

34th Annual Meeting of the ADB Board of Governors
Consultation Session with the Central Asian Republics
2:00 pm – 4:30 pm, 9 May 2001
Room 314, Hawaii Convention Center
Honolulu, Hawaii, U.S.A.

Summary of Discussions

1. This summary is based mainly on speeches made by the delegates at the Consultation Session, supplemented by discussions on other occasions during the Annual Meeting.
2. **Uzbekistan.** Mr. Azimov, Deputy Prime Minister, ADB Governor, pointed out that Central Asia has strong historical, cultural, and social reasons for cooperation. In addition, cooperation is an important part of development by opening up more opportunities. There exists also clear complementarity in energy and agriculture (food), which makes cooperation necessary and unavoidable. In fact, there is a need for a free trade zone like the EU in due course. However, he also pointed out that large scale cooperation among the CARs is difficult and sensitive, and cooperation needs to be based on the principle of national independence and mutual benefit.
3. Mr. Azimov stressed the importance of focusing on the economic aspect of cooperation as the foundation for cooperation in all other aspects, and within the economic sphere, infrastructure is the “core”. He identified the Government’s priority areas for economic cooperation. They are: (i) transport corridor, as the number one priority, especially the rail/road links connecting Uzbekistan, Kyrgyz Republic and the PRC¹; (ii) telecommunications, as the region can serve as the bridge between Europe and Asia; (iii) trade and investment environment; and (iv) water/environmental issue. Mr. Azimov emphasized both the importance and the sensitivity of the water issue and the larger energy-water-environment balance in the region. For Uzbekistan, water saving is a priority. By rationalizing the use of water Uzbekistan can contribute to resolving regional water issue. In this connection, he expressed the Government’s disappointment over too little investment by World Bank in its Aral Sea project. He praised ADB for having a clear strategy in supporting economic cooperation in the Central Asia region. Given limited available resources and large scale of the problems, he urged ADB to stay focused in its support for regional economic cooperation within 3-4 instead of 7-8 areas. At the same time, there is a need for all donors to join together in tackling the issue on Aral Sea. Finally, he argued that for countries participating in the same regional project, the terms and conditions for borrowing (he refers to access to ADF) should be the same for all.
4. While emphasizing the need for prioritization and coordination, Uzbek delegates did not speak explicitly on the need for establishing an overall institutional framework. The two sides agreed to further exchange views on it on an informal basis.
5. **Azerbaijan.** Mr. Abdullayev informed the Session that Azerbaijan has been engaged in regional cooperation, although mostly on bilateral basis. He emphasized that for large scale regional issues, there is a need for multilateral financial institutions to participate and welcomed ADB’s role in it. He stated that transport/transit (road and rail) is the priority of his Government in regional economic cooperation. In particular, due to its geographic location Azerbaijan can serve as a major transit route for the CARs. He expressed his Government’s wish to participate actively in the ADB’s regional program. Mr. Abdullayev also sought clarification on the structure of the overall institutional framework and the role of ADB in the project working groups within the framework.

¹ ADB will assist in setting up a project working group this year to further examine the feasibility of these links.

6. **Kazakhstan.** Mr. Essenbayev, Finance Minister of Kazakhstan, concurred with the priority areas identified in the ADB's Progress Report: transport, trade and energy. He informed the Session that due to the importance to the country, Kazakhstan spends about one percent of GDP on transport corridors each year. Another priority issue of regional importance to his Government is the water/environment issue as demonstrated in the Aral Sea disaster. He urged drastic measures to be taken now so as to avoid further irreparable environmental damages.

7. Mr. Essenbayev fully supported the establishment of an overall institutional framework for the ADB-supported regional economic cooperation program. He emphasized that the framework would help meet many of the challenges to regional economic cooperation being discussed at the Session, including coordination, prioritization, financing and focusing on practical results. He urged to move swiftly towards establishing such a framework.

8. **Turkmenistan.** Turkmenistan was represented by Mr. Mered Orazov, ambassador to the United States. He thanked the ADB for accepting his country as a member and for being invited to this Session. He stated that because of its importance the Government supports regional economic cooperation and is interested in participating in it. According to him, his Government's priority is in the areas of energy, irrigation and rational use of water in cooperation with Uzbekistan, water provision/utility, and telecommunications.

9. **People's Republic of China.** Mr. Kuilin Ju from Ministry of Finance participated in the Session as an observer. He expressed his Government's support for regional economic cooperation, and agreed with Uzbekistan's position that cooperation should focus on the economic aspect. In addition to transport, trade and energy, he identified tourism as a priority in regard to its potential for reducing poverty in the western regions of the PRC. He appreciated ADB's assistance including financial assistance to promoting dialogue among the participating countries and to establishing a working system/framework for implementing economic cooperation.

10. Mr. Ju emphasized the importance of establishing an overall institutional framework first to guide regional economic cooperation. He informed the Session that the State Development and Planning Commission is studying the issue and would appreciate receiving more detailed information on the overall framework.

11. **Tajikistan.** Mr. Alimardonov², Chairman of the Central Bank, ADB Governor, spoke of his country's strong support for regional economic cooperation and the need for establishing an overall institutional framework for facilitating planning, prioritization and implementation. He particularly emphasized the importance of energy and water issue to his country as 60 percent of water in Central Asia is from the mountains of Tajikistan. In this respect, Tajikistan would need large scale assistance especially for completing the Ragun project (40 percent of the work on the dam was completed during Soviet times). Pointing out the link between this project and the regional water and energy issue, he requested ADB to take the lead in forming a project consortium.

12. **Mongolia.** Mongolia delegates, invited as an observer, chose not to speak at the Session. However, at a different meeting its delegates expressed the Government's strong support for regional economic cooperation in general, and cooperation with the CARs in particular, due to common experience in recent economic and institutional history. A specific request was made to ADB for supporting cooperation among Mongolia (its western part), the PRC, Kazakhstan and Russia.

² The Tajik delegation arrived too late for the Session due to last-minute visa problem in Moscow. The summary was based on discussions with the delegates on other occasions during the Annual Meeting.