

ASIAN DEVELOPMENT BANK

**COUNTRY STRATEGY AND PROGRAM UPDATE
(2002-2004)**

UZBEKISTAN

July 2001

CURRENCY EQUIVALENTS

(as of 30 June 2001)

Currency Unit	–	SUM
SUM1.00	=	\$0.002745
\$1.00	=	SUM364.26

ABBREVIATIONS

ADB	–	Asian Development Bank
CAP	–	country assistance plan
COS	–	country operational strategy
CSP	–	country strategy and program
DMC	–	developing member country
EBRD	–	European Bank for Reconstruction and Development
ESW	–	economic and sector work
GDP	–	gross domestic product
IFC	–	International Finance Corporation
IPF	–	indicative planning figure
JFPR	–	Japan Fund for Poverty Reduction
SME	–	small and medium-scale enterprise
SOE	–	state-owned enterprise
TA	–	technical assistance
URM	–	Uzbekistan Resident Mission

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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APPENDIXES

I. DEVELOPMENT SITUATION

A. Recent Political and Social Developments

1. The Government continues to attach high priority to social and political stability that is a condition for sustainable economic growth and poverty reduction. However, the country is facing increasing security threats posed by the recent expansion of ethnic and religious strife, both in Uzbekistan and in neighboring countries. The Government's efforts to contain any insurgency has led to tightened internal security and to tension along Uzbekistan's borders. The political and security issues may further distract the Government from concentrating on implementing the necessary macroeconomic and structural reforms and promoting cross-border economic cooperation. Uzbekistan recently joined the Shanghai Cooperation Organization (former Shanghai Five Forum) with the People's Republic of China, Kazakhstan, the Kyrgyz Republic, Tajikistan, and Russia to affirm their commitment to containing ethnic and religious militancy in Central Asia.

2. To minimize the social costs of the transition to a market economy, the Government is making efforts to maintain the provision of social services (health, education, and basic communal services) and social protection for vulnerable groups as integral components of the reform process. However, increasing inequalities in income distribution and considerable regional variation in poverty are a matter of concern.

B. Economic Assessment and Outlook

3. Uzbekistan has adopted its own gradualist reform strategy. The depth and the length of the post-independence recession have not been as severe as those in other former Soviet Union republics. Modest economic growth resumed in 1996. By 2000, gross domestic product (GDP) recovered to the 1991 level. While GDP growth and some of the macroeconomic figures from the Government's official data and statistics continued to show improvements, the general economic situation remained difficult in 2000. Economic growth decelerated to 4 percent. Inflation was reported at still high levels around 28 percent. Monetary policy remained relatively loose, with interest rates still negative in real terms. The Government encountered rising debt-service payments, and balance-of-payments pressures. While export earnings declined due to lower gold prices and falling cotton export volumes, import decreased even more because of a further tightening of access to foreign exchange and intensified import controls. Detailed economic indicators are in Appendix 1.

4. Economic performance is forecast to remain modest in 2001, with GDP growth projected to stay at around 3 percent. Development prospects for agriculture remain bleak, especially as Uzbekistan is faced with another drought in 2001, the second successive year of below normal rainfall for the country. Industry is likely to continue experiencing difficulties, as reforms of state-owned enterprises (SOEs) will probably lead to more downsizing and closure of nonviable SOEs. The environment for private sector investment and growth remains unattractive. Privatization of large enterprises is slow. In the short to medium term, the economy remains fragile, as its high dependence on exports of two major products, gold and cotton, makes it vulnerable to adverse movements in world prices and weather conditions.

5. Accelerated key macroeconomic and structural reforms (e.g. liberalization of the foreign exchange and trade regimes, agriculture, enterprise, and banking sector reforms) along with further diversification and improved competitiveness of the economy are required to attract foreign direct investments and spur the growth of the economy.

6. The multiple exchange rate regime is considered the most significant impediment to foreign investment and overall economic performance. At the start of 2000, the Government announced its intention to move forward with reforms towards the unification of the foreign exchange rates and introduction of current account convertibility. The unification of the official and commercial bank exchange rates in May 2000, the partial liberalization of the cash market for foreign exchange in July 2000, and passage of a Government resolution¹ in June 2001 were important steps forward. However, a modified multiple foreign exchange system and administrative controls on the foreign exchange and trade regimes remain in place and no time-bound plan for implementation of reform measures has been announced. Continuing Government efforts are required to follow up without delay with additional measures towards exchange rate unification and current account convertibility.

C. Implication for the Country Strategy and Program (CSP)

7. Compared to other CIS countries, the Government's gradualist reform strategy has achieved relatively greater stability in socioeconomic trends and avoided severe social costs. However, to fully unlock the growth potential of the economy and bring about an improvement in standards of living, the current macroeconomic and policy frameworks, characterized by a high degree of Government control and interventions, will require speedier implementation of reforms. The Government's current pace of reforms introduces significant uncertainty in the operations of the Asian Development Bank (ADB) in Uzbekistan.

8. The slow progress and lack of expeditious response by the Government on the key macroeconomic and structural reform agenda have already affected the preparation and implementation of ADB's programs. ADB has intensified dialogue with the Government and consultation with major aid agencies to move the reform agenda forward in 2001. Together, they will work to map out a course for more comprehensive and expeditious reforms that would provide an essential basis for any policy-based lending.

9. The current political and regional instability, regional tensions and border disputes impede cross-border cooperation and the effectiveness of the ADB-promoted regional cooperation in Central Asia.

II. IMPLEMENTATION OF THE COUNTRY STRATEGY AND PROGRAM²

A. Poverty Reduction

10. One of the key issues in implementing the CSP is how to assure a sharper focus and greater impact on poverty reduction in the lending pipeline for 2002-2004. In the previous interim country operational strategy (COS) (1996-1999), the loan projects aimed mainly to achieve economic growth and human development objectives and were not direct poverty interventions.

¹ Under this Government resolution, the country's foreign exchange regime underwent a number of revisions effective 1 July 2001. Among others, it was designed to expand the use of a less overvalued over-the-counter exchange rate (while reducing the number of transactions at the official exchange rate), exempt mandatory foreign exchange surrender requirements, and ease export regulations for small and medium-scale enterprises (SMEs). This is an important step forward to reduce economic distortions caused by implicit taxation of exporters and subsidization of importers, and promote export-oriented production in the SME-led private sector.

² The country operational strategy (COS) for Uzbekistan was endorsed by the Board in March 2000. The central goal of ADB's assistance is the management of a smooth transition to market economy, while providing for a sustainable reduction in poverty and increases in standards of living. The COS sets two operational objectives. The first is the management of the transition, including (i) supporting basic reforms, and (ii) minimizing the social costs of transition. The second involves enhancing the potential for growth through (i) regional cooperation, (ii) investment in the rural sector, and (iii) direct support to the private sector.

The current COS reflects the thrust of ADB's poverty reduction strategy and the Government's commitment to improving the living standards of the vulnerable, low-income, and socially excluded segments of its society. In line with the emphasis on poverty reduction, a technical assistance (TA) for Preparing a National Strategy to Improve the Living Standards of the People of Uzbekistan is being processed in 2001, in close consultation with major development partners. With assistance from this TA, a poverty analysis will be undertaken and a high-level forum will be organized. The activities are expected to culminate in a poverty partnership agreement³ in the first half of 2002.

11. ADB assistance emphasizes agriculture and rural development, as most of the country's poor reside in rural areas. The Ak Altin Agricultural Development Project, Rural Savings and Credit Union Development Project, and Grain Productivity Improvement Project will address rural poverty issues through a combination of policy reform, institutional development, and investments. The poverty focus is likewise integrated into ADB's support to education and urban infrastructure. Urban poverty issues are being addressed in the Urban Infrastructure Project, being processed in 2001.

12. To jump-start poverty reduction measures, the Government has expressed high-level commitment to a Japan Fund for Poverty Reduction (JFPR) project earmarked in Karakalpakstan, one of the poorest regions in the country. The project is being processed in 2001. It will create jobs and provide income to low-income households as well as address the water-based problems resulting from the environmentally strained and drought-induced situation in Karakalpakstan. The JFPR project is designed to pilot test innovative approaches for sustainable poverty reduction in selected sectors, possibly for ADB's future country portfolio.

B. Thematic Priorities

1. Economic Growth

13. ADB support for key macroeconomic and structural reforms is critical to help achieve sustainable economic growth. For instance, ADB assistance in the transport and agriculture sectors will continue to promote pro-poor economic growth, and address key institutional and policy reforms to facilitate the implementation of ongoing projects. Assistance will be extended to the second and third phases of the rehabilitation of the strategic road and railways linkages, respectively, with sound sector policy to enable market-oriented transport management and operations to facilitate sustainable economic development.

2. Human Development

14. The Government continues to place high priority on human development through implementation of the National Program for Personnel Training. Support of human development has featured prominently in ADB assistance to Uzbekistan. Two loan projects (Basic Education Textbook Development Project⁴, and Senior Secondary Education Project⁵) to support basic and senior secondary education reforms are under implementation. ADB will continue to support the Government's efforts by processing an Education Sector Development Program. This sector program loan will further support education reform and address major sector issues: (i) reforming the structure, contents, and processes of education; (ii) improving sector sustainability and efficiency; (iii) improving governance in the education sector; and (iv) providing protection for the

³ The poverty partnership agreement will be built on the national strategy, which aims at sustainable poverty reduction with special focus on sustainable economic growth, inclusive social development, and effective governance.

⁴ Loan 1594- and 1595-UZB: *Basic Education Textbook Development Project*, for \$40 million, approved on 17 December 1997.

⁵ Loan 1737-UZB: *Senior Secondary Education Project*, for \$57 million, approved on 8 February 2000.

poor. The Urban Infrastructure Project, which will rehabilitate basic urban infrastructure services, will meet the basic human needs of the population. In addition, substantial capacity building components to support human development will be included in the programmed loan and TA projects. Social indicators are given in Appendix 2.

3. Gender and Development

15. A domestic gender consultant⁶ has substantially enhanced cooperation with civil society, particularly women's nongovernmental organizations (NGOs) in implementing ADB-financed projects addressing gender concerns. The consultant also helps facilitate training rural women and women entrepreneurs under the two RETAs (footnote 6). ADB's lending and TA program will continue to pay close attention to gender and development, particularly in education⁷, and early childhood development. A regional JFPR project⁸ will particularly target poor mothers and children to improve their nutrition status.

4. Good Governance

16. Enhancing effective governance is a key feature of ADB assistance. ADB operations will continue to assist the Government through loan and TA projects (e.g., Education Sector Development Program, Corporate Governance Reform Program, and agriculture and urban infrastructure development projects) in (i) reducing overall macroeconomic distortions and supporting basic reforms (e.g., liberalizing the foreign exchange and trade regimes, improving corporate governance); (ii) supporting state procurement system reforms, and sector restructuring, and improving land and water resources management in agriculture; (iii) addressing governance issues of promoting decentralization, improving urban planning and management, and supporting tariff reforms and community participation in the urban infrastructure sector; and (iv) further improving efficiency, relevance, and financial management of the education sector at the local and community level. Further improving accountability and transparency in the political and economic system will also reduce opportunities for rent-seeking and corruption. ADB will continue to support the Government's efforts and action plans to fight corruption particularly by improving the public financial management, introducing competitive and more transparent procurement and contracting procedures, and supporting public administration reforms. ADB's future support for good governance will be explored following a governance assessment planned for 2001.

5. Private Sector Development

17. While ADB has initially identified a couple of private sector projects in close collaboration with European Bank for Reconstruction and Development (EBRD) and International Finance Cooperation (IFC), the current investment climate has limited ADB's private sector development program due to the restrictions and distortions related to currency convertibility and multiple exchange rates practice. There is concern about lack of Government commitment to guarantee automatic conversion of the local currency on a regular basis for private sector projects. The

⁶ A consultant stationed at the Uzbekistan Resident Mission (URM) is working under TA 5835-REG: *Enhancing Gender and Development Capacity in DMCs*, for \$1,000,000, approved on 26 February 1999, and TA 5889-REG: *Gender and Development Initiatives*, for \$850,000, approved on 23 December 1999.

⁷ The Education Sector Development Program will address the issues on employment conditions and training needs for teachers. These are particularly important for women as 80 percent of teachers in the basic and secondary education are women.

⁸ A Grant Assistance to Asian Countries in Transition for Improving Nutrition for Poor Mothers and Children for \$6 million financed from JFPR, approved on 26 April 2001. The project aims to improve the nutrition status and physical and mental capacity of the poor, by piloting an umbrella regional program for delivering micronutrient-fortified salt and wheat flour to the population.

liberalization of the foreign exchange system, current account convertibility, and the issue of trade restrictions need to be addressed to attract private sector investment. In the absence of meaningful steps forward by Uzbek policy makers in these key areas, there appears little prospect of ADB having substantial private sector development impact.

6. Environmental Protection

18. ADB assistance will continue to address environmental issues with special focus on agriculture and JFPR projects. Agriculture projects-Ak Altin Agricultural Development Project, and Water Resources Management Project-will include components addressing environmental issues such as reducing water pollution, improving land and water resources management (e.g., encouraging water conservation, and protecting soil resources). The JFPR project in Karakalpakstan will address the issues of safe drinking water supply and environment-induced poverty.

7. Regional Cooperation

19. Projects in the transport sector will facilitate regional cooperation by developing an efficient and safe transport linkage to stimulate trade and development. A high-level conference on Central Asian regional economic cooperation is being planned. In addition, several ongoing or proposed regional TAs aim to promote cooperation among Central Asian countries in the areas of energy, education, and environmental protection. The severe environmental problems in the region and regional disputes on water have emerged as a serious concern. The issue of effective water management will be also addressed in the context of regional cooperation.

III. PORTFOLIO MANAGEMENT ISSUES

A. Portfolio Performance Implementation

20. As of 31 December 2000, cumulative lending to Uzbekistan consisted of eight loans for seven projects for a total amount of \$387 million, and 30 TA projects for a total amount of \$17.7 million. Contract awards totaled \$49.7 million in 2000, bringing the cumulative figure to \$102.2 million. The contract award ratio during the year was 10.5 percent, significantly below the ADB-wide average of 21 percent. Disbursements for 2000 totaled \$60.9 million, bringing cumulative disbursements to \$78.8 million. The disbursement ratio for 2000 was 31.7 percent, higher than the ADB-wide average of 20.5 percent. Detailed portfolio performance indicators are given in Appendix 3.

21. After encountering initial difficulties with project implementation, there is some improvement of the portfolio as a result of the Government and ADB's joint efforts. However, the country's absorptive capacity is still limited by weak project management capability and inadequate experience with ADB's operational policies and procedures. Continuing efforts are required to strengthen the implementation capacities of the Government and executing agencies in all aspects of project implementation. Additional staff have been assigned to the Uzbekistan Resident Mission (URM) to strengthen project implementation and supervision capacities, and improve portfolio management.

22. Among eight ongoing loan projects⁹, the Road Rehabilitation Project (approved in December 1998, for \$50 million) is rated unsatisfactory in reaching its development objectives, in

⁹ Six projects are rated satisfactory; one project partially satisfactory; and one project unsatisfactory.

view of the lack of progress in the necessary institutional reforms. ADB and the Executing Agency have formed a task force to identify and implement remedy measures.

B. Counterpart Funding

23. Counterpart funding has not yet emerged as a major issue as most of the projects are at the initial stage of implementation, and disbursements are relatively slow. Two loan projects at an advanced stage of implementation are: the SME line of credit, and the railway project where the Executing Agency can so far generate sufficient income to assure counterpart funding. However, once disbursements pick up and projects dependent on the Government budget (e.g., education projects) are further implemented, availability and timely release of counterpart funding may become a concern. Availability of such funds should be scrutinized in the context of how the Government plans and manages the budget and public investment program.

24. Following ADB's graduation policy for developing member countries, Uzbekistan is categorized as a group C country. ADB's cost-sharing limits will be 40 percent of the total project cost in 2002. Implementing the policy requires intensified efforts to ensure availability of counterpart funds because the financing share to be borne by the Borrower is increasing.

C. Monitoring and Evaluation

25. ADB is closely monitoring portfolio performance through regular review missions and project implementation supervision by URM. The country portfolio reviews have been undertaken annually to assess portfolio performance, identify issues, and develop an action plan. No post-evaluation of loan projects has been completed because ADB's loan portfolio is relatively young.

IV. COUNTRY PERFORMANCE AND LENDING LEVELS

A. Proposed Lending Level

26. The country's current macroeconomic and policy environment, the limited absorptive and implementation capacities, the debt situation, and the requirements of sound project processing and portfolio management call for a cautious lending program for 2002-2004, focusing on a relatively small number of sectors and following phased and pilot-tested approaches. ADB will focus on the sectors where it can help advance the reform agenda and maximize its development impact and where Government ownership of reforms is clearly demonstrated. Close coordination and collaboration among major aid agencies¹⁰ will continue to be critical in assuring consistent policy advice and exploring cofinancing possibilities.

27. Processing the second and third loan projects in sectors where ADB has already been engaged (agriculture, education, transport, and SME development) is subject to (i) substantial progress in sector and institutional reforms with agreed upon time-bound action plans, and compliance with the loan covenants; (ii) substantial progress in institutional and capacity-building in the sector; and (iii) satisfactory portfolio and implementation performance of the existing loans.

28. At the Government's request, ADB initiated the preparation of the Education Sector Development Program loan (\$100 million, under processing in 2001) and the Corporate Governance Reform Program loan (\$50 million, project preparatory TA under processing in 2001) to support major reforms in the sectors and mitigate the social costs of implementing the

¹⁰ Given the current macroeconomic and policy environment, the World Bank and EBRD intend to substantially reduce lending operations.

macroeconomic and SOE reforms. Conditions for and timing of these two sector development program loans will be determined by tangible progress in macroeconomic and structural reforms, including significant progress toward unification of the foreign exchange rates.

29. Due to a high degree of uncertainty in the pace and intensity of the key macroeconomic and structural reforms and the significant policy dialogue required in each project, the lending pipeline needs to be regularly reviewed and adjusted. The prospective lending level during 2002-2004 is within a range of \$130 million (project lending only) to \$280 million (including two sector development/program loans).

B. Loan Program

30. Four loan projects are being processed in 2001: Ak Altin Agriculture Development (\$36 million), Urban Infrastructure Development (\$40 million), Education Sector Development Program (\$100 million), and Rural Savings and Credit Union Development (\$10 million; loan amount tentative). Full processing of the latter two loan projects in 2001 is not likely.

31. The proposed loan program for 2002-2004 has six projects in key priority sectors and areas: Rural Savings and Credit Union Development (\$10 million), Grain Productivity Improvement (\$16 million), Water Resources Management (\$50 million), Regional Railway Development (\$50 million), Education Sector Development Program (\$100 million), and Corporate Governance Reform Program (\$50 million). The loan program is shown in Appendix 4, and the project selection briefs are in Appendix 6.

C. Technical Assistance and Economic and Sector Work Program

32. The TA and economic and sector work (ESW) program for 2002-2004 (shown in Appendix 4 and Appendix 5) aims to support lending operations; assist the Government in developing and implementing policy and institutional reforms, particularly facilitating the Government's implementation of key macroeconomic and structural reforms; and achieve effective governance. The annual TA indicative planning figure (IPF) is \$3.5 million. ESW to be undertaken will include (i) country economic review and update, (ii) poverty analysis under the proposed TA: Preparing a National Strategy to Improve the Living Standards of the People of Uzbekistan, and (iii) governance nexus poverty reduction assessment. The TA pipeline is tentative, due to the uncertainties associated with loan processing and the pace of the key macroeconomic and sector reforms, and will have to be reviewed.

D. Summary of Changes¹¹

33. Some difficulties related to processing ADB's first loan to agriculture, Ak Altin Agricultural Development Project, have hampered the agriculture lending pipeline. While prolonged policy dialogue on the state procurement reform recently led to progress, a thorough assessment of the efficacy of policy and institutional reforms in the first pilot loan project in agriculture is required.

- Ak Altin Agricultural Development Project (in the lending pipeline since 1998). Scheduled to be submitted to the Board in the third quarter of 2001.
- Grain Productivity Improvement. Deferred from 2001 to 2002 as standby.
- Support for Agriculture Sector Restructuring (2002 lending pipeline in the previous country assistance plan [CAP]). Deferred until the major findings of the pilot project, Ak Altin

¹¹ This section summarizes major changes in the lending pipeline compared with the composition of the loan program shown in the previous year's country assistance plan (CAP) (2001–2003).

Agriculture Development Project, and the Government's comprehensive agriculture reform program (2001-2003) are reviewed.

- Water Resources Management. Deferred from 2002 to 2003.
- Rural Savings and Credit Union Development (2001 lending pipeline in the previous CAP). Full processing in 2001 unlikely. Deferred to 2002.
- Basic Education Staff Development (2001 lending pipeline in the previous CAP) and Education Sector Development (2002 lending pipeline) were merged into a comprehensive sector development program-Education Sector Development Program (\$100 million, under processing in 2001).
- Second Senior Secondary Education (2003 lending pipeline in the previous CAP). Deferred until substantial progress in the sector and institutional reforms under the first loan project, which was approved in 2000, and satisfactory portfolio implementation performance of the existing education projects are demonstrated.
- Second Road Rehabilitation (2003 lending pipeline in the previous CAP). Deferred until substantial progress in the sector and institutional reforms under the first loan project, approved in 1998 and rated as unsatisfactory, is demonstrated.

APPENDIXES

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ECONOMIC INDICATORS

Item	1996	1997	1998	1999	2000
A. Income and Growth					
1. GNP per capita (\$, current prices) ^a	1,010	1,020	870	—	—
2. GDP Growth (%) (in constant prices)	1.6	5.2	4.4	4.4	4.0
a. Agriculture	(7.3)	5.8	4.0	5.9	3.2
b. Industry	1.7	2.2	2.3	6.1	6.4
c. Services	5.0	5.9	3.0	4.7	14.0
B. Savings and Investment					
					(percent of GDP)
1. Gross Domestic Savings	7.9	14.9	9.9	10.5	16.5
2. Gross Domestic Investment	15.1	18.9	10.2	11.8	15.9
C. Money and Inflation					
					(annual percent change)
1. Consumer Prices (end of period)	64.3	27.6	26.1	26.0	28.2
2. Broad Money (M2)	113.7	36.0	28.0	31.5	—
D. Central Government Finances					
					(percent of GDP)
1. Revenue	39.9	32.0	34.8	32.6	28.5
2. Expenditure	34.3	29.7	32.4	31.5	29.5
3. Overall Surplus/Deficit (-) (including extrabudgetary funds)	(7.4)	(2.2)	(3.4)	(2.2)	(1.0)
E. Balance of Payments					
1. Merchandise Trade Balance (% of GDP)	(6.8)	(0.5)	0.0	0.5	—
2. Current Account Balance (% of GDP)	(7.2)	(4.0)	(0.6)	(1.3)	0.8
3. Export Growth (percent per year)	1.7	4.5	(21.8)	(10.0)	0.9
4. Import Growth (percent per year)	31.0	(11.2)	(25.2)	10.0	(0.9)
F. External Payments Indicators					
1. Gross Official Reserves (\$ million; end of period)	1,901	1,167	1,168	1,283	1,100
-months of imports	4.8	3.7	5.2	5.9	4.7
2. External Debt Service (% of exports of goods and services)	8.3	9.0	9.0	11.0	—
3. External Debt (% of GDP)	17.1	18.2	24.8	28.1	25.8
G. Memorandum Items:					
GDP (current prices, SUM million)	559,073.0	987,352.0	1,358,000.0	1,942,000.0	3,194,504.0
Official Exchange Rate (SUM per US dollar; average of the period)	40.2	67.7	94.7	124.9	236.9

— = not available, GDP = gross domestic product, GNP = gross national product.

^a World Bank estimates, using Atlas methodology based on a three-year average of inflation-adjusted exchange rates.

Sources: Uzbekistan authorities and International Monetary Fund.

SOCIAL AND ENVIRONMENTAL INDICATORS

Table A2.1: Population and Social Indicators

Item	1985	1990	Latest Year	
Population Indicators				
Total Population (millions)	18.1	20.4	24.5	(1999)
Rural Population (percent of total)	59.7	59.4	62.4	(1999)
Annual Population Growth Rate (% change over the previous year)	2.7	2.2	1.5	(1999)
Social Indicators				
Total Fertility Rate (births per woman)				
Maternal Mortality Rate (per 100,000 live births)	48.6	34.1	14.6	(1999)
Infant Mortality Rate (below 1 year; per 1,000 live births)	45.3	34.6	20.2	(1999)
Life Expectancy at Birth (years)	–	69.3	70.3	(1999)
Female	–	72.4	73.1	(1999)
Male	–	66.1	68.2	(1999)
Adult Literacy (%)	–	93.0	99.2	(1999)
Primary School Enrollment (% of school age population)	99.1	99.1	95.4	(2000)
Female	98.9	99.1	95.6	(2000)
Secondary School Enrollment (% of school age population)				
Female	–	39.3	38.1	(1998)
Child Malnutrition (% of under age 5)	–	–	19.0	(1998)
Percent of households below the poverty line	–	–	–	–
Income Ratio of Highest 20% to Lowest 20% (times)	–	–	7.5	(2000)
Population with Access to Safe Water (share of the housing area)	–	–	55.0	(2000)
Population with Access to Sanitation (share of the housing area)	–	–	27.9	(2000)
Public Education Expenditure as % of GDP	–	11.6 (1992)	7.8	(1999)
Public Health Expenditure as % of GDP	–	5.5 (1992)	2.9	(1999)
Human Development Index	–	0.695	0.686	(1998)
Human Development Ranking	–	80	106	(1998)

GDP = gross domestic product

Sources: Uzbekistan authorities.

ADB Key Indicators of Developing Asian and Pacific Countries, vol. 31. 2000.

UNDP Human Development Report 2000.

Table A2.2: Environmental Indicators

Item	1985	1990	Latest Year	
Forestry				
Total Forest Area (thousand hectares)	–	–	707.5	(2000)
Annual deforestation	–	–	–	
Biodiversity				
Nationally protected area				
Area (thousand hectares)	215.0	239.9	827.9	(2000)
Number	10.0	10.0	12	(2000)
As % of Land Area	–	–	–	
Biosphere Reserves				
Area (thousand hectares)	–	–	–	
Number	–	–	–	
World Heritage sites (number)				
Area (thousand hectares)	–	–	–	
Number	–	–	–	
Wetlands of international importance				
Area (thousand hectares)	–	–	–	
Number	–	–	–	
Land Use (thousand hectares)				
Cropland per capita (ha)	–	4,248.1	4,056.6	(2000)
Permanent Pasture	–	–	–	
Air Pollution (ambient concentrations)				
Particulates				
SO ₂				
Water Pollution (concentration of pollutants in water bodies)				
Biochemical Oxygen Demand (BOD)	–	–	–	
Chemical Oxygen Demand (COD)	–	–	–	
Global Environmental Problems				
Total CO ₂ emissions (thousand metric tons)	229.7	131.4	78.4	(2000)
Per capita CO ₂ emissions (metric tons)	0.013	0.006	0.003	(2000)

CO₂ = carbon dioxide, SO₂ = sulphur dioxide.

Sources: Uzbekistan authorities.

ADB Key Indicators of Developing Asian and Pacific Countries, vol. XXXI. 2000.

UNDP Human Development Report 2000.

PERFORMANCE INDICATORS

Table A3.1: Implementation, Disbursement Performance, and Postevaluation Results of Public Sector Projects (as of 31 December 2000)

A. Project Portfolio	Net Loan Amount		Rating (No.) ^a										
			Total		Implementation Progress				Development Objectives				
	\$ million	%	No.	%	HS	S	PS	U	HS	S	PS	U	
Agriculture and Natural Resources	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Industry	100.0	25.9	2	25.0	-	2	-	-	-	-	1	1	-
Social Infrastructure	95.9	24.8	3	37.5	-	1	2	-	-	3	-	-	-
Transport and Communications	190.0	49.2	3	37.5	1	1	1	-	-	2	-	1	-
Others/Multisector	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	385.9	100.0	8	100.0	1	4	3	-	-	6	1	1	-

B. Disbursements	OCR	ADF	Total
(1) Total funds available for withdrawal (\$ mn, active loans only)	183.00	18.87	201.87
(2) Disbursed amount (\$ mn, cumulative, active loans only)	77.08	1.75	78.83
(3) Percentage disbursed [(2)/(1)] (%)	42.12	9.27	39.05
(4) Disbursements (\$ mn, active loans only, latest year)	59.70	1.20	60.90
(5) Disbursement ratio (%) ^b	34.59	6.21	31.73

C. Net Transfer of Resources (\$ million)	OCR	ADF	Total
1995	-	-	-
1996	-	-	-
1997	-	-	-
1998	-	-	-
1999	15.58	0.86	16.44
2000	55.41	1.19	56.60
Total	70.99	2.05	73.04

D. Postevaluated Projects (by Year of PPAR Circulation)								1996 - 2000			
1. Postevaluation Rating								No.	%		
Highly Successful (HS)								-	-		
Successful (S)								-	-		
Partly Successful (PS)								-	-		
Unsuccessful (U)								-	-		
No Rating (NR)								-	-		
Total								-	-		
2. Postevaluation Rating by Sector 1996-2000		HS		S		PS		U		Total	
		No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources		-	-	-	-	-	-	-	-	-	-
Energy		-	-	-	-	-	-	-	-	-	-
Finance and Industry		-	-	-	-	-	-	-	-	-	-
Social Infrastructure		-	-	-	-	-	-	-	-	-	-
Transport and Communications		-	-	-	-	-	-	-	-	-	-
Others/Multisector		-	-	-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-	-	-	-

ADF = Asian Development Fund, OCR = ordinary capital resources, PPAR = project performance audit report.

^a HS = highly satisfactory, S = satisfactory, PS = partially satisfactory, U = unsatisfactory.

^b Ratio of disbursement during the year over the undisbursed net loan balance less cancellations at the beginning of the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

**Table A3.2: Status of Project Implementation of Public Sector Projects
(as of 31 December 2000)**

Sector ^a	Project Title	Net Loan Amount		Approval Dates	Effectiveness Dates	Closing Dates		Physical Progress ^b (% complete)	Cum. Contract Awards (\$ million)	Cumulative Disbursement (\$ million)	Project Performance Rating ^c	
		OCR (\$ million)	ADF			Original (mm/yy)	Revised (mm/yy)				Implementation Progress	Development Objective
I&F	Rural Enterprise Development Project	50.00		Dec-96	Jun-97	Jun-02	-		31.86	31.86	S	PS
SOC	Basic Education Textbook Development Project	20.00		Dec-97	Aug-98	Jun-03	-	-	1.29	1.29	PS	S
T&C	Railway Rehabilitation Project	70.00		Sep-98	Feb-99	Dec-03	-	42	58.57	43.77	HS	S
T&C	Road Rehabilitation Project	50.00		Dec-98	Apr-99	Jun-03	-	-	-	0.16	PS	U
SOC	Senior Secondary Education Project	57.00		Feb-00	-	Jun-05	-	1	-	-	S	S
T&C	Railway Modernization Project	70.00		Oct-00	-	Dec-05	-	-	-	-	S	S
I&F	Small and Medium Enterprise Development Project	50.00		Dec-00	-	Mar-06	-	-	-	-	S	S
SOC	Basic Education Textbook Development Project	-	18.25	Dec-97	Aug-98	Jun-03	-	10	4.38	1.75	PS	S
Total		367.00	18.25						96.10	78.83		

ADF = Asian Development Fund, OCR = ordinary capital resources.

^a I & F = Industry and Finance, SOC = Social Infrastructure, T & C = Transport and Communications.

^b As of 31 December 2000.

^c HS = highly satisfactory, S = satisfactory, PS = partially satisfactory, U = unsatisfactory.

LOAN AND TECHNICAL ASSISTANCE PROGRAMS

Table A4.1: Lending Program, 2002

Sector/Project Name	Poverty Classification	Thematic Priority	Responsible Division	Year of PPTA	PROJECT COST (\$ million)			Gov't	Cofinancing (Others)	
					TOTAL	ADB	Total			
					OCR	ADF	Total			
2002 Firm Loans										
Social Infrastructure										
Education Sector Development Program	PI	HD	AEEH	1999	TBD	100.0	–	100.0	TBD	–
Subtotal					TBD	100.0	0.0	100.0	TBD	–
Agriculture and Natural Resources										
Rural Savings and Credit Union Development	PI	PSD	AEAR	1999	TBD	10.0	–	10.0	TBD	–
Subtotal					TBD	10.0	0.0	10.0	TBD	–
Total					TBD	110.0	0.0	110.0	TBD	–
2002 Standby										
Grain Productivity Improvement	NC	ENV	AEFN	1998	TBD	16.0	0.0	16.0	TBD	–

ADB = Asian Development Bank, ADF = Asian Development Fund, AEAR = Agriculture and Rural Development Division East, AEEH, Education, Health and Population Division East, AEFN = Forestry and Natural Resources Division East, CPI = core poverty intervention, ENV = environmental protection, HD = human development, NC = not classified, OCR = ordinary capital resources, PI = poverty intervention, PPTA = project preparatory technical assistance, PSD = private sector development, TBD = to be determined.

Table A4.2: Lending Program, 2003-2004

Sector/Project Name	Poverty Classification	Thematic Priority	Responsible Division	Year of PPTA	PROJECT COST (\$ million)				Gov't	Cofinancing (Others)
					TOTAL	ADB		Total		
						OCR	ADF			
2003 Firm Loans										
Agriculture and Natural Resources										
Grain Productivity Improvement	NC	ENV	AEFN	1998	TBD	16.0	-	16.0	TBD	-
Water Resources Management	PI	ENV	AEFN	2002	TBD	50.0	-	50.0	TBD	-
Subtotal					TBD	66.0	0.0	66.0	TBD	-
Total					TBD	66.0	0.0	66.0	TBD	-
2003 Standby										
Regional Railway Development	NC	RC	IETC	2002	TBD	50.0	-	50.0	TBD	-
Corporate Governance Reform Program	PI	ECO/GG	IEFI	1999	TBD	50.0	-	50.0	TBD	-
2004 Firm Loans										
Transport and Communications										
Regional Railway Development (formerly Third Railway Development)	NC	RC	IETC	2002	TBD	50.0	-	50.0	TBD	-
Subtotal					TBD	50.0	0.0	50.0	TBD	-
Finance and Industry										
Corporate Governance Reform Program	PI	ECO/GG	IEFI	1999	TBD	50.0	-	50.0	TBD	-
Subtotal					TBD	50.0	0.0	50.0	TBD	-
Total					TBD	100.0	0.0	100.0	TBD	-

ADB = Asian Development Bank, ADF = Asian Development Fund, AEFN = Forestry and Natural Resources Division East, ECO = economic growth, ENV = environmental protection, GG = good governance, IEFI = Financial Sector and Industry Division East, IETC = Transport and Communication Division East, NC = not classified, OCR = ordinary capital resources, PI = poverty intervention, PPTA = project preparatory technical assistance, RC = regional cooperation, TBD = to be determined.

Table A4.3: Technical Assistance Program, 2002-2004^a

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			ADB	Others	Total
2002					
Agriculture and Natural Resources					
Supporting Rural Savings and Credit Union Development ^b	AEAR	AD	400.0		400.0
Water Resources Management	AEFN	PP	700.0		700.0
Subtotal			1,100.0	0.0	1,100.0
Social Infrastructure					
Improvement of Education Management ^b	AEEH	AD	600.0		600.0
Subtotal			600.0	0.0	600.0
Transport and Communications					
Regional Railway Development	IETC	PP	600.0		600.0
Subtotal			600.0	0.0	600.0
Total			2,300.0	0.0	2,300.0
2002 Standby					
Furthering Policy Reform in the Food Grain Subsector ^b	AEFN	AD	500.0		500.0
2003					
Agriculture and Natural Resources					
Supporting Water Resources Management Policy and Capacity Building ^b	AEFN	AD	600.0		600.0
Furthering Policy Reform in the Food Grain Subsector ^b	AEFN	AD	500.0		500.0
Total			1,100.0	0.0	1,100.0
2004					
	TBD				

AD = advisory, ADB = Asian Development Bank, AEAR = Agriculture and Rural Development Division East, AEEH = Education, Health and Population Division East, AEFN, Forestry and Natural Resources Division East, IETC = Transport and Communication Division East, PP = project preparatory.

^a Although the proposed TA program has been generally agreed upon by Management, ADB financing may be subject to further reprioritization to fit in with the ADB-wide annual resource envelope.

^b attached to a loan.

Economic and Sector Work

Type of ESW	Strategic Or Operational Objectives	Modality
1. Economic Work		
(i) Country economic review and update	To provide general background and an annual update on the country's macroeconomic and sectoral and development issues	Staff
2. Thematic Studies		
(i) Governance assessment	To provide an overview of governance and its assessment with reference to intragovernment relations, decentralization, poverty reduction, and public financial management	Staff and staff Consultant
(ii) Support to prepare a medium-term national strategy for poverty reduction	To prepare National Strategy to Improve the Living Standards of the People of Uzbekistan, undertake poverty analysis and provide a basis for a high-level forum and a poverty partnership agreement	TA

TA = technical assistance.

PROJECT SELECTION BRIEFS AND TA CONCEPT PAPERS

Table A6.1: Project Selection Brief for Education Sector Development Program (ESDP)

A: Data	
Project Number:	34160-01, 34160-02
Country:	Uzbekistan
Sector:	Social infrastructure
Subsector:	Education
Project Division:	AEEH
Contact Person in Projects Division:	Marc Cohen
Programs Division:	PE2
Tentative Loan Amount According to CSP:	\$100 million (\$60 million for a policy loan; \$40 million for an investment project loan)
Proposed Lending Modality:	Sector development program loans, comprising a policy loan and an investment project loan
PPTA:	None (substantial background work contributed by TA 2947-UZB: Monitoring the Implementation of Education Reforms; TA 2948-UZB: Capacity Building in Education Finance; and TA 3187-UZB: Basic Education Staff Development)
Proposed PPTA Amount:	
Attached ADTA:	Improvement of Education Management
Proposed ADTA Amount:	\$600,000
Start Predesign Phase:	Predesign completed
Start Design Phase:	Design under way since November 2000
Approval Year According to CSP:	2001. Likely to defer to 2002
Proposed Executing Agency:	Ministry of Finance for the policy loan, the social complex of the cabinet of ministers (COM) for the investment project loan
Contact Person in Proposed Executing Agency:	Mr. S. Abdullaev, Deputy Minister of Finance Mr. A. Varisov, Head of the Social Complex of COM
B: Description	
Brief Rationale of Project:	The ESDP addresses the objectives of raising education quality and flexibility/responsiveness to socioeconomic demands, promoting cost-effectiveness in achieving educational reform goals, and improving sector planning and management capacity.

	A comprehensive and integrated approach is justified in view of (i) the strong commitment of the Government to carry out education reforms; (ii) the scale of adjustment costs and compensatory measures to be taken in relation with the implementation of the reform; (iii) the high level of investment needs which are necessary to meet the challenges of educational quality improvement and the expansion of the senior secondary subsector; and (iv) the need for enhancing national capacities to design and implement sector reforms. The Project loan supports the overall approach of the ESDP, with key contributions toward the objectives of raising education quality (especially in poor and remote areas), through support for upgraded and extended teacher training (including a new distance education system), assistance to poor schools, and school/community mobilization in disadvantaged areas. It also strengthens sector planning and management capacity.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	Three TAs listed; preparatory analysis and investigation by ADB missions, close consultation with beneficiaries, close dialogue with designated Government and nongovernment bodies.
Comparative Advantage of ADB in Proposed Project:	ADB is taking a lead role in education sector. Considerable experience and engagement in policy dialogue related to the Government's education reforms. The ESDP also builds on sector experience through two ongoing loans in the basic and senior secondary education subsectors.
Rationale and Scope of attached ADTA:	Built on ongoing TAs, further improve education management
Development Objective (thematic priority):	Human development
Environmental Classification:	C ^a
Social Issues:	Increases scholarship targeting to the poor, alongside new cost-recovery measures; the project supports skill upgrading for rural teachers (especially women), assists 500 poor schools, and promotes community-based initiatives to improve educational quality in disadvantaged areas.

ADB = Asian Development Bank, ADTA = advisory technical assistance, AEEH = Education, Health and Population Division East, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, PE2 = Division East 2, PPTA = project/program preparatory technical assistance.

^a Category C: Projects unlikely to have adverse environmental impacts. No environmental impact assessment or initial environmental examination is required, although environmental implications are still reviewed.

Table A6.2: Project Selection Brief for Rural Savings and Credit Union Development

A: Data	
Project Number:	33196
Country:	Uzbekistan
Sector:	Agricultural support services
Subsector:	Microfinance
Project Division:	AEAR
Contact Person in Projects Division:	John Whittle
Programs Division:	PE2
Tentative Loan Amount According to CSP:	\$30 million. Likely to reduce to \$10 million, subject to the findings of the PPTA
Proposed Lending Modality:	Project loan
PPTA:	2000
Proposed PPTA Amount:	\$600,000
Attached ADTA:	Supporting Rural Savings and Credit Union Development
Proposed ADTA Amount:	\$400,000
Start Predesign Phase:	In May 2000
Start Design Phase:	2000. Design phase under way
Approval Year According to CSP:	2001. Likely to defer to 2002
Proposed Executing Agency:	Central Bank of Uzbekistan
Contact Person in Proposed Executing Agency:	Deputy Chairman of the Central Bank of Uzbekistan
B: Description	
Brief Rationale of Project:	The objective of the Project is to develop savings and credit union systems. The introduction of savings and credit union (SCU) systems in rural areas will allow the pooling of capital that otherwise would not be available to further economic growth. If the rural financial institution is to play a positive role in mobilizing savings and domestic financial resources, the Project will contribute to deepening the financial sector, employment and income generation, and sustainable poverty reduction in the rural areas. The Project will assist in developing the legal and regulatory framework, rules and regulations for SCUs, and support substantial institutional and capacity building.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	Under the PPTA and the subsequent small scale TA, ADB is currently pilot-testing the legal and regulatory framework, rules and regulations, operational policies and guidelines for SCUs, and monitoring and supervision by the Central Bank of Uzbekistan.

Comparative Advantage of ADB in Proposed Project:	ADB is taking a lead role in the development of SCUs. No other major funding agencies have so far been involved in SCUs development.
Rationale and Scope of attached ADTA:	The attached ADTA will support the monitoring and supervision of SCUs and further institutional and capacity-building activities.
Development Objective (thematic priority):	Private sector development
Environmental Classification:	C ^a
Social Issues:	Social preparation and training for the members of SCUs, and women's and poor people's active participation in SCUs and networking in the rural areas

ADB = Asian Development Bank, ADTA = advisory technical assistance, AEAR = Agriculture and Rural Development Division East, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, PPTA = project/program preparatory technical assistance.

^a Category C: Projects unlikely to have adverse environmental impacts. No environmental impact assessment or initial environmental examination is required, although environmental implications are still reviewed.

Table A6.3: Project Selection Brief for Grain Productivity Improvement

A: Data	
Project Number:	TBD
Country:	Uzbekistan
Sector:	Agriculture and Natural Resources
Subsector:	Agriculture Support Services
Project Division:	AEFN
Contact Person in Projects Division:	Emile Gozali
Programs Division:	PE2
Tentative Loan Amount According to CSP:	\$16 million
Proposed Lending Modality:	Project loan
PPTA:	2000
PPTA Amount:	\$800,000
Attached ADTA:	Furthering Policy Reform in Food Grain Subsector
Proposed ADTA Amount:	\$500,000
Start Predesign Phase:	1999
Start Design Phase:	March 2000
Approval Year According to CSP:	2002 (standby), 2003 (firm)
Proposed Executing Agency:	Ministry of Agriculture and Water Resources
Contact Person in Proposed Executing Agency:	TBD
B: Description	
Brief Rationale of Project:	<p>Uzbekistan has pursued a policy of cereal self-sufficiency since the country's independence in 1991, which has been the center of Government policy in agriculture. The policy has been successful in raising aggregate cereal production (overwhelmingly wheat). Production of wheat increased from about 1 million tons in 1993 to 3.7 million tons in 1999. This was achieved through expansion of wheat growing areas and replacement of the traditional irrigated cotton-alfalfa rotation with cotton-wheat rotation. Wheat yield has also increased from 1 ton/ha in 1993 to 2.5 tons/ha by 1999. As a result, the country almost attains its goal of self-sufficiency in cereal.</p> <p>The increase in output, through introduction of high-yielding imported cultivars, heavy use of agrochemicals, and cotton/wheat rotation on irrigated lands, however is not sustainable in the long run. Soil nutrients are being depleted and crops are prone to disease (yellow rust) and pests. Selected interventions are, therefore, necessary to stabilize wheat production. This is to be achieved mainly by introducing agronomic practices that promote soil/water conservation and improved seed technologies, and by taking appropriate policy and reform measures.</p>

	<p>Objective: The Project aims at improving the productivity of irrigated and rainfed cereal production in an economically efficient and sustainable manner.</p> <p>Scope:</p> <p>(i) Strengthening seed breeding and quality program. Support the continual genetic improvement and supply of locally adapted (resistant to disease, shattering, and drought) wheat cultivars. This will be achieved by strengthening the existing adaptive research program and concerned agencies through the provision of equipment, training, and collaborative research.</p> <p>(ii) On-farm soil and water management. Improvement of agronomic field practices that would generate farm productivity improvement. The component includes laser-leveling of wheat/cotton fields, zero tillage, and bed/furrow techniques. Technologies will be adapted to local conditions through pilot trials.</p>
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	TA 3094-UZB: Grain Productivity Improvement (2000), and TA 2798-UZB: Agriculture Sector Development (1997)
Comparative Advantage of ADB in Proposed Project:	ADB has extensive experience in its developing member countries in assisting the development of agricultural research, extension, and support services through its TA and project loan programs.
Rationale and Scope of attached ADTA:	The attached ADTA will assist the Government in identifying policy options to achieve an optimum balance between the goal of food security and attaining robust economic growth in the rural sector.
Development Objective (thematic priority):	Economic growth/Environmental protection
Environmental Classification:	B ^a
Social Issues:	The project impacts on the poor households need to be better assessed and quantified.

ADB = Asian Development Bank, ADTA = advisory technical assistance, AEFN = Forestry and Natural Resources Division East, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, PE2 = Division East 2, PPTA = project/program preparatory technical assistance, TBD = to be determined.

^a Category B: Projects judged to have some adverse environmental impacts, but of lesser degree and/or significance than those for category A projects. An initial environmental examination (IEE) is required to determine whether or not significant environmental impacts warranting an environmental impact assessment (EIA) are likely. If an EIA is not needed, the IEE is regarded as the final environmental assessment report.

Table A6.4: Project Selection Brief for Water Resources Management

A: Data	
Project Number:	TBD
Country:	Uzbekistan
Sector:	Agriculture
Subsector:	Water resources management
Project Division:	AEFN
Contact Person in Projects Division:	TBD
Programs Division	PE2
Tentative Loan Amount According to CSP:T	\$50 million
Proposed Lending Modality:	Project loan
PPTA:	2002
Proposed PPTA Amount:	\$700,000
Attached ADTA:	Supporting Water Resources Management Policy and Capacity Building
Proposed ADTA Amount:	\$600,000
Start Predesign Phase:	2002
Start Design Phase:	2002
Approval Year According to CSP:	2003
Proposed Executing Agency:	Ministry of Agriculture and Water Resources
Contact Person in Proposed Executing Agency:	TBD
B: Description	
Brief Rationale of Project:	Irrigation and drainage systems were rapidly developed during 1960s-1980s without proper considerations for water use efficiency and have not been properly maintained. The result is large-scale deterioration of the systems and a worsening environmental resource base, including rising groundwater tables and accelerating soil salinity. Lack of incentive for farmers to conserve water has led to excessive usage. The systemic deterioration has reached such a point that serious concerns are raised about the environmental sustainability of agricultural production in the country. The project aims at improving water resources management, and to support sustainable agriculture development, and regional cooperation on the issue of effective water resources management.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	A study on water resources management was undertaken. Under components related to water resources management, Ak Altin Agricultural Development Project will pilot-test, irrigation and drainage rehabilitation, and establishment and operationalization of the water users association.
Comparative Advantage of ADB in Proposed Project:	As noted, ADB is taking a lead role in agriculture development and regional cooperation.

Rationale and Scope of attached ADTA:	The attached ADTA will support implementation of the key policy measures of the effective water resources management, regional cooperation, and further institutional and capacity building.
Development Objective (thematic priority):	Environment protection
Environmental Classification:	B ^a
Social Issues:	Establishment and operationalization of the water resources association, cost recovery issue

ADB = Asian Development Bank, ADTA = advisory technical assistance, AEFN = Forestry and Natural Resources Division East, CSP = country strategy and program, DMC = developing member country; ESW = economic and sector work, PE2 = Division East 2, PPTA = project/program preparatory technical assistance, TBD = to be determined.

^a Category B: Projects judged to have some adverse environmental impacts, but of lesser degree and/or significance than those for category A projects. An initial environmental examination (IEE) is required to determine whether or not significant environmental impacts warranting an environmental impact assessment (EIA) are likely. If an EIA is not needed, the IEE is regarded as the final environmental assessment report.

Table A6.5: Project Selection Brief for Regional Railway Development

A: Data	
Project Number:	TBD
Country:	Uzbekistan
Sector:	Transport and communication
Subsector:	Railway
Project Division:	IETC
Contact Person in Projects Division:	TBD
Programs Division:	PE2
Tentative Loan Amount According to CSP:	\$50 million
Proposed Lending Modality:	Project loan
PPTA:	2002
Proposed PPTA Amount:	\$600,000
Attached ADTA:	TBD
Proposed ADTA Amount:	TBD
Start Predesign Phase:	2002
Start Design Phase:	2002
Approval Year According to CSP:	2004
Proposed Executing Agency:	Uzbekistan Temir Yullari
Contact Person in Proposed Executing Agency:	TBD
B: Description	
Brief Rationale of Project:	Development of the transport sector with sound sector policy to allow market-based transport management and operations is important to facilitate sustainable economic development. It will provide more employment opportunities and generate additional incomes in poor areas, thus contributing to poverty reduction. Cooperation to develop and maintain regional transport corridors and a policy environment conducive to trade and commerce are also critical.
Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	A regional study on transport was undertaken.
Comparative Advantage of ADB in Proposed Project:	ADB is taking a lead role in the transport sector. Substantial experience built on the ADB-financed ongoing two railway projects. There has been considerable dialogue on policy in the transport sector and regional cooperation.
Rationale and Scope of attached ADTA:	

Development Objective (thematic priority):	Economic growth/Regional cooperation
Environmental Classification:	C ^a
Social Issues:	Cost recovery issue, access of poor people to transport facility and services, employment generation opportunities

ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country strategy and program, DMC = developing member country, ESW = economic and sector work, IETC = Transport and Communication Division East, PE2 = Division East 2, PPTA = project/program preparatory technical assistance, TBD = to be determined.

^a Category C: Projects unlikely to have adverse environmental impacts. No environmental impact assessment or initial environmental examination is required, although environmental implications are still reviewed.

Table A6.6: Project Selection Brief for Corporate Governance Reform Program

A: Data	
Project Number:	TBD
Country:	Uzbekistan
Sector:	Finance and industry
Subsector:	Corporate governance
Project Division:	IEFI
Contact Person in Projects Division:	Klaus-Peter Kriegsmann
Programs Division:	PE2
Tentative Loan Amount According to CSP:	\$50 million
Proposed Lending Modality:	Program loan
PPTA:	2000 (TA 3562-UZB: Preparing the Corporate Governance Reform Program)
Proposed PPTA Amount:	\$700,000
Attached ADTA:	TBD
Proposed ADTA Amount:	TBD
Start Predesign Phase:	Predesign under way
Start Design Phase:	2001
Approval Year According to CSP:	2004
Proposed Executing Agency:	TBD
Contact Person in Proposed Executing Agency:	TBD
B: Description	
Brief Rationale of Project:	The Project will supplement the present initiatives to formulate a program of corporate governance reforms in the enterprise sector by developing the capacities of enterprise managers and directors and the judiciary and regulators. The project will aim at enhancing transparency and disclosure and safeguarding investors' rights. The Project will review the adequacy of the policy, legal, and regulatory framework for corporate governance, and assess the state of corporate governance practices, and capacity building for efficient supervision and regulation of enterprises. The project will help mitigate the costs of implementing the reforms.

Summary of Preparatory Work by DMC and/or ESW by ADB or Others:	The World Bank's Enterprise Institution Building Loan focuses on enhancing the capacity of State Property Committee in privatizing large enterprises. The Financial Institution Building TA Loan of the World Bank targets a selected number of banks to strengthen their internal accounting, reporting, and governance structure. The EBRD has undertaken research and analytical work on corporate governance in transition economies. ADB's PPTA is being processed. ADB's TAs in the banking sector focused on developing a banking sector strategy and improving the internal accounting and governance structures of the selected commercial banks.
Comparative Advantage of ADB in Proposed Project:	Enhancing effective governance is the key feature of ADB's assistance in the country. By preparing a program of corporate governance reforms, ADB will achieve that objective.
Rationale and Scope of attached ADTA:	
Development Objective (thematic priority):	Private sector development
Environmental Classification:	C ^a
Social Issues:	To mitigate the social costs of implementation of the corporate governance reform, downsizing staff, enterprise restructuring

ADB = Asian Development Bank, ADTA = advisory technical assistance, CSP = country strategy and program, DMC = developing member country, EBRD = European Bank for Reconstruction and Development, ESW = economic and sector work, IEFI = Financial Sector and Industry Division East, PE2 = Division East 2, PPTA = project/program preparatory technical assistance, TBD = to be determined.

^a Category C: Projects unlikely to have adverse environmental impacts. No environmental impact assessment or initial environmental examination is required, although environmental implications are still reviewed.