

ADB

Development
Effectiveness
Brief

Uzbekistan ▶

A Partnership for Growth



Asian Development Bank

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Uzbekistan

Development Indicators

| Item | 2009 |
|---|-------------------|
| Non-Millennium Development Goals | |
| Population (million) | 27.8 |
| Annual population growth rate (% , 2007–2009) | 1.7 |
| Adult literacy rate (% , 2000) | 99.9 ¹ |
| Percent of population in urban areas (2008) | 36.8 |
| Millennium Development Goals | |
| Under-1 mortality rate per 1,000 live births (2008) | 11.9 ¹ |
| Population using an improved drinking water source (% , 2006) | 88.0 |
| Income and Growth | |
| GDP per capita (\$, current) | 1,175.7 |
| GDP growth (% , in constant prices) | 8.1 |
| Agriculture | 5.7 |
| Industry | 11.2 |
| Services | 14.0 |
| Money and Inflation (annual % change) | |
| Consumer price index (period average) | 7.4 ¹ |
| Broad money | 34.0 |
| Government Finance (% of GDP) | |
| Consolidated revenue and grants | 30.8 |
| Consolidated expenditure and net lending | 30.6 |
| Consolidated budget balance | 0.2 |
| Augmented government balance ^a | 4.4 |
| Balance of Payments² | |
| Merchandise trade balance (% of GDP) | 7.1 |
| Current account balance (% of GDP) | 12.0 |
| Merchandise export growth (annual % change) | 1.7 |
| Merchandise import growth (annual % change) | 25.8 |
| External Payments Indicators² | |
| Gross official reserves (\$ million) | 11,000.0 |
| (in months of merchandise imports) | 14.0 |
| External debt service (% of exports) | 5.5 |
| Total external debt (% of GDP) | 13.2 |
| Memorandum Items | |
| GDP (current prices, sum billion) | 48,097.0 |
| Exchange rate (sums per US dollar, average) | 1,465.6 |

GDP = gross domestic product.

^a Includes operations of the Fund for Reconstruction and Development, which was set up in 2006.

Sources:

¹ Government of Uzbekistan (Ministry of Finance; State Statistics Committee of Uzbekistan, Central Bank of Uzbekistan).

² *Asian Development Bank and Uzbekistan Fact Sheet, 2009; Asian Development Outlook 2009; IMF Article IV Consultation Staff Report for Uzbekistan (July 2008); IMF World Economic Outlook (October 2010); ADB staff estimates.*

Uzbekistan and ADB: An Enduring Partnership

Located in the heartland of Central Asia, Uzbekistan stands at the crossroads of ancient trade routes, where the fabled cities of Samarkand, Bukhara, and Khiva welcomed traders plying the “Silk Road,” which linked Asia and Europe. Travelers are drawn here still, but today they arrive via an expanding network of modern railways and new highways spanning the country’s 447,000 square kilometers, crossing river valleys, plains, and mountain ranges. They are symbolic of the country’s development since independence, in 1991.

With nearly 28 million people, Uzbekistan is the most populous country in Central Asia. It has the second-largest economy in the region, boasting a gross domestic product (GDP) of about \$32 billion in 2009. Bordering all other Central Asian states and Afghanistan, Uzbekistan has a wealth of natural resources, including natural gas and minerals. It also has a strong agriculture sector, with cotton among the main crops. Robust economic progress has brought steady gains in living standards and accelerating investments in large infrastructure

projects. Prudent fiscal management and a timely government anti-crisis program steered Uzbekistan through the global economic downturn, allowing the country to emerge with a GDP growth of 8.1% in 2009, one of the highest in the region.

Uzbekistan’s development after its independence has been based on a gradual reform approach and on the reprioritization of industrial development within the context of a market economy. Industrial output has expanded significantly, laying the foundation for jobs and prosperity. It will also smooth Uzbekistan’s social

Prudent fiscal management and a timely government anti-crisis program steered Uzbekistan through the global economic downturn, allowing the country to emerge with a GDP growth of 8.1% in 2009, one of the highest in the region

ADB Loan and Technical Assistance Portfolio in Uzbekistan

| | 1995– 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-------------------------------------|---------------|------|------|------|------|------|------|------|
| Approvals (\$ million) | 822 | 68 | 57 | 62 | 127 | 132 | 64 | 656 |
| OCR loans | 775 | 65 | – | 33 | 96 | 85 | – | 390 |
| ADF loans | 20 | – | 55 | 28 | 30 | 45 | 60 | 265 |
| TA projects | 27 | 3 | 2 | 2 | 1 | 2 | 4 | 0.6 |
| Contract Awards (\$ million) | 230 | 106 | 90 | 49 | 59 | 59 | 138 | 151 |
| Disbursements (\$ million) | 193 | 89 | 92 | 59 | 51 | 49 | 126 | 82 |
| Disbursement Ratio ^a (%) | 10.5 | 17.8 | 20.7 | 16.4 | 13.2 | 10.5 | 23.7 | 7.5 |

– = not available, ADF = Asian Development Fund (concessional loans and grants), OCR = ordinary capital resources, TA = technical assistance.

^a The ratio of total disbursement in a given year over the net loan amount available at the beginning of the year, plus loans that have become effective during the year, less cancellations made during the year. The ratio is expected to be lower in 2010 due to the large amount of loans (\$656 million) that became effective during 2010.

Source: ADB.

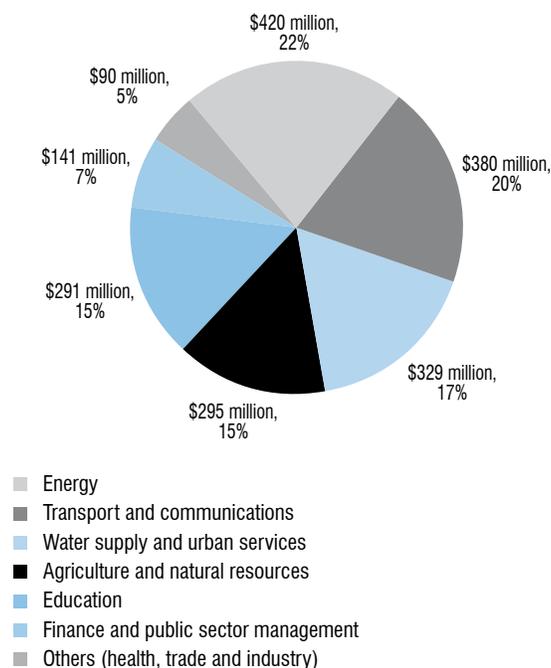
and economic transition. People in urban and rural areas have benefited from this industrial expansion. The welfare of people in rural areas and the reduction of the “urban–rural divide” have become the primary developmental focus. Securing jobs for people in rural areas and ensuring that they receive essential services such as water, education, and health were among the top priorities.

Uzbekistan joined the Asian Development Bank (ADB) in 1995. During the 15 years since then, ADB has supported Uzbekistan’s efforts toward environmentally sustainable rural development, as well as the development of the private

It is the welfare of people in rural areas and the reduction of the “urban–rural divide” have become the primary developmental focus in the welfare improvement strategy of the government up to 2010

ADB Cumulative Lending to Uzbekistan (1996–2010)

Total = \$1,946 million



Source: ADB.



Statue of Amir Timur (Tamerlane) in Tashkent, the capital city. Behind is the International Forums Palace, the venue of ADB’s 43rd Annual Meeting, 1–4 May 2010.

sector, regional transport and transit routes, and human capital (through access to water, education, and health services).

ADB-supported projects have improved grain production for farmers; provided clean water and maternal care in rural and urban communities; given schoolchildren modern textbooks and better education using information technologies; reformed the banking system; invigorated private sector development, including microfinance programs that have increased small-business start-ups; and restored and expanded Uzbekistan's transport corridors.

Meanwhile, vigorous industrialization has continued, helping Uzbekistan's economy grow by more than 80% in real terms during the past decade. Foreign investment has grown dramatically since 2006, mainly in the oil, gas, and telecommunication sectors. As the private sector continues to expand, infrastructure development is emerging as a priority.

In 2010, ADB responded to Uzbekistan's evolving development needs with projects supporting energy, transport, water supply, and small and medium-sized enterprises. Total lending for the year reached \$656 million. Cumulatively, Uzbekistan received 34 loans

ADB has supported Uzbekistan's efforts toward environmentally sustainable rural development, as well as the development of the private sector, regional transport and transit routes, and human capital (through access to water, education, and health services)

amounting to \$1.95 billion and technical assistance grants totaling \$41 million. ADB's assistance profile in 2010 was aligned with the priorities of ADB's long-term plan, Strategy 2020. ADB will also extend financing to private businesses.

ADB has also been supporting Uzbekistan's regional cooperation projects, especially those linking the country with the rest of Central Asia and Afghanistan. Uzbekistan has been supplying electricity to Kabul around the clock since 2009. Under an ADB grant to Afghanistan, Uzbekistan Railways built a 75-kilometer (km) track in Afghanistan during 2010. The seamless rail link will help businesses and trade prosper on both sides of the border.

ADB's Contribution to Development and Welfare Improvement

Agriculture

Uzbekistan is an arid country. It relies on the Amu Darya and Syr Darya rivers to support irrigated agriculture, which accounts for about 90% of all agricultural production and consumes more than 80% of all water resources. Compared with industry, agriculture contributes modestly to the overall national economy—18% of GDP in 2009, compared with 30% in 2000—but it remains important in many ways. Rural people rely on agriculture for jobs, and high-quality crops and products bring stable incomes. Water is precious in Uzbekistan, and its efficient use and good drainage are key to the farmers' ability to grow quality crops over long periods at the lowest cost.

The reforms by the government have therefore targeted land and irrigation, in an effort to increase productivity. In 2003, ADB approved a \$26 million loan (ordinary capital resources) for the Grain Productivity Improvement Project to boost farmers' incomes in Uzbekistan by promoting more efficient and sustainable wheat production. The project introduced new wheat varieties and disseminated improved

The project introduced new wheat varieties and disseminated improved farming technologies in the Samarkand, Tashkent, and Djizzak regions. As a result of the project, May 2010 saw a remarkable increase in farmers' incomes

farming technologies in the Samarkand, Tashkent, and Djizzak regions. As a result of the project, May 2010 saw a remarkable increase in farmers' incomes: 110%–305% higher than projected. Overall, the project increased food security, created jobs, and improved incomes for an estimated 217,000 people.

Education

The ADB-supported landmark National Program for Personnel Training of 1997 aimed to develop the skills needed for the transition to a globally competitive market economy. Uzbekistan spends about 8%–9% of its GDP on education, much more than other countries at comparable levels of development. Uzbekistan has already achieved the Millennium Development Goal (MDG) of universal basic education, and is continuing with reforms beyond the MDG targets to make high-quality education available to all school-age children at every level.

Of the \$1.95 billion in ADB loans to Uzbekistan up to 2010, \$290.50 million (15%) went to education, of which 72.5% came from ordinary capital resources and 27.5% from the Asian Development Fund, making ADB the lead development partner in this sector, as measured by volume of assistance.

ADB has helped the government transform the education system, with projects targeting the entire school-age population, including girls and students from low-income rural areas. In 2004–2009, about 5.6 million students benefited



A better learning environment with up-to-date textbooks supported by the Basic Education Textbook Development Project.

from school improvement programs or direct support, about 46,000 teachers were trained, and 370 classrooms were fitted out with ADB's assistance.

Affordable Textbooks

In the courtyard of a school in Samarkand, one of the oldest in the country, a school official said that one of the most important government education initiatives for her 1,500 students, their families, and her teachers has been the Textbook Rental Scheme initiated by the Basic Education Textbook Development Project. ADB contributed two loans of \$20 million each toward the project's \$111 million budget.

The Basic Education Textbook Development Project supported the development of a modern publishing and printing industry to provide affordable, up-to-date textbooks for almost 6 million school children. The project's innovative textbook rental scheme, introduced nationwide in September 2002, provides textbooks to students in grades two through

nine, whose families need the support (the government provides textbooks free to all students in grade one).

By the end of the project, 15 million textbooks had been published (including 700,000 in seven languages), as were 2 million teacher's guides; 49,000 visual aids were distributed, and 560,000 copies of supplementary books (encompassing 28 titles) reached school library shelves nationwide. The project also helped private printing houses and publishers modernize their operations and produce better-quality textbooks.

A production manager picks up a mathematics book from a conveyor belt and turns to a page

The Basic Education Textbook Development Project supported the development of a modern publishing and printing industry to provide affordable, up-to-date textbooks for almost 6 million school children



The information and resource center at a Tashkent school, provided by the Information and Communications Technology in Basic Education Project.

of high-quality four-color pictures. "This is the kind of thing we learned to do," he said over the roar of computer-controlled presses inside the printing house, one of over 30 now producing textbooks.

Education through Information Technology

The ongoing Information and Communications Technology in Basic Education Project, supported by \$30 million from the Asian Development Fund, is taking education to remote rural areas. An official at a secondary school in Tashkent, one of the schools participating in the project, said that the school is one of 860 cluster leader schools that act as resource centers for an average of 11 surrounding schools, sharing e-learning materials, training, and knowledge.

When the entire national network of cluster leader schools is operational, 540,000 students will benefit directly. The project will train

The project will train 81,000 teachers, technicians, administrators, and school network managers from the 8,900 non-cluster leader schools in the specialized skills required to integrate information and communication technology into basic education



A printing house producing new textbooks developed under the Basic Education Textbook Development Project.

81,000 teachers, technicians, administrators, and school network managers from the 8,900 non-cluster leader schools in the specialized skills required to integrate information and communication technology (ICT) into basic education. The project will have major impact on about 165,000 students in grades five to nine in remote rural areas; it is accomplishing this by ensuring that 70% of the cluster leader schools are chosen from among schools in those areas. As a quarter of rural schools make their ICT facilities available to local communities, over 1 million rural families will also benefit, bridging the urban-rural digital divide.

Health

Before 1990, women and children in Uzbekistan were healthier than the average for Central Asia. The favorable situation changed in the early 1990s as the country coped with numerous challenges through the transition period. In the mid-1990s, Uzbekistan began a nationwide effort to improve maternal and infant health through an integrated health delivery system; strategic, needs-based human resource planning; and more equitable budgetary allocations.

In 2004, ADB approved a \$40 million loan (ordinary capital resources) for the \$70 million Woman and Child Health Development Project. The project, ADB's first in Uzbekistan's health sector, is helping to reduce national infant



Improved maternity center in the town of Almalyk, one of many facilities that benefited from the Woman and Child Health Development Project.

and maternal mortality rates and meet related MDGs. Through the project, 1,600 doctors and 20,000 nurses have been retrained across the country. At first, the project targeted women and children from low-income rural families, initially covering 6 of the country's 13 poorest districts. The project then included all women nationwide. The national maternal mortality ratio, estimated at 34 per 100,000 live births in 2001, dropped to 21.4 in 2008.

The fruits of these efforts can be seen in a modern room at a maternity center in the Tashkent region, where a mother cuddles her healthy newborn baby boy while a nurse checks her blood pressure. This is not the mother's first time in the maternity center. When she was born here herself 20 years ago, she was bundled away from her own mother and put in a separate room. Today, the baby has a far better chance of survival staying warm at his mother's side and attended by well-trained nurses and doctors able to handle emergencies using modern monitoring and testing equipment. On the ground floor are eight delivery rooms and a surgical theater; on the floor above is the intensive care unit, with incubators for premature babies. "We had 3,559 births last year and 2,588 so far this year, and not a single maternal mortality," said a senior physician.

Water and Municipal Services

After independence, the water supply and sanitation sectors faced difficulties. Despite a relatively high network coverage (about 82% of the population), water was generally available only 3–12 hours a day. The government started reforming the sector by decentralizing most operations in 1993. Then it changed the tariffs, gradually withdrew the subsidies, and increased local responsibility for service provision and customer care. In 2002, the government laid out a framework for private sector involvement in water supply and sanitation services.

ADB has been developing a long-term partnership with Uzbekistan in water supply and sanitation since 2000, with cumulative

ADB's first health project in the country retrained 1,600 doctors and 20,000 nurses. The national maternal mortality ratio, estimated at 34 per 100,000 live births in 2001, dropped to 21.4 in 2008



Improved water supply (left) and reequipped pumping station (right) in the city of Gulistan under the Urban Water Supply Project.

lending to the sector amounting to \$289 million by 2010. A \$36 million ADB loan (ordinary capital resources) funded the Urban Water Supply Project, approved in 2001. The project brought drinking water to 484,000 people, 45% of whom were from low-income families in the cities of Djizzak, Gulistan, and Karshi. In these three cities, reservoir storage capacity was increased by 13,000 cubic meters; the project also modernized 7 major pumping stations, replaced 40 pumps, and laid 300 km of pipeline. “Replacing old, corroded pipes with PVC pipes dramatically reduced water loss,” said a project official.

To conserve water, the project also started metering for water use in more than 50,000 homes. One beneficiary lives in a community on the outskirts of Gulistan. “There was no water here before the project. We had to fetch it every day. Now we have water when we turn the tap on, and it is clean and cheaper,” she said.

In 2009, ADB approved a \$60 million Asian Development Fund loan for the Water Supply and Sanitation Investment Program, which totaled \$300 million, to continue support for the strengthening of Uzbekistan’s water supply and sanitation services. It will finance improvements in the water source and distribution systems serving 3 million people in the Bukhara and Navoi regions. It will also finance the upgrading of the wastewater treatment plant and sewerage system in Termez, the capital city of the Surkhandarya region.

The government aims for 100% coverage of the population in urban areas and 85% in rural areas by 2015. Improving management practices for water services—in areas such as tariff setting, fee collection, and maintenance—is a priority in the coming 3–5 years.

Microfinance

While credit growth has been strong in recent years, the benefits have not yet spread to a large number of microenterprises and small businesses. Credit is in high demand among micro, small, and medium-sized businesses in all sectors, particularly agriculture and agroprocessing. With small and micro businesses creating 390,000 out of a total of 940,000 new jobs in 2009, these enterprises have been a major driver of the private sector. To boost growth, ADB provided a \$20 million loan (ordinary capital resources) for the Small and Microfinance Development Project,

ADB approved a \$60 million Asian Development Fund loan for the Water Supply and Sanitation Investment Program, which totaled \$300 million, to continue support for the strengthening of Uzbekistan’s water supply and sanitation services



A greenhouse grower supported by a credit union under the Small and Microfinance Development Project.

which improved access to financial services, particularly for small entrepreneurs who are first-time borrowers.

The project's goal was to set up 20 savings and credit unions with a combined membership of 50,000, \$8 million in deposits, and assets of \$15 million. When the project was completed in early 2010, there were 111 credit unions with a total of 141,000 members, combined deposits of over \$88 million, and assets of \$121 million. In response to demand, ADB approved a \$50 million loan (ordinary capital resources) in 2010 for the Second Small and Microfinance Development Project, which will help three commercial banks in Uzbekistan offer more financing to small and micro businesses.

A member of a businesswomen's association in Bukhara said that a big advantage of credit unions is that they can process small loans in just 1 or 2 hours. The first project has helped her and others to establish a credit union in Bukhara that assists rural women in getting the loans they need to move out of underemployment and make better lives for their families.



A paper recycling factory supported by a credit union under the Small and Microfinance Development Project.

One such beneficiary wanted to fulfill her dream of owning a grocery store but, with no credit history, she had difficulty receiving a bank loan.

ADB provided a \$20 million loan (ordinary capital resources) for the Small and Microfinance Development Project, which improved access to financial services, particularly for small entrepreneurs who are first-time borrowers



A loan desk at a credit union under the Small and Microfinance Development Project.

She turned to a credit union, which promptly provided the loan. She has never looked back, expanding her business to employ 15 of her neighbors. “I get good advice on business matters from the trust,” said the beneficiary, who also has her savings account at the credit union, as do about 8,000 other members.

These credit unions help small manufacturers as well as retailers. A large order for notebooks made from recycled paper at a factory outside of Tashkent required fast purchases of raw materials. A factory manager explained that his company also turned to a credit union, which processed two loans totaling \$4,500 the same day, allowing him to fill the order. With production up to 6 tons of paper a day, the plant now employs 35 workers. “The demand for recycled paper products is rising, and business is good,” said the manager.

Uzbekistan set railway modernization among its top priorities to capitalize on the efficiency of rail transport in moving people and goods

An official from a major credit union noted that the success of credit unions in Uzbekistan is having a great impact on the development of the private sector, especially small businesses.

Transport

After independence, Uzbekistan set railway modernization among its top priorities to capitalize on the efficiency of rail transport in moving people and goods. The investment priorities included the modernization of rolling stock, rehabilitation of railway infrastructure, and the creation of national rail network. ADB responded to these priorities with two railway modernization projects that helped upgrade a total of 660 km of track in a key regional transport corridor. In 2010, ADB provided a \$70 million loan for the Railway Rehabilitation Project and a \$131.19 million loan for the follow-up Railway Modernization Project (both from ordinary capital resources).

Before these projects, diesel-powered trains running the 600 km route from Tashkent to



An express passenger train running between Tashkent and Samarkand, a result of the railway rehabilitation and modernization projects.

Bukhara by way of Samarkand often had to stop or slow down to a crawl because of track conditions. The maintenance of sleepers and rails was frequent and costly, especially because of the heavy freight trains. The trains' slow speed also resulted in greater inefficiency, further increasing the costs for passengers and freight customers, many of whom were in industry. Today, express trains carry passengers smoothly between Tashkent and Samarkand on a modern electrified track with concrete sleepers, at an average speed of 90 km per hour (kph), up from 60 kph, thereby boosting travel and commerce. Freight trains have increased their speeds, bringing faster fleet turnaround, higher track utilization, and reduced transport costs.

Freight trains have increased their speeds, bringing faster fleet turnaround, higher track utilization, and reduced transport costs



The electric locomotive of an express train running between Tashkent and Samarkand.

Besides making freight and passenger rail traffic more efficient, these projects employed over 5,000 people at the peak of construction and created 500 permanent jobs. Modern tracklaying methods and locally manufactured concrete sleepers used in the project are now standard on all railway projects across the country.



A highway being built near the city of Urgench under the CAREC Regional Road Project.

Regional Cooperation and Integration

Since 1997, ADB has been a key supporting member of the Central Asia Regional Economic Cooperation (CAREC) Program, which has grown into a multi-partner forum for economic cooperation, and in 2000 ADB started serving as CAREC's secretariat. CAREC brings together 10 countries—Afghanistan, Azerbaijan, the People's Republic of China, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan—to develop regional connectivity in transport, energy, and trade through cooperation and joint investments.

ADB also supports the Central and South Asia Transport and Trade Forum, which brings together Afghanistan, Iran, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. This organization seeks ways to facilitate the

movement of goods and vehicles along two major roads that link landlocked members to members with seaports.

As one of the only two doubly landlocked countries in the world, Uzbekistan needs well-developed national and transnational transport corridors and networks for economic growth. In April 2010, ADB approved the \$600 million CAREC Corridor 2 Road Investment Program multitranche financing facility (\$360 million from the Asian Development Fund and \$240 million from ordinary capital resources) to reconstruct 220 km of Highway A380, a key corridor connecting Uzbekistan to its neighbors.

ADB has supported improvements in railway networks between Uzbekistan and Afghanistan. Under a \$165 million grant for a regional railway project in Afghanistan, Uzbekistan Railways built a 75 km track that extends the existing rail network from the border cities of Termez on the Uzbekistan side and Hairatan on the Afghanistan side to Mazar-e-Sharif, a city in northern Afghanistan that is the logistic hub for almost half of Afghanistan's imports, including

many urgently needed goods. This railroad track could later link up with regional rail networks that extend to various seaports.

Uzbekistan and ADB have also worked together to provide a stable power supply to Kabul, Afghanistan. As part of the large-scale North East Power System Project, ADB helped Afghanistan to build power transmission lines leading to Uzbekistan, and Uzbekistan built a connecting power transmission link within its own territory. This cooperation enabled Uzbekistan to supply 150 megawatts of power along the 420 km route to Kabul. Since the line

became operational in 2009, it has provided the 4 million people of Kabul with a stable supply of electricity for the first time in more than a generation.

As part of the large-scale North East Power System Project, ADB helped Afghanistan to build power transmission lines leading to Uzbekistan, and Uzbekistan built a connecting power transmission link within its own territory

Operational Effectiveness: Improving Efficiency and Performance

Project implementation and portfolio performance in Uzbekistan improved significantly in 2009. The country portfolio performance was rated satisfactory with regard to impact, outcome, and implementation. Resource transfers more than doubled over 2008, as more frequent interactions between the government and ADB helped improve portfolio performance. Other contributing factors were (i) intensive joint monitoring, involving oversight and line agencies of the government and ADB; and (ii) closer attention to time-bound and results-focused action plans. The deepening of the joint-venture approach between ADB headquarters and Uzbekistan Resident Mission has further enhanced ADB's services to its clients and partners. The strengthened arrangement has provided a single window for clients and partners in the field, while ensuring seamless and integrated teamwork between the resident mission and ADB headquarters in the delivery of services.

In 2009, a number of projects were in the mid-course or mature stages of implementation, having passed the challenging start-up stage. With the addition of major projects totaling \$656 million in 2010, ADB's portfolio management will face new challenges in the next few years. ADB has been efficient in

Technical assistance will address institutional strengthening through skills development and work process optimization related to project implementation and monitoring

approving loans and meeting deadlines requested by the government: the 2010 projects were all processed in 6 months or thereabouts. And ADB expects a similarly robust pipeline over the next several years. To support the expanded operations, however, ADB and the government will need to exert a greater effort to achieve timely project implementation and sustained strong portfolio performance. ADB is preparing a hands-on capacity support technical assistance in 2010 to meet this challenge. The planned technical assistance will address institutional strengthening through skills development and work process optimization related to project implementation and monitoring.

The multitranche financing facility (MFF), a flexible financing framework that allows ADB to finance an agreed and interrelated investment program, has proven useful. It assures the government of continued ADB involvement and helps with the investment planning for major infrastructure development programs. The MFF also allows for flexibility in revisiting and revising the scope of specific projects in line with emerging priorities. This feature is particularly useful for water and municipal services, as their investment needs are often difficult to predict accurately during project preparation. The MFF can also ease some of the government's financial burdens because the amount and timing of each tranche can be modified based on project readiness. The MFF ensures greater focus on project execution, as the key analysis work is done at the outset. Moreover, by observing project readiness and acting accordingly, the MFF helps reduce implementation delays and associated charges.

Future Challenges

ADB's long-term strategy fits in well with Uzbekistan's medium-term development priorities. To sustain rapid economic growth and improve the population's welfare, Uzbekistan aims to strengthen industrial development by mobilizing private sector investment. To accomplish this, the country urgently needs to effect major infrastructure development in an environmentally sound way. To develop export markets and increase trade, Uzbekistan will strengthen physical and non-physical regional cooperation. In the meantime, micro, small, and medium businesses need continued access to knowledge and capital. Given all these requirements, there is an immense potential for collaboration.

Ensuring ADB's operational effectiveness is a major prerequisite for realizing that potential. Equally important is the government's capacity to implement more and bigger ADB-supported

To develop export markets and increase trade, Uzbekistan will strengthen physical and non-physical regional cooperation

projects. For the smooth and efficient delivery of results under the expanded portfolio, with the available human resources, project design and implementation arrangements need to be practical. ADB assistance will focus on policy implementation for delivery of tangible development results on the ground and hands-on capacity support for the government by working together on actual investment projects ("learning by doing").

The country partnership strategy, scheduled for early 2012, will incorporate these principles. Uzbekistan's increasing development needs and absorptive capacity will be taken into account during the planning of ADB operations for 2011 and beyond.

Text by Central and West Asia Department.

The cover shows a high-speed train passing through Samarkand province.

Photo credits: Grigoriy Aisenshtat, pp. 6–9; Jim Hutchinson, p. 11; Ariel Javellana, p. 2; Eric Sales, cover and pp. 5, 9–12.

For more information, please visit www.adb.org/Uzbekistan or contact Kazuhiko Higuchi, country director, Uzbekistan Resident Mission (adburm@adb.org).

Development Effectiveness Brief: Uzbekistan

Uzbekistan joined the Asian Development Bank (ADB) in 1995. ADB opened the Uzbekistan Resident Mission in Tashkent in 1998. During 15 years of partnership, ADB has supported Uzbekistan's efforts toward environmentally sustainable rural development, private sector development, regional transport and transit, and human capital through access to water, education, and health services. ADB is responding to Uzbekistan's strong economic growth and evolving development by supporting infrastructure development in areas such as energy, transport, and water supply, and by mobilizing the private sector. Since 1995, ADB has extended 34 loans to the country, totaling \$1.945 billion, and \$41 million in technical assistance.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries substantially reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.