

SUMMARY OF PROJECT PERFORMANCE

A. Background

1. The 4,735 km railway network is the backbone of Uzbekistan's economy, carrying 30%–40% of the country's freight and 3%–4% of its passenger traffic.¹ The railway network in eastern Uzbekistan consists of a loop linking major cities in the Fergana Valley (Pap, Namangan, Andijan, Margilan, and Kokand); and a line from Pap through the mountainous Kamchik Pass to Angren and Tashkent. Branch lines extend into the Kyrgyz Republic and Tajikistan. Most of these lines were built in the Soviet era and were designed to be used by a lower number of trains that ran on steam and later diesel power. ADB and other development partners have been making coordinated efforts to support the government in modernizing Uzbekistan's railway system.²

2. **Ongoing project.** As part of such efforts, ADB approved the Central Asia Regional Economic Cooperation Corridor 2 (Pap–Namangan–Andijan) Railway Electrification Project on 21 April 2017 for \$80 million from its ordinary capital resources.³ The loan and project agreements were signed on 8 November 2017. The loan became effective on 29 November 2017, and has a closing date of 31 December 2021. The outputs of the ongoing project are (i) railway infrastructure along the Pap–Namangan–Andijan line upgraded and (ii) the safety of railway operations improved. As of 23 September 2020, contract awards totaled \$79.99 million (99.9% of the loan amount) and disbursement reached \$61.40 million (76.8% of the loan amount).

3. **Proposed additional financing.** Permanent signaling and telecommunications systems are missing for the southern part of the Fergana loop (para. 1) between Angren, Pap, Kokand, and Andijan, as well as on certain branch lines. This greatly affects the efficiency and safety of train operations, and limits the number of trains. The proposed additional financing will expand the scope of the ongoing project to complete the modernization of the railway network in eastern Uzbekistan. Trains will be able to travel safely and more frequently, resulting in a capacity increase of 53% for freight and 39% for passengers, without the need for costly works such as double-tracking.⁴

4. The two outputs of the ongoing project remain unchanged. The additional financing will provide the following new outputs:

- a. **Output 3: Railway infrastructure along the Angren–Pap–Kokand–Andijan line upgraded.** This output will focus primarily on the supply and installation of the missing signaling and telecommunications system on 441 kilometers (km) of

¹ Government of Uzbekistan, State Committee of the Republic of Uzbekistan on Statistics. 2020. [Cargo Transportation and Cargo Turnover by Type of Transport](#); and [Transportation of Passengers and Passenger Turnover by Mode of Transport](#) (accessed 19 June 2020). The freight market share of railways averages 17% in the European Union and 25%–30% in North America. The passenger share of railways in the European Union with a higher population density is 7%.

² Sector Assessment (Summary): Transport (Rail Transport [Nonurban]) (accessible from the list of linked documents in Appendix 2 of the report and recommendations of the President.

³ ADB. 2017. [Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Uzbekistan for the Central Asia Regional Economic Cooperation Corridor 2 \(Pap–Namangan–Andijan\) Railway Electrification Project](#). Manila (Loan 3527-UZB).

⁴ ADB provided project preparatory technical assistance for Preparing Railway Modernization Projects in Uzbekistan. ADB. 2019. [Technical Assistance to the Republic of Uzbekistan for Preparing Railway Modernization Projects](#). Manila (TA 9795).

existing track, including four branch lines adjacent to the main line,⁵ which will allow UTY to operate trains safely and more frequently, thus maximizing the capacity and efficiency of existing infrastructure. To allow a larger number of trains to be run, two traction substations and two sectioning posts will be constructed and a further two traction substations upgraded.⁶ All traction substations will be connected to a supervisory control and data acquisition system (SCADA) and external power supply. Machinery and equipment will also be commissioned for the maintenance of electrified lines and upgrading of the Kokand depot.

- b. **Output 4: Train control and management system upgraded.** The completion of the installation of signaling, telecommunications, and a video surveillance system will allow UTY to control and manage all train movements in the Fergana Valley from the central train control (CTC) center in Tashkent. ADB will add value to the project through this output, through which (a) the CTC center in Tashkent will be upgraded; (b) an automated train scheduling system will be made functional; and (c) staff members, including all relevant female technical staff, will be trained on the modernized train control and management system.

B. Performance of the Project

- 5. The ongoing project is assessed in the following aspects:

- a. **Delivery of expected outputs.** The ongoing project is rated *on track* to meet the targets, particularly the expected outputs and intended outcomes.

- (i) **Output 1: Railway infrastructure along the Pap–Namangan–Andijan line upgraded.** All relevant contracts for (i) the electrification of the 145.1 km Pap–Namangan–Andijan railway line, (ii) the construction of two traction substations and dispatcher points, (iii) the operation of equipment and machinery for maintenance, (iv) the modernization of signaling and communications facilities, and (v) the construction of external power supply facilities, were awarded and are broadly on track to meet the target. Originally envisaged equipment and machinery have been delivered to Uzbekistan for testing and training. Additional equipment and machinery for maintenance have been procured using loan savings.
- (ii) **Output 2: Safety of railway operations improved.** The project management and contract supervision consultant is supporting institutional strengthening of UTY by conducting an assessment of the impact of the railway operations on public safety, including children; supporting the development of practical countermeasures; and training staff to plan future railway development in the safest manner. The first set of training sessions were completed in Italy, and further training based on the assessment will be done in Uzbekistan in October 2020.

- b. **Satisfactory implementation progress.** All 10 contracts were awarded in 2019.

⁵ From Kokand to the border with Tajikistan, from Margilon to the border with the Kyrgyz Republic, from Margilon to Fergana 1 station, and from Block Post 331 to the border with the Kyrgyz Republic. Telecommunications (but not signaling) will be installed on two more branch lines: Asaka–Shakhrikan, and Andijan 2–Tetakcai (total of 33.3 km).

⁶ At Temiryollobod and Angren. The government will also upgrade two more traction substations at Tuytepa and Akhangaran through its own resources.

Cumulative contract awards totaled \$79.99 million (99.9% of the loan amount) and cumulative disbursements reached \$61.40 million (76.8% of the total contract amount) against an elapsed time of 73% as of 23 September 2020. By the end of 2020, the disbursement is expected to reach \$71.08 million as the contractors will continue to supply and install the goods for the project.

- c. **Satisfactory compliance with safeguard policy requirements.** Social and environmental safeguards are being complied with. A grievance redress mechanism has been operational throughout the project implementation period. Semiannual safeguard monitoring reports are being prepared by the project implementation unit for electrification and renewal of rolling stock, with the support of engineering and works supervision consultants, and disclosed on the ADB website.
- (i) **Environment.** An initial environmental examination, including three environmental management plans (EMPs), was prepared in February 2017 and disclosed on the ADB website. The three EMPs are (i) EMP 1 to cover the electrification of the railway line, (ii) EMP 2 to cover the external power supply, and (iii) EMP 3 to cover the traction substations. The State Committee of the Republic of Uzbekistan on Ecology and Environmental Protection granted final approval of the initial environmental examination, and relevant provisions from the EMP were incorporated into the contractors' contracts. The contractors prepared a site-specific EMP, which the project management and contract supervision consultant reviewed and the project implementation unit for electrification and renewal of rolling stock approved.
- (ii) **Involuntary resettlement.** A resettlement plan was prepared in February 2017 and disclosed on the ADB website. Three land acquisition and resettlement plans (LARPs) were developed for implementation: (i) LARP 1 to cover the electrification of the railway line; (ii) LARP 2 to cover the external power supply, and (iii) LARP 3 to cover the traction substations. LARP 1 was approved and disclosed on the ADB website in July 2019. All affected households under LARP 1 have been compensated, and the corresponding LARP completion report was approved by ADB in October 2019. A delay occurred in finalizing the design for the Hakkulabad traction substation, while data for the Raustan section was already available. Therefore, LARP 2 was further divided into two: (i) LARP 2.1 – Raustan, and (ii) LARP 2.2 – Hakkulabad. LARP 2.1 was approved and disclosed on the ADB website in September 2019. UTY is working to complete the preparation of LARP 2.2 by end of September 2020. LARP 3 was approved and disclosed on the ADB website in September 2018. The corresponding completion report was approved by ADB in November 2018.
- d. **Successful management of risks.**
- (i) **Multiple layers of review and approving authorities, lengthy procedures to register a contract, and verification of contract prices may delay procurement and implementation.** The risk was reduced by the issuance of Presidential Resolution PP-3857 in July 2018, which significantly shortened the time required to register a contract and

abolished the practice of verifying contract prices.

- (ii) **Competition from road transport reduces uptake of railway services.** ADB is continuously engaged in policy dialogue with the government and is helping improve the competitiveness of UTY to retain both freight and passenger traffic. To date, freight and passenger volumes have remained stable.

- e. **On track rating.** The project has been rated *on track* in the project performance rating since the third quarter of 2019.

C. Conclusion

6. The ongoing project is performing well, as (i) the project is rated *on track* under the project performance rating system; (ii) each safeguard covenant item is *being complied with* since UTY has been implementing the resettlement plans and the EMP, and established a grievance redress mechanism; (iii) the delivery of the expected outputs is rated *successful* since all the contracts were awarded as planned; and (iv) the management of risks is rated *successful*.

7. The proposed additional financing meets the eligibility criteria since the project is (i) technically feasible, and economically and financially viable; (ii) accorded high priority by the government, as reflected by its inclusion in Uzbekistan's Development Strategy, 2017–2021;⁷ (iii) consistent with the transport development objectives of the ongoing project, as it will enhance the outcome and outputs of the ongoing project; (iv) supports the operational priorities of (a) tackling climate change, building climate and disaster resilience, and ensuring environmental sustainability; (b) strengthening governance and institutional capacity; and (c) fostering regional cooperation and integration;⁸ and (v) consistent with the country partnership strategy for Uzbekistan, 2019–2023.⁹

⁷ Government of Uzbekistan. 2017. [Uzbekistan's Development Strategy for 2017–2021](#). Tashkent.

⁸ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

⁹ ADB. 2019. [Country Partnership Strategy: Uzbekistan, 2019–2023—Supporting Economic Transformation](#). Manila.