

Country Assistance Program Evaluation for Uzbekistan

The evaluation recommends that in its new Uzbekistan country partnership strategy ADB should maintain its focus on infrastructure and its support for reforms through advisory technical assistance. It should also revive its support for private sector development, raise the efficiency of its government procurement procedures, and develop a strategy for choosing financial instruments and lending modalities.

The Asian Development Bank (ADB) has supported Uzbekistan's development since 1998, creating a highly responsive country assistance program featuring a close relationship with the government. ADB has been one of Uzbekistan's largest sources of financing overall—approving 30 loans totaling \$1.3 billion through 2009—and is the lead development partner in agriculture and natural resources, education, and water supply and sanitation. ADB has also made significant contributions in developing the country's energy and transport.

As the second country assistance program evaluation for Uzbekistan, this study covers support from 2002 to the end of 2009. Among the priorities in this period were accelerating environmentally sustainable rural development and enabling private sector development through reforms, foreign investment, and privatization. The evaluation assesses ADB's support, identifies factors affecting its performance, and draws lessons and recommendations for improving it. The study provides inputs for the next country partnership strategy scheduled for 2012.

Overall Assessment

ADB's country assistance program to Uzbekistan is rated *successful*. Strategic positioning was *satisfactory* and the program was *relevant*, highlighted, as noted, by high responsiveness to the government's priorities. Resource use was *efficient*, with a high economic internal rate of return for rehabilitated projects, but limited by some delays and high costs caused by ADB's procurement procedures. The program was *less effective* in meeting outcomes, with water supply and sanitation projects showing the most potential. Outputs and outcomes were *less likely sustainable*, with sustainability in agriculture and natural resources compromised by the government's weak commitment to reforming agriculture. Effectiveness, sustainability, and development impacts would have scored higher ratings had the expectations for what ADB could achieve been more modest and realistic.

Key Findings

- **ADB's high responsiveness was a key factor driving the performance rating of the program in Uzbekistan.** This is evident in the alignment of ADB's strategy and program with the country's needs and the government's priorities, and has led to some notable impacts.
- **ADB's close relationship with the government is an outstanding feature of the program.** The government considers ADB one of its closest development partners. The relationship grew stronger as ADB increased lending to the country and after it held its annual general meeting in Uzbekistan's capital, Tashkent, in 2010.
- **Financial governance at the project and sector level needs improvement.** The assessment of financial management and procurement found that the control environment was adequate, but there were lapses in implementation due to capacity constraints and other limitations.
- **ADB has helped improve infrastructure, but has been less successful in promoting reforms.** All projects and advisory technical assistance in the agriculture and natural

QUICK LINKS

Country Assistance Program Evaluation for Uzbekistan (2011) - Main Report
www.adb.org/documents/country-assistance-program-evaluation-uzbekistan-2011

ADB Management Response
www.adb.org/documents/management-response-country-assistance-program-evaluation-uzbekistan-0

Chair's Summary of the Development Effectiveness Committee (DEC)
www.adb.org/documents/chairs-summary-committee-discussion-24-august-2011

resources sector included aspects related to policy change. But these have had limited impact. In the finance sector, ADB reduced support until there was clear progress in reforms. ADB also promoted reforms in railways, although they were less extensive than envisioned despite some significant success.

- **Start-up delays have fundamental causes and as such may be unavoidable.** Most projects were delayed at start-up in part because the president or cabinet of ministers needed to issue a decree before implementation could begin. Differences between the design and specifications proposed in the ADB-approved loan and those of the local design decree caused further delays. ADB's expectations for progress in project implementation would be more realistic if they recognized Uzbekistan's standard procedures in implementing projects.
- **ADB could have done more to help the government strengthen overall coordination in Uzbekistan.** Aid coordination is largely informal. While this has been effective in some respects, it limits the sharing of knowledge, experience, and information among development partners. While aid coordination has been satisfactory, ADB could have done more to help the government improve its own coordination efforts, either through policy dialogue or advisory technical assistance.

Lessons

- **The first railway project is a good model for ADB to follow when starting a new country program.** The project was implemented without major problems, despite the extra burden of learning about ADB because (i) it was relatively simple (rehabilitation instead of building a new line); (ii) it was among the government's highest priorities; and (iii) the project implementation unit in the executing agency was strong and capable.
- **Demonstration projects can be more effective by focusing on economically feasible innovations.** In the case of land improvement and grain productivity improvement projects, innovations in demonstration projects would be more effective if their financial and economic viability were first established in the farm and market context.
- **Effective and consistent support for reforms needs updated sector analyses based on the government's priorities and commitments.** ADB's experience in supporting reforms in Uzbekistan shows that progress is possible, but a consistent and successful program needs a sector analysis to identify the most needed reforms and a sector strategy based on the government's priorities and commitments, and the skills and experience of ADB.
- **The added cost of following ADB's guidelines in restricting procurement to its member countries needs to be considered during project preparation.** For the two ADB-financed railway projects, limiting procurement to ADB member countries raised the cost of rails by more than 250%. When ADB determines that project costs are significantly lower in nonmember countries, it could advise the borrower on how to ask ADB's Board for an exemption from the membership requirement.

Feedback

ADB Management appreciates the comprehensiveness of the report which provides a good overview of ADB's responses to the development priorities of Uzbekistan. Management appreciates the analyses with attention to the local implementation environment and constructive and pragmatic recommendations. The Management concurs with the overall positive assessment of ADB performance and the "successful" rating for ADB's assistance to Uzbekistan. Management also agreed with the recommendations of the study.

The Chair's Summary of the Development Effectiveness Committee (DEC) encouraged Management to continue its good work in Uzbekistan and emphasized the need for improving and broadening the procurement system to improve efficiency as well as cost effectiveness. DEC members emphasized the need to develop the private sector. DEC recognized the country's critical role in regional cooperation in Central Asia, and encouraged staff to focus on how to promote regional cooperation in Central Asia.

Recommendations

- *Maintain focus on infrastructure and strengthen responsiveness by focusing on the government's ultimate goals.*
- *Support reforms through demand-driven advisory technical assistance.*
- *Revive support for private sector development.*
- *Develop a strategy for choosing financial instruments and lending modalities.*
- *Develop a strategy and program of knowledge products and services.*
- *Work with the government and other development partners to raise the efficiency and effectiveness of the country's procurement procedures.*
- *Develop a results framework in the next country strategy with which ADB can be held accountable for delivering results.*

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