

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Foci and Key Activities

1. The Asian Development Bank (ADB) is the lead agency in the transport sector, customs cooperation, and trade facilitation activities of the Central Asia Regional Economic Cooperation (CAREC). ADB, the European Bank for Reconstruction and Development, and the governments of Germany and Japan have been focusing their assistance on railways in Uzbekistan; while the World Bank has focused on urban transport. The Islamic Development Bank (IDB) and the Arab Coordination Group (ACG) including the Saudi Development Fund, the Kuwait Fund for Arab Development, and the Abu Dhabi Development Fund are also assisting the transport sector.

2. ADB is the government's main partner in the road subsector. In 1998, ADB financed a technical assistance (TA) project<sup>1</sup> and approved a loan<sup>2</sup> that the government subsequently canceled because (i) the road section identified under the project was no longer a government priority, and (ii) the government was unable to comply with the reform covenants for roads. Since then, the envisaged road reforms have progressed significantly—many resulted from the road study recommendations for institutional strengthening and policy support (footnote 1). Until the end of 2010, ADB's assistance to roads in Uzbekistan stood at \$430.3 million (25% of the total portfolio); the most recent is the multitranche finance facility (MFF) for the Central Asia Regional Economic Cooperation Corridor 2 Road Investment Program.<sup>3</sup>

3. Japan International Cooperation Agency (JICA) has been providing financial and technical assistance to the road subsector since 1996. Two grants for a total of \$19.4 million were provided in 1996 and 2004 for procurement of road construction and maintenance equipment for the road agency Uzavtoyul; and one grant of \$8.2 million was provided to the Customs Committee in 2010 for installation of x-ray scanning equipment at the check points along the Uzbekistan border with neighboring countries. Under a separate regional TA project, JICA provided capacity building support for Uzavtoyul staff in road management and maintenance.

4. In 2010, IDB approved a loan of \$167.2 million equivalent for the rehabilitation of 100 kilometers of the Samarkand–Termez road. An IDB programming mission visited Tashkent in March 2011 to discuss transport development strategy and further assistance to the transport sector for completion of the country partnership strategy in 2011.

5. In March 2011, ACG approved three loans for the equivalent of \$30 million, \$21 million, and \$19.1 million for reconstruction of 73 kilometers of the Guzar–Chim–Kukdala road.

6. Currently, the World Bank does not finance any project in the transport sector. In April 2011, a transport programming mission visited Tashkent to discuss possible future assistance to the sector. A new World Bank country assistance strategy for 2012–2015 is being prepared for planned approval in July 2011.

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<sup>1</sup> ADB. 1998. *Technical Assistance to the Republic of Uzbekistan for Institutional Strengthening and Policy Support for the Road Sector*. Manila. (TA 3118-UZB, approved on 15 December).

<sup>2</sup> ADB. 1998. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Republic of Uzbekistan for the Road Rehabilitation Project*. Manila. (Loan 1657-UZB, approved on 15 December).

<sup>3</sup> ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Uzbekistan for the Multitranchise Financing Facility for the Central Asia Regional Economic Cooperation Corridor 2 Road Investment Program*. Manila. (Loan 2635-UZB for \$115 million approved on 21 April 2010; Loan 2746-UZB for \$240 million approved on 31 March 2011).

## **B. Institutional Arrangements and Processes for Development Coordination**

7. The development coordination mechanism used by international and bilateral financial institutions facilitates exchange of information and policy dialogue. ADB has established good working relations with the other development partners; the ADB Uzbekistan Resident Mission plays an important role in this. The Ministry of Finance and the Ministry of Foreign Economic Relations, Investments, and Trade are mandated to coordinate and monitor financial assistance from various development partners and implementation of foreign-assisted projects.

8. On ADB's initiative, the Donor Coordination Committee for the Transport Sector was established in July 2011. It comprises representatives from ACG, ADB, IDB, JICA, the World Bank, and related government agencies. The purpose is to ensure coordinated assistance for integrated transport sector development and focused institutional capacity development to achieve optimum and sustained development impacts. In addition, the committee will facilitate collaboration among all multilateral and bilateral agencies and the private sector as partners for scaling up road safety operations in line with agreements reached in the ministerial conference on road safety held in Moscow in 2009 and United Nations Decade of Action for Road Safety 2011–2020. The committee will meet biannually.

## **C. Achievements and Issues**

9. A number of studies in the transport sector were completed through ADB regional TA.<sup>4</sup> The government also prepared the transport sector strategy in 2006 with ADB assistance.<sup>5</sup>

10. In 2007, ADB approved a \$75.3 million loan to support the road subsector<sup>6</sup> and an MFF in 2010 (footnote 3). ADB also provided advisory TA to strengthen the road construction industry.<sup>7</sup> Both loans are progressing well.

11. The 2006 ADB country assistance program evaluation for Uzbekistan rates the overall program *satisfactory* based on the criteria of relevance and efficacy.<sup>8</sup> It rates transport sector projects *generally satisfactory* and notes good progress in the sector. However, several issues remain—project focus, financial sustainability, inefficient practices of government agencies, lack of a link between policies and practice, and project implementation. The investment program follows the recommendation from previous road projects to adopt a more realistic time horizon for implementing reforms through an MFF.<sup>9</sup> The new country assistance program evaluation is scheduled for completion in 2011.

## **D. Summary and Recommendations**

12. ADB interventions in the road subsector will contribute to the government's development objective. Its role remains strategic. ADB has adequate capacity to implement road projects in Uzbekistan. The Republican Road Fund has developed adequate capacity to implement externally financed projects and its performance so far is exemplary. The MFF approach is also justified. An effective aid coordination mechanism is in place and the recent establishment of an aid coordination committee will further ensure efficient utilization of foreign assistance.

<sup>4</sup> ADB. 2005. *Technical Assistance for Facilitation of Transport Cooperation among Central Asia Regional Cooperation Economic Countries (Phase 1)*. Manila. (TA 6294-REG, approved on 21 December, for \$650,000).

<sup>5</sup> ADB. 2005. *Technical Assistance to the Republic of Uzbekistan for the Transport Sector Strategy (2006–2010)*. Manila. (TA 4659-UZB, approved on 3 October).

<sup>6</sup> ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Uzbekistan for the CAREC Regional Road Project*. Manila. (Loan 2403-UZB, approved on 19 December).

<sup>7</sup> ADB. 2008. *Technical Assistance to the Republic of Uzbekistan for Eligibility of State-Owned Road Enterprises for Participation in ADB-Financed Projects*. Manila. (TA 7053-UZB, approved on 24 January, for \$150,000).

<sup>8</sup> ADB. 2006. *Country Assistance Program Evaluation: Uzbekistan*. Manila.

<sup>9</sup> ADB. 2009. *Project Completion Report of Loan of Road Rehabilitation Project (Loan 1657-UZB)*. Manila.