Central Asia:

Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan, Regional Program

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Contacts

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• Jan-Peter Olters, Country Manager

Kyrgyz Republic
• Bolormaa Amgaabazar, Country Manager
## Surface Area and Population

<table>
<thead>
<tr>
<th>Country</th>
<th>Surface Area thousand km²</th>
<th>Population million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>2,725</td>
<td>17.8</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>200</td>
<td>6.1</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>141</td>
<td>8.7</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>488</td>
<td>5.7</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>447</td>
<td>31.9</td>
</tr>
<tr>
<td><strong>All Central Asia</strong></td>
<td><strong>4,001</strong></td>
<td><strong>70.1</strong></td>
</tr>
<tr>
<td>Japan</td>
<td>378</td>
<td>127.0</td>
</tr>
</tbody>
</table>
### GNI per capita, Atlas method (current US$) 2016

<table>
<thead>
<tr>
<th>Country</th>
<th>GNI P/C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>8,710</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>1,100</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>1,100</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>6,670</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>2,220</td>
</tr>
<tr>
<td>Japan</td>
<td>38,000</td>
</tr>
</tbody>
</table>

### IBRD

<table>
<thead>
<tr>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan; Turkmenistan</td>
</tr>
</tbody>
</table>

### IBRD/IDA

<table>
<thead>
<tr>
<th>Country</th>
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</thead>
<tbody>
<tr>
<td>Uzbekistan</td>
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</tbody>
</table>

### IDA

<table>
<thead>
<tr>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyrgyz Republic, Tajikistan</td>
</tr>
</tbody>
</table>
### Foreign direct investment, net inflows

<table>
<thead>
<tr>
<th>Country</th>
<th>FDI BoP, current US$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>17,647</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>466</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>344</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>4,522</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>67</td>
</tr>
<tr>
<td><strong>All Central Asia</strong></td>
<td><strong>23,046</strong></td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td><strong>34,905</strong></td>
</tr>
</tbody>
</table>
Oil still drives the fortune of Central Asia
CA’s economic performance stabilized at lower level with downside risks owing to slow progress on reforms.
Massive Income shock:

Stronger than 2008-2009 global crisis, and bigger than GDP numbers suggest!

Cumulative growth 2015 and 2016 (%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Consumption</th>
<th>Relative to GDP</th>
<th>Imports</th>
<th>Relative to exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>-14.2</td>
<td>-11.6</td>
<td>-29.2</td>
<td>-33.3</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>-16.1</td>
<td>-25.9</td>
<td>-15.0</td>
<td>-20.9</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>-3.9</td>
<td>-10.9</td>
<td>-23.1</td>
<td>-28.1</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>4.0</td>
<td>-10.6</td>
<td>-15.5</td>
<td>-11.2</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>1.3</td>
<td>-.9</td>
<td>-2.8</td>
<td>4.5</td>
</tr>
</tbody>
</table>
Gains in poverty reduction have slowed/reversed in recent years

KAZAKHSTAN

Poverty rate ($5/day PPP terms)

2005 2010 2015 2016 2017

Kyrgyz Republic

Poverty rate ($2.5/day PPP LHS)

2005 2010 2015 2016F 2017F

TAJIKISTAN

Poverty rate (national line, TJS 167.76/month)

2005 N/A 2010 2015 2016F 2017F

UZBEKISTAN

National poverty rate, % of population

2005 2010 2015 2016F 2017F

Needs to be watched: may be a data quality issue?

Trend reversal!
### Action areas...

<table>
<thead>
<tr>
<th>How to address:</th>
<th>Building Competitiveness for Growth:</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Normal</td>
<td>• Fiscal adjustment, while protecting social spending</td>
</tr>
<tr>
<td></td>
<td>• Making space for private sector</td>
</tr>
<tr>
<td></td>
<td>• Improving Connectivity</td>
</tr>
<tr>
<td></td>
<td>• Resolving water/energy nexus</td>
</tr>
</tbody>
</table>

**Improving Governance and Institutional Reforms:**
- Right sizing institutional reforms
- Restoring health to financial sector
- Strengthening voice through feedback mechanisms

**Investing in People:**
- Creating social safety nets and short term support
- Supporting equitable growth models
- Investing in human capital

**Addressing Environmental and Social Protection:**
- DRM – recognizing risks and prepare
- Being proactive on Climate Change mitigation and adaptation

### How we are going to work:
- Focus on what matters – fewer more impactful interventions
- Focus on institution building
- Significantly crowd in private and donor resources
- Innovate
- Focus on implementation
- Improve communications
Central Asia Portfolio by Countries

US$6.6 billion in net commitments

- Kazakhstan: $3,769; 57%
- Uzbekistan: $1,961; 30%
- Kyrgyz Republic: $302; 4%
- Tajikistan: $453; 7%
- Regional: $149; 2%
Central Asia Portfolio by Global Practices

US$6.6 billion in net commitments
Possible Collaboration with WBG

• Projects
  • Uzbekistan (agriculture value chain, water supply and sanitation, rural development, municipal development, health/education, digital/ICT)
  • Tajikistan (DRM, water, health, education, transport)
  • Kyrgyzstan (DRM, energy, digital/ICT, health, market institutions)
  • Kazakhstan (Private sector investments in agri, logistics with IFC, digital/ICT)

• Disaster Risk Management

• Institution Building
Central Asia has many advantages

- Proximity to major markets (South Asia, East Asia, Russia, Europe)
- Stable and peaceful environment
- Young and growing population
- (Still) high human capital
- Relatively developed infrastructure
Great opportunities

**Kazakhstan**
- New reform wave (diversification from oil)
- Regional logistics hub
- Agriculture export potential

**Kyrgyzstan**
- Democratic society (dynamic PM)
- Digital agenda is a country priority
- Power export potential
- Considerable mineral resources

**Tajikistan**
- Power export potential
- Considerable mineral resources
- Agriculture/food export potential

**Turkmenistan**
- Fourth-largest gas reserves
- Opening up for dialogue

**Uzbekistan**
- Major reforms (political & economic)
- Export potential (agriculture/food)
- Digital agenda
- Entrepreneurial population
Annex
Kazakhstan Strategy 2025

1. Stimulating macroeconomic policy
2. Intensive development of economic sectors
3. Financial market development
4. Energetically attracting private investment
5. Guarantee high quality of life
6. Green economy and environmental protection
7. Proactive foreign trade policy
**KAZAKHSTAN – Systematic Country Diagnostic**

<table>
<thead>
<tr>
<th>Pillars</th>
<th>Main challenges</th>
<th>Policy priorities</th>
<th>Goals</th>
</tr>
</thead>
</table>
| **ECONOMIC MANAGEMENT FOR DIVERSIFICATION** | 1. Fiscal adjustment to low oil prices  
2. Public debt management  
3. Central Bank independence  
4. Corruption and rule of law  
5. Public sector management and responsiveness | 1. Adopting a sound fiscal policy and reforming the financial sector to support sustainable diversification | 5. Enhancing social protection to support the transition of the economic model |
| **PRIVATE SECTOR DEVELOPMENT** | 6. SME development  
7. State role in the economy  
8. Contestable markets and regulation  
9. Financial sector  
10. Financial inclusion | 2. Reducing state presence in the economy and supporting an environment for SME development | 
| **INTEGRATION AND CONNECTIVITY** | 11. Trade, transport, and energy infrastructure  
12. Agriculture value chain development  
13. Urbanization and mobility  
| **PRODUCTIVE AND ADAPTIVE HUMAN AND NATURAL CAPITAL** | 15. Education and skills development  
16. Health  
17. Social protection  
18. Clean energy and energy efficiency  
19. Water resources management | 4. Enhancing human capital through ensuring equal access to quality education | |

**POVERTY ELIMINATION**

**PRODUCTIVE EMPLOYMENT**

**SHARED PROSPERITY / GROWTH OF SECURE MIDDLE CLASS**
WBG Engagement Context

WBG is preparing a new Country Partnership Framework with a focus on:

• Economic Management for Diversification
• Building human capital and safety nets
• Continued investment in connectivity globally and within Kazakhstan
• Engaging more on PSD/PPP agenda
• Strengthen knowledge/analytical support and focus on implementation of 2025 strategy and meeting OECD standards

Ensure implementation of the green agenda under the new growth model (EXPO 17)

• Invest in energy efficiency and curb growth in greenhouse gas emissions
• Focus on science-based green agriculture and water resources management
• Reflect waste management in urban and industrial development
Kazakhstan: IFC Private Sector Diagnostic

Identified 3 sectors with potential to create markets and have a development impact:

- Food-grains
- Meat and poultry
- Transport and logistics
The post-independence development trajectory
The country has many sources of potential competitive advantage.

- **AGRICULTURE & AGRI-BUSINESS**: Particularly in livestock, fruits and vegetables.
- **MINERALS & HYDROPOWER**: With a diversified natural resource base of minerals.
- **TOURISM**: With a strong cultural and historical heritage, and natural beauty.
- **YOUNG EDUCATED POPULATION**: And low wages.
Policy priorities

Catalytic priorities for faster growth
Refocus the development model on private sector growth and export orientation

Foundational priorities to remain on track
Provide a conducive environment for the transition

Inclusiveness and sustainability priorities
Maintain the highly inclusive features of the Kyrgyz Republic
Kyrgyz Republic: WBG Priorities for Engagement - Fiscal Year 2018

Priority Issues:
- New growth model
- Private investment in Productive employment
- Energy sector reform
- Tailored approach to governance
- Social vulnerability
- DRM

Lending
- Budget support
- District Heating
- CASA 1000 Community Support
- DRM

Regional
- Central Asia Roads Link-3
- Digital CASA

IFC:
- Agri-business supply chain
- Hydro-power
- MSME access to finance

Advisory services and analytics
- Review of informality
- Seizing EEU market access opportunities
- Business environment reforms (with IFC)
- Energy sector reform and communication strategy
- Fiscal consolidation, PEFA updates
- Public Investment Management TA
- DRM mapping and action plan (TF)
- Hospital rehabilitation needs assessment
- Connectivity, logistics, and trade facilitation
- Agri-business supply chain

Possible Collaboration with WBG: DRM, energy, digital/ICT
TAJIKISTAN

Nurek Hydropower Plant
Tajikistan: WBG Priorities for Engagement - Fiscal Year 2018

Priority Issues:
- Macro-stability/debt
- Private sector investments & jobs
- Governance reforms
- Human capital
- Connectivity
- Disasters Risk Management

Lending:
- Strengthening critical Infrastructure
- Agriculture/ Rural Enterprise
- Roads /CARS 4
- Rural Water Supply and Sanitation
- Dushanbe Water Supply
- Education (Early Childhood Development)

IFC:
- IFC private sector investments

Advisory services and analytics:
- Systematic Country Diagnostic
- Growth Diagnostics
- Financial Sector Stability
- Debt Management
- Micronutrient Status Survey;
- Early Childhood Development and Care policies
- Energy Sector Reform
- Evidence Based Tax Assessment
- PPP TA
- Jobs Diagnostics and Strategy

Possible Collaboration with WBG: DRM, water, health, education, transport
A Year into New Presidency: A Fresh Wave of Change
Working together – Reform Roadmap

- Coordination and Communication Strategy
- Fiscal, Monetary and Exchange Rate Policies and Institutions
- Financial Sector Reform
- Subsidies and Social Protection Policies
- Social and Regional Development
- Agricultural Sector Development
- Reform of State Owned Enterprises
- Public Sector Reforms
- Market Development and Fostering Private Sector Participation
- Rule of Law and Judicial System
- Market Development and Fostering Private Sector Participation
Uzbekistan: WBG Priorities for Engagement - Fiscal Years 2018-19

Priority Issues:
- Macro-Structural reforms
- Competition, trade, investment climate
- Agriculture value chain
- Regional development
- Human capital and social safety nets

Lending
- Development Policy Operation
- Social Protection/jobs
- Horticulture Development
- Health-4
- Energy Efficiency for Industrial Enterprises–3
- Early Childhood Development
- Mid-size cities
- Fergana Regional Development
- Digital CASA
- Water supply
- Agriculture Modernization

IFC investments
- Hemodialysis PPP
- BCI Cotton

Analytical and Advisory Services
- Support Transition to a Market Economy
- Financial Sector Reform TA
- Social Safetynets
- Investment climate
- Competition Policy
- Industrial Energy Efficiency Program
- Third Party Monitoring in Cotton Sector
- Sustainable Urban and Regional Development
- Enhancement of e-Procurement

IFC
- PPP framework
- PSD

Possible Collaboration with WBG: energy, water, rural development, municipal development, health/education, digital/ICT, IFC investments/PPP
Proposed MDTF: Response to client demand in Central Asia to strengthen institutions and capacities to better support market-led transformation and develop non-traditional sources of growth, with the aim of creating jobs.

- Help to better understand and articulate the institutional functions necessary to support the countries preferred growth-paths.
- Facilitate institutional development, adaptation/innovation to improve the various institutional functions.

Outcome: More effective country institutions to support the productive sectors to generate jobs, increased incomes in an inclusive manner

Financing and Contributors: The Program is planned as a five-year multi-donor trust fund (MDTF) to be financed by grants from interested developmental partners. The aim is to have committed $10-50 million funding for the five-year period.
Central Asia - Regional thematic areas

A. Connectivity
- One Belt One Road (OBOR) – infrastructure and economics
- Central Asia Roads Program (CARs) - addressing missing links between adjacent regions in different countries
- Digital Central Asia – South Asia (CASA) - Joining fragmented and upgrading low capacity fiber optics networks and digital economy
- Regional logistics networks and supply chains

B. Eco-systems
- Aral Sea and regional water management
- Disaster preparedness (regional impacts of major disasters)
- Hydro-Met facilities – upgrade and data sharing

C. Water-Energy Nexus
- Implementation of CASA 1000
- Construction of Nurek Hydro-power plant, in Tajikistan - second phase