An examination of the integration process that is now so prevalent in the global economy reveals two distinct trends: firstly, the continuing growth in the number of countries which are members of international economic unions and other international and regional organisations; and, secondly, a worldwide improvement in the processes of global economic integration. These observations suggest that globalisation is gaining momentum in terms of both quantity and quality.

The focus of this overview is on the operations of financial institutions in four Central Asian states: Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. The overview covers the Asian Development Bank (ADB), the World Bank (WB), the European Bank of Reconstruction and Development (EBRD) and the Islamic Development Bank (IDB).

This report is based on information from public sources, including the websites and annual reports of these development banks. Direct comparison is not always possible due to objective reasons. In particular, the banks use different classifications of their activities, and their reporting format and periods vary. However, it is possible to identify common trends and gain an insight into the areas and scope of operations of the international financial institutions (IFIs) in the region.

The role and functions of these institutions are well known. By providing financial aid to member countries for socioeconomic development and balance of payments support, IFIs play an important role in organising international credit relations and maintaining the stability of international settlement operations.

Just as importantly, international and regional development banks facilitate cash flows to those countries whose access to capital markets is limited, and mitigate the effects of global financial markets instability. IFIs are important providers of general and specialist expertise in matters of development and economic growth for the member countries.

Though they work towards shared development goals, each IFI has a unique mission and specific sectors of engagement. For example, the WB provides loans and technical assistance (TA) for projects and structural reforms in the area of sustainable development and poverty reduction. The WB’s main partners are the governments of recipient countries (in this case, excluding the International Finance Corporation). The ADB supports its member countries’ efforts to reduce poverty and improve quality of life of the population. The majority of ADB loans are disbursed to the
public sector or governments of the recipient countries, but the bank also provides direct assistance to private companies through equity participation and equity investments, credits and credit guarantees, depending on the country’s level of development. The EBRD was established to assist the transition of post-Socialist European nations to an open market economy and in the development of private sector initiatives. The main recipients of EBRD loans are private companies, privatised state-owned companies and newly created businesses including joint ventures. Finally, the IDB aims to assist the socioeconomic development of its member states through equity participation and lending to public and private sectors with a focus on agriculture and infrastructure development projects.

The forces of political transformation, economic liberalisation and globalisation have opened up new opportunities and prospects, but they have also raised enormous challenges for many countries. Problems relating to the stability of the global economy; the depletion of non-renewable resources; energy; poverty; unemployment; food shortages; spread of HIV/AIDS; and the environmental situation all pose new risks for development, and have forced IFIs to take new commitments and search for new approaches.

In 2007, the WB had 185 member countries; the ADB had 67; the EBRD had 63; and the IDB had 56. A number of Central Asian states are now among this community of member states through their shareholdings in IFIs.

<table>
<thead>
<tr>
<th></th>
<th>ADB</th>
<th>WB</th>
<th>EBRD</th>
<th>IDB</th>
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</thead>
</table>

As Central Asian countries have become more experienced and developed their own strategies for cooperation with IFIs, they have reduced their borrowing. This is in no sense a denial of the fact that many loans and TA projects have benefited these countries enormously.

IFIs in CA region identify generally similar priorities for country assistance, but there is certain differentiation in the functional sectors which they target. IFIs will continue to be key providers of expertise and consultancy with regard to economic reform, good governance, public administration, social protection, poverty reduction, private-sector development, banking, investment and trade.

Traditionally, the WB is the leading consultant in matters of structural reform, public finance and banking sector reform. At present, the WB’s most diverse loan portfolios are those in Kazakhstan and Tajikistan. In these countries, the Bank’s portfolios cover industry, trade, public-sector
governance and law, health and social protection. Public administration, good governance and legal reform are key priorities for the WB and governments alike, and these sectors are systematically favoured in the allocation of loan funds. Energy and mining are the priorities for the WB in Tajikistan. In Kyrgyzstan, the majority of the projects are being implemented in agriculture. The WB also pays close attention to infrastructure development. For example, the Bank allocates considerable resources for the development of the transport sector in Kyrgyzstan and Tajikistan. In Kyrgyzstan, the Bank supports projects to improve access to safe drinking water in rural areas. Kazakhstan is a leading country in terms of cumulative WB lending. In all these countries, borrowing has been declining and investment projects have been on the rise for several years.

The ADB was somewhat late in establishing its presence in Central Asia, but it has now found its niche in the region in transport and infrastructure development projects. The ADB is the region’s leading IFI in terms of support provided for construction and rehabilitation of roads and tracks. In each of these Central Asian countries, the ADB’s portfolio includes a large transport and communications segment: $177.8 million (29%) in Kyrgyzstan, $105.3 million (28.3%) in Tajikistan, and $265.3 million (24%) in Uzbekistan. Other ADB’s priorities in Central Asia are agriculture and natural resources. The largest beneficiary in this sector is Uzbekistan ($245.4 million), whilst Kazakhstan ranks second in agricultural loans ($140 million). Kazakhstan and Kyrgyzstan receive substantial support for the development of the financial sector (45% and 11% of cumulative lending, respectively). The ADB is also active in the energy sector, especially in Kyrgyzstan and Tajikistan ($30 million and $75.5 million, respectively). Generally, Uzbekistan is the largest beneficiary of sovereign loans, whilst Kazakhstan is the leader in non-sovereign operations.

The EBRD focuses on private-sector operations and small- and medium-size businesses. At the same time, the Bank maintains a political dialogue with governments aimed at improving the business and investment environment. In terms of net operations in 1992–2008, the four countries are ranked as follows: Kazakhstan (€1700 million), Uzbekistan (€449.8 million), Kyrgyzstan (€119.2 million) and Tajikistan (€63 million). A large portion of the EBRD’s portfolio in the region is devoted to the corporate sector (agribusiness, industry, real estate and tourism), especially in Tajikistan (31%) and Kyrgyzstan (28%). Commitments to the financial sector account for 44% in Kazakhstan, 27% in Uzbekistan, and 19% in Tajikistan. The EBRD is also active in the energy sector in Kyrgyzstan, and participates in infrastructure development projects (including transport) in Kazakhstan, Tajikistan and Uzbekistan.

Shared priorities in Central Asia’s countries, and sectoral differentiation, enable IFIs to promote regional cooperation initiatives in Central Asia. External assistance could be instrumental in enabling this region to realise the full potential of such cooperation.
The management of water resources is one of key areas of regional co-operation in Central Asia. The facilitation of trade and transit is another priority for the region. IFIs, together with other international development agencies, are well placed to promote regional co-operation by providing technical assistance, acting as intermediaries in multi-lateral negotiations, providing financial resources to compensate for losses to negotiating parties and eliminating other barriers to regional cooperation.

**Asian Development Bank**

<table>
<thead>
<tr>
<th>Countries</th>
<th>Loans</th>
<th>TA</th>
<th>Grants</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sovereign</td>
<td>Non-sovereign</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>-</td>
<td>100.0</td>
<td>0.7</td>
<td>100.7</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>15.0</td>
<td>-</td>
<td>1.7</td>
<td>53.6</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>71.7</td>
<td>-</td>
<td>3.3</td>
<td>22.8</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>126.0</td>
<td>-</td>
<td>1.4</td>
<td>-</td>
</tr>
</tbody>
</table>

Table 12.2: Loan, TA and grant approvals in 2007 ($ million)


In 2007, all the countries except Kazakhstan were in receipt of sovereign loans. The largest amount of TA was provided to Tajikistan, whilst Kyrgyzstan was the leading grant beneficiary. This is explained by the way in which these countries are being categorised. Generally, grants are allocated from concessionary Asian Development Fund (ADF) resources.

Kazakhstan

Kazakhstan is the ADB’s 18th largest borrower and one of the top ten recipients of non-sovereign loans, i.e. loans provided to the private sector. Since 1994, cumulative lending and cumulative disbursements to Kazakhstan totalled $726.6 million and $610.7 million, respectively. A total of 16 credits were approved, three of which are now active. Partnership between Kazakhstan and the ADB focuses on support for the private sector, sustainable development and environmental protection and regional co-operation. As of 2007, the ADB had extended loans in the framework of 17 projects in agriculture, natural resources, education, finance, transport and communications, water supply, sanitation, and irrigation. As government resources expanded, Kazakhstan’s external borrowing needs fell: to date, active loans portfolio includes only two sovereign loans, both in rural water supply and management sector.

The majority of active ADB projects are private-sector operations that were successfully commenced in 2006. By the end of 2007, these projects totalled $550 million. The ADB responds to the increasing demand for infrastructure financing by providing long-term, fixed-interest loans in local currency. The ADB became the first supranational issuer of tenge-denominated bonds, and has assisted in the development of a full-scale securitisation market in Kazakhstan.
The ADB has also been assisting the National Bank of Kazakhstan to introduce an inflation-targeting monetary policy regime and to strengthen financial governance through a TA project which is developing a new, quarterly inflation-forecasting model.

Private-sector activities will continue to be the main focus of future ADB operations. The public sector lending programme will be directed mainly towards transport, rural water supply, irrigation and sanitation.

Kyrgyzstan

Kyrgyzstan became a member of the ADB and a beneficiary of ADB aid in 1994. Initially co-operation strategy covered four areas: (i) agriculture (including rural finance), (ii) public services, (iii) human resource development (especially education), and (iv) physical infrastructure (especially energy and roads). Further assistance strategies were broadened to include support to the financial sector, with the main emphasis on reducing poverty. Since 2005, concessionary ADF resources have been allocated to Kyrgyzstan under the 50% grant scheme, in view of the country’s heavy indebtedness. In September 2007, a new grant framework was approved by the ADB’s Board of Directors, which enables Kyrgyzstan to receive 100% of its annual ADF allocation in grants. Total grant assistance for 2007-2008 is about $46 million.
In the transport sector, the ADB provided three loans totaling $140 million to reconstruct the Bishkek–Osh road, the country’s major transport corridor and part of the international road network linking Central Asia with China and Russia. These loans were also used to repair the regional Almaty–Bishkek road and a section of the Osh–Sarytash–Irkeshtam road which links the Fergana Valley with China.

Co-operation in the social sector includes projects to improve basic education, health, and childcare at home and in the community. The education project builds on the achievements of the first ADB initiative which was aimed at modernising the core curriculum by providing a new generation of textbooks and learning materials. The project is also upgrading facilities and equipment in 90 rural schools.

The ADB helped to implement a programme to improve the policy, regulatory and institutional capabilities of the banking sector. The ADB is also seeking to enhance supervision of the securities market, to improve market transparency and investment conditions, and to protect investors.

The ADB’s lending reached a peak of $89.2 million in 1997, and declined thereafter as the Government’s debt-reduction strategy limited the size of its externally funded Public Investment Programme to about 3% of GDP.

In 2007, grants for a total of $53.6 million were distributed as follows: $10 million for modernising and reforming the tax administration system; $25.6 million for the CAREC Regional Road Corridor Improvement Project; $5 million for the southern agricultural area development project; and $10 million for the development of a vocational education system. Two grants worth $3 million were received from Japan Fund for Poverty Reduction. Also in 2007, three TA projects totaling $1.7 million were approved; these will help to improve the skills of government employees involved in tax administration and agricultural land improvement.

As at 31 December 2007, the ADB’s cumulative lending was $603 million, cumulative disbursements totalled $525 million, total number of loans – 26, including 10 on-going loans. ADF grants totalled $66.1 million and TA grants 39.7 million.

At the present time, the ADB, the WB, the United Kingdom Department for International Development, Swiss Co-operation and various UN Agencies are finalising a Joint Country Support Strategy for Kyrgyzstan.

**Tajikistan**

Tajikistan joined the ADB after a protracted civil war in the country, and is classified as a Category A developing member country eligible only for assistance from concessionary ADF resources. The ADB’s first Country Assistance Strategy and Programme (CSP) for Tajikistan covered the period 2004-2008. Acknowledging the country’s weak institutional
capabilities and limited capacity for external borrowing, the CSP focused upon rural development, regional cooperation, governance, and the social sector. Regional projects are also funded from the sub-regional ADF.

Financial resources have been distributed to the five key sectors of the economy as follows: energy – 20.3%, transport and communications – 28.3%; agriculture and natural resources – 26.7%; industry and trade – 5.6%; and multi-sector projects – 12.1%.

Tajikistan belongs to the category of countries which receives funds only under sovereign guarantee. However, grants made up a substantial proportion of the financial resources allocated to Tajikistan in 2007. Allocations for TA projects in 2007 totalled $22.8 million. Of the total commitment of funds in 2007 of $57.9 million (including loans and grants), $38.3 million was disbursed under 14 ongoing projects.

Since the start of its co-operation with Tajikistan, the ADB has funded a number of projects which have had a significant impact on the country’s economic rehabilitation and social development.

In 2006, Tajikistan’s transport and communications sector benefited from the ADB’s $20-million Road Rehabilitation Project, which upgraded the road from Dushanbe to Kurgan-Tyube and Kulyab in southern Tajikistan. Both towns are important commercial centres. In 2003 and 2005, the ADB approved a total of $44.5 million for the Dushanbe–Kyrgyz Border Road Rehabilitation Project. The road is the only link between the Rasht valley and the capital, Dushanbe, and is part of an international corridor to Kyrgyzstan and China.
Tajikistan hosted the sixth CAREC Ministerial Conference in November 2007, which endorsed, inter alia, the CAREC Transport and Trade Facilitation Strategy – a ten-year plan to develop six transport and trade corridors linking the CAREC countries to each other and to major international markets.

In 2006, the ADB approved a $21.5 million loan to the energy sector for the Regional Power Transmission Interconnection Project to enable the export of clean energy from Tajikistan to Afghanistan. This project will link the hydro-electric plants on the Vakhsh River in Tajikistan to Pul-e-Khumri in Afghanistan with a 220-KWt dual-circuit transmission line.

In 2007, the ADB provided funding for a Rural Development Project ($8.8 million in loans and $8.3 million in grants); the Khatlon Province Flood Risk Management Project ($22 million in loans); and a regional CAREC transport corridor project ($40.9 million in loans and $12.5 in grants).

Also in 2007, the ADB continued its efforts to resolve the issue of cotton farm debt and drafted an Agri-cotton Sector Restructuring Programme. The Rural Development Project approved in 2007 is designed to encourage private investment in non-cotton cash crops and to develop the agribusiness infrastructure.

TA funds in 2007 totalled $3.3 million, including three advisory and two loan-preparation projects.

Since joining the ADB in 1998, Tajikistan has received $372.5 million in loans, $33 million in TA and $39.5 million in grants.

**Uzbekistan**

Since joining the ADB, Uzbekistan has received $1.1 billion in loans (26 loans in total) and $35.5 million in TA.

The current cooperation programme focuses on rural development; the private sector; regional transport corridors and customs administration; and the improvement of public services. The Government is using TA funds to develop a strategy for the transport sector and an institutional reform programme.

About 26% of ADB lending was to education, with the Basic Education Textbook Development Project a good example of private sector participation. Rural investments support market-oriented agricultural reform to boost income, maintain irrigation systems and arrest land degradation. In the transport sector, two railway projects have overhauled 660 km of track on a key regional transport corridor and rehabilitated 341 km of track on the Samarkand–Bukhara–Khodjadavlet route and parts of the line between Djizakh and Samarkand. Loans have been used to purchase modern track-laying and maintenance equipment and to install an optical-fibre telecommunications system and computerised accounting system.
Regional cooperation projects are aimed at developing regional transport corridors and modernising customs administration in order to help Uzbekistan gain access to markets in neighbouring countries.

Lending in 2007 totalled $127.4 million. A loan of $20.7 million, approved in June 2007, will support further reform of public financial management. Two more projects were approved in 2007: a $75.3 million loan to the CAREC Regional Road Project to develop strategic international highways and improve road quality in Uzbekistan, and a $30 million ADF loan to the Rural Education Project.

Up to 70% of the lending programme is earmarked for environmentally sustainable rural development projects, specifically those supporting increased agricultural productivity, private businesses and rural infrastructure.

The WB supports Central Asian countries’ efforts to reduce poverty, especially in rural areas, and government programmes to improve the quality of social protection (health, education, access to safe drinking water) and modernise basic infrastructure (water supply, heating and power). In general terms, this region is seeing a move away from loans for structural reform, and is set to gain more from targeted investment projects.
In the 2008 fiscal year (July 1, 2007–June 30, 2008), the WB’s most diverse loan portfolios were those for Kazakhstan and Tajikistan. Public-sector governance and law are key priorities for the WB and governments alike, and these sectors are systematically favoured in the allocation of loan funds. However, an examination of the overall structure of the WB’s commitments by sector confirms that co-operation programmes are individually tailored to each country.

**Kazakhstan**

The WB has supported a number of sectors in Kazakhstan since this country joined the Bank in 1992. The WB has assisted projects to upgrade and modernize the country’s power transmission systems, to increase agricultural productivity by overhauling ageing irrigation systems, and to nurture the business skills of the rural community by encouraging diversification into non-traditional activities. In addition, people in the west of the country, who have suffered from a shortage of clean water, now enjoy better health as a result of improved water supply and sanitation. As Kazakhstan’s need for external financing has decreased, the WB’s programme has shifted towards focused investment loans, knowledge transfer, and policy dialogue. Now, the WB’s strategy focuses on the country’s development priorities, including the prudent management of oil revenues and increased public-sector efficiency; improvement of the business and investment climate; enhanced competitiveness through investment in human capital and basic infrastructure; and sustained growth through focus on the environment.

As of 2008, the WB’s commitments to ongoing projects totalled $607.8 million. New targeted investment loans totalling $149.6 million were approved for three projects: Health Sector Technology Transfer and Institutional Reform; Technology Commercialization; and Customs Development.
**Kyrgyzstan**

Since the Kyrgyz Republic joined the WB in 1992, the Bank has helped the country transform its mainly rural economy. It has assisted the country’s land reform programme and has allocated loans for overhauling irrigation systems; improving access to safe drinking water and better sanitation in rural areas; extending the availability of rural credit; and the rehabilitation of power, heating and other infrastructure in small towns.

In addition to investment projects and structural reform, the WB has also provided TA for the preparation and implementation of projects and the strengthening of institutions. Several donors, principally the Japanese Government, are setting up trust funds for Kyrgyzstan.

As part of its programme to reduce poverty, Kyrgyzstan is reducing its external borrowing in line with a State Programme of External Debt Management and Fulfilment of Obligations in the Fiscal Sector. Reflecting the overall trend in the region, large structural reform projects are yielding ground to smaller investment projects.

As of 2008, the WB’s commitments to ongoing projects totalled $199.2 million. In 2008, new targeted investment loans totalling $21 million were approved for two projects: *Agricultural Investments and Services*; and the *Bishkek and Osh Urban Infrastructure Project*. These projects are concerned with water supply (46%), agriculture (43%) and transport (11%).

**Tajikistan**

Since Tajikistan joined the WB in 1993, the Bank has allocated this country $532.65 million in grants and concessionary loans. As a country of low-income and low per-capita-GDP, Tajikistan receives concessionary financial resources from the International Development Agency (IDA).

Through soft loans and grants from the IDA, the WB has helped Tajikistan to rebuild infrastructure destroyed during the civil war and has supported economic reform. The WB’s loan portfolio covers rural and agribusiness development (including the cotton sector); improvement of water supply in rural areas and Dushanbe; maintenance and modernisation of municipal infrastructure; water resources management in the Fergana Valley; mitigation of commercial losses in the power and gas supply systems; and reforms in public sector governance, health and education.

The Strategic Partnership between the Tajik Government and the WB for 2006-2009 focuses on: (1) supporting private businesses; (2) enhancing and preserving the quality of human capital; and (3) exploiting the country’s hydropower potential. The loan portfolio includes 15 investment loans and two policy-development grants. Rural development and environmental projects account for more than half of the loan portfolio, and infrastructure and energy projects for two thirds. One quarter of the portfolio is devoted to the development of human potential (education,
health and the reduction of poverty), and the remaining 8% is earmarked for economic management.

As of 2008, the WB’s commitments to ongoing projects totalled $161.4 million. Loan commitments in 2008 of a total $16.6 million go to two new projects: a policy development programme ($10 million) and a project to enhance the reliability of heating and power systems in winter. These complex projects cover many sectors including trade and industry; transport; health and social protection; energy and mining; and public administration and law.

**Uzbekistan**

Since Uzbekistan joined the WB in 1992, 14 loans have been approved, seven of which are ongoing. The portfolio totals $588.5 million, about two-thirds of which has been disbursed. Lending under ongoing projects totals $223.0 million.

Assistance from the WB has helped Uzbekistan to improve primary health care facilities in rural areas and access to safe drinking water in rural parts of western Uzbekistan. Funding to improve water supply in Bukhara and Samarkand is ongoing, and a project to improve drainage downstream of the Amu Darya is being implemented.

In June 2008, the WB’s Board of Directors approved a new Country Assistance Strategy. Ongoing projects will be continued, but no new loans will be approved. The Strategy focuses on TA, analysis, research and consultancy.

**European Bank of Reconstruction and Development**

<table>
<thead>
<tr>
<th></th>
<th>Kazakhstan</th>
<th>Kyrgyzstan</th>
<th>Tajikistan</th>
<th>Uzbekistan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of projects</td>
<td>97</td>
<td>47</td>
<td>31</td>
<td>44</td>
</tr>
<tr>
<td>Net business volume</td>
<td>€1.7 billion</td>
<td>€119.2 million</td>
<td>€63.0 million</td>
<td>€449.8 million</td>
</tr>
<tr>
<td>Total project value</td>
<td>€3.4 billion</td>
<td>€215.4 million</td>
<td>€102.8 million</td>
<td>€1,169.9 million</td>
</tr>
<tr>
<td>Gross disbursements</td>
<td>€1.4 billion</td>
<td>€104.4 million</td>
<td>€39.0 million</td>
<td>€338.1 million</td>
</tr>
<tr>
<td>Share in private sector</td>
<td>81%</td>
<td>66%</td>
<td>74%</td>
<td>58%</td>
</tr>
<tr>
<td>Additional mobilisation</td>
<td>€1.7 billion</td>
<td>€89.3 million</td>
<td>€30.4 million</td>
<td>€704 million</td>
</tr>
</tbody>
</table>

**Table 12.4**

Lending in 1992–2008 (as at 1 January, 2008)  
*Source: Country references, www.ebrd.com*
According to EBRD classification, agribusiness, industry, real estate, tourism and telecommunications are all included in the corporate sector. The infrastructure sector includes municipal and environmental infrastructure and transport. The financial sector comprises trade finance, equity funds, banks and non-bank financial institutions. The energy sector includes natural resources and energy. Micro- and small businesses are financed through intermediary financial institutions.

In Kazakhstan, the EBRD is the largest investor in sectors not connected with oil and gas. The EBRD’s priorities are the promotion of domestic and foreign investments; operations in the financial and infrastructure sectors; and support to small- and medium-size businesses. In 2007, the EBRD approved 20 new projects at a total cost of €532 million, including three projects in each of the agribusiness, bank credit and natural resource sectors; two projects in manufacturing; one each in small-business finance; bank equity investment; non-bank financial institutions; real estate and tourism; and energy; and four equity funds projects.

In Kyrgyzstan, the EBRD focuses mainly on private business, the financial sector, basic infrastructure and consultation with the Government on investment policy, privatisation in the telecommunications sector and the reform of banking supervision. In 2007, the EBRD’s commitments in Kyrgyzstan totalled €12 million and covered 10 new projects, four of these in small businesses financing; two projects in bank lending; one project in a real estate and tourism sector; and one equity fund project.

The EBRD’s Strategy for Tajikistan is mainly targeted at private sector development. As in Kyrgyzstan, to achieve this goal, the EBRD employs the programme financing mechanisms which are appropriate to the early stages of a country’s transition to a market economy and designed to stimulate trade. These include direct lending and equity investment,
credit lines in local commercial banks for micro-, small and medium-size businesses, and the facilitation of direct foreign investment, including co-financing. Having approved nine new transactions in 2007, the EBRD’s operations in Tajikistan totalled €26 million, including three agribusiness projects; five small business financing projects; a public-sector transport project; and one equity fund project.

In Uzbekistan, the EBRD’s total annual operations increased to €17 million in 2007 after a sharp decline in 2006 caused by the introduction of restrictions on public sector projects. Eight new projects are being implemented, mainly under Early Transition Countries Initiative: three agribusiness projects; one project in real estate and tourism sector; one bank equity project; and one equity fund project. The EBRD’s Direct Lending Facility proved to be very effective in responding to the needs of small businesses. The EBRD has sought to involve the Government of Uzbekistan in consultations on political and economic reform, including full-scale privatisation; the liberalisation of trade and state procurement prices for agricultural products; lifting restrictions in relation to the circulation of cash; and the introduction of market tariffs for utilities in all sectors of the economy.

The EBRD’s portfolios for each Central Asian country notably include projects which are classed as regional investments. One such beneficiary is the Centras direct investment fund, which invests in the capital of companies operating in or exporting their products or services from Kazakhstan, Russia and Central Asia. Besides this project, there are seven other regional projects in Kazakhstan investing in real estate, environmental protection, the introduction of environmental safety standards, health and safety in Lukoil divisions which represent equity investment funds in companies in Kazakhstan, Russia, Ukraine, Mongolia, the Baltic, Georgia and Armenia. In general, these are examples of EBRD-funded projects that facilitate regional co-operation among businesses.

**Islamic Development Bank**

Between 1 January 2007 and 9 January 2008, the IDB Group approved financing for this region (including Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) totalling $221.5 million. This includes nine loans for a total $206.4 million; three TA projects at a total cost of $0.7 million; and three projects to be funded by the Islamic Corporation for the Development of the Private Sector ($14.4 million). Loans approved in fiscal year 2007 nearly doubled the previous year’s total. Since the start-up of the IDB’s activities in the region, it has allocated $1,231.7 million to 173 projects.

Azerbaijan is the region’s leading beneficiary (receiving $335.1 million), with Kazakhstan ranking a close second ($315 million). However, Kazakhstan was the largest recipient of IDB financing in 2007 (71.4% of all ordinary financing). Uzbekistan merits attention since the first allocation under the Sukuk facility was made there.
Kazakhstan

Total IDB Group funding of the public and private sectors in Kazakhstan exceeds $300 million – one of the highest figures in Central Asia. The IDB’s projects and operations include the construction of the Almaty–Gulshad road and the Astana–Karaganda road; purchase of equipment for the Syzganov hospital; modernisation of Kazpost; and a rural water-supply project in Karaganda Oblast. The IDB Group also helped private companies purchase farm machinery and drilling equipment. A number of commercial banks participated in credit lines for small-and medium-size businesses, including a new $150-million project involving Kazkommertsbank, TuranAlem Bank and Khalyk Bank.

The IDB’s non-credit operations in Kazakhstan relate to institutional development; the development of human potential through training; consultancy; training seminars and trips; and student grants. Examples of capacity-building TA include training of Kazakh officials in strategic planning, WTO accession, industrial development and Islamic banking and finance.

Kyrgyzstan

Kyrgyzstan joined the IDB in November 1993. By 2007, the country’s loans from the Bank included seven loans for a total $60.9 million and two operations on instalments for credit sales totalling $18.5 million. Of the projects benefiting from these credits, five were completed, two were cancelled and two projects are being implemented. The IDB does not provide programme loans.

After a six-year period during which no loans were extended, in February 2007 the IDB approved a $17.3 million loan for the reconstruction of the Osh–Irkeshtam road. Kyrgyzstan had been an inactive borrower prior to this because of the difficulties it had in servicing its loans and applying disbursements, which persuaded the Government to pursue a debt-reduction strategy.

In 1995, the IDB allocated just $1.9 million in loans to Kyrgyzstan, but in 1998, lending to this country peaked at $20.5 million. Since 1998, the IDB has allocated financial resources to Kyrgyzstan on concessionary terms only. Under the terms of an IMF loan, Kyrgyzstan is unable to benefit from other forms of financing, such as credit sale, leasing or istisna.

Kyrgyzstan hopes the IDB will increase its lending programme to $34 million in 2007 to cover two projects, namely the reconstruction of the Osh–Irkeshtam road and construction of a 110–KWt power transmission line. According to a Memorandum of Understanding between the Government and the IDB, loans totalling $51.4 million are to be allocated in 2006-2008.
Tajikistan

Tajikistan joined the IDB in November 1996, in the category of IDB’s Least Developed Member Countries, which includes 28 countries. Tajikistan has a 0.04% share in the IDB’s subscription capital. In 1996-2007, net approved lending totalled $127 million. The IDB’s strategy prioritises the eradication of poverty and the development of infrastructure, the private sector, trade (e.g. inter-regional trade), Islamic banking, the banking sector and human potential.

The IDB regards transport as a key sector in Tajikistan and in Central Asia generally. In the energy sector, the IDB’s portfolio includes projects to build power transmission lines and power plants, and to improve environmentally sustainable water resources and energy management. It also includes irrigation and projects to improve the management of agricultural water resources.

Tajikistan is a member of the Islamic Corporation for the Development of the Private Sector (ICD). This enables the country to access financial products such as direct financing through equity investments, credit facilities with national commercial banks and consultancy for private and state-owned companies.

As part of the CAREC programme, the IDB has participated in the financing of several regional initiatives, mainly in the energy and transport sectors.

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