

Central Asia and the Caucasus

An Open Community of Nations Linking Asia and Europe with Abundant Natural Resource Repositories

The Central Asia and Caucasus region comprises five Central Asia countries—Uzbekistan, Kazakhstan, the Kyrgyz Republic, Tajikistan and Turkmenistan—lying east of the Caspian Sea, and their three neighbors to the west of the Caspian sea, namely Azerbaijan, Armenia and Georgia. The region is situated near the center of the Eurasian continent, and its close proximity to Russia, China, the Middle East, Afghanistan and Pakistan makes it susceptible to geopolitically unstable regional conditions.

All of the countries in the region gained independence following the collapse of the former Soviet Union in 1991. While they are all pursuing market economic systems, there are significant disparities in economic development due to each nation’s respective natural resources and other factors such as the pace of reforms. JICA’s assistance is tailored to the individual circumstances of each nation and focused on encouraging intra-regional cooperation.

Key Aid Strategies

Enhancing Regional Dialogue and Strengthening Cooperative Relationships

The Central Asia and Caucasus region lies at a strategic point on the Silk Road linking Asia and Europe, and historically has experienced an extensive flow of people and goods. The region is endowed with abundant natural resources, ranging from oil and natural gas to uranium and rare metals, which are a focus of the international community. The Central Asia and Caucasus region also plays a critical role in larger regional affairs, contributing to the stability and development of unstable regional situations such as in nearby Afghanistan and Pakistan.

At the same time, the region faces many challenges that need to be addressed through intra-regional cooperation. These challenges include conflict, terrorism, the drug trade, transportation, effective use of water and energy resources, accelerated trade and investment, and environmental protection.

In 2004, the Japanese government launched the “Central Asia

plus Japan Dialogue” as a framework for promoting communication between Japan and Central Asia countries. In 2006, the Second Foreign Ministers’ Meeting took place in Tokyo under the framework. The discussions from this meeting led to the formulation of an action plan outlining nine priority areas* in the following support fields: political dialogue, intra-regional cooperation, business promotion, intellectual dialogue, and cultural and human resource exchanges. JICA is working to address the challenges within the Central Asia region, centering on the nine priority areas. JICA also provides assistance to the Caucasus region for development of human resources to facilitate a market economy, and for infrastructure development.

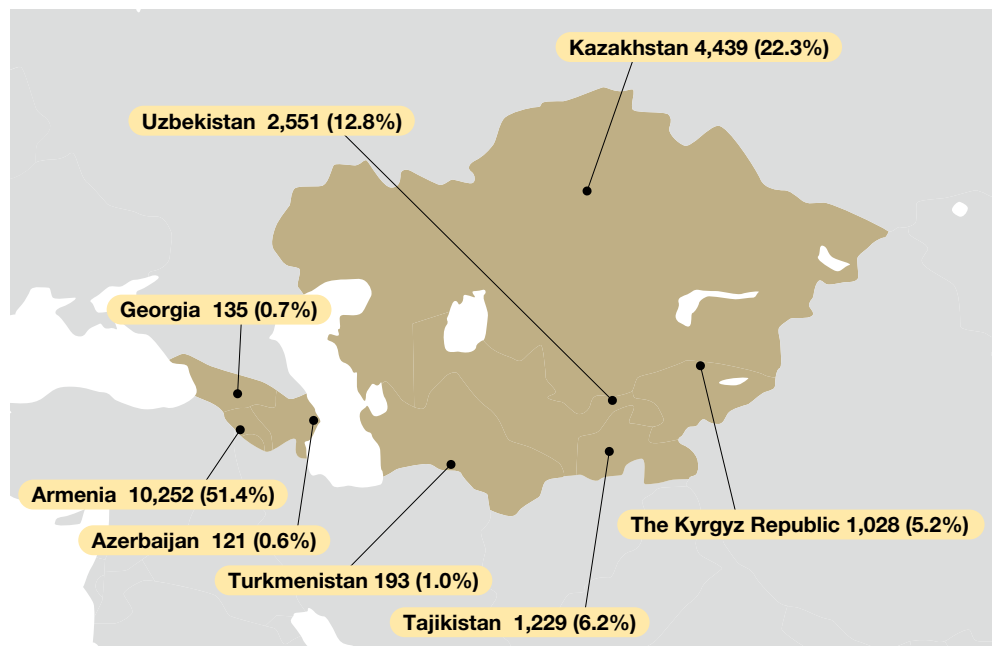
* The nine priority areas of the action plan are: (1) measures against terrorism and narcotics; (2) clearance of anti-personnel mines; (3) poverty alleviation; (4) health and medical care; (5) environmental protection; (6) disaster prevention and reduction; (7) energy/water; (8) trade and investment; and (9) transport

JICA Programs in Central Asia and the Caucasus (Fiscal 2009)

The figure shows the total value of JICA programs in each country including Technical Cooperation projects, dispatch of volunteers, other expenditures, ODA Loans (Disbursements) and Grant Aid (Newly concluded G/A agreements).

Note: Figures in parentheses denote the percentage share of overall JICA programs in the region.

Central Asia and the Caucasus Total: 19,948
(Unit: millions of yen)



Note: Figures exclude JICA’s cooperation to multinational and international organizations.

Priority Issues and Efforts

The Central Asia and Caucasus region is centrally situated in the Eurasian continent and is endowed with abundant energy and mining resources. The region is close to unstable regional conditions in Afghanistan and Pakistan, so its stability and prosperity are of strong interest not only to Japan but also to the international community. In order to support the economic foundation of the region, there is a growing need to develop broad area infrastructure such as for electric power and transportation, while encouraging intra-regional cooperation.

JICA has been providing assistance to develop infrastructure and region-specific training programs in line with the framework for regional cooperation that includes Central Asia Regional Economic Cooperation (CAREC). JICA's assistance aims to help

resolve issues that transcend national borders as well as other issues common to the region based on such government policies as the Central Asia plus Japan Dialogue.

In the nearly two decades since the countries in this region gained their independence, the disparities in economic development within the region have grown wider. Furthermore, there are growing disparities in living standards between urban and rural areas in each country. JICA will assist the pursuit of market economies through the development of legislation and policies for economic activities together with development of human resources for private companies and stronger measures to address regional economic development and poverty issues.

Country Overviews and Priority Issues

■ Uzbekistan

Support Focused on Four Priority Areas for Cooperation

Uzbekistan is richly endowed with underground resource, including natural gas repositories, and has experienced moderate inflation compared with other former Soviet republics. The country has recorded positive GDP growth since 1996. The challenges facing the country include privatization of state-owned enterprises and modernization of financial markets and agriculture, in which the country lags behind. In September 2006, Japan formulated the Country Assistance Program for the Republic of Uzbekistan, which identifies four priority areas for assistance: support for human resource development and institution-building to facilitate a market economy and develop the economy and industry; support for restructuring the social sector; economic infrastructure renovation and improvement; and promotion of intra-regional cooperation.

Among those priority areas, human resource development should be highlighted. JICA opened the Uzbekistan-Japan Center

for Human Development in 2000 to encourage the development of Uzbekistan's market economy and increase mutual understanding between the two nations. The center offers programs for business training, Japanese language education and the promotion of mutual understanding and up to 2010, those who visit the Center reach as much as approximately 460,000 people. The center is contributing to the rapid economic growth and improved living standards that Uzbekistan has achieved in recent years. In addition, it is notable that JICA is supporting Uzbekistan economic growth by infrastructure renovation and improvements such as constructing power plants and a new railway, and the development of enterprise-related legislation.

■ Kazakhstan

Building Economic Relations through Joint Government and Private-Sector Cooperation

Kazakhstan is endowed with abundant energy and mining resources, including the world's second largest uranium reserves. Japan is providing cooperation to Kazakhstan for the peaceful use of nuclear energy, such as the development of the uranium mining industry.

In June 2008, Japan and Kazakhstan agreed to build a joint government and private sector framework for the negotiation of broad economic relations. Under this framework, the two countries conducted the first round of negotiations in March 2010 to establish a Japan-Kazakhstan Investment Accord. Kazakhstan intends to pursue a joint project for energy conservation and renewable energy use based on mechanisms ratified under the Kyoto Protocol, a project that JICA supports as a climate change measure.



Uzbekistani children at a *medrese* (theological school) (Photo by Sanae Numata)

■ Tajikistan

Dispatching Personnel and Providing Assistance in Four Priority Areas

Tajikistan is situated at the southern gateway to Central Asia. The country overcame a civil war with the signing of a peace accord in 1997, and has since pursued macroeconomic stability and structural reforms. Tajikistan has recorded positive GDP growth since 1997, recording GDP growth of 1.7% that year for the first time. From 2005–2008, the country recorded a high rate of GDP growth, at 6–10%, supported by rising international prices for raw cotton and aluminum as key national exports, and inflow of cash sent by migrant workers in Russia and other countries.

In April 2009, the Japanese government formulated the Country Assistance Program for the Republic of Tajikistan, which identifies four priority areas for assistance: rural development and industry promotion; transportation (road development, maintenance and management); border control; and development of basic social services. JICA is providing Technical Cooperation for a project to improve a framework for providing agricultural guidance through Grant Aid cooperation to develop roads and improve water supply in areas bordering Afghanistan.

■ The Kyrgyz Republic

Reducing Poverty by Supporting Economic Growth

The Kyrgyz Republic has fewer natural resources and leading industries than other countries in the region, and has been exposed to intense international competition due to rapid liberalization. The country still suffers from a high poverty rate due to unstable development. In line with the Kyrgyz Republic's goal to halve poverty by 2010, JICA has set a goal of promoting the reduction of poverty through economic growth based on the transition to a market economy. JICA is promoting intra-regional cooperation in priority support areas based on: (1) developing a foundation including

transport infrastructure; (2) support for social sectors; and (3) the Central Asia plus Japan Dialogue.

■ Turkmenistan

A Permanently Neutral Country Starting to Accept ODA

Turkmenistan possesses one of the world's largest repositories of natural gas, an asset that drives the nation's industry through natural gas extraction and exporting. Other key industries are oil and the production and processing of raw cotton. In 1995, the United Nations (UN) General Assembly acknowledged Turkmenistan's position as a permanently neutral country. Except for the UN, Turkmenistan does not participate in any multinational organizations and refrains from participation in intra-regional mechanisms in Central Asia. However, a change in leadership in February 2007 has led to a gradual increase in foreign diplomacy under the new president, with the government taking steps to strengthen relations with Europe and neighboring countries. The direction of Turkmenistan today has a strong impact on gas pipeline strategy in the Eurasian continent, as exemplified by the country's opening of a gas pipeline to China in December 2009.

Little Japanese cooperation is extended to Turkmenistan other than training projects. JICA supports a project in which members of the Turkmenistan parliament and government workers are invited to Japan to study and learn from Japan's postwar rebuilding process and Diet management.

■ Azerbaijan

Assistance to Improve Quality and Access to Social Services

With steady petroleum development in the Caspian Sea, Azerbaijan is finding both economic and political stability. However, the development of non-petroleum sectors has become an urgent issue to ensure sustainable economic development. JICA has focused on three priority areas in its development support for the country:

economic infrastructure, the social sector and human resource development.

JICA is providing support for water supply and sewage infrastructure development in provincial cities through Japanese ODA Loans, and extends support in the fields of government administration and agricultural development.



Prairie in the Kyrgyz Republic (Photo by Sanae Numata)

■ Armenia

Fostering a Market Economy through the Program for Supporting the Energy Sector

Armenia has proactively pursued democratization and a market economy since the collapse of the Soviet Union. Japan is extending assistance to Armenia with a focus on infrastructure development

to support nation building, overcome aging economic infrastructure and prevent environmental degradation.

JICA is providing ODA Loans for the Electricity Transmission and Distribution Project and Yerevan Combined Cycle Co-Generation Power Plant Project as a priority area under the Program for Supporting the Energy Sector.

Case Study

Enhancing Road Management Capabilities

The Kyrgyz Republic Transport Technical Capability Improvement Program

The Kyrgyz Republic is lacking in resources and industry relative to other nations in the Central Asia and Caucasus region, and lags behind in the development of economic infrastructure such as roads. JICA is providing cooperation to help the Kyrgyz Republic develop transportation infrastructure for the promotion of industry and to improve access to social services as a way to reduce poverty through economic growth.

Updating Obsolete Standards to Improve Management Capabilities

The Kyrgyz Republic possesses important road transportation routes that link China and Southwest Asia, making the nation critically dependant on its roads. However, the majority of the country's land surface is made up of mountainous topography, and only 40% of its roads are paved. In addition, the country has faced tough economic conditions since gaining independence, leading to inadequate road maintenance, except for select arterial roads that have been repaired through the support of the international community. Road inventory systems are essential to carrying out road maintenance, but the nation uses outdated systems that have been in place since the time of the former Soviet republics. Upgraded road inventory systems are needed that are tailored to practical circumstances in the nation, including the need for updated road design standards. The nation's road management capabilities also must be improved from the standpoint of promoting industry such as tourism and raw cotton harvesting, and to expand social services.

In response to requests from the Kyrgyz Republic government, JICA initiated a preparatory study in 2007 for the Project for the Capacity Building of Road Maintenance and Road Administration Advisor Project, which were later initiated in 2008 as three-year Technical Cooperation projects.

Pilot Project Expanded to National Implementation

In September 2009, JICA initiated a pilot

project to improve road maintenance and management capabilities in Kochkor, located 230km south of the national capital of Bishkek.

The project selected an area with particularly severe road damage for improvement, using a cement stabilization technique that involves mixing cement into the damaged paved road base, with the use of stabilizers provided through Grant Aid and motor graders owned by the Kyrgyz Republic. In addition, road administration advisors and project experts provided technical guidance for advancing the construction efficiently by working separately on two-way lanes, as well as providing technical guidance on materials testing and cement mixing and design for repair construction. Local engineers can now use this cement stabilization technique to repair minor to moderate pavement damage and avoid complete road reconstruction unless there is extensive damage. A video that documents the application of this technique will be used in the future for road management throughout the nation. In addition to providing construction technology, JICA is assisting road management through the integration of a Vehicle Intelligent Monitoring System (VIMS) that facilitates the monitoring of road pavement conditions.

In September 2009, JICA conducted a seminar for engineers of provincial and national road management offices of the Kyrgyz Ministry of Transportation and Communications to introduce a new pavement design manual for road maintenance and management and to explain how the new

standards are to be applied. JICA also supplied 11 computers for regional offices of the Ministry of Transportation and Communications to use in preparing new road inventory systems.

A number of three-year projects will conclude in fiscal 2010, but new challenges have emerged for the country, including a shortage of funds due to the severe economic circumstances in the nation. JICA will expand its support to encompass international arterial roads in the Kyrgyz Republic, and assist the transfer of technology and expertise to facilitate efficient and low-cost road management.

A Grassroots View

Toshio Kimata

The Kyrgyz Republic faces the challenge of transferring engineering expertise to the next generation and establishing an engineering base that is adapted to actual circumstances in the nation. These challenges stem from the fact that engineering expertise was inadequately transferred when the nation originally gained independence, and a generational change as experienced engineers reach retirement age. The Minister of Transportation and Communications of the Kyrgyz Republic has high hopes for Japan's assistance. JICA is focusing its energies on helping younger engineers to gain the experience needed to deploy their skills on a broader scale.



Providing technical guidance with a focus on practical application in the Kyrgyz Republic



■ Georgia

Road Infrastructure to Assist with Regional Economic Development and Postwar Rehabilitation

Georgia depends on the livestock industry and agriculture as its key economic drivers. Since gaining independence, Georgia has faced a downturn in industry combined with ethnic conflict, and at one point recorded the greatest economic decline of any nation of the Commonwealth of Independent States (CIS). While the nation's economy has recovered in recent years, it faces a number of major challenges including development of domestic industry and small and medium-sized enterprises, and improvement of education, healthcare and social services, whose quality continues

to deteriorate due to financial difficulties and aging infrastructure.

Following the armed conflict with Russia in mid-2008, Georgia is facing the challenge of rehabilitation of its infrastructure, which is urgently needed for future economic growth. In October 2008 at the Georgia Donor's Conference, Japan announced it would provide up to US\$200 million, under which JICA signed a Japanese ODA Loan agreement for the East-West Highway Improvement Project to improve the East-West Highway that is an important part of the international transportation network between Europe and Asia. This project will contribute to the economic development and postwar rehabilitation of Georgia.

Field
Comment

Utilizing Expertise from Hokkaido

The Kyrgyz Republic Support Project for the Dissemination of Biogas Technologies

Kunio Nishizaki, Chief Advisor

Approximately 40% of the land mass in the Kyrgyz Republic lies at high elevations of 3,000m or higher. As a nation that is reliant on hydroelectric power, global warming is causing the melting of snow and glaciers in the Kyrgyz Republic that have existed for tens of thousands of years, and low water levels needed for hydroelectric generation have led to frequent blackouts. Since 2007, JICA has provided support to encourage the adoption of biogas technology for obtaining methane gas from the fermentation of livestock wastes and raw garbage waste.

Roughly 70% of the nation's population comprises agricultural dwellers including nomads, and its citizens have shown strong interest in adopting biogas plants, which can generate gas and fertilizer from livestock wastes. Many farmers have visited the project offices seeking our advice.

The objective of the project is to deploy biogas systems in impoverished farming communities. This will facilitate rural

development by enabling communities to use the gas for cooking, showering and heating, while utilizing the fermented waste for fertilizer. Encouraging the use of biogas energy as a renewable energy source also alleviates pressure for logging of forests. In addition, the biogas systems use human wastes, and we are trying to improve living conditions in rural areas through the adoption of indoor toilets as an alternative to outhouses.

Numerous biogas plants have been installed in the Kyrgyz Republic through assistance from other donors and NGOs, but many are neglected because they do not function properly in the harsh winter conditions that the country faces. To address this issue, JICA is using improved technology to enable stable biogas generation even in the harshest winter conditions. The improvements also make it easier to add livestock wastes and preserve heat for biogas digesters to enable improved gas generation.

The rural citizens we have helped are

delighted that they can now produce gas for cooking and showering. Since gaining independence, the Kyrgyz Republic has been entirely dependent on imports for chemical fertilizers, but the supply only meets a quarter of the actual demand. As a result, there are great expectations for the biogas systems to produce by-product fertilizer. We have received reports from some farmers who use the systems that they are seeing good leaf growth from potato plants planted using the by-product fertilizer.

In Japan, development and deployment of biogas technology is centered in Hokkaido, which shares a similarly cold climate as Central Asia along with a sizable livestock industry. We will continue utilizing experience gained in Hokkaido to establish biogas technology that can operate year-round and withstand the harsh winters experienced in the Kyrgyz Republic.



Construction of a biogas plant in the Kyrgyz Republic



Inspection of a biogas plant

Case Study

Development of Small and Medium-Sized Enterprises and Supporting Industries

Uzbekistan's industry still retains the blueprint of a planned economy, a remnant of when the nation was a Soviet republic. As a result, the private sector is not nearly as active as it is in Japan, and there is little foreign investment to trigger economic growth. To help overcome this situation, JICA opened the Uzbekistan-Japan Center for Human Development in 2000. The center provides business training as a core component for encouraging private sector activities, with the aim of achieving sustainable economic growth built on market economic principles. The center also extends cooperation to build an environment that facilitates the activities of private companies by lending support for the development of legislation and policies and improvements to tax administration.

10 Years of Center Operations

Uzbekistan's key industry is the harvesting of raw cotton, and the nation is also endowed with natural gas, oil and rare metal resources, which combine to offer excellent potential for economic growth. Although the Uzbekistan government is implementing economic reforms in pursuing a market economy, it still needs to address many challenges in order to capitalize on its potential, such as improving the environment for doing business. Uzbekistan is also doubly landlocked—neither it nor any bordering nation has access to the sea—and this translates to high transportation costs. Furthermore, Uzbekistan was previously politically distanced from the West, so that there is relatively little direct investment of foreign capital. For these reasons, Uzbekistan has not been able to fully capitalize on its economic potential.

In 2007, the Uzbekistan government announced the Welfare Improvement Strategy to encourage national development. The plan places a priority on initiatives for human resource development, and the establishment of policies to promote economic and industrial



Participants learn about *kaizen* (continuous improvement) techniques

activity, in seeking to resolve the challenges facing Uzbekistan.

In line with this strategy, JICA is providing assistance to Uzbekistan for the development of legislation and policies and improvement of tax administration, aimed at encouraging the activities of private companies. JICA also established the Uzbekistan-Japan Center for Human Development in 2000 as part of its focus on human resource development in the nation. Some 460,000 visitors have passed through the center's doors, including those taking Japanese-language courses or participating in the exchange programs that the center offers, while some 200 people take business and Japanese-language courses every year through the center. In 2005, the center strengthened its business courses with more content to provide practical knowledge and expertise for the development of small and medium-sized enterprises and supporting industries. Uzbekistan citizens who have taken business courses at the center are now applying their skills in the business world.

Transferring Japanese Management Techniques

One of the major prerequisites for promoting foreign investment is to have supporting industries in place with the degree of technical sophistication and reliability needed to support foreign companies that establish operations. The JICA-funded Uzbekistan-Japan Center for Human Development has assembled a curriculum based on surveys of the needs of Japanese companies, and offers courses in collaboration with the Japan Chamber of Commerce in Uzbekistan and other economic organizations. The center also supplies company information and up-to-date information on industry trends in Japan, and gives seminars to convey practical knowledge and technical expertise, in addition to conducting training in Japan.

JICA arranges for experts from Japanese companies to give seminars on specialized topics such as production management and *kaizen* (continuous improvement) techniques in the capital of Tashkent as well as workshops for entrepreneurs in provincial cities. Senior Volunteers also provide personal business consulting, which has been a popular service. As well, JICA personnel provide guidance for sericulture and tourism hospitality, to support Uzbekistan's traditional industry and tourism resources.

Uzbekistan Private Sector Development Program**A Grassroots View**

Lenorat Tajibaeva
Staff Member, Business Course Project

The business courses offered by the Uzbekistan-Japan Center for Human Development are designed for people who run businesses. The course disseminates MBA-level knowledge and expertise, and we have seen more and more students going on to achieve success after completing the courses. The training in Uzbekistan also teaches Japanese-style management techniques and gives the participants a chance to network with Japanese experts. When we first offered the courses, it was a struggle to get the word out about the program, but today the courses are well-known and we have expanded the content. They now draw participants from other Central Asian countries, and there is a real sense that the project is having an impact on human resource development and economic development in the region.

A Grassroots View

Naoko Kuwahara
Long-Term Expert in Assistance for Legislative Development

I was appointed to this position in 2005, and have been working for the last four years to assist with the development of legislation and policies to facilitate corporate activities in Uzbekistan. The first year saw a lot of trial and error, but through the dedication of my counterparts and intense discussions, we developed a flexible approach to reviewing and improving the activities, and have successfully contributed to the creation of legislation and policies that are necessary for corporate activities. In this former socialist republic, the understanding of corporate activities differs from that in a capitalist country. At first, it was a struggle to communicate market-oriented ideas, but JICA's assistance focuses on having Japanese experts work side-by-side with their counterparts in the same workplace. This approach paid dividends by encouraging a better mutual understanding of one another's values, rather than pushing ideas on our counterparts. As a result, we have been able to develop quality human resources. This is a tough job that requires long hours and involves a lot of work, but it is extremely meaningful. In the last two or three years, I have witnessed remarkable strides being made by young people who are passionate about developing legislation and policies. Combined with the changes I have witnessed in Uzbekistan, this is a great source of personal inspiration.