



# Chair's Summary of Meeting of the Board Directors

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17 March 2006

## **UZBEKISTAN: COUNTRY STRATEGY AND PROGRAM (2006–2010)**

1. The Board of Directors endorsed the Uzbekistan Country Strategy and Program (CSP) for 2006-2010. They noted that the CSP was well written and based on a thorough analysis of the issues. Directors appreciated the inclusion in an appendix of the recommendations of the Country Assistance Program Evaluation and of the Development Effectiveness Committee, together with an explanation of the CSP's approach. Directors stressed the need to mainstream governance in each of the strategic areas and to continue to refine the results framework.
2. Two Directors noted that while the CSP provides a candid assessment of the governance situation in Uzbekistan, it does not have an explicit strategy for governance that addresses corruption, and thus, they could not endorse the CSP. One Director, however, pointed out that corruption is not unique to Uzbekistan, and that based on the latest report of Transparency International, many other countries also face challenges in improving governance and fighting corruption. The challenge for ADB is to enhance its development effectiveness by helping improve the lives of Uzbekistan's poor.
3. Several Directors appreciated the selectivity exercised in the CSP, the inclusion of a table that showed the factors driving the strategic choices made with regard to areas of ADB's engagement, and a checklist on project prioritization. Some Directors were skeptical about the CSP's expectation of catalyzing private sector investment through ADB's private sector operations, given weaknesses in the investment climate. Directors also noted that progress in regional cooperation has been modest, but that ADB has a role to play as an honest broker in promoting closer intra-regional economic ties.
4. Directors emphasized the importance of coordination with development partners, such as the World Bank and European Bank for Reconstruction and Development (EBRD). In this respect, several Directors queried why Management proceeded with presenting the CSP for Board discussion, when the World Bank's management had withdrawn the new country assistance strategy paper for Uzbekistan from its Board's calendar.
5. Directors noted that while a good beginning had been made on the CSP results framework, more work would be needed during the CSP's implementation to refine the indicators to focus on outcomes rather than inputs and, to the extent possible, ensure that quantitative indicators are used.
6. A Director noted Uzbekistan's good recent economic performance. Two Directors indicated their hope that ADB would be responsive to the Government's interest in higher levels of assistance than indicated in the CSP. Some Directors voiced concern about the Government's commitment to reform and sought assurance that actual lending levels will depend on the Government's success in achieving agreed results as indicated in the CSP. One Director called for ADB to conduct an objective analysis on structural issues and to engage the government in constructive policy dialogue.

7. Staff appreciated Directors' comments and in their response noted that (i) governance issues will be addressed in the CSP's strategic priority areas during implementation; (ii) several high level missions have visited Uzbekistan to assess prospects for private sector operations and some potential transactions are currently being pursued; (iii) the results framework will be strengthened and indicators refined during CSP implementation; (iv) actual lending levels will be predicated on achievement of the results agreed to; and (v) as during the CSP formulation stage, ADB will continue to closely coordinate with other partners, including the World Bank, EBRD, and UNDP, during CSP implementation.