

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. Uzbekistan is a doubly landlocked country, requiring crossing at least two countries to reach seaports. Roads and railways are the dominant modes of transport. The Asian Development Bank (ADB), the Japan International Cooperation Agency (JICA), the European Bank for Reconstruction and Development (EBRD), the Organization of Petroleum Exporting Countries (OPEC), the Kuwait Fund, the Kreditanstalt für Wiederaufbau (KfW), and the Government of the People's Republic of China (PRC) have provided external assistance to the railway sector in Uzbekistan. The main activities of development partners in the railway subsector are summarized in the table below.

Major Development Partners			
Development Partner	Project Name	Duration	Amount (\$ million)
ADB	Technical Assistance to Uzbekistan for Railway Rehabilitation Project	1997–1998	0.60
	Rehabilitation of Uzbekistan Railways Project	1999–2005	62.67
	Uzbekistan Railway Modernization Project	1999–2000	0.45
	Modernization of Uzbekistan Railways Project	2000–2006	70.00
	Technical Assistance to the Republic of Uzbekistan for Institutional Strengthening of Uzbekistan Temir Yullari	2000–2001	0.85
	Technical Assistance to the Republic of Uzbekistan for Furthering Railway Sector Reform in Uzbekistan	2002–2003	0.60
	Third Railway Development Project	2004–2005	0.60
	Central Asia Regional Economic Cooperation Corridor 6 Marakand–Karshi Railway Electrification Project	2011–2015	120.00
EBRD	Repowering Diesel Locomotives Park	2002–2005	40.00
	Modernization of Diesel Locomotives Park and Reconstruction of Foundry	2004–2011	65.99
Fund for Reconstruction and Development of Uzbekistan	Procurement of High-Speed Passenger "Talgo"-250 Trains (from Spain)	2010–2011	24.70
	Reconstruction, and development of engineering and founding factory	2011	33.80
Government of the PRC	Procurement of 15 Passengers' Locomotives	2009–2011	70.11
	Pap–Angren Railway Project	2014–2019	355.00
JICA	Railway Passenger Transportation Project	1997–2001	54.48
	Construction of new railway line: Tashguzar–Boysun–Kumkurgan Project	2005–2010	148.52
	Karshi–Tashquzar–Boysun–Kumkurgan–Termez Electrification Project	2011–2018	220.60
KfW	Tashkent–Angren Electrification Project	2007–2010	36.48
Kuwait Fund	Tashkent–Angren Electrification Project	2007–2010	20.89
OPEC Fund	Modernization of Uzbekistan Railways Project	2002–2006	5.00
World Bank	Pap–Angren Railway Project	2015–2019	195.00

ADB = Asian Development Bank, EBRD = European Bank for Reconstruction and Development, JICA = Japan International Cooperation Agency, KfW = Kreditanstalt für Wiederaufbau, OPEC = Organization of the Petroleum Exporting Countries, PRC = People's Republic of China

Sources: Asian Development Bank and O'zbekiston Temir Yo'llari.

B. Institutional Arrangements and Processes for Development Coordination

2. At the subregional level, ADB has led activities for the Central Asia Regional Economic Cooperation (CAREC) program, which serves as the development coordination mechanism for transport, customs, and trade facilitation for its member countries.¹ Under the CAREC program, member countries and development partners have worked together to complete *Unlocking the Potential of Railways: A Railway Strategy for CAREC (2017–2030)*, which aims to make rail transport a mode of choice for trade: quick, efficient, accessible for customers, and easy to use.² The strategy involves the coordinated improvement of rail and multimodal infrastructure, and joint efforts by all member countries—supported by development partners—on commercialization and institutional reform. To develop and implement this strategy, CAREC has established a railway working group comprising railway operators from all member countries. The same group will be in charge of implementing the strategy.

3. At the country level, ADB has established an effective donor coordination mechanism with other development partners; ADB's Uzbekistan Resident Mission has played a significant role in this regard. ADB has discussed both the physical and nonphysical components of the proposed project with development partners in transport sector development to ensure harmonized efforts.

4. On the government's side, the Interagency Council on Cooperation under the Cabinet of Ministers supervises the implementation of large and strategically important investment projects financed by international financial institutions and development partners. The Department on Coordination and Control of Purposeful Utilization of Humanitarian Aid and Technical Assistance Funds under the Ministry of Finance coordinates development assistance. The Ministry of Finance and the Ministry of Foreign Economic Relations, Investments, and Trade are also mandated to coordinate and monitor financial assistance from various development partners and implementation of foreign-assisted projects.

5. ADB has a history of cooperation with other development partners in the transport sector. In the first railway project, EBRD financed rolling stock while ADB financed the rehabilitation of rail track. The OPEC Fund for International Development cofinanced the second railway project. ADB's project completion reports and project performance evaluation report confirmed the success of both projects.³ The proposed project directly extends the recently constructed line between Pap and Angren, cofinanced by the Government of the PRC and the World Bank.

C. Achievements and Issues

6. The transport sector has been one of the main areas of ADB support for Uzbekistan. The transport sector program expanded significantly from 2010, supported by the approval of a multitranche financing facility worth over \$1 billion for investments in roads. ADB's investment in the railway sector has made several significant impacts. The first railway project, financed by ADB, spurred O'zbekiston Temir Yo'llari (UTY) to adopt new and improved railway technology

¹ The CAREC countries are Afghanistan, Azerbaijan, the People's Republic of China (PRC) (represented geographically by Xinjiang Uygur Autonomous Region and Inner Mongolia Autonomous Region), Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan and Uzbekistan.

² CAREC. 2016. *Unlocking the Potential of Railways: A Railway Strategy for CAREC, 2017–2030*. Manila

³ ADB. 2006. *Completion Report: Railway Rehabilitation Project in Uzbekistan*. Manila (Loan 1631-UZB); ADB. 2008. *Completion Report: Railway Modernization Project in Uzbekistan*. Manila (Loan 1773-UZB); ADB. 2010. *Performance Evaluation Report: Railway Rehabilitation Project and Railway Modernization Project in Uzbekistan*. Manila (Loan 1631-UZB and Loan 1773-UZB).

including welded rails, flexible fasteners and switch expansion joints. This led to foreign direct investment in a new plant supplying parts compatible with these new technologies, to UTY. UTY reported that other developing countries have also adopted flexible fasteners, influenced by its adoption in Uzbekistan. The first project was also notable in establishing ADB's first project implementation unit (PIU) in Uzbekistan. The PIU became a source of knowledge and experience for PIUs of other ADB-financed projects, laying the foundation for ADB's program in the country.

7. The CAREC Corridors 5 and 6 (Marakand–Karshi) Railway Electrification Project supported UTY in efficiently procuring goods and equipment using a plant contract modality, to complete the electrification of a trunk line. Largely complete by mid-2016, the project created a blueprint for the accelerated electrification of Uzbekistan's railway network, also paving the way for a high-speed passenger railway network connecting key cities including Tashkent, Samarkand, Karshi and Bukhara.

8. In addition, ADB and development partners have actively contributed to the institutional strengthening of UTY and supported sound sector reforms. Between 2000 and 2003, ADB provided two technical assistance projects to this effect. The new project contains a component to improve UTY's capacity in the operational safety of railways. JICA has supported UTY in the construction of a rolling stock rehabilitation and maintenance facility. Assisted by such efforts, UTY's ability to maintain assets is strong. Since 2015, the World Bank has supported UTY in the improvement of its marketing and accounting functions, which will support the evolution of UTY into a more commercially-oriented and demand-responsive organization.

D. Summary and Recommendations

9. ADB, in close coordination with development partners, should continue supporting transport in Uzbekistan to further spur and sustain economic development of this landlocked country. ADB has adequate capacity to implement road and rail projects in Uzbekistan. The proposed project complements the completed and ongoing projects of ADB and of other development partners. An effective mechanism for coordinating development partners is in place to ensure efficient use of external financial assistance through close cooperation and sharing of information, including consultations during review missions supported by the ADB Uzbekistan Resident Mission.

10. It is important to strengthen the institutional capacity and multimodal coordination [of what?] so that UTY and Uzbekistan can gain the most from the new infrastructure assets. In this regard, ADB and development partners should build on the ongoing initiatives of UTY to identify and capture new markets, and increase customer orientation.

11. It is also important to continue efforts at a subregional level to synchronize new investments, ensure interoperability and expand new services beyond national boundaries. Such efforts will support railways to service markets that it is best at serving, in particular, long distance freight. This, in turn, will improve the profitability and sustainability of railways in Uzbekistan and in the CAREC subregion.