

ASIAN DEVELOPMENT BANK & UZBEKISTAN

www.adb.org/uzbekistan

2008

A F A C T S H E E T

Landlocked Uzbekistan is the most populous of the Central Asian republics, with agriculture, which is the mainstay of the economy, contributing about a third of its gross domestic product (GDP). The country is also one of the world's biggest suppliers of cotton, and produces oil and gas, gold, copper, some industrial products, and processed food.

As the economy shifts from central planning to a market-based system, progress in macroeconomic, structural, and institutional reforms has been mixed, especially for policies that support private sector development. Further liberalization of agriculture, the financial sector, domestic and international trade, and improvements to the business environment will help sustain growth and bring widespread improvements in living standards.

The Government's Welfare Improvement Strategy to 2010, which was adopted in August 2007, is based on six key objectives: (i) securing sustainable economic growth complemented by increased employment and income generation capacity; (ii) attracting private investment to sectors that impact growth and assist vulnerable populations; (iii) achieving comprehensive regional development within the country that corresponds to each region's resources; (iv) increasing the quality of, and access to, basic social services, and encouraging gender equality; (v) deepening structural and institutional reforms and increasing the economy's competitiveness through liberalization and development of the financial sector and the strengthening of market institutions; and (vi) accelerating reforms in the public administration sector to boost efficiency of policy formulation and transmission mechanisms, and to enhance public goods and service quality.

Relationship with ADB

Uzbekistan has received \$1.1 billion in 26 loans and \$35.5 million in technical assistance (TA) since joining the Asian Development Bank (ADB) in 1995. It is the 15th largest shareholder among ADB's regional members and the 14th largest borrower.

At the end of December 2007, ADB's portfolio in Uzbekistan had no "at risk" projects compared to two in 2006, none in 2005, and three at the end of 2004. The overall, portfolio performance is rated satisfactory on impact, outcome, and implementation. Ratios for disbursement and contract awards have improved steadily since 2002. Contract awards in 2007 totaled \$59.06 million while disbursements during the year totaled \$51.4 million.

Table 1. Uzbekistan:
Development Indicators

Non-MDG	
Population in millions	27.04 (2007)
Annual population growth rate (%)	1.3 (2005–2007)
Adult literacy rate (%)	...
Percent of population in urban areas	36.0 (2006)
MDG	
Percent of population living on less than \$1 a day	...
Percent of population living below the national poverty line	26.2 (2003)
Under-5 mortality rate per 1,000 live births	43 (2006)
Percent of population using an improved drinking water source	82 (2004)

... = data not available, MDG = Millennium Development Goal.

Sources: ADB. 2007. *Key Indicators 2007*. Manila.
ADB. 2008. *Basic Statistics 2008*. Manila.
UNSD. 2008. Millennium Development Indicators Database Online.

Table 2. **Uzbekistan: Economic Indicators, 2003–2007**

Economic Indicator	2003	2004	2005	2006	2007
Per capita GNI (\$)	420	460	530	610	...
GDP growth (% change per year)	4.4	7.7	7.0	7.2	9.5
CPI (% change per year)	3.8	3.7	7.8	6.8	12.0
Unemployment rate (%)	0.2	0.2	0.3
Fiscal balance (% of GDP)	0.1	0.6	1.2	5.2	2.3
Export growth (% change per year)	29.1	31.6	11.6	22.8	7.0
Import growth (% change per year)	10.0	27.3	8.1	14.4	22.5
Current account (% of GDP)	8.7	10.2	14.3	18.4	21.1
External debt (% of GNI)	49.1	40.3	29.5	22.7	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2008. *Asian Development Outlook 2008*. Manila.
World Bank. 2008. Global Development Finance Online.
World Bank. 2008. World Development Indicators Online.

Table 3. **Uzbekistan: 2007 Loan, TA, and Grant Approvals (\$ million)**

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
126.00	–	1.40	–	127.40

– = nil.

Cumulative Lending (as of 31 Dec 2007) : \$1,100.90 million
Cumulative Disbursements (as of 31 Dec 2007) : \$485.03 million

Table 4. **Uzbekistan: Cumulative ADB Lending as of 31 December 2007**

Sector	Loans (no.)	Amount (\$ million)	% ^a
Agriculture and Natural Resources	6	245.40	22.29
Education	8	290.50	26.39
Energy	1	70.00	6.36
Finance	1	20.00	1.82
Health, Nutrition, and Social Protection	1	40.00	3.63
Industry and Trade	1	50.00	4.54
Transport and Communications	4	265.30	24.10
Law, Economic Management, and Public Policy	1	20.70	1.88
Water Supply, Sanitation, and Waste Management	3	99.00	8.99
Total	26	1,100.90	100.00

^a Total may not add up because of rounding.

Impact of Assistance

ADB's assistance has been tailored to the pace and direction of reforms undertaken by the Government, and has had an impact on basic education, agriculture, and transport.

The ADB-financed Living Standards Strategy marked an important breakthrough in putting poverty reduction on the Government's agenda and served as the basis for the Welfare Improvement Strategy Paper.

About 26% of ADB lending has gone into education, with the Basic Education Textbook Development Project introducing private sector participation in textbook production and improved availability of textbooks to poor students through a textbook rental scheme. Uzbekistan has already reached the 2015 Millennium Development Goal (MDG) for universal primary education.

Agriculture investments are helping arrest the collapse of Soviet-era irrigation systems and land degradation, and ADB supports market-oriented agricultural reforms to improve producer incentives, incomes, and employment in rural areas, where more than 70% of the poor live.

In the transport sector, two railway projects have upgraded 660 kilometers of track on a key regional transport corridor. The second, a \$70 million project, was completed in December 2006, rehabilitating 341 kilometers of track on the Samarkand–Bukhara–Khodjadavlet route, and parts of the line between Djizakh and Samarkand. The project provided modern track-laying and maintenance equipment, and supplied and installed an optical fiber telecommunications system and a computerized financial accounting system. It also developed human resources.

A TA for corporate governance reform helped redefine the authority and responsibilities of state trustees and trust managers in joint stock companies and production trade associations. ADB's advisory TA is helping the Government prepare a transport sector strategy (2006–2020). In December 2007, ADB approved new TA to the Government for policy and institutional reform support.

A \$20.7 million loan, approved on 28 June 2007, will support further reform of public finance management. It is designed to help improve planning and use of public resources, and to promote efficiency and transparency in budget execution. This project will be implemented over a period of 4 years by the Ministry of Finance. A \$600,000 grant will supplement the loan.

In December 2007, two loan projects were approved. An ordinary capital resources (OCR) loan of \$75.3 million for the CAREC Regional Road Project will assist the Government to develop strategic international highways and improve road sustainability in Uzbekistan. An Asian Development Fund (ADF) loan of \$30 million for the Rural Basic Education Project will help reduce disparities in education quality between rural and urban areas.

Future Directions

ADB's Country Strategy and Program (CSP) for Uzbekistan (2006–2010) focuses on rural development, promoting the private sector, regional cooperation in transport and customs transit, and improved social services that emphasize early childhood development and basic education.

Lending of about \$100 million a year is planned over the next 3 years, although actual lending will depend on government progress on agreed policy actions. Grant assistance is earmarked at about \$2 million a year.

More than 70% of the lending program is earmarked for environmentally sustainable rural development projects, specifically those supporting increased agricultural productivity, private rural enterprise, and market infrastructure. To encourage private sector development, a series of TA projects will help promote regulatory governance and competition. The project pipeline for 2008 includes projects for an international road link and water supply in rural areas.

Regional cooperation projects will focus on helping to develop regional transport corridors and to modernize customs administration for Uzbekistan to gain access to profitable markets in neighboring countries and to reduce transaction costs.

Going forward, ADB's private sector operations department plans to facilitate foreign direct investment in Uzbekistan through debt and equity investment. It will focus its activities on private local banks, particularly those supporting small- and medium-sized enterprises.

The Government and ADB have agreed to review the CSP periodically, and to update ADB's programs, in line with the country's changing needs. The CSP for 2006–2010 can be found at www.adb.org/Documents/CSPs/UZB/2006/default.asp.

Operational Challenges

To meet the Government's target to reduce the poverty rate to 20% by 2010, sustained high GDP growth needs to be matched with a greater focus on the pattern of growth. Although GDP growth has been strong from 2004–2007, maintaining this will be a challenge and will require a higher level of investment and improvements in efficiency. Raising the quality of investment—in terms of higher factor productivity growth and employment for a given rate of investment—will require the removal of impediments to the development of a dynamic private sector that can provide new and better-paying jobs. Ensuring greater efficiency and equity in public expenditures will also be required.

Partnership

ADB has closely coordinated with its development partners, particularly the World Bank, the European Bank for Reconstruction and Development, and United Nations Development Programme in developing the new CSP. The Ninth Country Portfolio Review (CPR) was conducted in 2007 and was jointly undertaken by ADB, the World Bank, and the Government of the Republic of Uzbekistan. The CPR reviewed the implementation status of ADB-financed projects up to the cutoff date of 30 June 2007. The CPR identified systemic portfolio performance issues and requisite corrective measures to improve individual project implementation and the broader portfolio performance.

ADB cooperates with civil society organizations to strengthen the effectiveness, quality, and sustainability of the services it provides. ADB is cooperating with the Association of Women's nongovernment organizations (NGOs) in Uzbekistan to carry out the gender component of a newly approved land improvement project. In particular, the association is monitoring gender-relevant

Table 5. Uzbekistan: Project Success Rates

By Sector	Percentage	No. of Rated Projects/ Programs ^a
Agriculture and Natural Resources	0.0	1
Education	50.0	2
Industry and Trade	0.0	1
Transport and Communications	100.0	1
Total	40.0	5
By Year of Approval		
1990s	66.7	3
2000s	0.0	2

^a Rated projects only (i.e., there are no rated programs).

Table 6. Uzbekistan: Portfolio Performance Quality Indicators for Sovereign Lending, 2006–2007

	2006 (\$ million)	2007 (\$ million)
Number of Ongoing Loans (as of Dec 2007)	16	
Contract Awards/Commitments	49.26	59.06
Disbursements	59.31	51.42
Loans at Risk (%)	11.8	–

– = nil.

targets and indicators. The association comprises 53 local women's NGOs.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in the financing of ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2007, cumulative direct value-added cofinancing for Uzbekistan amounted to \$62.0 million for two investment projects, and \$2.4 million for five TA projects.

A summary of projects with cofinancing is available at www.adb.org/Documents/FactSheets/Uzbekistan/cofinancing.asp.

A summary of procurement contracts awarded to companies and consultants from Uzbekistan for goods and works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/Uzbekistan/procurement.asp.

About Uzbekistan and ADB

Uzbekistan is the 15th largest shareholder among regional members and the 22nd largest overall.

ADB Membership

Joined	1995
Shares held	23,834 (0.67%)
Votes	37,066 (0.84%)

Kyung-Hoh Kim is the Executive Director and **James Tsuen-Hua Shih** is the Alternate Executive Director representing Uzbekistan on the ADB Board of Directors.

Hong Wei is the Country Director for Uzbekistan. The Uzbekistan Resident Mission (URM) was opened in 1998 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. URM engages in policy dialogue and acts as a knowledge base on development issues in Uzbekistan.

The Uzbekistan government agency handling ADB affairs is the Ministry of Finance.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). Over the last 4 years (2004–2007), ADB's annual lending volume averaged \$7 billion, with TA averaging \$218 million and grant-financed projects \$616 million. In 2007, lending volume was \$10 billion, with TA at \$243 million and grant-financed projects at \$673 million.

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Useful ADB websites

Asian Development Bank
www.adb.org

Country website
www.adb.org/uzbekistan

Asian Development Outlook
www.adb.org/Documents/Books/ADO/2008/UZB.pdf

Annual Report
www.adb.org/Documents/reports/annual_report/2007/