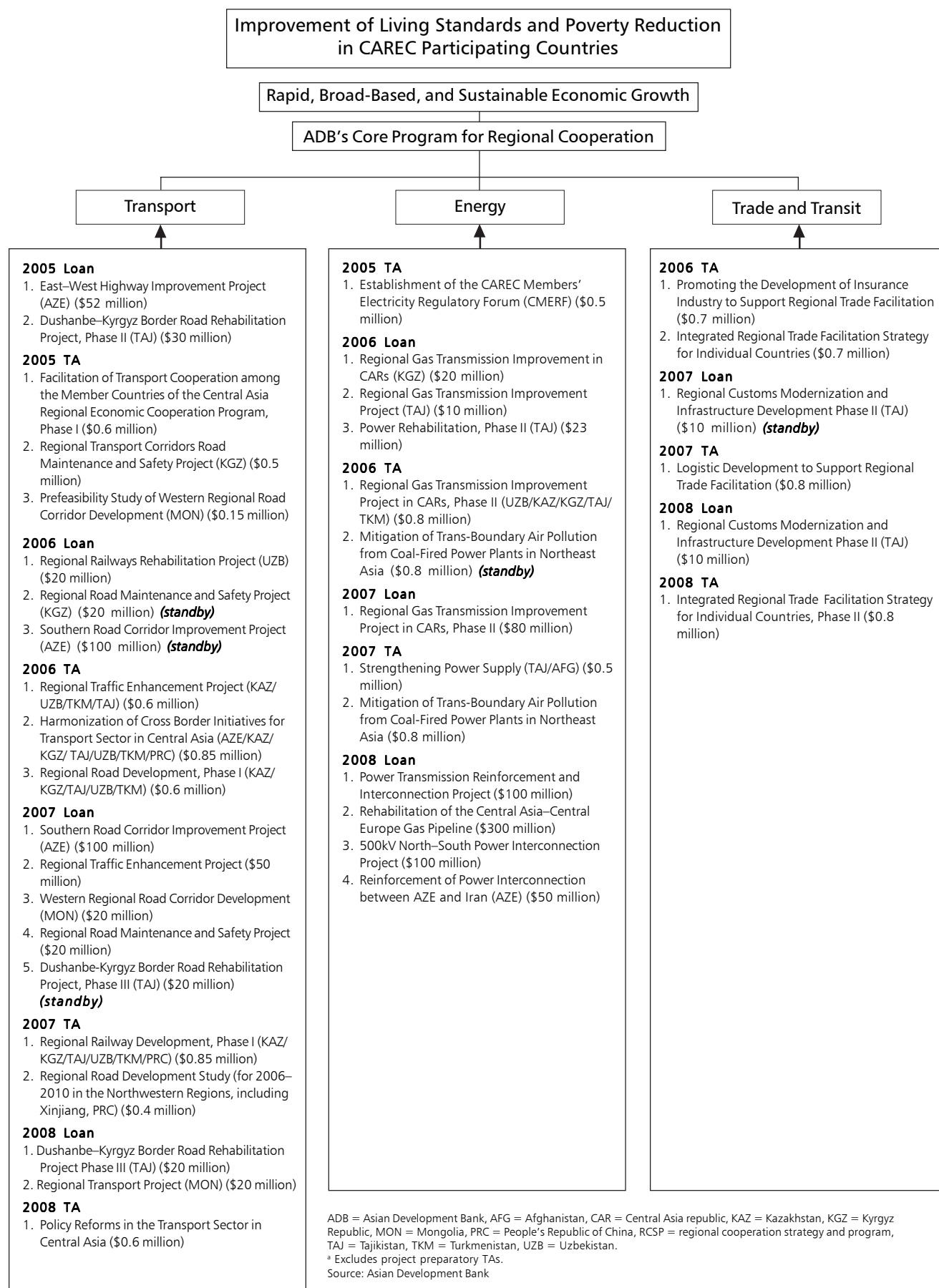
support regional trade facilitation, harmonization of cross-border initiatives in the transport sector, integration of regional trade strategy, support for CMERF, regional gas transmission improvement, and strengthening of regional power supply. These TAs complement ADB’s lending products and support policy dialogue and capacity-building activities, studies in priority areas, and CAREC’s institutional framework.



¹⁸ Refer to Appendix 1 for the CAREC Core Program: 2005–2008.
¹⁹ ADF allocations will be guided by the requirements of the performance-based allocation policy.
²⁰ In addition, ADB’s Private Sector Operations Department will pursue a variety of infrastructure and financial sector investments to supplement and complement ADB’s overall support to the region. For example, EBRD’s and ADB’s joint trade facilitation facilities offer partial credit guarantees on behalf of issuing banks in Central Asia, to facilitate trade and integration with countries inside and outside the region.
²¹ The ADB-wide ADF allocation for regional/subregional projects has been set at \$167 million for 2005 and 2006.

Appendix 1

CAREC Core Program for 2005-2006^a



Appendix 2

Regional Organizations

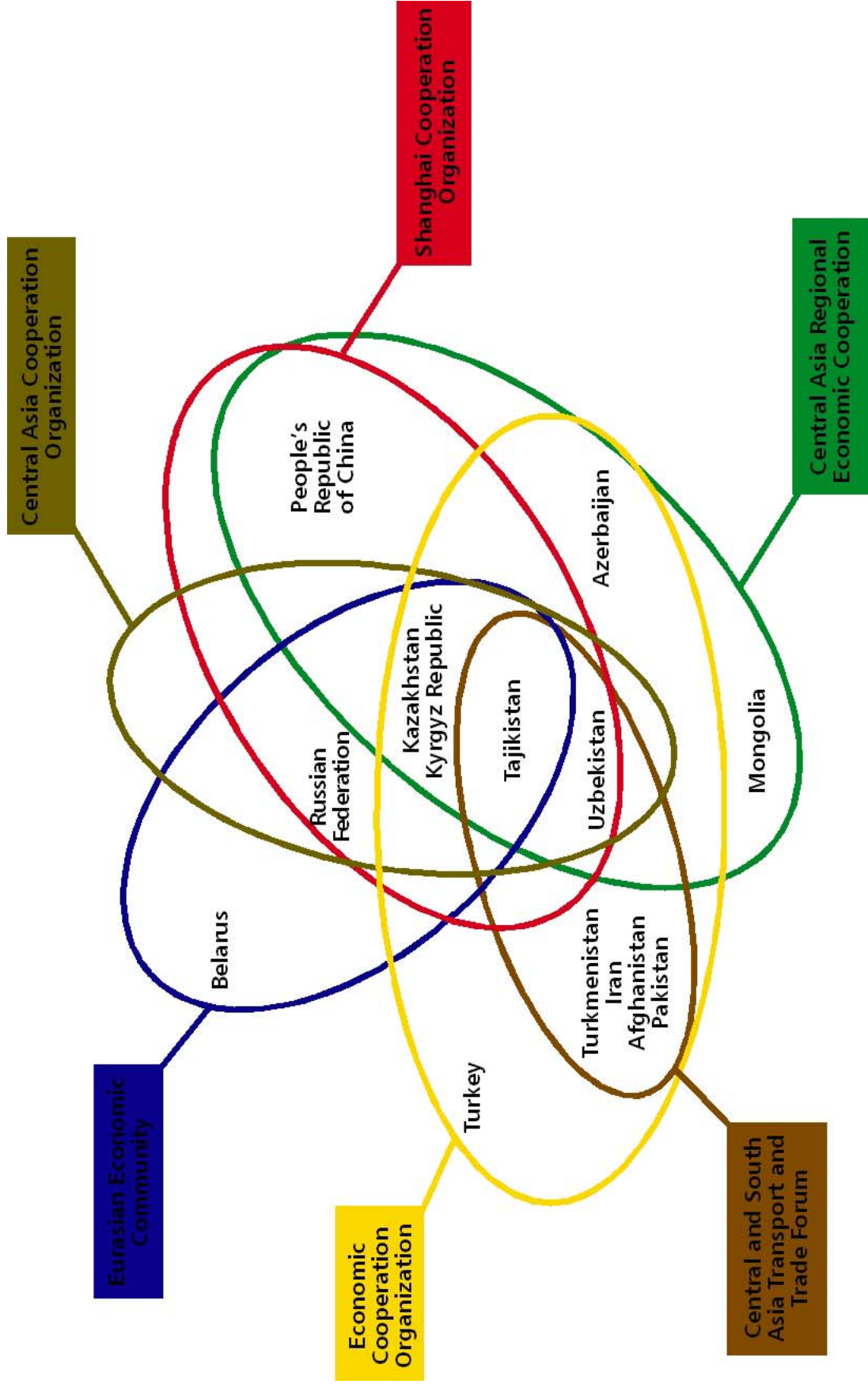


Figure A2.1: Regional Groupings

Regional Organizations Sectors	Shanghai Cooperation Organization	Economic Cooperation Organization	Central Asia Cooperation Organization	Central Asia Regional Economic Cooperation	Central and South Asia Transport and Trade Forum	Eurasian Economic Community	International Fund for Saving the Aral Sea
Transport							
Trade							
Energy							
Environment							
Customs							
Tourism							
Water							
Security							
Agriculture							
Food							

Source: Asian Development Bank

Figure A2.2: Regional Organizations (Sectoral Coverage)

PORTFOLIO STATUS

Table A3.1: Portfolio Implementation Status
(Public Sector Loans, as of 30 June 2005)

Sector	Loan No.	Title	Loan Amount ^a		Approval Date	Effective Date	Closing Date		Progress (% complete)	
			OCR (\$ million)	ADF (\$ million)			Original	Revised		
ENE	1976-UZB ^b	Regional Power Transmission	70.0	20.0	17 Dec 02		30 Jun 08		—	
	1977-TAJ	Modernization Project			17 Dec 02		31 Dec 06		—	
OTH	1926-KGZ	Regional Trade Facilitation and Customs Program	10.0	15.0	29 Oct 02	20 Dec 02	31 Dec 04		Closed	
	1927-TAJ				29 Oct 02	23 Dec 02	30 Jun 05		closed	
T&C	2113-KGZ	Regional Customs Modernization and Infrastructure Development	52.0	10.7	26 Nov 04	-	30 Jun 10		0%	
	2114-TAJ				26 Nov 04	01 May 05	30 Jun 10		3%	
T&C	1774-KAZ	Almaty-Bishkek Regional Road Rehabilitation Project	15.0	5.0	31 Oct 00	31 May 02	30 Jun 05		71%	
	1775-KGZ	Dushanbe-Kyrgyz Border Road Rehabilitation			31 Oct 00	31 May 02	30 Jun 04	31 Oct 05		43%
	2062-TAJ				18 Dec 03	15 Apr 04	31 Dec 08		15%	
2087-MON	2106-KGZ	Regional Road Development Southern Transport Corridor Road Rehabilitation	122.0	32.8	22 Jul 04		1 Jan 10		3%	
					23 Nov 04		31 Mar 09		2%	
Total			122.0	153.1						

^a Approved amount as indicated in the report and recommendation of the President to the Board of Directors (RRP).

^b The loan to Uzbekistan was terminated in September 2005 in accordance with section 10.04 of the ADB loan regulations.

— not available, ADF = Asian Development Fund, ENE = energy, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, MON = Mongolia, no. = number, OCR = ordinary capital resources, OTH = other, T&C = transport and communications, TAJ = Tajikistan, UZB = Uzbekistan.

Source: Asian Development Bank

REGIONAL ASSISTANCE PIPELINE FOR 2006–2008

Table A4.1: Assistance Pipeline for Lending Products, 2006–2008^a

Sector Project/Program Name	Targeting Classification	Thematic Priority	Division	Year of PPTA	Total	Cost (\$ million)		
						OCR	ADB ADF	Gov't Total
2006 Loans								
Transport and Communications								
1. Regional Railways Rehabilitation Project (UZB) ^b	GI	REG	ECTC	2002	20			20
Energy								
2. Regional Gas Transmission Improvement in CARs (KGZ)	GI	REG	ECEN	2002		20		20
3. Regional Gas Transmission Improvement Project (TAJ) ^b	GI	REG	ECEN			10		10
4. Power Rehabilitation, Phase II (TAJ) ^c	GI	REG	ECEN	2005		23		23
Subtotal (firm)					20	53		73
Standby Loans								
5. Regional Road Maintenance and Safety Project	GI	REG/ECG	ECTC			20		20
6. Southern Road Corridor Improvement Project (AZE) ^c	GI	REG/ECG	ECTC	2005	100			100
Subtotal (standby)					100	20		120
Total (firm)					20	53		73
2007 Loans								
Transport and Communications								
1. Regional Traffic Enhancement Project	GI	REG	ECTC	2005	40	10		50
2. Western Regional Road Corridor Development (MON)	GI	REG	ECTC	2005		20		20
3. Southern Road Corridor Improvement Project (AZE)	GI	REG/ECG	ECTC	2005	100			100
4. Regional Road Maintenance and Safety Project	GI	REG/ECG	ECTC			20		20
Energy								
5. Regional Gas Transmission Improvement Project in CARs, Phase II	GI	REG	ECEN	2006	40	40		80
Subtotal (firm)					180	90		270

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of PPTA	Total	Cost (\$ million)		
						OCR	ADB	Gov't
						ADF	ADF	Total
Standby Loans								
6. Dushanbe–Kyrgyz Border Road Rehabilitation Project, Phase III (TAJ)	GI	REG	ECTC	2006		20		20
7. Regional Customs Modernization and Infrastructure Development, Phase II (TAJ)	GI	REG	ECGF	2007		10		10
Subtotal (standby) Total (firm)					180	30 90		30 270
2008 Loans								
Transport and Communications								
1. Dushanbe–Kyrgyz Border Road Rehabilitation Project, Phase III (TAJ)	GI	REG	ECTC	2006		20		20
2. Regional Transport Project (MON)	GI	REG	ECTC	2007		20		20
Industry and Trade								
3. Regional Customs Modernization and Infrastructure Development, Phase II (TAJ)	GI	REG	ECGF	2007		10		10
Energy								
4. Power Transmission Reinforcement and Interconnection Project		REG	ECEN		100			100
5. Rehabilitation of the Central Asia–Central Europe Gas Pipeline		REG	ECEN		300			300
6. 500kV North–South Power Interconnection Project		REG	ECEN		100			100
7. Reinforcement of Power Interconnection Between Azerbaijan and Iran (AZE)		REG	ECEN		50			50
Total					550	50		600
Total					750	193		943

ADB = Asian Development Bank, ADF = Asian Development Fund, ECG = sustainable economic growth, ECEN = Energy Division, ECGF = Governance, Finance, and Trade Division, ECTC = Transport and Communications Division, GI = general intervention, 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, UZB = Uzbekistan.

^a The following projects were dropped from RCSP 2005–2007: (i) Central Corridor Roads Improvement II (Azerbaijan), \$15 million; (ii) Regional Railway Improvement/North Tajik Railway Modernization and Improvement Project (Tajikistan/Uzbekistan), \$20 million; and (iii) Regional Gas Transmission Improvement Project (Uzbekistan), \$25 million.

^b Rescheduled from 2005.

^c New projects, not listed in RCSP, 2005–2007.

Source: Asian Development Bank

Table A4.2: Assistance Pipeline for Nonlending Products and Services, 2006–2008^a

Sector/Assistance Name	Responsible Division	Assistance Type	Sources of Funding			Total Amount (\$'000)
			ADB Source	Amount (\$'000)	Others Amount (\$'000)	
2006						
Transport and Communication						
1. Dushanbe–Kyrgyz Border Road Rehabilitation Project, Phase III (TAJ)	ECTC	PPTA	TASF	400		400
2. Regional Traffic Enhancement Project (KAZ/UZB/TKM/TAJ) ^b	ECTC	RETA	TASF	600		600
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. Regional Road Development, Phase I ^b (KAZ/KGZ/TAJ/UZB/TKM)	ECTC	RETA	TASF	600		600
5. Western Regional Road Corridor Development (MON)	ECTC	PPTA	JSF	650		650
Energy						
6. Regional Gas Transmission Improvement Project in CARs, Phase II (UZB/KAZ/KGZ/TAJ/TKM) ^b	ECEN	RETA	TASF	800		800
Agriculture and Natural Resources						
7. Central Asian Republics: Monitoring and Evaluation of Central Asian Countries Initiative for Land Management (CACILM) Implementation (KAZ/KGZ/TAJ/TKM/UZB) ^b	ECAE	RETA	JSF	800		800
Law, Economic Management, and Public Policy						
8. Support for Regional Economic Cooperation in Central Asia (AZE/PRC/KAZ/KGZ/MON/TAJ/UZB)	ECOC	RETA	TASF	950		950
Industry and Trade						
9. Promoting the Development of Insurance Industry to Support Regional Trade Facilitation ^c	ECGF	RETA	TASF	700		700
10. Integrated Regional Trade Facilitation Strategy for Individual Countries ^c	ECGF	RETA	TASF	700		700
Subtotal (firm)				7,050		7,050
Energy						
11. Mitigation of Trans-Boundary Air Pollution from Coal-Fired Power Plants in Northeast Asia ^c	ECEN	RETA	TASF	800		800
Subtotal (standby)				800		800
Total (firm)				7,050		7,050
2007						
Transport and Communication						
1. Regional Road Development Study (for 2006–2010 in the Northwestern Regions, including Xinjiang, PRC)	ECTC	ADTA	TASF	400		400
2. Regional Railway Development, Phase I (KAZ/KGZ/TAJ/UZB/TKM/PRC)	ECTC	RETA	TASF	850		850

Sector/Assistance Name	Responsible Division	Assistance Type	Sources of Funding			
			ADB		Others	
			Source	Amount (\$'000)	Source	Amount (\$'000)
Total (\$'000)						
3. Regional Transport Project (PRC)	ECTC	PPTA	TASF	600		600
Energy						
4. Strengthening Power Supply (TAJ/AFG)	ECEN	RETA	TASF	500		500
5. Power Transmission Reinforcement and Interconnection Project	ECEN	PPTA	TASF	500		500
6. Rehabilitation of the Central Asia-Central Europe Gas Pipeline	ECEN	PPTA	TASF	500		500
7. 500kV North-South Power Interconnection Project (KAZ)	ECEN	PPTA	TASF	500		500
8. Reinforcement of Power Interconnection Between Azerbaijan and Iran (AZE)	ECEN	PPTA	TASF	500		500
9. Mitigation of Trans-Boundary Air Pollution from Coal-Fired Power Plants in Northeast Asia	ECEN	RETA	TASF	800		800
Industry and Trade						
10. Regional Customs Modernization and Infrastructure Development II (TAJ)	ECGF	PPTA	TASF	300		300
11. Logistic Development to Support Regional Trade Facilitation	ECGF	RETA	TASF	800		800
12. Regional Bond Market	ECGF	RETA	TASF	800		800
Total				7,050		7,050
2008						
Transport and Communication						
1. Policy Reforms in the Transport Sector in Central Asia	ECTC	RETA	TASF	600		600
Industry and Trade						
2. Integrated Regional Trade Facilitation Strategy for Individual Countries, Phase II	ECGF	RETA	TASF	800		800
3. Harmonization of Securities Market Regulations	ECGF	RETA	TASF	800		800
Total				2,200		2,200
Total (2006–2008)				16,300		16,300

ADB = Asian Development Bank, ADB = advisory technical assistance, AZE = Azerbaijan, ECEN = Energy Division, ECGF = Energy Division, ECGF = Governance, Finance, and Trade Division, ECGF = Operations Coordination Division, ECTC = Transport and Communications Division, JSF = Japan Special Fund, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, MON = Mongolia, PPTA = project preparatory technical assistance, PRC = People's Republic of China, RETA = regional technical assistance, TASF = technical assistance special fund, TAJ = Tajikistan, TKM = Turkmenistan, UZB = Uzbekistan.

^a The following projects were dropped from RCSP 2005–2007: (i) Capacity Building for Trade Facilitation (Mongolia), \$0.3 million; and (ii) Regional Power Transmission Modernization in the Central Asian Republics, \$0.8 million.

^b Rescheduled from 2005.

^c New projects, not listed in RCSP, 2005–2007.

Source: Asian Development Bank

REGIONAL ASSISTANCE PIPELINE FOR 2005

Table A5.1: Assistance Pipeline for Lending Products^a

Sector Project/Program Name	Targeting Classifi- cation	Thematic Priority	Division	Year of PPTA	Total	Cost (\$ million)		
						OCR	ADB ADF	Gov't Total
2005 Loans								
Transport and Communications								
1. East–West Highway Improvement Project (AZE)	GI	REG/ECG	ECTC	2004	49	3		52
2. Dushanbe–Kyrgyz Border Road Rehabilitation Project, Phase II (TAJ)	GI	REG/ECG	ECTC	2004		30		30
Total					49	33		82

ADB = Asian Development Bank, ADF = Asian Development Fund, ECG = sustainable economic growth, ECGF = Governance, Finance, and Trade Division, ECTC = Transport and Communications Division, GI = general intervention, 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, UZB = Uzbekistan.

^a The following projects were dropped from RCSP 2005–2007: (i) Borovoe–Kokshetau–Petrovavlovsk Road Rehabilitation Project (Kazakhstan), \$40 million; and (ii) Regional Customs Border Posts Infrastructure (Kyrgyz Republic), \$2.5 million.

Source: Asian Development Bank

Table A5.2: Assistance Pipeline for Nonlending Products and Services^a

Sector/Assistance Name	Responsible Division	Assistance Type	Sources of Funding			Total (\$'000)
			ADB Source	Amount (\$'000)	Others Amount (\$'000)	
2005						
Transport and Communication						
1. Facilitation of Transport Cooperation among the Member Countries of the Central Asia Regional Economic Cooperation Program (Phase I) ^c	ECTC	RETA	JSF	600		600
2. Southern Road Corridor Improvement Project (AZE) ^b	ECTC	PPTA	TASF	600		600
3. Regional Transport Corridors Road Maintenance and Safety Project (KGZ) ^c	ECTC	RETA	JSF	500		500
4. Prefeasibility Study of Western Regional Road Corridor Development (MON) ^b	ECTC	AOTA	TASF	150		150
Energy						
5. Establishment of the CAREC Members' Electricity Regulatory Forum (CMERF) ^c	ECEN	RETA	TASF	500		500
6. Power Rehabilitation, Phase II (TAJ) ^{cd}	ECEN	PPTA	JSF	500		500
Industry and Trade						
7. Enhancing Financial Disclosure Standards in Transitional Economies ^d	ECGF	RETA	TASF	500		500
8. Rural Finance in Central Asia (Supplementary TA) ^{cd}	ECGF	RETA	DEN	50		50
Education						
9. Information and Communication Technology (ICT) in Education ^c	ECSS	RETA	TASF	600		600
Law, Economic Management, and Public Policy						
10. Greater Silk Road Initiative 2006 (AZE/PRC/KAZ/KGZ/MON/TAJ/UZB)	ECOC	RETA	TASF	900		900
11. Capacity Building for Regional Cooperation Under the CAREC ^c Program	ECOC	RETA	PRCF	400		400
12. Support for Establishing a Regional Monitoring and Early Warning Network for Dust and Sandstorms in Northeast Asia ^c	ECOC	RETA	PRCF/GEF	1,300		1,300
Agriculture and Natural Resources						
13. Central Asian Countries Initiative for Land Management (CACILM) ^{bd}	ECAE	RETA	TASF	500	750	1,250
Subtotal (firm)				5,350	2,500	7,850
Standby						
14. Private Sector Development and Good Governance ^c	ECGF	RETA	TASF	500		500
Subtotal (standby)				500		500
Total (firm)				5,350	2,500	7,850

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.

^a The following projects were dropped from RCSP 2005–2007: (i) Furthering Policy Reforms in Railway Sector (UZB), \$0.6 million; (ii) Capacity Building for Regional Water Management Organizations in Central Asia, \$0.8 million; (iii) A Pre-investment Feasibility Assessment of the South Kyrgyz Economic Corridor Development, \$0.6 million; (iv) Capacity Building in the Transport Sector (KAZ), \$0.3 million; and (v) Regional Road Maintenance and Safety Project, \$0.6 million.

^b Rescheduled.

^c New projects, not listed in RCSP, 2005–2007.

^d Approved projects as of 31 August 2005.

Source: Asian Development Bank