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Country Assistance Program Evaluation
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CURRENCY EQUIVALENTS

(as of 14 June 2011)

Currency Unit	–	sum (SUM)
SUM1.00	=	\$0.00059
\$1.00	=	SUM1,708.92

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
ADO	–	Asian Development Outlook
ANR	–	agriculture and natural resources
CAPE	–	country assistance program evaluation
CAREC	–	Central Asia Regional Economic Cooperation
CIS	–	Commonwealth of Independent States
COS	–	country operational strategy
CSP	–	country strategy and program
DMF	–	design and monitoring framework
EBRD	–	European Bank for Reconstruction and Development
EIRR	–	economic internal rate of return
GDP	–	gross domestic product
ICT	–	information and communications technology
IED	–	Independent Evaluation Department
O&M	–	operation and maintenance
OCR	–	ordinary capital resources
ODA	–	official development assistance
PCR	–	project completion report
PIU	–	project implementation unit
PPER	–	project performance evaluation report
SDC	–	Swiss Agency for Development and Cooperation
SME	–	small and medium-sized enterprise
TA	–	technical assistance
URM	–	Uzbekistan Resident Mission
WIS	–	welfare improvement strategy
WSS	–	water supply and sanitation

NOTES

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

Key Words

adb, asian development bank, country assistance, program evaluation, transport, agriculture and natural resources, governance reform, performance evaluation, aid coordination, aid effectiveness, portfolio performance.

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The guidelines formally adopted by the Independent Evaluation Department (IED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. J. Cook, C. Edmonds, A. Nazarov, M. Sattarov, and K. Zakhurov were the consultants. R. Adhikari, former Director, IED1, also guided the evaluation team. To the knowledge of the management of IED, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

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EXECUTIVE SUMMARY

Background and Country Context

The Asian Development Bank (ADB) has been supporting the development of Uzbekistan since 1998, following the country's independence in the early 1990s. From 1998 through the end of 2009, ADB approved 30 loans totaling \$1.3 billion for projects and programs in Uzbekistan, averaging about \$108 million annually. In 2010, when ADB held its annual general meeting in Uzbekistan's capital, Tashkent, ADB approved financing for four projects totaling \$656 million. ADB's support covered eight sectors from 1998 to 2009, but focused mostly on agriculture (27%), education (23%), transport (21%), and water supply (15%). At the end of 2009, ADB's portfolio of active loans totaled \$792.4 million, financing 19 projects and programs over seven sectors.

The first country assistance program evaluation (CAPE), prepared in 2005 and published in 2006, covered ADB's support for Uzbekistan from 1996 to the end of 2004. Many of the recommendations in the first CAPE were related to the general administration of the program; for example, the first CAPE recommended strengthening the relationship between the strategy and the program, increasing sector and geographic focus, and working with the government to select consultants. The first CAPE also had several recommendations related to governance. Other recommendations covered the resident mission, private sector development, and support for education.

This second CAPE discusses ADB's support from 2002 to the end of 2009. Where the two CAPEs overlap from 2002 to 2004, this CAPE focuses on issues that could not be fully evaluated at the time of the first one.

Uzbekistan's gross domestic product (GDP) grew strongly from 2002 to 2009, averaging 7.6% and peaking at 9.5% in 2007. The global financial crisis and economic slowdown that started in 2007 did not seriously affect Uzbekistan. The country's GDP growth fell slightly to 9.0% in 2008 and 8.1% in 2009. Per capita GDP grew from \$383 in 2002 to \$1,176 in 2009. No reliable data on poverty rates are available for 2002–2009.

Aiming to make growth more inclusive, the government launched an interim welfare improvement strategy (WIS) in 2005 and a WIS in 2007. The WIS focused on improving social infrastructure while recognizing that social welfare can be improved with a strong economy driven by the private sector. From 2002 to 2009, the government prioritized development spending in energy, agriculture and natural resources (ANR), industry, and transport.

Uzbekistan gets relatively little official development assistance (ODA) per capita. In 2008 the country was in the bottom 20% of countries ranked by income per capita, but also in the bottom 20% of countries ranked by ODA per capita. ADB accounted for the largest share (39%) of ODA from 2002 to 2009 and was the largest financier in ANR; education; water supply and sanitation (WSS); and law, economic management, and public policy (hereafter "public policy").

ADB's Country Strategy and Program

In 2006, ADB issued its country strategy and program (CSP) for Uzbekistan, covering 2006–2010. The CSP set four strategic priorities for ADB's program: (i) to accelerate environmentally sustainable rural development by taking a holistic approach, continuing support for agriculture while supporting rural infrastructure and environmental management; (ii) to enable private sector development through reforms, foreign direct investment, privatization, and financial sector development; (iii) to promote regional cooperation in transport and customs transit, linking transport infrastructure with transit, and to help improve customs administration;

and (iv) to build the human capital of the poor, mainly through support for basic education and early childhood development.

A significant limitation of the CSP was the country results framework—it included 33 outcomes, but only 2 outcomes had adequately specified baselines, targets, and timeframes. The results framework was not updated until 2010, so it was not in a usable form for developing or monitoring ADB's program for the years covered by this CAPE.

ADB's program for 2006–2009 was partly consistent with its country strategy. The main deviations of the program from the strategy were a shift from rural to urban water supply, and a lack of financing for private sector development and customs administration. The largest share of financing in 2006–2009 was for ANR, rising from 22% in 2002–2005 to 43% in 2006–2009. Education received the largest share in 2002–2005, at 36%, but this fell to 8% in 2006–2009. The share of financing for transport and WSS rose significantly in 2006–2009 compared with 2002–2005. As a result of the different allocation of financing across sectors, ADB's sector focus sharpened in 2006–2009 compared with 2002–2005.

ADB became more responsive over 2002–2009, judging by loan processing times. Loans approved in 2002 took more than 1.4 years from fact-finding to approval by ADB's Board of Directors, while in 2009 the time to approval was 0.3 year. The most time savings occurred between the start of loan fact-finding and loan appraisal, and between loan negotiations and circulation of the report and recommendation of the President to the Board.

ADB's portfolio performance was adequate. Disbursement rates rose from 2002 to 2005, but fell in 2006–2008 before rising sharply in 2009. Projects have been delayed past their expected completion dates, but delays have rarely exceeded 2 years. A brief review of procurement in projects found that ADB's and the government's procurement rules differed somewhat, leading to slight delays in procurement and therefore in project implementation. A brief review of audited financial statements of projects found that ADB's guidelines were cumbersome and the capabilities of local auditors were limited, leading to insufficient quality in financial reporting. In project completion reports, one project was rated *highly successful*, four were rated *successful*, five *partly successful*, and one *unsuccessful* (namely a project that was cancelled before implementation started).

Assessment of ADB's Country Strategy and Assistance Program

ADB's strategic positioning is rated *satisfactory*. ADB's choice of sectors to support was relevant to the country's needs, the government's priorities, and ADB's comparative advantages. The government and other development partners recognize infrastructure finance as one of ADB's strengths. ADB appropriately decided to limit support for finance—public policy and to avoid credit lines, considering persistent problems in sector reforms (for finance) and ADB's lack of comparative advantage (for public policy). ADB aimed to focus on rural water supply, but that part of the sector strategy for WSS was later found to be inconsistent with the sector's needs and the government's priorities. ADB has used a variety of lending modalities in Uzbekistan, but avoiding credit lines was the only strategy guiding the choice of lending modality at the sector or country level. A significant shortcoming in the 2006 CSP was the design of the country results framework, which lacked adequate indicators, benchmarks, timeframes, and targets. ADB should have updated the CSP with a revised and fully developed country and sector results frameworks.

ADB's program is rated *relevant*. The programs in finance—public policy and WSS departed from the country strategy, but the departures were justified. Despite the strategy to avoid support for public policy, ADB agreed to finance the Public Finance Management Reform Project when funding from other sources became unavailable. The WSS program departed from the country strategy by supporting only urban water supply instead of rural water supply, but

that departure was justified in meeting the government's priorities for urban water supply. Otherwise, the sector programs were reasonably consistent with the sector strategies. Most projects were well designed, but there were flaws in three finance–public policy projects.

ADB's program is rated *efficient*. Economic internal rates of return were high for the rehabilitation projects in ANR and transport, but low for the one completed water supply project (completed in 2010). The speed of ADB's loan processing has increased, and so far the fast processing does not seem to have compromised the quality of project design; hence, the efficiency of ADB's business processes may have improved. The main limitations to ADB's efficiency were from delays in project implementation and restrictions on procurement, which raised costs. Delays were partly caused by the need for a government decree before project implementation could start. Another source of inefficiency was due to ADB limiting procurement to its member countries, which prevented some projects from procuring goods and services from the least-cost sources, particularly those in the Commonwealth of Independent States.

ADB's program is rated *less effective*. Only the WSS program has significantly contributed to sector outcomes in the results framework, and mainly through projects designed before the results framework came into effect. Of 11 completed projects, 6 were rated *effective* and 5 were *less effective* in achieving their intended outcomes in their project completion reports or (where available) in Independent Evaluation Department project performance evaluation reports. Significant achievements were in developing urban water supplies, rehabilitating the country's main railway line, and reforming the state railway enterprise. The effectiveness of completed projects in finance–public policy was limited by the poor performance of subprojects financed by credit lines. Advisory technical assistance (TA) projects in finance–public policy were effective in producing their planned outputs, but were not consistently effective in realizing their intended outcomes.

ADB's program is rated *less likely sustainable*. Reforms supported by ANR projects were not sustained, but prospects are good for sustaining the rehabilitated infrastructure. Education projects and programs helped strengthen reforms, and the textbook rental scheme strengthened the sustainability of financing for textbooks. In the two completed projects in finance–public policy, the financial security of project entities supported by the credit lines to small and medium-sized enterprise was weak, and a significant number of subprojects were unsuccessful. The rehabilitated railways financed by ADB are being well maintained, and the state railway enterprise remains fully committed to the reforms instituted under the two ADB-financed railway projects. Road maintenance, however, remains a problem, and funding for maintenance must rise and stabilize to ensure the sustainability of the ongoing roads projects. Water tariffs have risen to cover operating costs, and it is likely that future tariff reforms will ensure the full financial independence of water utilities.

ADB's development impact is rated *partly satisfactory*. ANR projects have had impacts in their project areas, but little impact beyond. The impact of completed projects in finance–public policy was limited by the low success rate of subprojects. ADB's advisory TA in finance–public policy had some significant impacts, particularly in the TA that helped build the foundation for the insurance industry. The ADB-financed railway rehabilitation projects did not realize their unrealistic goals of reducing poverty but had realistically modest impacts in terms of avoiding serious economic disruption. No significant sector impacts were observed relative to the results framework, but that is more likely because of the poor design of the results framework rather than flaws in the program. A potential negative impact of ADB's public sector lending is raising uncertainty in access for foreign exchange, potentially crowding out foreign private investment.

Overall, ADB's country assistance program is rated *successful*. Three of the five sectors evaluated are rated *successful*: education, transport, and WSS. ANR and finance–public policy

are rated *partly successful*. The constrained reform environment limited the success of projects in ANR and finance—public policy. The successful sectors comprise the majority of ADB's program, and have scores well above the cutoff for the *successful* rating.

ADB's Performance

The CAPE team interviewed officials from the government, development partners, ADB's current and former country directors, ADB staff, and other stakeholders. The CAPE also drew on the perceptions survey conducted by ADB's Department of External Relations, with responses limited to those from Uzbekistan. The overall perception of ADB's performance is positive. ADB's strengths are its responsiveness to and strong relationship with the government. Financing and project development are the main sources of ADB's value added.

Findings

ADB has been an important development partner in Uzbekistan. ADB has been one of Uzbekistan's largest sources of financing overall, and a lead development partner in ANR, education, and WSS, as well as providing significant contributions in energy and transport. Developing transport and other infrastructure is important to Uzbekistan's progress, while energy, education, ANR, and transport have been high priorities for the government. ADB's sector focus seems adequate, and has been in line with ADB's past and current corporate strategies. The majority of ADB's sector programs were assessed as *successful* overall. With a large program aligned with the country's needs, the government's priorities, and ADB's own strategies—and with a foundation of successful sector programs—ADB will likely remain an important development partner in Uzbekistan.

ADB's high level of responsiveness is a key factor driving the performance rating of its program. Responsiveness to the government is one of ADB's greatest strengths in Uzbekistan, and is one of the pillars of ADB's close relationship with the government. ADB's responsiveness shows in the alignment of its strategy and program with the country's needs and the government's priorities, and ADB's support for the Public Finance Management Reform Project. ADB's responsiveness led it to some notable positive impacts in Uzbekistan, like the advisory TA that helped draft the insurance law and catalyzed the development of Uzbekistan's insurance industry. ADB has become even more responsive, evidenced by faster processing of loans and higher lending in 2010.

An outstanding feature of ADB's program in Uzbekistan is ADB's close relationship with the government. The government considers ADB one of its closest development partners. ADB overcame some earlier stresses in the relationship, and by 2009 had built a strong and close partnership with the government. The relationship became even stronger with ADB's higher lending to Uzbekistan and the annual general meeting held in Tashkent in 2010. Other development partners and private sector stakeholders also recognize ADB's close relationship with the government. ADB has developed this relationship through, among other things, its high responsiveness to the country's needs and its apolitical and client-oriented corporate style.

Financial governance at the project and sector level needs improvement. The assessment of financial management and procurement found that the control environment was adequate, but lapses in implementation were due to capacity constraints and other limitations. ADB's requirements for preparing, submitting, and processing audited financial statements are not presented in a user-friendly form. Requirements are spread across several large documents, with supplementary information and substantial redundancies. The cumbersome nature of ADB's requirements combined with the limited capacity of domestic auditors seems to have limited the quality of audited financial statements for projects.

ADB has helped improve infrastructure, but has been less successful in promoting reforms. ADB-financed projects have been successful in helping to ease agricultural production constraints, including through improved agricultural services, rehabilitated irrigation systems, and improved irrigation and drainage. ADB has also helped improve transport infrastructure, including through rehabilitating the main railway line and a major road corridor. ADB-financed projects are helping to improve water supplies in rural and urban areas. Despite some success in improving infrastructure, ADB has not been as successful in supporting reforms. All projects and advisory TA in ANR included aspects related to policy change, but have had little apparent impact. After several efforts to support reforms in the finance sector, in the 2006 CSP ADB decided to reduce support for finance until there was clear progress in reforms. ADB tried to promote major reform in railways, and while significant reforms took place, they were less extensive than ADB had envisioned or planned. ADB has tried to promote the financial independence of WSS enterprises, but so far revenues from tariffs could only meet operating costs.

Start-up delays have fundamental causes and as such may be unavoidable. Most ANR and WSS projects were delayed at start-up, partly caused by the need for the President or cabinet of ministers to issue a decree before implementation could start, which required a detailed assessment of design by a range of institutions. Differences between the design and specifications proposed in the ADB-approved loan and those of the local design decree can cause further delays. Uzbekistan's legal system requires a decree to authorize project implementation, so delays in start-up may be unavoidable. What appears to ADB as a delay may be just the normal process of project implementation in Uzbekistan. ADB's expectations for progress in project implementation would be more realistic if they recognized Uzbekistan's standard procedures in implementing projects.

ADB's aid coordination has been satisfactory, but it could have done more to help the government strengthen overall coordination in Uzbekistan. Although Uzbekistan is not a major recipient of ODA, enough development partners are at work in the country to warrant strong formal aid coordination. Aid coordination, however, is largely informal. While this has been effective in some respects, it limits the sharing of knowledge, experience, and information among development partners. As the largest financier, with a close relationship with the government, ADB could have done more to help the government improve its own coordination efforts, either through policy dialogue or advisory TA.

Lessons

The evaluation identified the following lessons: (i) the first railway project is a good model for ADB to follow when starting a new country program; (ii) demonstration projects can be more effective by focusing on economically feasible innovations; (iii) effective and consistent support for reforms needs updated sector analyses based on the government's priorities and commitments; and (iv) the added cost of following ADB's guidelines in restricting procurement to its member countries needs to be considered during project preparation.

Recommendations

The CAPE puts forward the following recommendations for the consideration of ADB Management in formulating the next country partnership strategy and in ongoing assistance.

Maintain focus on infrastructure and strengthen responsiveness by focusing on the government's ultimate goals. The sectors that ADB has been supporting are consistent with ADB's corporate strategies and experience in Uzbekistan, and ADB's sector focus seems adequate. ADB's program has been most effective in supporting rehabilitation or development

of infrastructure, including in transport and ANR. Based on that track record of reasonable success, ADB should focus its efforts on helping to improve the country's infrastructure. While ADB should avoid further diversification of its program, and any change in sector focus or selectivity should be driven by aid coordination, ADB should remain flexible to respond to changes in the country context and the government's development priorities. ADB should expand its coverage of themes, with more resources for regional cooperation and private sector development in particular. Geographic focus is not a major issue in a country the size of Uzbekistan; ADB's geographic focus during 2002–2009 was satisfactory. ADB should maintain its high responsiveness, particularly by responding more to the government's ultimate aims (for example, improved housing for the rural poor) rather than specific requests, and helping the government consider the best means to achieve its aims.

Support reforms through demand-driven advisory technical assistance. Although ADB's reform efforts have had little impact, experience shows that advisory TA can be effective in the right circumstances. ADB should maintain its close relationship and its apolitical and client-oriented approach to dealing with the government, and should not push for reforms independent of the government's interest and commitment. Loan covenants for policy reform should be used sparingly and where necessary for projects to meet their objectives. Legislation should not be made a condition of loan effectiveness, because inevitable delays in passing legislation delay project implementation. ADB should stay informed on all policy issues, should maintain a clear, firm, and consistent position on all needed reforms, and be ready to support those reforms through advisory TA, at the government's request. Topics for advisory TA include (i) helping the government develop an agriculture sector strategy; (ii) supporting cadastre development; (iii) drafting the next round of regulatory and institutional reforms in the insurance industry; and (iv) helping reduce nonrevenue water through a pilot project on subnetwork metering. Difficulties in obtaining data and the generally slow pace of reforms mean that any program supporting reform in Uzbekistan needs extra time and resources, patience, and realistically modest expectations for progress.

Revive support for private sector development. Strategy 2020 requires that private sector financing and support for private sector development should account for half of ADB's work by 2020. The target applies to ADB as a whole, not to each country. Nevertheless, ADB can clearly do more in Uzbekistan to contribute to the ADB-wide target. ADB has not provided any private sector financing in Uzbekistan. ADB currently lacks the experience and staff needed to be significantly involved in private sector financing in Uzbekistan, but it could start to provide private sector financing by investing in development funds of small and medium-sized enterprises. From 2002 to 2005 a third of ADB's public sector financing in Uzbekistan supported private sector development, but from 2006 to 2009 only one ADB-financed public sector project, comprising less than 1% of total financing, was classified as supporting private sector development. ADB can significantly raise its support for private sector development through its public sector financing. The private sector assessment for ADB's next country strategy should consider the concerns of private foreign investors that ADB's public sector lending may in effect be crowding out private foreign investment.

Develop a strategy for choosing financial instruments and lending modality. ADB's 2006 CSP did not include a strategy guiding the type of lending, and its modality, to Uzbekistan, except for limiting credit lines in the finance sector. ADB used various types of loans from ordinary capital resources and the Asian Development Fund, including project loans, sector loans, and multitranches financing facilities. Although the government may prefer multitranches financing facilities for various reasons, ADB's decision on the type of financing instrument should match the characteristics of the instrument with the capabilities of executing agencies. ADB's next country strategy for Uzbekistan should assess what types of financing instruments suit Uzbekistan, and describe the criteria for selecting financing instruments.

Develop a strategy and program of knowledge products and services. As Uzbekistan's economy grows and develops, the government is likely to look to ADB more for knowledge solutions. Promoting knowledge solutions is one of ADB's core drivers of change, according to Strategy 2020. ADB does not so far, however, have a significant program of knowledge products and services in Uzbekistan. A program of knowledge products and services, especially sector analyses, could help strengthen ADB's value added by identifying potential innovations to introduce in projects. ADB, as the most prominent development partner in Uzbekistan, is in a good position to lead country thematic assessments and sector analyses, in cooperation with other development partners. The next country strategy should include a strategy for developing and building a program of knowledge products and services for Uzbekistan. The strategy should identify priority topics for ADB, based on a review of current and continuing research pertinent to Uzbekistan's development, the government's priorities, and ADB's interests. The knowledge program should also track the more general contributions of ADB-financed projects, including strengthening country systems by the experience gained working with ADB in project preparation and implementation.

Work with the government and other development partners to raise the efficiency and effectiveness of Uzbekistan's procurement procedures. Price verification has caused some delays in project implementation, but the delays are probably not long enough to convince the government that price verification is a serious problem in project implementation. Price verification differs from ADB's procurement guidelines and can lead to declaring misprocurement, but ADB has not succeeded in persuading the government to exempt ADB-financed procurement from price verification. ADB should shift the dialogue from exemptions from price verification to raising efficiency and effectiveness in public procurement rules. The dialogue could include minimizing personal interactions by introducing electronic submission of documents, and allowing declaration of misprocurement if price verification is not adequately justified. During preparation of the next country strategy, ADB should discuss with the government and development partners how ADB could help strengthen public procurement, such as through advisory TA and in project preparation. Working with other development partners to help strengthen Uzbekistan's procurement systems is consistent with ADB's commitment under the Paris Declaration.

Develop a results framework in the next country strategy with which ADB can be held accountable for delivering results. ADB's results framework in the 2006 CSP was not adequate in its original form; it was not updated until 2010, so it was not used in monitoring progress toward results. Any results that were achieved would have been achieved without the results framework. The results framework in ADB's next country strategy should have indicators that are relevant to the expected outcomes; that can be credibly influenced by ADB; and that have adequately specified baselines, targets, and timeframes. With indicators that are credibly under ADB's influence, ADB can be held accountable for meeting the given targets. Developing the next results framework should start by reviewing the portfolio of ongoing projects. ADB should determine what results it could achieve with ongoing projects that are relevant to the government's priorities and to ADB's corporate results framework. That initial results framework should then be updated annually—showing progress in achieving results, and introducing new outcomes, indicators, and targets for newly approved loans.

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I. INTRODUCTION

1. **The previous evaluation.** The Asian Development Bank (ADB) published its first country assistance program evaluation (CAPE) for Uzbekistan in 2006, covering 1996 to 2004.¹ This second evaluation builds on the 2006 study, evaluating ADB's support for Uzbekistan from 2002 to 2009. The two evaluations overlap from 2002 to 2004, but in the overlapping years this CAPE covers issues that could not be fully evaluated in the first one.

2. **Evaluation framework method and data.** This evaluation follows ADB's CAPE guidelines,² covering ADB's strategy and performance in the main sectors that ADB was supporting. It assesses ADB's assistance, identifies factors affecting ADB's performance, and draws lessons and recommendations for improving ADB's future performance. It used the following sources of information: (i) data on development projects in Uzbekistan, from the Government of Uzbekistan, ADB, and other sources; (ii) ADB's policies, country strategies, project reports, and other relevant documents; (iii) personal interviews and meetings with officials from the government, ADB, development partners, and other stakeholders; (iv) project site visits; and (v) other evaluation reports. A meeting with senior government officials to discuss the CAPE's findings and potential areas for recommendations was held in Tashkent on 28 March 2011, chaired by the Minister of Economy.

3. The assessment of ADB's support rates ADB's strategic positioning, relevance, effectiveness, efficiency, sustainability, and development impact. The assessments are based on a separately published sector assistance program evaluation for education³ and four other sector assessments done for this evaluation: (i) agriculture and natural resources (ANR); (ii) finance and law, economic management, and public policy (finance–public policy); (iii) transport; and (iv) water supply and sanitation (WSS). Ratings across the six evaluation criteria are combined to give the overall rating for ADB's country assistance program.

II. COUNTRY CONTEXT

A. Constraints to Economic Growth and Social Development in Uzbekistan

4. Uzbekistan's economy grew strongly from 2002 to 2009, averaging 7.6% annual growth.⁴ Growth of real gross domestic product (GDP) peaked in 2007 at 9.5%, a big increase over the 4.0% growth in 2002. The global economic crisis caused only a modest slowdown in Uzbekistan's economic expansion, with the growth rate of real GDP easing off to 9.0% in 2008 and 8.1% in 2009. Recent economic growth has been driven mostly by output gains in industry, including machinery, chemicals, and mining. Rising exports have also contributed to growth. Appendix 1 contains socioeconomic indicators for Uzbekistan.

5. The robust economic growth has brought a significant rise in the country's average income. GDP per capita at current prices tripled from \$383 in 2002 to \$1,156 in 2009.⁵ GDP per capita at purchasing power parity rose from \$1,589 in 2002 to \$2,875 in 2009. Gross national income per capita (based on the World Bank's Atlas methodology) rose from \$450 to \$1,100 over the same years. ADB classifies Uzbekistan as a "blend" country, with access to ordinary

¹ ADB. 2006. *Country Assistance Program Evaluation: Uzbekistan*. Manila.

² ADB. 2010. *Revised Guidelines for the Preparation of Country Assistance Program Evaluation Reports*. Manila.

³ ADB. 2010. *Sector Assistance Program Evaluation: Education Sector in Uzbekistan*. Manila.

⁴ Annual growth of GDP at previous year's market prices.

⁵ World Bank. Uzbekistan Country Data. <http://data.worldbank.org/country/Uzbekistan> (accessed 22 June 2011).

capital resources (OCR) and concessional financing from the Asian Development Fund (ADF). No reliable data on poverty rates are available for 2002–2009.⁶

6. Progress in social indicators has been mixed. Uzbekistan's infant mortality rate dropped from 40 per 1,000 live births in 2005 to 32 per 1,000 live births in 2009. The proportion of the population with access to an improved water source was virtually steady at 89% in 2000 and 88% in 2008. Access to sanitation was also fairly steady at a high level—94% in 2000 and 96% in 2008. The incidence of tuberculosis rose from 93 per 100,000 people in 2000 to 113 in 2008. Appendix 1 contains data on Uzbekistan's progress on the Millennium Development Goals.

7. A variety of issues contributed to or constrained Uzbekistan's economic growth and social development during 2002–2009. The following issues have been relevant to ADB's program in Uzbekistan.

8. **Public management.** ADB's country strategy and program (CSP) for Uzbekistan, 2006–2010 reported that

“Uzbekistan faces a number of governance challenges: moving toward less centralized and more participative policy-making, improving incentives and performance in the civil service, increasing transparency and accountability in public financial management, and allowing the media and civil society to play a larger role in reflecting communities' needs.”⁷

According to the country strategy, ministries lacked autonomy, the tax system was complex, and corruption was significant, partly due to low pay.

9. Uzbekistan's governance indicators varied over 2002–2009. In 2009, Uzbekistan's ranking in the World Bank's governance indicators remained low for voice and accountability (above only 2.4% of countries), control of corruption (5.7%), and regulatory quality (5.7%). Government effectiveness improved significantly (up to 26.7% from 10% in 2002).⁸ ADB's CSP reported that “on a scale of 0 (highly corrupt) to 10 (clean), Uzbekistan scores 2.4 on Transparency International's corruption perception index.” Uzbekistan's corruption perception index fell steadily, reaching 1.7 in 2009, and ranking 174 out of 180 countries.⁹

10. Weak governance constrains growth and development in many ways, but especially through its negative impact on the business environment. The results framework in ADB's CSP included the ease of doing business, as measured by the *Doing Business* reports of the International Finance Corporation and the World Bank, as an indicator of the impact of ADB's support for Uzbekistan's finance sector. In the 2010 *Doing Business* report, Uzbekistan ranked 150 out of 183 countries on the ease of doing business. Its ranking is above 100 for all indicators except protecting investors, where it is relatively strong. According to the report, it takes 78 days on average to register business property in Uzbekistan, and businesses have to make 44 tax payments a year on average.

⁶ In 2011, the government started collecting data on household welfare, which may enable estimating the country's poverty rate.

⁷ ADB. 2006. *Country Strategy and Program: Uzbekistan, 2006–2010*. Manila. Page 8.

⁸ World Bank. Worldwide Governance Indicators. <http://info.worldbank.org/governance/wgi/index.asp> (accessed 22 June 2011). Washington, D.C.

⁹ Transparency International. Corruptions Perceptions Index 2009. http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table (accessed 22 June 2011).

11. **Economic transition.** Uzbekistan began its transition from central planning to a market-based economy after declaring its independence. Twenty years after independence, the state remains directly involved in many parts of the economy. ADB's CSP reported that "after good progress during 1991–1997 in privatization of small-scale enterprises, recent progress has been slow," and "a large part of what is officially reported as the nonstate sector comprises enterprises in which the state holds a majority or retains control." The country strategy asserted that "the large and growing informal economy is explained by the high costs of doing business in the official economy," and concluded that "Uzbekistan needs to move beyond partial reform measures and reach for a critical mass of reforms that will improve the business environment."

12. From 2002 to 2009, Uzbekistan implemented market-based reforms at a pace slower than other Central Asian countries and Mongolia, according to the transition indices tracked by the European Bank for Reconstruction and Development (EBRD). From 2002 to 2009, Uzbekistan made the most reforms in small-scale privatization. In infrastructure reform, Uzbekistan has progressed most in railways but has not made any significant reforms in roads. Banking is the sector in which Uzbekistan lags most in reforms (Appendix 1, Table A1.3).

13. Two areas of reform pertinent to ADB's program are agriculture and economic management. The government maintains strong control over agriculture, including in the ownership of land, setting production targets, and procuring cotton and grains at prices below levels in international markets. In economic management, the exchange rate is overvalued, and there is rationing of foreign exchange.

14. **Financial sector development.** Uzbekistan's financial sector is dominated by the banking subsector, which in turn is dominated by state-owned banks. Stock market turnover was only 6% in 2006. The average value of stocks traded during 2002–2009 is insignificant as a percent of GDP (0.2%). Market capitalization of listed companies is estimated at less than 1% of GDP. The insurance, leasing, and microfinance subsectors have been expanding rapidly since 2002, but are still at an early stage of development. The level of financial intermediation in 2008 (measured by the ratio of broad money to GDP) was 18%. Furthering development of the financial sector remains a constraint as well as an opportunity for Uzbekistan's development.

15. **Infrastructure development.** Uzbekistan's irrigation, drainage, and utilities infrastructure has deteriorated significantly over the past two decades as a result of poor management and insufficient financing of operations, maintenance, and rehabilitation. Poor irrigation and drainage infrastructure is one of the causes of inefficient water use, increased soil salinity, and low yields in crop production.¹⁰ Inadequate infrastructure partly explains power outages, which have become more frequent, and the inadequate supply of gas and drinking water, especially in rural areas.

16. Uzbekistan's transport links with countries that are not part of the Commonwealth of Independent States (CIS) are underdeveloped. Moreover, many of its roads are in poor condition and need rehabilitation. Only 40% of Uzbekistan's roads included in the Asian Highway Network are classified as class I; the rest are classified as class II or class III.¹¹ Poor transport infrastructure raises transport costs and makes transit times long and unpredictable. In a survey conducted for the 2007–2008 *Global Competitiveness Report*, businesses in

¹⁰ World Bank. 2003. *Uzbekistan: Drainage, Irrigation and Wetlands Improvement Phase I Project*. Project Information Document. Washington, D.C.

¹¹ Class I are asphalt or cement concrete highways with four or more lanes. Class II are asphalt or cement concrete highways with two lanes. Class III are highways made of double bituminous treatment with two lanes.

Uzbekistan cited inadequate infrastructure as one of the top three constraints to doing business.¹²

17. **Transport and trade.** Uzbekistan is double-landlocked (surrounded by landlocked countries) and located far from seaports. Goods exported from or imported to Uzbekistan usually need to be transported by land over long distances and cross the territories of several countries. The result, common to all Central Asian countries, is generally high transport costs and long and unpredictable transit times for international shipments. ADB estimated that shipping by road cost 150%–250% more in Central Asia than for comparable road shipments in the Baltic States or Benelux countries, with transit times 200%–300% longer.¹³

18. Despite the disadvantages of Uzbekistan's landlocked location, the country performs relatively well in trade logistics. According to a study by the World Bank,¹⁴ Uzbekistan ranks in the top 50% of countries based on performance in trade logistics (68 out of 155 countries). Uzbekistan does best in the timeliness to reach a destination (ranked 50),¹⁵ and in tracking and tracing shipments (ranked 63). Uzbekistan's performance is lowest in the quality of logistics services (ranked 89) and in customs efficiency (ranked 107).

19. **Regional cooperation.** Regional cooperation is essential to growth and development in Central Asia. Uzbekistan and its neighbors need to cooperate closely to overcome the disadvantages of their landlocked location and small domestic markets, expand trade, attract more foreign investment, and fully integrate into the global economy. Regional cooperation in Central Asia is also needed to use the region's shared water resources efficiently, achieve regional energy security, solve its environmental problems; contain the spread of communicable diseases; and manage the threats from natural disasters, drugs, crime, and terrorism.

20. Recognizing the importance of regional cooperation for its development, Uzbekistan has become a member of several regional organizations and regional cooperation programs. These include the CIS, Shanghai Cooperation Organization, Economic Cooperation Organization, and Central Asia Regional Economic Cooperation (CAREC) Program. Uzbekistan is carrying out the CAREC transport and trade facilitation strategy endorsed by CAREC in 2007. The strategy involves implementing infrastructure projects in roads, railways, civil aviation, and water transport, and mitigating nonphysical impediments to the cross-border movement of goods and people.

21. **Environmental management.** Uzbekistan faces many environmental problems, some of which are regional in nature. Starting in the 1950s, diversion of water for irrigation from the Amu Darya and the Syr Darya, the two rivers feeding the Aral Sea (shared with Kazakhstan), led to the drying up of what was once the world's fourth largest lake. From the 1960s to the 1990s, the surface area of the Aral Sea shrank by half (from 66,000 to 36,500 square kilometers) and its volume decreased by two-thirds (from 1,090 to 310 cubic kilometers).¹⁶ The sea gradually split into several small water bodies, some with such a high level of salinity that

¹² M.E. Porter, X. Sala-i-Martin, and K. Schwab. 2007. *The Global Competitiveness Report 2007–2008*. World Economic Forum. Hampshire, England: Palgrave Macmillan.

¹³ ADB. 2006. *Central Asia: Increasing Gains from Trade Through Regional Cooperation in Trade Policy, Transport, and Customs Transit*. Manila. page 28.

¹⁴ World Bank. *Connecting to Compete 2010: Trade Logistics in the Global Economy*. Washington, D.C.

¹⁵ Specifically, "the frequency with which shipments reach the consignee within the scheduled or expected time."

¹⁶ UNDP. Regional Bureau for Europe and the Commonwealth of Independent States. 2005. *Bringing Down Barriers: Regional Cooperation for Human Development and Human Security*. Central Asia Human Development Report. Bratislava.

fish could not survive. As the sea receded, it also left behind layers of chemicals, pesticides, and natural salts that are blown into noxious dust storms. The degradation has hurt economic activity, employment, and living conditions in the surrounding areas, including the western parts of Uzbekistan.

22. Another serious environmental problem confronting Uzbekistan is the declining quantity and worsening quality of water. While climate variations and changes in mountain ecosystems have reduced the quantity of water, pollution has worsened its quality, making it unsuitable for irrigation, drinking, or commercial use. According to the United Nations Development Programme, only about 2% of Uzbekistan's population live in areas with good water quality, while some 50% live in areas with bad or very bad water quality. The discharge of heavily polluted water from drainage systems has been the main source of water pollution. Other environmental problems facing Uzbekistan include soil salinity, deforestation, desertification, air pollution, and degradation of mountain ecosystems.

B. Government's Development Priorities Relative to Binding Constraints

23. From 2005 to 2007, the government's development spending was governed by an interim welfare improvement strategy (WIS). In the interim WIS, the government aimed to reduce poverty by a quarter by 2010 through accelerating economic growth, strengthening human development, increasing equity, and improving the environment. The interim WIS also aimed to achieve the Millennium Development Goals by 2015.

24. The interim WIS was replaced by the WIS in 2007, covering 2008–2010. The goals of the WIS were similar to those of the interim WIS—inclusive economic growth in all regions of the country to improve living standards; a modern and diversified economy able to compete in world markets; fair distribution of income; and improvements in the quality of services in education, health, and other socially significant sectors. Economic management in the WIS focused on macroeconomic stability, financial sector reforms, an investment policy that encouraged private and public investment in social infrastructure and rural development, and a foreign trade policy that encouraged exports and import substitution. In 2010, the government started preparing a new WIS, supported by advisory technical assistance (TA) from ADB.¹⁷

25. Social policy focused on strengthening social protection and measures to enhance the living standards of the most vulnerable and disadvantaged, increasing the financial welfare of pensioners, reforming the education system and expanding coverage, and reforming the health system. The WIS also included a housing policy for improving access to quality housing, the reliability and quality of public utilities, and management of public services.

26. In priority sectors, the WIS focused on restructuring agriculture, an industrial policy emphasizing increasing the share of industry in GDP, enhancing competitiveness, and developing labor-intensive industries. The industrial policy was complemented by a privatization policy. The WIS also emphasized development of the service sector.

27. In essence, the WIS is a poverty reduction strategy that focuses on improvements in social infrastructure while recognizing that social welfare can be improved with a strong economy driven by the private sector. It identified the need for reforms to continue Uzbekistan's economic transition, and to improve the business climate for developing the private sector. It

¹⁷ ADB. 2010. *Technical Assistance to Uzbekistan for Sustaining Growth and Improving Welfare in Uzbekistan*. Manila.

also recognized the need for reforms in the financial sector. Given its nature and mandate, the WIS placed moderate emphasis on public management, rehabilitating infrastructure, and the environment.

28. The WIS was a sufficiently relevant and sound document on which to base support for development. It was, however, limited to identifying important issues without prioritizing objectives or projects. A better indication of the government's priorities is annual spending on development projects (Table 1). Judging by development spending, the government's top four priorities have been energy, industry, transport, and ANR. The priorities have shifted annually among those four, with industry receiving the most spending in 2002, ANR the most in 2003–2004, and energy the most in 2005–2009. The share for energy rose steadily, from 34% in 2005 to 64% in 2009.

Table 1: Distribution of the Government's Development Spending by Sector (%) and Total Development Spending (\$ million) by Year^a

Sector	2002	2003	2004	2005	2006	2007	2008	2009	Average
Energy	18	12	9	34	43	46	50	64	40
Industry	29	20	16	20	15	26	26	18	21
Transport	20	17	15	15	17	11	8	8	12
ANR	10	26	39	9	6	5	4	3	11
Education	6	4	5	7	7	6	6	4	5
WSS	5	7	8	8	7	4	3	2	5
Finance	8	14	6	5	2	0	2	1	4
Health	4	1	1	2	3	2	2	1	2
Public policy	0	0	0	0	0	0	0	0	0
Total spending	3,748	4,417	4,934	4,415	4,271	5,657	6,381	12,693	5,814

ANR = agriculture and natural resources, WSS = water supply and sanitation. Note: largest share in each year is in bold.

^a Development spending was reported in SUM and converted to \$ based on the official exchange rate at the end of each year.

Sources: CAPE team's estimates based on publicly available data on state-guaranteed investments, foreign direct investment and borrowings, foreign direct investment and borrowings in the Navoi Free Industrial and Economic Fund, the State Fund for Reconstructions and Development, the Republican Road Fund, the Development Fund for Children's Sport, and the School Fund.

C. Role of Development Partners

29. **Financing.** Official development assistance (ODA) to Uzbekistan, as measured by the Organization for Economic Co-operation and Development, was reasonably stable from 2002 to 2008, averaging \$185 million annually, and varying from \$149 million (2006) to \$246 million (2004). ODA as a share of GDP, however, fell steadily from 2% in 2002 to 0.7% in 2008. Uzbekistan receives relatively little ODA per capita—in 2008 it was in the bottom 20% of countries ranked by income per capita, but also in the bottom 20% of countries ranked by ODA per capita. From 2002 to 2008, Uzbekistan received less than \$7 per person annually in ODA. Viet Nam, with an average income comparable to Uzbekistan, received more than \$22 per person annually, while Mongolia, with a much higher per capita income, received \$89 per person annually.¹⁸

¹⁸ The information in this paragraph is from the CAPE team's calculations based on OECD. 2010. Statistical Annex of the 2010 Development Co-operation Report.

30. Table 2 shows the distribution of financing from the main development partners in Uzbekistan from 2002 to 2009.¹⁹ ADB has been the largest financier in ANR; education; WSS; and law, economic management, and public policy (hereafter public policy). It has also been a significant financier in each sector except industry.²⁰ ADB has been the largest financier overall, accounting for 39% of financing from 2002 to 2009. From 2002 through 2009, ADB committed an average of about \$135 million annually to Uzbekistan (grants and loans). The largest share of sector-specific financing is for projects and programs in ANR, with 28% of all financing, followed by energy (19%) and several other sectors with comparable shares. Each sector has two or three significant development partners.

**Table 2: Distribution of Financing by Sector and Source:
Portfolio of Ongoing Foreign-Financed Projects and Programs, as of June 2009 (%)**

Sector	ADB	JICA	World Bank	IDB	EBRD	Others	By Sector ^b
ANR	45	0	33	9	5	8	28
Energy	17	62	0	17	0	4	19
Education	72	0	16	8	0	4	13
Transport	29	62	0	5	2	2	12
WSS	62	0	16	14	4	5	12
Industry	0	56	0	11	32	0	6
Health	33	0	37	20	0	10	6
Finance	29	0	0	44	27	0	3
Public policy	80	0	1	1	0	18	1
By Source^a	39	23	15	12	5	5	100

ADB = Asian Development Bank, ANR = agriculture and natural resources, EBRD = European Bank for Reconstruction and Development, IDB = Islamic Development Bank, JICA = Japan International Cooperation Agency, WSS = water supply and sanitation.

Note: The largest share per sector is in bold.

^a The share per source is the sum of commitments per organization divided by total commitments, not the sum of the shares in the cells above.

^b The share per sector is the sum of all commitments per sector, divided by total commitments, not the sum of the shares in the cells to the left.

Sources: Asian Development Bank, European Bank for Reconstruction and Development, Islamic Development Bank, European Union, German development cooperation through KfW, Japan Bank for International Cooperation, Japan International Cooperation Agency, Kuwait Fund for Arab Economic Development, OPEC Fund for International Development, Saudi Fund for Development, United Nations Development Programme, United States Agency for International Development, and World Bank. Excludes GTZ, Economic Development Cooperation Fund, and JICA (technical cooperation projects only), because information on financing from these development partners is not publicly available.

31. **Aid coordination.** The Aid Coordination Division of the Ministry of Finance is responsible for coordinating aid to Uzbekistan. CAREC also plays an important role in coordinating some aid to Uzbekistan through CAREC's overall efforts to coordinate aid in the region. CAREC's role is limited to coordinating aid for projects of regional significance, and to CAREC's main interests in transport, energy, and trade.

32. Unlike in some other developing member countries of ADB, in Uzbekistan there are no organized groups or regularly scheduled meetings focusing on specific sectors (there are sector groups meetings within CAREC). Although the lead development partner is recognized in some sectors, the lead is implicit and not established through, for example, chairmanship of sector

¹⁹ The People's Republic of China also provides significant financing for development in Uzbekistan, but the CAPE team has no information on the amount or breakdown across sectors.

²⁰ ADB started a new sector classification system in 2009. This evaluation uses the former classification system, however, since it applied during all but the last year of the period covered by the evaluation.

working groups. As of 2011, the only functioning sector working group is in WSS, led by the Swiss Agency for Development and Cooperation (SDC). Other sector working groups, now defunct, have been in irrigation and railways. ADB is considered the lead development partner in transport. ADB was previously considered the lead in education, but has lost that role, as its support for education has fallen. ADB and the World Bank jointly reviewed their portfolios in 2006, 2007, and 2008, but in 2009 the World Bank decided to review its portfolio separately from ADB.

33. In the absence of formal aid coordination forums, the development partners coordinate informally. The country directors of development partners meet informally through regular and occasional gatherings and when senior officials from their headquarters visit Uzbekistan. Visiting staff identify and arrange meetings with relevant staff of the other development partners. This is an informal system, effective in some ways, but leaving gaps in (and hence opportunities to improve) aid coordination. Development partners reported that they lack complete information about the activities of other development partners, including what projects others are financing and the lessons that can be learned from the experience of others.

III. ADB'S COUNTRY STRATEGIES AND PROGRAM

A. ADB's Country Strategy and Program for 2006–2010

34. **ADB's strategic choices and constraints.** In developing the CSP, ADB faced several significant choices about the future of its program in Uzbekistan. The previous CAPE identified three general strategic challenges facing ADB: (i) improve strategy formulation and program management, (ii) strengthen governance, and (iii) improve management of TA. The CSP recognized four general strategic choices facing ADB, which it expressed in terms of the strategy's four priorities: (i) accelerate environmentally sustainable rural development, (ii) enable private sector development, (iii) promote regional cooperation in transport and customs transit, and (iv) build the human capital of the poor. Besides making strategic choices, ADB also needed a strategy for meeting its commitments under the Paris Declaration, and for applying ADB-wide policies in Uzbekistan.

35. **Improving strategy formulation and program management.** The CSP recognized the need to strengthen the link between the strategy and the program, and tried to link strategic principles with programming. To strengthen sector selectivity and focus, the CSP reviewed the sectors and thematic areas (including private sector development) that ADB had been or could be supporting, and used that review to specify activities that ADB would change. The CSP did not limit the number of sectors or subsectors for ADB to support, but the specified activities seem sufficient to ensure focus. The CSP predicted that 71% of lending would go to "rural development," 13% each to private sector development and regional cooperation, and 3% to energy.²¹

36. To strengthen ADB's geographic focus, the CSP directed ADB to support rural development and to decrease its support in urban areas. To strengthen the thematic focus, the CSP stressed support for private sector development, including private sector financing, and suggested some efforts to boost support for governance. The CSP did not have a clear strategy for financing or for partnerships, and aimed only to explore opportunities for grant financing and

²¹ These financing categories are specified in the CSP, although they are not standard categories in ADB. Private sector development and regional cooperation are themes, whereas energy is a sector. ADB does not have a rural development classification.

to develop a separate cofinancing strategy. In sum, except for partnerships, the CSP offered specific and practical guidance to ADB's future programming.

37. **Strengthening governance.** The CSP responded appropriately but not directly to the challenge of helping to strengthen governance. The CSP did not explicitly aim to focus on governance topics that were of high priority to the government. The CSP's approach to mainstreaming governance was to pursue a core set of governance outcomes identified in the country results framework.

38. **Improving management of technical assistance.** The CSP aimed to strengthen TA by developing continuity in the TA program across time, and by linking advisory TA with ADB-financed projects. The CSP aimed for 40% of advisory TA to be allocated to rural development, 33% to private sector development, 18% to human development, and the balance to regional cooperation. The CSP did not, contrary to the CAPE's recommendations, focus on TA outcomes and impacts rather than just outputs, or consider how to improve project preparatory TA and better use international and local consultants.

39. **Accelerating environmentally sustainable rural development.** The CSP sought to support rural development by taking a holistic approach—continuing support for agriculture while supporting rural infrastructure and environmental management. To raise agricultural productivity, the CSP directed ADB to support land and water resource management, and to support reforms in agricultural policies and land administration. ADB also aimed to start supporting renewable energy. The CSP aimed to integrate gender into rural development by creating more jobs for women, and by raising awareness of women's roles in water resource management.

40. **Enabling private sector development.** The CSP had a broad strategy for supporting private sector development. Recognizing the need to improve the enabling environment for private sector development, the CSP aimed to support wide-ranging reforms. It aimed to help the government strengthen industrial policy, which has been an important part of the government's development strategy. In ADB's public sector program, ADB planned to help strengthen institutions, including the government's capabilities to plan and implement reforms. In its private sector program, ADB planned to facilitate foreign direct investment through debt and equity financing, and to support privatization. The CSP recognized the importance of financial sector development to the private sector, and aimed to support banking based on the results of a diagnostic study, support private commercial banks, and avoid credit lines until conditions improved. The CSP also aimed to boost private sector job prospects for women, including support of entrepreneurship through business and skills training.

41. **Promoting regional cooperation in transport and customs transit.** Although regional cooperation was a priority in the strategy, it was and is mainly directed by ADB's regional strategies. Hence, the CSP focused on aspects of regional cooperation within Uzbekistan. ADB aimed to help link transport infrastructure with transit and to help improve customs administration.

42. **Building the human capital of the poor.** ADB had been involved in several areas of social development, including health and secondary education. To sharpen ADB's focus on social development, the CSP aimed for ADB to do less in health, stop supporting secondary education, and avoid starting a program in social protection. The CSP advised ADB to continue support for basic education and to start supporting early childhood development.

43. **Gender and development.** ADB published a country gender assessment in 2005,²² and used the findings in the CSP. The assessment identified the primary gender and development issues as economic insecurity, urban-rural divide in terms of differential access to infrastructure and basic services, changes to the healthcare system, low participation in decision making, and weak gender-disaggregated statistics. The assessment continued a project-based approach of mainstreaming gender issues and extended the scope to infrastructure projects, namely in transport and energy. In addition to boosting women's job prospects, the CSP's gender strategy aimed to promote women's involvement in three ways: (i) develop criteria for the gender content of educational materials, to avoid stereotypes; (ii) investigate ways to support technology training courses for women; and (iii) support a survey to assess time burdens on men and women, and build capacity in government to better use such data in policy decisions.

44. **Paris Declaration.**²³ The strategy did not mention the Paris Declaration, and the CSP only partly covered ADB's commitments. The CSP aimed for annual financing of \$100 million combined from OCR and the ADF, which is consistent with the Paris Declaration's call for clarity and consistency in resource allocation. The CSP was partly consistent with the Paris Declaration's call for respecting country ownership, avoiding duplication of effort across development partners, using a suitable mix of aid, aligning aid with national development priorities, and managing for development results with the help of a results framework. The CSP did not, however, explicitly consider aid coordination.

45. **ADB's policies.** ADB's 2001 medium-term strategy²⁴ called on country strategies to carry out ADB's 2001 long-term strategy.²⁵ ADB's business processes at the time emphasized "the centrality of the CSP in ADB operations" and dictated the format and contents of the document reporting the strategy.²⁶ ADB's enhanced poverty reduction strategy, adopted in 2004, introduced results frameworks for country strategies, linking the strategy with expected outcomes.

46. The CSP broadly followed the principles of ADB's 2001 long-term strategy and related documents, including the five thematic priorities of gender equality, environmental sustainability, private sector development, regional cooperation, and capacity development. The CSP did not, however, explicitly discuss how the country strategy was relevant to ADB's three strategic pillars—(i) pro-poor, sustainable economic growth; (ii) inclusive social development; and (iii) good governance.

47. The CSP included a country results framework that associated the strategy's four strategic priorities with the country's long-term development outcomes, and outcomes that ADB expected to influence. The results framework was incomplete, lacking many indicators, baselines, and targets. Of the 33 outcomes that ADB expected to influence, 13 outcomes did not have an indicator, baseline, or target; 10 had indicators but no baselines or targets; 4 had indicators with baselines, but no targets; and 4 had indicators, baselines, or targets that were not relevant. Only two outcomes had adequately specified indicators; those two indicators related to specific policy changes, so the target was implicit in the indicator, and no baseline was needed.

²² ADB. 2005. *Country Gender Assessment for Uzbekistan*. Manila.

²³ The Government of Uzbekistan has not endorsed the Paris Declaration.

²⁴ ADB. 2001. *Medium-Term Strategy (2001–2005)*. Manila.

²⁵ ADB. 2001. *Moving the Poverty Reduction Agenda Forward in Asia and the Pacific: The Long-Term Strategic Framework of the Asian Development Bank (2001–2015)*. Manila.

²⁶ ADB. 2001. *Business Processes for the Reorganized ADB*. Manila. Appendix 1 and Appendix 3.

48. It was not necessarily a problem for the results framework to have been incomplete at the time the country strategy was published, if the results framework would be updated later. Indeed, a results framework should be updated and revised as needed. No updated results framework for Uzbekistan was issued, however, until 2010.²⁷ The CSP reported that TA would be used for monitoring results, but ADB did not approve any such TA. A usable results framework was not in place during the years covered by the CAPE.

49. **Cost of producing the strategy.** Processing the CSP took place over 3.3 years and used over 5 person-years of staff and consultants, at a total estimated cost of about \$1.2 million.²⁸ The staff time included international and national staff, but excluded administrative staff and staff in support departments, so the staff time and actual cost of the CSP could be underestimated. The cost of processing the CSP was comparable to that for the 2005 CSP for Bangladesh, which cost about \$1.3 million and used about 5 person-years of staff and consultants.²⁹ The cost of producing a country strategy of the size and scope of the CSP should be considered in terms of its marginal benefits and costs relative to strategies of lesser size and scope, and the alternative uses of and priorities for staff time, consultants, and travel.³⁰

B. Programming and Portfolio Indicators

50. This section describes ADB's programming during 2002–2005 (under the 2000 country operational strategy [COS]) and 2006–2009 (under the 2006 CSP). It also analyzes the extent to which ADB met its commitments under the Paris Declaration, outlines ADB's programming relative to ADB's previous long-term strategy, and describes how the program should adjust to follow ADB's current long-term strategy. Appendix 2 contains a detailed list of ADB's program of loans, advisory TA, and knowledge products.

51. **Programming by sector and relative to the country strategy and program.** ADB's program was consistent with the principles guiding its support for rural development and for public administration; it was not consistent with principles for public financial management and urban development. The strategy called for ADB to avoid support for public administration, public financial management, and urban development, but the program supported public financial management and urban development. The program was partly consistent with the principles guiding ADB's support for private sector development, energy, and regional cooperation. The main deviations from the strategy were the lack of private sector financing and lack of support for modernizing customs.

52. ADB's programming under the 2006 CSP differed from programming under the 2000 COS. Table 3 shows ADB's financing for projects or programs under each country strategy, across sectors. ADB financed projects in six sectors from 2002 to 2005, and in five sectors from 2006 to 2009. During 2006–2009, ADB did not finance projects in energy, health, and finance,

²⁷ ADB. 2010. *Country Operations Business Plan: Uzbekistan, 2010–2011*. Manila.

²⁸ Staff time is that reported by members of the country team in interviews for this evaluation. Staff reported their time based on memory; ADB does not have a time-keeping system for tasks. Travel cost includes all travel for members of the country team during processing of the CSP.

²⁹ ADB. 2008. *Country Assistance Program Evaluation: Bangladesh*. Manila.

³⁰ In 2010, ADB changed its processes for producing country strategies. The change was partly motivated by the desire to reduce the time and cost of producing country strategies.

but added financing for projects in transport and public policy.³¹ During each period, ADB financed projects in ANR, education, and WSS, but financing for education fell significantly, while financing for ANR and WSS rose. Total financing fell by about 15%, so there was less room to finance projects during 2006–2009. Financing in 2006–2009 averaged \$95.5 million annually, close to the \$100 million annual financing expected in the CSP.³²

Table 3: Public Sector Loans and ADB-administered Grants, 2002–2009

Sector	2002–2005		2006–2009 ^a		Total	
	(\$ million)	Share (%)	(\$ million)	Share (%)	(\$ million)	Share (%)
ANR	99.2	22	163.2	43	262.4	31
Education	163.5	36	31.5	8	195.0	23
WSS	64.5	14	91.5	24	156.0	19
Transport	0.0	0	75.3	20	75.3	9
Energy	70.0	15	0.0	0	70.0	8
Health	40.0	9	0.0	0	40.0	5
Finance	20.0	4	0.0	0	20.0	2
Public policy	0.0	0	20.7	5	20.7	2
Total	457.2	100	382.2	100	839.4	100

ANR = agriculture and natural resources, WSS = water supply and sanitation.

^a The total for 2006–2009 includes \$6 million in grants from the Global Environment Facility, Japan Fund for Poverty Reduction, and Multi-Donor Trust Fund–Water Financing and Partnership Facility administered by the Asian Development Bank.

Source: Country assistance program evaluation team's calculations based on the Asian Development Bank's database.

53. ADB's financing of advisory TA also differed under the two country strategies. Table 4 shows advisory TA by sector during 2002–2005 and 2006–2009. During 2002–2005 ADB approved advisory TA in seven sectors, and in just three sectors in 2006–2009. The only continuity in ADB's TA financing was in public policy, which received \$1.3 million in the first period and \$1.4 million in the second. Despite significant financing for WSS projects, ADB did not finance any advisory TA in WSS from 2002 to 2009. In addition to advisory TA for Uzbekistan, ADB also approved 16 regional TA projects involving Uzbekistan, totaling \$22.4 million (excluded from Table 4).

³¹ In 2010, ADB approved loans for projects in energy and finance: ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Talimarjan Power Project*. Manila; ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance to Uzbekistan for the Second Small and Microfinance Development Project*. Manila.

³² In 2010, ADB approved financing for four projects totaling \$656 million.

Table 4: Advisory Technical Assistance to Uzbekistan, 2002–2009

Sector ^a	2002–2005		2006–2009		Total	
	(\$ million)	Share (%)	(\$ million)	Share (%)	(\$ million)	Share (%)
ANR	2.4	32	0.8	34	3.2	32
Public policy	1.3	17	1.4	60	2.7	27
Finance	1.3	17	0	0	1.3	13
Transport	1.0	13	0.2	6	1.2	11
Energy	1.0	12	0	0	1.0	9
Education	0.4	5	0	0	0.4	4
Health	0.3	4	0	0	0.3	3
WSS	0.0	0	0	0	0.0	0
Total	7.7	100	2.4	100	10.0	100

ANR = agriculture and natural resources, WSS = water supply and sanitation.

^a Projects officially classified as multisector are broken down into their subprojects, and the sector classifications and totals of subprojects are used instead.

Source: Country assistance program evaluation team's calculations based on the Asian Development Bank's database.

54. Financing for projects and advisory TA for 2006–2009 was not as predicted in the CSP. Table 5 shows the allocation of financing predicted in the CSP, and the actual allocation over 2006–2009. Lending for rural development (43%) was much less than predicted (71%), while lending for human development (32%) was far higher than predicted (13%).³³ The main cause of the difference was the shift from rural to urban water supply. Funding for advisory TA in rural development (33%) was reasonably close to the predicted funding (40%), but ADB funded much less advisory TA in private sector development (8%) than expected (33%), and did not fund any advisory TA in human development.

Table 5: Percentage Funding Predicted in the 2006 Country Strategy and Program for Lending and Advisory Technical Assistance versus Actual Funding in the Program, 2006–2009

Category of Financing	Lending		Advisory TA	
	Predicted	Actual	Predicted	Actual
Rural development	71	43	40	33
Private sector development	0	<1	33	8
Human development	13	32	18	0
Regional cooperation	13	20	0	0
Energy	3	0	0	0

TA = technical assistance.

Source: Country assistance program evaluation team's calculations based on the Asian Development Bank's database.

55. ADB's focus on financing for projects and for TA sharpened under the CSP. Table 6 shows the focus as measured by a concentration index; the inverse of the concentration index gives the effective number of sectors.³⁴ The concentration of projects and programs rose from 0.23 under the 2000 country strategy to 0.29 under the 2006 strategy; the effective number of

³³ ADB does not classify projects as rural development or human development. The allocation of funding for those two categories is based on Tables 3, 4, and 10, and the CAPE team's interpretations of projects.

³⁴ Specifically, Table 6 shows the Simpson concentration index, which is the sum of the squared shares. For example, the Simpson concentration index would equal 1.00 if the program focused on only one sector. See L. Jost. May 2006. *Entropy and diversity*. OIKOS.

sectors fell by about one. The concentration of advisory TA rose from 0.17 to 0.47 between the 2000 and 2006 country strategies, with the effective number of sectors falling from about 6 to about 2.

Table 6: Concentration and Effective Number of Sectors, 2002–2009

Measure of Focus	Projects and Programs		Advisory Technical Assistance	
	2002–2005	2006–2009	2002–2005	2006–2009
Concentration	0.23	0.29	0.17	0.47
No. of sectors	4.40	3.50	5.70	2.10

Source: Country assistance program evaluation team's calculations based on Table 3 and Table 4.

56. ADB's focus is comparable to that of the other main development partners. Table 7 shows the concentration and effective number of sectors for the five largest development partners. Japan and the World Bank have the highest concentration and lowest effective number of sectors.

Table 7: Concentration and Effective Number of Sectors in the Portfolios of the Main Development Partners, June 2009

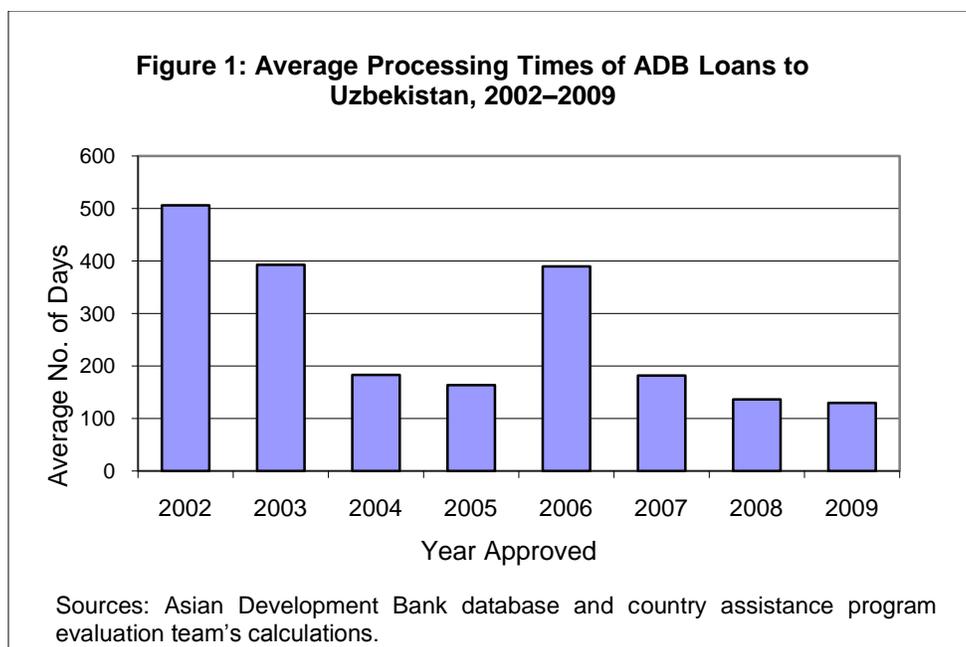
Measure of Focus	ADB	JICA	World Bank	IDB	EBRD
Concentration	0.20	0.40	0.41	0.16	0.28
No. of sectors	5.00	2.50	2.40	6.10	3.50

ADB = Asian Development Bank, EBRD = European Bank for Reconstruction and Development, IDB = Islamic Development Bank, JICA = Japan International Cooperation Agency.

Source: Country assistance program evaluation team's calculations based on Table 2.

57. **Loan processing.** The average time to process loans to Uzbekistan fell from 2002 to 2009 (Figure 1). Loans approved in 2002 took more than 500 days (1.4 years) from fact-finding to approval by ADB's Board of Directors. In 2009, the average time to approval was just over 100 days (0.3 years). Loan processing times increased in 2006, however, when the loan for the Land Improvement Project³⁵ took 231 days from the end of loan fact-finding to the Management review meeting. Overall, the most time savings occurred from the start of loan fact-finding to loan appraisal, and from loan negotiations to circulation of the report and recommendation of the President to the Board.

³⁵ ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Land Improvement Project*. Manila.



58. **Procurement and financial reporting.** The evaluation reviewed procurement and financial reporting in ADB-financed projects in Uzbekistan. The review covered the procurement rules of ADB and the government, ADB's rules for audited project financial statements, and procurement and financial statements in selected projects. It found that the internal control environment was strong, with no apparent tolerance for corruption but with limitations in implementation that could be due to capacity constraints or other reasons. The procurement rules of ADB and the government conflict in some aspects, particularly regarding verification of prices on awarded contracts—price verification can delay projects by 2 months on average. ADB's rules for audited financial statements are spread across multiple documents, making it difficult and confusing to determine exactly what ADB requires; that difficulty, combined with capacity constraints of domestic auditors, seems to lead to insufficient quality in audited financial statements.

59. **Partnerships.** ADB developed and joined several partnerships from 2002 to 2009. In ANR, ADB joined the Central Asian Countries Initiative for Land Management, a partnership among the five Central Asian countries and 10 development partners to combat land degradation, improve rural livelihoods, and adapt to climate change.³⁶ In the transport sector, ADB, the Government of Uzbekistan, and the Government of Afghanistan signed a memorandum of understanding (under the CAREC framework) on the design and construction of the Hairatan-Mazar-e-Shari-Herat railway. In energy, ADB, the World Bank, and the Government of Uzbekistan signed a memorandum of understanding on the construction of an overhead transmission line. ADB is working with the World Bank on producing a development strategy for water supply and sanitation.³⁷ ADB and the World Bank jointly prepared and are

³⁶ ADB. 2006. *Regional Technical Assistance for the Central Asian Countries for the Initiative for Land Management Multicountry Partnership Framework Support Project (Cofinanced by the Global Environment Facility and International Fund for Agricultural Development)*. Manila.

³⁷ The strategy is partly financed under TA 7046-UZB. ADB. 2008. *Technical Assistance to Uzbekistan for the Support for Policy and Institutional Reform*. Manila.

implementing the Women and Child Development Project.³⁸ ADB worked with several other development partners in supporting Uzbekistan's WIS.³⁹

60. **Safeguards.** The CAPE covers 29 ADB-financed projects that were implemented between 2002 and 2009. Of those 29 projects, 26 were required to be categorized for environmental impacts and three were grants that were not required to be categorized. Of the 26 projects that had to be categorized for environmental impacts, none was category A (significant adverse impacts), 17 were category B (site-specific impacts), and 9 were category C (no adverse impacts).⁴⁰ None of the projects that were completed before 2010 had a significant environmental impact according to the project completion reports (PCRs) or project performance evaluation reports.

61. ADB approved financing for 17 projects before adopting the requirement to categorize involuntary resettlement in 2003 and impacts on indigenous peoples in 2004. Another two projects were financed by grants that were not required to be categorized. Of the 10 projects that had to be categorized for involuntary resettlement, none was category A (significant resettlement), one was category B (some resettlement, but not significant), three were category B/C, and six were category C (no resettlement). For impacts on indigenous peoples, none was category A (significant impacts), two were category B (limited impacts), and eight were category C (no expected impacts). None of the completed projects involved resettlement or had a significant impact on indigenous peoples according to the PCRs or project performance evaluation reports.

62. **Project implementation.** Loan disbursement rates (Table 8) were below ADB-wide averages about half the time. For the completed projects, about half were completed within 1 year of the originally expected completion date, and almost all were completed within 2 years. In the ongoing projects, five were delayed past their expected closing dates at the end of 2009. The longest delays were in the Urban Water Supply Project⁴¹ (delayed 3 years by the end of 2009 and completed in 2010) and the Western Uzbekistan Rural Water Supply Project⁴² (delayed 4.3 years).

Table 8: Loan Disbursement Ratios for All ADB Countries, and for Uzbekistan

		2002	2003	2004	2005	2006	2007	2008	2009
All Loans	ADB average	22.2	20.2	17.7	20.7	23.4	25.4	29.5	31.0
	Uzbekistan	9.9	11.5	17.8	20.7	16.4	13.2	10.5	23.7
Project Loans	ADB average	16.3	17.1	14.2	14.6	16.5	18.8	20.3	19.5
	Uzbekistan	9.9	13.7	13.7	17.7	17.3	8.7	10.5	23.7

ADB = Asian Development Bank.

Sources: ADB Central Operations Services Office database; ADB Controller's Department reports.

³⁸ ADB. 2004. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Women and Child Health Development Project*. Manila.

³⁹ ADB. 2007. *Completion Report: Comprehensive Medium-Term Strategy for Improving the Living Standards of the People of Uzbekistan*. Manila.

⁴⁰ For detailed definitions of the categories, see ADB. 2010. *Operations Manual*. Manila.

⁴¹ ADB. 2001. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Urban Water Supply Project*. Manila.

⁴² ADB. 2002. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Western Uzbekistan Rural Water Supply Project*. Manila.

63. Table 9 outlines the ratings of completed projects across sectors. Five completed projects were rated *successful* or *highly successful*, five projects were rated *partly successful*, and one was rated *unsuccessful* (a cancelled project).⁴³ (Three grant-financed projects were also completed, but were not rated.) At the end of 2009 all ongoing projects were rated as making satisfactory progress.⁴⁴

Table 9: Ratings of Completed Projects, 2002–2009

Sector	Unsuccessful	Partly Successful	Successful	Highly Successful
Transport	1	0	2	0
Education	0	2	1	1
ANR	0	1	1	0
Finance–public policy	0	2	0	0
Total	1	5	4	1

ANR = agriculture and natural resources.

Sources: Project completion reports, validation reports, and project performance evaluation reports.

64. **Programming relative to ADB’s 2001 long-term strategic framework.** Table 10 shows how loans approved from 2002 to 2009 were classified by core strategic area and crosscutting theme in ADB’s 2001 long-term strategic framework.⁴⁵ Financing per strategic area and per theme was comparable during 2002–2005 (under the COS) and during 2006–2009 (under the CSP), except for private sector development. During 2002–2005, about a third of financing and projects were classified relevant to private sector development. During 2006–2009, in contrast, only one project was classified as relevant to private sector development, with financing of only \$1.5 million.⁴⁶ ADB’s support for good governance and regional cooperation was not significantly influenced by the CSP. Support for regional cooperation rose slightly (from 15% to 20% of financing and from 8% to 10% of projects). Financing associated with good governance fell (from 61% to 50%), while the percentage of projects associated with good governance rose (from 58% to 80%). Overall, from 2002 to 2009, the lowest financing was for private sector development and regional cooperation (17% of financing for each), and the highest for good governance (68%).

⁴³ The ratings from project performance audit reports or project completion validation reports were used whenever they differed from the ratings in PCRs.

⁴⁴ The Urban Water Supply Project was completed in 2010 and was rated *successful* in its PCR. ADB. 2010. *Completion Report: Urban Water Supply Project in Uzbekistan*. Manila.

⁴⁵ ADB classifies loans without estimating the share of the loan that is relevant to the classification. The table therefore uses the total amount of the loan in estimating the share of financing per strategic area and theme. Loans typically have more than one thematic classification, so financing for a given loan can be counted several times across themes. A more accurate classification would be based, for example, on subprojects, and would show lower shares per strategic area and theme.

⁴⁶ ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Surkhandarya Water Supply and Sanitation Project*. Manila.

Table 10: Share of Financing and Share of Projects for Strategic Areas and Themes^a (%)

Area/Theme	2002–2005		2006–2009		Total	
	Amount	Projects	Amount	Projects	Amount	Projects
Core Strategic Area						
Sustainable economic growth	50	33	32	30	42	32
Inclusive social development	50	58	32	40	42	50
Good governance	61	58	50	80	56	68
Crosscutting Theme^a						
Private sector development	32	33	<1	10	17	23
Environmental sustainability	16	8	57	30	35	18
Capacity development ^b	54	58	72	70	63	64
Gender and development	36	45	65	57	49	50
Regional cooperation	15	8	20	10	17	9

ADB = Asian Development Bank.

^a Themes are those in the 2004 classification system. Theme classifications of projects approved before 2004 were converted to the 2004 classification system. All thematic priorities that are significantly supported by a project (i.e., not only those listed in official project documents) are included. Gender and development, and capacity development are themes under ADB's 2004 classification system but are not crosscutting themes under ADB's 2001 long-term strategy.

^b Projects considered to relate to gender and development were those classified by ADB's Regional and Sustainable Development Department as belonging to category 1 (gender and development theme) and category 2 (effective gender mainstreaming).

Source: Country assistance program evaluation team's calculations based on ADB's database.

65. Table 11 shows the extent to which gender issues appeared in projects that ADB financed between 2002 and 2009. Three projects had gender equity as a theme, six had effective gender mainstreaming, and six had some gender benefits. There was no gender element in the remaining three projects. Seven projects had gender action plans. Two projects with gender equity as a theme did not have gender action plans, but in each of those projects, the project framework had gender targets that were relevant to achieving project outcomes.

Table 11: Number of Projects and Amount of Financing (\$ million) by Gender Mainstreaming Categories, 2002–2009

Category	2002–2005		2006–2009		Total	
	Projects	Financing	Projects	Financing	Projects	Financing
Gender equity theme ^a	2	60.0	1	30	3	90.0
Effective gender mainstreaming ^b	3	124.2	3	220.2	6	344.4
Some gender benefits	5	201.5	1	75.3	6	276.8
No gender element	1	70.0	2	50.7	3	120.7
Total	11	455.7	7	376.2	18	831.9

^a A "gender equity theme" was assigned to projects that directly address gender equality or women's empowerment, and where the outcome statement in the design and monitoring framework explicitly mentions gender equality.

^b A project was considered "effective gender mainstreaming" if its outcome is not gender equality or women's empowerment, but the project is nonetheless likely to deliver tangible benefits to women, or the outcome performance indicators include indicators related to gender.

Source: ADB Gender and Development database of loans and grants.

66. By the end of 2009, the program had followed through on the gender strategy in the CSP, except for technology training courses for women. The Small and Microfinance Development Project (started before the CSP) helped boost women's job prospects.⁴⁷ The Rural

⁴⁷ ADB. 2002. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Small and Microfinance Development Project*. Manila.

Basic Education Project⁴⁸ aims to develop gender-sensitive educational materials. The regional TA on Promoting Gender Equality and Women's Empowerment funded a project to collect gender-disaggregated data, and raise gender awareness among policy makers.⁴⁹

67. One project with gender mainstreaming was completed—the Grain Productivity Improvement Project.⁵⁰ That project aimed to raise farm income by promoting wheat production in an economical and sustainable manner. Aspects of the project related to gender were to raise awareness on gender issues in agriculture, ease women's access to agricultural services, and empower them to participate in community groups and water user associations, but there were no gender-related indicators in the design and monitoring framework. The PCR does not mention any achievements related to gender, but reports compliance with the following gender-related covenants: (i) full compliance with the principles of ADB's Policy on Gender and Development and non-differentiation by contractors of wages between men and women for work of equal value; and (ii) partial compliance with participation of beneficiaries, including women, in the design, implementation, and monitoring of the project. Implementation of a gender action plan was not one of the covenants in the loan agreement, and no gender specialist was hired to guide implementation of a gender action plan or to otherwise support gender-related aspects of the project. The PCR does not otherwise assess outcomes related to gender and development.

68. ADB approved financing for two projects involving regional cooperation. ADB's loan for the Regional Power Transmission Modernization Project,⁵¹ approved in 2002, aimed to modernize the transmission systems and enhance power trade relations between Tajikistan and Uzbekistan. The project failed to take off, though, because of disagreements between the two countries; ADB cancelled the loan in 2005 without it becoming effective. In 2007, ADB approved a loan for the CAREC Regional Road Project,⁵² which is expected to be completed in 2012. The highways included in the project are part of the CAREC corridors, and their development aims to enhance international trade and regional connectivity.

69. **Recent programming compared to Strategy 2020.** ADB introduced a new long-term strategy, Strategy 2020, in April 2008.⁵³ Although ADB's program was only briefly subject to the new strategy, comparing Strategy 2020 with ADB's recent program shows how the program may need to change in the future. ADB's program in Uzbekistan during 2008–2009 was already consistent with Strategy 2020's targets for financing in five core areas. ADB's program is also consistent with the target for environmental management, but no financing is clearly related to climate change.

70. ADB's program in Uzbekistan was less consistent with Strategy 2020 in cofinancing, private sector development, regional cooperation, and knowledge products and services. Strategy 2020 aims for cofinancing to exceed ADB's standalone financing eventually, but no

⁴⁸ ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Rural Basic Education Project*. Manila.

⁴⁹ ADB. 2003. *Regional Technical Assistance to Uzbekistan for Promoting Gender Equality and Women's Empowerment Project*. Manila.

⁵⁰ ADB. 2003. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Grain Productivity Improvement Project*. Manila.

⁵¹ ADB. 2002. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Regional Power Transmission Modernization Project*. Manila.

⁵² ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the CAREC Regional Road Project*. Manila.

⁵³ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank (2008–2020)*. Manila.

cofinancing was directly associated with ADB-financed projects during 2008–2009.⁵⁴ Although there was no formal cofinancing, ADB and other development partners are financing parts of the CAREC Regional Road Project—financing for that project can be considered de facto cofinancing.

71. Strategy 2020 aims for half of ADB’s work to be related to the private sector by 2020. From 2002 to 2009, ADB did not finance any private sector initiatives in Uzbekistan. From 2006 to 2009, only one public sector project was classified as contributing to private sector development, with financing totaling only \$1.5 million. None of the loans approved during 2008–2009 were classified as contributing to private sector development.

72. Another target from Strategy 2020 is for ADB’s knowledge products to be well regarded. ADB did not have a well-developed program of knowledge products and services in Uzbekistan. While the country strategy pledged to do analytical work in rural development, private sector development, and gender, ADB produced no studies on rural development or private sector development, and only one study on gender.⁵⁵ The CAPE team found several ADB multi-country studies involving Uzbekistan, but only one other publication focusing on Uzbekistan covered under the CSP.⁵⁶ Publications are the only knowledge products and services for Uzbekistan that the CAPE team was able to identify (Appendix 2, Table A2.3).

73. Among the multi-country publications involving Uzbekistan, the most prominent is the *Asian Development Outlook* (ADO). The government reported that it appreciated the macroeconomic analysis and policy advice provided by the ADO during the financial crisis. Among nine development partners in Uzbekistan interviewed by the CAPE team, four rated the ADO as effective at providing timely and useful policy advice, while the rest did not know the ADO or had no opinion (Appendix 4). Either the ADO is of little interest to the development partners, or ADB is not sufficiently promoting it.

74. **Response to recommendations of the 2006 country assistance program evaluation.** Table 12 lists recommendations from the 2006 CAPE and summarizes how the country strategy and subsequent programming responded. Many of the recommendations in the first CAPE were related to the general administration of the program; for example, the first CAPE recommended strengthening the relationship between the strategy and the program, increasing sector and geographic focus, and working with the government to select consultants. The first CAPE also had several recommendations related to governance. Other recommendations covered the resident mission, private sector development, and support for education.

75. Overall, there is little consistency between the 2006 CAPE’s recommendations and either the strategy or the program. The strategy and program were fully consistent with only 2 of 26 recommendations in the 2006 CAPE. The program was consistent with another four recommendations, but ADB’s country strategy was not fully consistent with those four. The strategy was consistent with another seven recommendations that were partly consistent with the country program. The strategy and program were each partly consistent with four recommendations. Either the strategy or the program was not consistent with the remaining nine recommendations.

⁵⁴ The loan for the Talimarjan Power Project, approved in 2010, included \$300 million in cofinancing.

⁵⁵ ADB. 2008. *Gender Expertise of Family and Labor Codes of the Republic of Uzbekistan*. Manila.

⁵⁶ ADB. 2009. Uzbekistan: Trade Facilitation and Logistics Development. *Strategy Report*. Manila.

Table 12: Recommendations from the 2006 Country Assistance Program Evaluation and ADB's Response

Recommendation ^a	Strategy ^b	Program ^c
Mainstream governance in sectors and at macro level	++	++
Strengthen links between TA and lending	++	++
Include a well-articulated approach to governance	+	++
Identify strategic topics of interest to the government	+	++
Focus on public communications programs in education	0	++
Develop strategy to manage corruption risks	0	++
Mainstream themes across sectors and operations	++	+
Allocate appropriate staffing to the resident mission	++	+
Strengthen relationship between the strategy and program	++	+
Increase sector focus and selectivity	++	+
Ensure that communities know expected service standards	++	+
Define a larger role for the resident mission	++	+
Look for opportunities to support the private sector	++	+
Work with government in selecting consultants	+	+
Avoid imposing ADB-driven conditions	+	+
Set targets for partnerships and cofinancing	+	+
Identify niche governance topics of priority to government	+	+
Focus on achieving TA results	0	+
Consider more lending for education sector	++	0
Adopt a more systematic geographic focus	+	0
Agree with the government on privatization of companies	+	0
Approach government on assigning lead development partners	+	0
Improve TA supervision and management of consultants	0	0
Focus on governance topics consistent with ADB's resources	0	0
Increase flexibility in project preparation	0	0
Consider supporting improved housing of the rural poor	0	0

ADB = Asian Development Bank, TA = technical assistance.

Note: “++” indicates that the strategy or program was consistent with the CAPE's recommendation, “+” indicates that the recommendation was partly adopted, and “0” indicates that the recommendation was not adopted.

^a ADB. 2006. *Country Assistance Program Evaluation: Uzbekistan*. Manila.

^b Independent Evaluation Department's review of ADB. 2006. *Country Strategy and Program (2006–2010): Uzbekistan*. Manila.

^c Independent Evaluation Department's review of ADB's program.

Source: Country assistance program evaluation team.

IV. ASSESSMENT OF ADB'S COUNTRY STRATEGY AND ASSISTANCE PROGRAM

76. Following the CAPE guidelines, ADB's country assistance program was assessed using six criteria: (i) strategic positioning, (ii) program relevance, (iii) efficiency, (iv) effectiveness, (v) sustainability, and (vi) development impacts. Six sectors were assessed: (i) ANR,

(ii) education,⁵⁷ (iii) finance and public policy (two sectors assessed together), (iv) transport, and (v) water supply and sanitation. The following summarizes the detailed sector assessments by criteria, and presents the overall CAPE ratings.

A. Strategic Positioning

77. The assessment of strategic positioning considers how well ADB guided its program relative to conditions in the country and to ADB's policies and experience. The evaluation assessed positioning relative to nine subcriteria: (i) the country's needs and the government's priorities, (ii) ADB's Strategy 2020, (iii) the government's absorptive capacity, (iv) ADB's comparative advantage per sector, (v) geographical focus in the country, (vi) coordination with development partners, (vii) sector results frameworks, (viii) continuity of key sector efforts, and (ix) financing modalities.

78. **Agriculture and natural resources.** ADB's positioning in ANR is rated *satisfactory*. ADB's ANR strategy is highly relevant to the government's priorities and the sector's needs. Needs in the sector include financing large physical investments like irrigation and drainage rehabilitation, areas in which the government and development partners recognize ADB's expertise. ADB's coordination at the project level has been adequate, although centralized coordination at the sector level has ceased. With five loans over 9 years, ADB has maintained continuity in ANR, but ADB has approved only two loans since 2003, so continuity is weakening. The results framework for ANR had the same flaws as in other sectors, with poorly defined baselines, targets, and deadlines. The CSP did not have a strategy to guide the choice of lending modality (the same applies to the other sectors). ADB has used various types of loans in Uzbekistan, and a strategy was important to identify the basis for choosing the type of loan.

79. **Education.** Positioning in education is *satisfactory*. Reforms in education were prioritized in the WIS with the aim of raising education quality at all levels. Education reform and development were also featured in the CSP, which highlighted the importance of education in contributing to pro-poor growth. The Ministry of Public Education rated ADB's expertise in education "high," and the majority of development partners rated ADB's expertise "high" or "moderate." The sequencing and timing of ADB's project pipeline in education was highly satisfactory, with projects timed to maintain momentum. Continuity suffered during 2006–2009, however, perhaps because of the government's or ADB's shifting of priorities to other sectors.

80. **Finance and public policy.** ADB's positioning in finance–public policy is *satisfactory*. ADB was generally positioned toward the sector's needs and the government's priorities. The government lacked a clear sector strategy before the interim WIS was issued, so ADB had to trust the government's internal processes to identify the most important projects or programs. During 2006–2009, ADB's strategy was to limit support for finance–public policy and avoid credit lines, because of problems with the policy context and ADB's lack of a comparative advantage. Finance–public policy was the only sector with a strategy for lending modalities (i.e., avoiding credit lines). Although ADB correctly recognized it did not have a significant comparative advantage in the sectors, ADB's minimal program over 2006–2009 did not allow it to capitalize on its previous experience, and ADB lost the opportunity to maintain continuity and follow up on the earlier program. The 2006 CSP lacked clear indicators and targets in the results framework for finance–public policy.

⁵⁷ ADB. 2009. *Sector Assistance Program Evaluation. Uzbekistan: Education*. Manila.

81. **Transport.** ADB's positioning in transport is *satisfactory*. Transport has been a high priority for the government. The government and development partners recognize transport as one of ADB's main areas of expertise. Supporting the development of infrastructure like transport is one of the five core areas in ADB's Strategy 2020. ADB coordinated its transport program well with development partners, particularly with EBRD in the Railway Rehabilitation Project⁵⁸ and the Railway Modernization Project.⁵⁹ ADB's positioning was limited mainly by the inadequate results framework in the 2006 CSP.

82. **Water supply and sanitation.** ADB's positioning is *satisfactory*. The 2006 CSP aimed for ADB to focus on rural areas. WSS was the only sector with a strategy for geographic focus, but geographic focus is not a major issue in a country the size of Uzbekistan.⁶⁰ Rural WSS is important, but ADB's sector strategy underestimated the need for rehabilitating and expanding urban WSS, leading to a mismatch between ADB's strategy and government priorities for WSS. ADB later realized the divergence between the government's priorities and the country strategy, and supported urban water supply, but should have updated the CSP. SDC is officially the lead agency in WSS, but SDC told the CAPE team that it values ADB as an unofficial coleader. SDC and ADB could consider jointly developing formal coordination with other development partners in WSS. In the results framework of the 2006 country strategy, the outcomes pertaining to WSS were not adequately specified with indicators, baselines, and targets. The outcomes seemed pertinent to the strategy, and could have been supported through the program.

83. **Rating.** Overall, ADB's strategic positioning is rated *satisfactory*. ADB's strategy focused mostly on financing infrastructure and other large physical investments like rehabilitating railways and irrigation systems. The government and other development partners recognize infrastructure finance as one of ADB's strengths; it is also (since 2008) one of Strategy 2020's core areas. ADB appropriately decided to limit support for finance–public policy and avoid credit lines, considering persistent problems in sector policies and ADB's lack of a comparative advantage in the sectors. In WSS, ADB aimed to focus on rural water supply, but that sector strategy was later found to be inconsistent with the sector's needs and the government's priorities. ADB has used a variety of lending modalities in Uzbekistan, but avoiding credit lines was the only strategy guiding the choice of lending modality at the sector or country level. Coordination at the sector level was largely informal, and as of 2011 only WSS has formal coordination mechanisms. A significant shortcoming in the 2006 CSP is the design of the country results framework, which lacked adequate indicators, benchmarks, deadlines, and targets. ADB should have updated the CSP with a revised and fully developed country and sector results framework.

B. Program Relevance

84. The assessment of relevance considered the extent to which ADB-financed projects and advisory TA were pertinent to ADB's sector strategies for Uzbekistan. The evaluation assessed relevance through the following subcriteria: (i) consistency between the program and the sector strategy, and the justification for any departures; (ii) the design of projects; and (iii) the quality of design and monitoring frameworks (DMFs).

⁵⁸ ADB. 1998. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Railway Rehabilitation Project*. Manila.

⁵⁹ ADB. 2000. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Railway Modernization Project*. Manila.

⁶⁰ Uzbekistan is comparable in population to a medium-size Indian state or a province-level administrative division of the People's Republic of China. By land area, however, Uzbekistan is larger than most of those states and provinces.

85. **Agriculture and natural resources.** ADB's ANR program is rated *relevant*. All projects and associated TA linked reasonably well with the strategic priorities of the 2006 CSP, including those projects in the program before 2006. Most projects were closely related to irrigation and drainage rehabilitation, and were also relevant to the government's irrigation and drainage strategy. ANR projects were generally well designed, with the Ak Altin Agricultural Development Project⁶¹ and the Land Improvement Project standing out as containing detailed institutional, policy, and sector analyses, including their promotion of water user associations. DMFs had adequate statements of their impacts and outcomes, with detailed and time-specified targets.

86. **Education.** ADB's program in education is *relevant*. ADB's support was relevant to the country's needs, especially in its transition from central planning to a market-based economy. The Basic Education Textbook Development Project⁶² was credited with helping the government modernize its curriculum and textbooks, which were important in supporting the country's economic transition. The design of the Senior Secondary Education Project,⁶³ however, lacked technical specifications, causing delays in civil works; and management of the project was left solely to an inexperienced project implementation unit (PIU).

87. **Finance and public policy.** ADB's program in finance–public policy is *relevant*. Its program during 2002–2005 was partly consistent with the country strategy of 2000; the main limitations were lack of support for reducing interest rate subsidies and for developing the market for treasury bills. ADB's program during 2006–2009 was consistent with the 2006 country strategy, limited only by lack of support for industrial policy. ADB's support for the Public Finance Management Reform Project⁶⁴ was contrary to the strategy's guidance not to support public finance, but was justified by supporting a priority project of the government after other funding became unavailable. Although the advisory TA projects were well designed, the three projects financed by ADB had significant design flaws. The Independent Evaluation Department's (IED) project performance evaluation report rated the Rural Enterprise Development Project⁶⁵ *irrelevant* because of a lack of assessment of the financial sector and flawed financial covenants. The Small and Microfinance Development Project learned lessons from the Rural Enterprise Development Project, but should not have used a financial intermediation loan in the limited institutional environment. In the ongoing Small and Microfinance Development Project, a subcomponent to provide subordinated debt was cancelled because there was no demand for it from eligible firms.

88. **Transport.** ADB's transport program is *relevant*. The program during 2006–2009 was generally consistent with the country strategy, although relevance was limited by the small size of the program (i.e., one loan and one advisory TA since 2005). The Railway Modernization Project and its associated advisory TA faced some design problems, but otherwise transport projects were well designed. The DMF for the CAREC Regional Road Project was well done, and could be a model for other DMFs to follow.

89. **Water supply and sanitation.** ADB's WSS program in Uzbekistan is *relevant*. The program departed from the country strategy by supporting only urban water supply instead of rural water supply, but that departure was justified in meeting the government's priorities. WSS

⁶¹ ADB. 2010. *Completion Report: Ak Altin Agricultural Development Project in Uzbekistan*. Manila.

⁶² ADB. 2005. *Completion Report: Basic Education Textbook Development Project in Uzbekistan*. Manila.

⁶³ ADB. 2007. *Completion Report: Senior Secondary Education System in Uzbekistan*. Manila.

⁶⁴ ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Public Finance Management Reform Project*. Manila.

⁶⁵ ADB. 2007. *Project Performance Evaluation Report: Rural Enterprise Development Project in Uzbekistan*. Manila.

projects were generally well designed, with detailed analysis of the physical and institutional environments in the project areas, and adequate reporting of alternative solutions. DMFs adequately identified baselines, outcome, and impact targets, but the DMFs were not in line with the sector results framework, and there was no monitoring against the results framework.

90. **Rating.** Overall, ADB's program is rated *relevant*. The sector programs in finance–public policy and WSS departed from the country strategy, but the departures were justified. Despite the strategy to avoid support for public policy, ADB agreed to finance the Public Finance Management Reform Project when the original funding became unavailable. The WSS program departed from the country strategy by supporting only urban water supply instead of rural water supply, but that departure was justified in meeting the government's priorities for urban water supply. Otherwise, the sector programs were reasonably consistent with the sector strategies. Most projects were well designed, but there were flaws in the design of three finance projects.

C. Efficiency

91. The assessment of efficiency considers how well ADB's and the country's resources were used in ADB-financed projects. The evaluation assessed the efficiency of resource use relative to three subcriteria: (i) the economic internal rate of return (EIRR) of projects; (ii) the performance of ADB's portfolio in terms of contract awards, disbursements, and other portfolio indicators; and (iii) ADB's business processes.

92. **Agriculture and natural resources.** ADB's ANR program is rated *efficient*. EIRRs for the two completed projects were 14% (Ak Altin Agricultural Development Project) and 37% (Grain Productivity Improvement Project).⁶⁶ EIRRs of ongoing projects should be high, because the projects include rehabilitation of existing works, so they will generate benefits without incurring some of the initial costs of new projects. Portfolio performance has been satisfactory, but with delays experienced in the start-up and completion of most projects. Most ANR projects were delayed at start-up, partly caused by the need for presidential or cabinet of ministers' decrees to be issued before implementation could start. Project directors surveyed during the evaluation generally consider ADB to have been responsive to requests for implementation changes. A limitation of ADB's business processes is that ADB's procurement guidelines do not allow ADB to finance the purchase of goods and services from CIS countries that are not members of ADB. This is a particular problem in ANR, since all existing irrigation pumps were built in the CIS, parts of which are not members of ADB, and the inability to repurchase from the original manufacturer can impose higher costs on the government and result in mismatching of equipment—for example, with two different brands of pump in the same pumping station.

93. **Education.** ADB's support for education is *efficient*. The program was implemented without serious delays, and provided significant benefits to the poor by prompting policy and institutional reforms. The Ministry of Education noted some inefficiencies in ADB's processes, although the efficiency of ADB's business processes improved over 2002–2009. EIRRs were generally not applicable and not estimated in education projects.

94. **Finance and public policy.** ADB's program in finance–public policy is *less efficient*. The Rural Enterprise Development Project was ADB's first loan to Uzbekistan, and ADB processed the loan quickly. The attempted efficiency in loan processing partly contributed to problems in design that eventually compromised the efficiency and effectiveness of the project. The Small

⁶⁶ ADB. 2010. *Completion Report: Grain Productivity Improvement Project in Uzbekistan*. Manila.

and Medium Enterprise Development Project⁶⁷ incorporated lessons learned from the Rural Enterprise Development Project, but ADB's business processes underestimated the potential problems in subprojects, leading to only 8 of 31 subprojects being successful. Advisory TA was delayed by problems in recruiting and supervising consultants.

95. **Transport.** ADB's transport program is *efficient*. EIRRs were high, as expected in rehabilitation projects—the Railway Rehabilitation Project had an EIRR of 38% and the Railway Modernization Project had an EIRR of 17%.⁶⁸ ADB processed the loan for the CAREC Regional Roads Project in less than 6 months, in contrast to the more than 2.5 years it took to process the loan for the Road Rehabilitation Project in 1998.⁶⁹ The Road Rehabilitation Project was cancelled, despite the lengthy preparation, while the CAREC Regional Roads Project has been progressing ahead of schedule with no obvious design flaws. Hence, the faster loan processing is consistent with the view that the efficiency of ADB's business processes has improved. The main limitation in ADB's efficiency is higher costs imposed on projects by ADB's procurement guidelines, which raised the cost of rail by 250%.

96. **Water supply and sanitation.** ADB's WSS program is *efficient*. Projects were delayed, but the delays were caused more by government procedures rather than ADB procedures. Project staff interviewed by the CAPE were satisfied with ADB's business processes and considered ADB to be efficient. The one completed WSS project, the Urban Water Supply Project, had low EIRRs for all subprojects, but other ongoing projects seem on track for realizing the high EIRRs predicted at appraisal.

97. **Rating.** Overall, ADB's program is rated *efficient*. EIRRs were high for the rehabilitation projects in ANR and transport, but low for the one completed water supply project (finished in 2010). The speed of ADB's loan processing has increased, and so far the fast processing does not seem to have compromised the quality of project design; hence, the efficiency of ADB's business processes may have improved. The main limitations to ADB's efficiency were from delays in project implementation and restrictions to procurement, which raised costs. Delays were partly caused by the need for a government decree before project implementation could start. Another source of inefficiency was due to ADB limiting procurement to member countries, which prevented some projects from procuring goods and services from least-cost sources, particularly those in the CIS.

D. Effectiveness

98. The assessment of effectiveness considers the extent to which ADB contributed to intended or expected outcomes. ADB's effectiveness was assessed through three subcriteria: (i) achievement of outcomes in the DMFs of projects, (ii) achievement of sector outcomes in the results framework of the 2006 CPS, and (iii) any other pertinent outcomes not represented in DMFs or the results framework.

99. **Agriculture and natural resources.** ADB's ANR program is rated *less effective*. The PCR for the Grain Productivity Improvement Project rated the project *effective*, while the PCR for the Ak Altin Agricultural Development Project rated the project *less effective*. There have been only limited achievements of the sector outcomes specified in the results framework of the

⁶⁷ ADB. 2007. *Completion Report: Small and Medium Enterprise Development Project in Uzbekistan*. Manila.

⁶⁸ ADB. 2010. *Project Performance Evaluation Report: Railway Rehabilitation Project and Railway Modernization Project in Uzbekistan*. Manila.

⁶⁹ ADB. 2009. *Completion Report: Road Rehabilitation Project in Uzbekistan*. Manila

2006 CSP, but the limited achievement is mainly due to the poor design of the results framework, which focused on policy changes that were largely beyond ADB's influence. ANR projects aimed to promote policy reforms and build organizations, but with limited effect. All five ANR projects included conditions relating to improvements in the farm policy environment. While the government has attempted to comply with most of these covenants within the relevant project areas, there was little overall improvement in the policy environment. A significant and generally positive change has been the closure of the farm cooperatives and their replacement by individual leasehold farms. That program, however, also highlighted the low security of tenure of farmers over their land. ADB's program brought about limited changes in the capacity and capability of organizations. The main effect on organizations was on water user associations. An advisory TA⁷⁰ worked to establish the legal framework of water user associations, and all five ANR projects included activities to support the associations. Those water user associations selected as demonstration projects have received substantial benefits, but many nonproject associations are not operating at a satisfactory level.

100. **Education.** ADB's support for education is *effective*. The program helped identify and promote necessary reforms, and helped build needed institutions to improve sector management. ADB's advisory TA played an important role in identifying the reforms in education needed after Uzbekistan's independence. The advisory TA on Capacity Building in Education Finance⁷¹ was credited with devising the textbook rental scheme under the Basic Education Textbook Development Project. The advisory TA on Interim Review of the Senior Secondary Education System started an internal debate and reform of government policies in relation to the National Program for Personnel Training.

101. **Finance and public policy.** ADB's program in finance–public policy is *less effective*. The two major projects completed, the Rural Enterprise Development Project⁷² and the Small and Medium Enterprise Development Project, were both *less effective*, mainly because of the poor performance of small and medium-sized enterprises (SMEs) subprojects financed by credit lines. The advisory TA was effective in producing their planned outputs, but many showed no obvious effect in realizing their intended outcomes. Advisory TA on insurance and capital markets helped create legal frameworks in those subsectors, but advisory TA on competition and corporate governance had no known effects. ADB's program has contributed to only three outcomes in the results framework, and the program has clearly influenced only one of those three outcomes. The weak effect relative to the results framework is, however, probably due more to deficiencies in the results framework than to flaws in the program.

102. **Transport.** ADB's transport program is *effective*—the main achievements are improved track quality and higher train speeds, and a significant reform of the state railway enterprise. As a result of the two railway rehabilitation projects, track quality improved, with more than 90% of route-kilometers in satisfactory condition, while passenger speeds rose from 55 kilometers per hour before the rehabilitation to an average of 80 kilometers per hour after rehabilitation. Although many of the recommendations of the advisory TA on railway reform were not adopted, the railway projects had a significant effect on railway management, including cutting railway staff by one-third, and devolving the state railway enterprise's ancillary social services. ADB has so far contributed to only one of the three transport-related outcomes in the results framework of the 2006 country strategy, through the ongoing CAREC Regional Roads Project, and it is too early to judge the effectiveness in realizing that outcome.

⁷⁰ ADB. 2008. *Completion Report: Policy and Institutional Reform Support in Uzbekistan*. Manila.

⁷¹ ADB. 1997. *Technical Assistance to Uzbekistan for Capacity Building in Education Finance*. Manila.

⁷² ADB. 2003. *Completion Report: Rural Enterprise Development Project in Uzbekistan*. Manila.

103. **Water supply and sanitation.** ADB's WSS program in Uzbekistan is *effective*. The Urban Water Supply Project,⁷³ the only completed WSS project (finished in 2010), achieved its planned outcomes, supplying water to 451,000 people and cutting unaccounted-for water to 30%. Ongoing projects also seem likely to realize their planned outcomes. The results framework in the 2006 country strategy contained three results related to WSS. All projects are contributing to the planned outcome of introducing water tariffs that cover the cost of operation and maintenance (O&M), in line with the government's policy on tariffs. Two ongoing but older projects (loans approved before 2006) are contributing to planned outcomes on providing rural WSS and strengthening rural water utilities, but no projects financed under the 2006 country strategy are supporting rural water supply.

104. **Rating.** Overall, ADB's program is rated *less effective*. Only the WSS program has significantly contributed to sector outcomes in the results framework, and mainly through projects designed before the results framework came into effect. Of 11 completed projects, 6 were rated *effective* and 5 were *less effective* in achieving their intended outcomes. Significant achievements were in developing urban water supplies, rehabilitating the country's main railway line, and reforming the state railways enterprise. The effectiveness of completed projects in finance–public policy was limited by the poor performance of SME subprojects financed by credit lines. Advisory TA in finance–public policy was effective in producing planned outputs, but many TA projects showed no obvious effect in realizing their intended outcomes.

E. Sustainability

105. The assessment of sustainability considers the likelihood and the risks to sustaining results over the long term, even in the face of shocks and risks. The evaluation assessed sustainability relative to seven subcriteria: (i) government's commitment to reforms; (ii) financing of recurrent costs; (iii) financial security of project entities; (iv) adequacy of O&M; (v) policy environment; (vi) risk management; and (vii) probability that financial resources are available, sufficient, and can be mobilized to maintain the outcome achieved over the economic lifetime of completed projects.

106. **Agriculture and natural resources.** The ANR program is rated *less likely sustainable*. The government has shown limited commitment to ANR reforms, including those promoted by ADB. The completion report for the advisory TA on Implementation and Monitoring of Policy Reforms in the Agriculture Sector reported that, although the government "has become more open to reforms, it still prefers to implement piecemeal reforms in the agriculture sector, which have become the major stumbling block to ensuring inclusive sustainable growth to the economy."⁷⁴ ADB attempted to promote reform of prescribed state procurement of cotton and wheat, but few reforms have been implemented and sustained. The loan for the Ak Altin Agricultural Development Project included six covenants related to reforming state procurement of cotton and wheat; the PCR reported that the government had fully complied with only one of the six covenants. All projects attempted to support water user associations, but the status of associations not supported by projects is precarious. Management is often poor, and fee collection too low to allow adequate water management and maintenance at the level of associations or farms. Despite policy limitations and weak water user associations, there are good prospects for the rehabilitated main system works to be sustainable. Most of the schemes being rehabilitated are from the pre-independence era, created during the 1960s and 1970s.

⁷³ ADB. 2010. *Completion Report: Urban Water Supply Project in Uzbekistan*. Manila.

⁷⁴ ADB. 2009. *Completion Report: Implementation and Monitoring of Policy Reforms in the Agricultural Sector in Uzbekistan*. Manila.

Although they have deteriorated from inadequate maintenance, particularly since independence, they remain operational, suggesting reasonable sustainability prospects for pumping stations.

107. **Education.** ADB's efforts in education are *likely sustainable*. The Education Sector Development Program⁷⁵ appears to have boosted the government's commitment to deeper reforms in the sector. The government showed a strong commitment to the purposes and objectives, taking the lead in implementation. The textbook rental scheme provided a solid basis for sustainable provision of affordable textbooks to students in basic education, as shown by the high rate of collection of rental fees. For the completed projects, three were rated *likely* or *most likely sustainable*, and one (the Senior Secondary Education Project) was rated *less likely sustainable*.

108. **Finance and public policy.** ADB's program in finance–public policy is *less likely sustainable*. Two projects and 10 advisory TA projects were completed during 2002–2009. The biggest weakness in the sustainability of ADB's program is in the two completed projects, each of which IED rated *less likely sustainable*. The financial security of project entities supported by the credit lines to SMEs was weak, and a significant number of subprojects were unsuccessful. In the advisory TA, the planned outcomes that were achieved seem *likely sustainable*, but several advisory TA projects lacked obvious effects despite producing their planned outputs. Without outcomes there is nothing to sustain, so the advisory TA is also assessed on the whole as *less likely sustainable*.

109. **Transport.** ADB's transport program is rated *likely sustainable*. The ADB-financed track rehabilitation was in satisfactory condition 4–5 years after completion of the rehabilitation. The state railway enterprise maintained a strong commitment to the reforms included as covenants to ADB's loans, including covenants to which it was not initially committed. Railway reforms did not, however, proceed as far as originally expected, because of the government's change in direction on railway reforms, which created uncertainty over its commitment. The CAREC Regional Road Project aims to improve road maintenance by strengthening planning and by establishing an enterprise for the supply of road maintenance equipment. Its sustainability remains in question until road funding increases and stabilizes, and until new and reformed institutions prove their effectiveness.

110. **Water supply and sanitation.** ADB's program in WSS is *likely sustainable*. User charges for water supply have risen and are covering the cost of O&M. Collection rates have been rising as service quality improves. Although water utilities are generating sufficient revenues to repay loans, the government is committed to providing secure water supply and will continue to subsidize the capital costs of utilities. The government aims to achieve full metering of water supplies eventually, which will strengthen financial security and improve leak detection.

111. **Rating.** Overall, ADB's program is rated *less likely sustainable*. Reforms supported by ANR projects were not sustained, but there are good prospects for sustaining the rehabilitated infrastructure. Education projects and programs helped strengthen reforms, and the textbook rental scheme strengthened the sustainability of financing for textbooks. The rehabilitated railways financed by ADB are being well maintained, and the state railways enterprise remains fully committed to the reforms instituted under the two ADB-financed railway projects. Road maintenance, however, remains a problem, and funding for maintenance must rise and stabilize to ensure the sustainability of the ongoing road projects. Water tariffs have risen to cover

⁷⁵ ADB. 2010. *Completion Report: Education Sector Development Program in Uzbekistan*. Manila.

operating costs, and eventual tariff reforms seem likely to ensure the full financial independence of water utilities.

F. Development Impact

112. The assessment of development impact considered ADB's contribution to long-term socioeconomic changes. The evaluation assessed impact through three subcriteria: (i) achievement of impacts in the DMFs of projects, (ii) achievement of sector impacts in the results framework of the 2006 CSP, and (iii) any other pertinent impacts not represented in DMFs or the results framework.

113. **Agriculture and natural resources.** ADB's impact in ANR is rated *partly satisfactory*. The two completed projects are expected to achieve satisfactory impacts in their project areas. The Grain Productivity Improvement Project may have had positive social and environmental impacts. The Ak Altin Agricultural Development Project may have contributed to doubling farm incomes from 2004 to 2010, and to improving the environment by lowering the water table. All ADB-financed projects aimed to promote reforms in ANR, so their impact was limited by the gradual, incremental process of reform.

114. **Education.** ADB's impact in education is *satisfactory*. The textbook rental scheme, which was not included in the original project design, emerged as a high point of the Basic Education Textbook Development Project, with the government and development partners heralding it as ADB's most successful intervention in support of education. The spread of information and communications technology (ICT) supported by ADB is helping to improve governance in the country by promoting communication and transparency in public transactions. Expanded ICT holds promise for increasing pressure for evidence-based policy making and implementation. Increased engagement of employers, parents, and civil society organizations in school matters also holds promise for better governance at the grassroots level in education, and has the potential to spread beneficial effects beyond schools.

115. **Finance and public policy.** ADB's development impact in finance–public policy is *partly satisfactory*. The Rural Enterprise Development Project aimed to promote the development of SMEs in agroprocessing, but of the 28 enterprises financed, only 13 were successful. Access to financing remained a constraint on SME development after the project, at least until the subsequent and ongoing Small and Microfinance Project, which seems to have eased the access of small enterprises to financing. The Small and Medium Enterprise Development Project had a moderate impact on employment creation, poverty reduction, export expansion, and economic growth, but direct job creation and export generation fell short of appraisal estimates. ADB's advisory TA on Development of the Insurance Industry⁷⁶ helped reform regulation of the insurance industry toward a framework more consistent with international standards. Insurance revenues have risen almost seven times since the insurance law was enacted, from SUM21.7 billion in 2002 to SUM146.1 billion in 2009. Despite the significant growth in the insurance industry, the advisory TA did not realize its stated impact of promoting the development of a well-regulated and well-supervised insurance industry, as significant deficiencies remain in prudential standards and in the independence, resources, and powers of the supervisory agency. In the results framework of the 2006 CSP, ADB contributed to just three of the six outcomes in finance–public policy, but impacts are perceptible for just one outcome: Small enterprises may have better access to finance, thanks in part to the Small and

⁷⁶ ADB. 2002. *Completion Report: Development of the Insurance Industry in Uzbekistan*. Manila.

Microfinance Project. The results framework expected ADB's program to help improve Uzbekistan's business climate, as indicated by the World Bank's *Doing Business* survey, but Uzbekistan's overall ranking in the survey fell from 2006 to 2009.

116. **Transport.** The impact of ADB's transport program is *partly satisfactory*. The program was limited by its small size and unrealistic aims. ADB overstated the likely impacts of the two railway rehabilitation projects, claiming they would boost economic growth and reduce poverty. Instead, the projects realized a more modest but appropriate impact of avoiding economic disruption that could have resulted from further deterioration of the country's main railway line. The railway projects also had positive incidental impacts on technology diffusion and foreign direct investment. The ongoing CAREC Regional Road Project is part of an effort to rehabilitate an important road corridor, which is likely to have a significant impact on regional development.

117. **Water supply and sanitation.** ADB's development impact is *partly satisfactory*. The Urban Water Supply Project (completed in 2010) helped 451,000 beneficiaries save 2–4 hours per day in collecting water, while lowering their spending on water. Better water quality probably contributed to the incidence of dysentery falling from 50 to 30 cases per year in one project town, and from 8 to 6 cases per year in another town. At the sector level, ADB aimed to help raise access to water supplies, but access to water in Uzbekistan fell slightly from 2005 to 2008 (the latest available data). ADB did not use the results framework to monitor progress on impacts or adjust its program.

118. A potential negative impact of ADB's assistance, common to all sectors, was the risk of creating disincentives to foreign private investment in Uzbekistan. Private sector investors interviewed by the CAPE team perceived that ADB's position as creditor of first rank meant that, considering the limited and uncertain access to foreign exchange, scheduled repayments to ADB loans could displace requests for foreign exchange from the private sector. Foreign private investors may be particularly at risk of being crowded out, given their need to repatriate returns from their investments. ADB's status as creditor of first rank, combined with the overall uncertainty over access to foreign currency, means that ADB's public sector lending may be crowding out foreign private investment in Uzbekistan.

119. **Rating.** Overall, ADB's development impact is rated *partly satisfactory*. ANR projects have had impacts in their project areas, but have little impact beyond. The impact of completed projects in finance–public policy was limited by the low success rate of subprojects. ADB's advisory TA in finance–public policy had some significant impacts, particularly in the TA that helped provide the basis for development of the insurance industry. The ADB-financed railway rehabilitation projects did not realize their unrealistic goals of reducing poverty, but had realistically modest impacts in avoiding serious economic disruption. No significant sector impacts were observed relative to the results framework, but that is more likely to be due to the poor design of the results framework rather than flaws in the program. A potential negative impact of ADB's public sector lending is raising uncertainty in access for foreign exchange, effectively crowding out foreign private investment in Uzbekistan.

G. Overall Assessment

120. ADB's country assistance program to Uzbekistan is rated *successful*. Strategic positioning was *satisfactory* and the program was *relevant*, highlighted by high responsiveness to the government's priorities. Resource use was *efficient*, with high EIRRs for rehabilitated projects, but limited by some delays and high costs caused by ADB's procurement procedures. The program has been *less effective* in meeting outcomes, with WSS projects showing the most

potential. Outputs and outcomes appear *less likely sustainable*, with sustainability in ANR compromised by the government's weak commitment to reforming agriculture. Development impacts are *partly satisfactory*, with some positive impacts in WSS and in finance–public policy. Effectiveness, sustainability, and development impacts would have had higher ratings if expectations for what ADB could achieve were more modest and realistic. Table 13 lists the ratings by sector and by criteria. Table A3 in Appendix 3 lists the scores and weights across the criteria and sectors.

121. Three of the five sectors are rated *successful*: education, transport, and WSS. ANR and finance–public policy are rated *partly successful*, each limited by the challenging policy environments in those sectors. Those programs could have been successful by avoiding projects that tried to influence or were dependent on reforms.

122. The overall rating was assigned by aggregating the ratings per sector, using weights per sector given by the sector shares for 2002–2009 (Table 3), scaled up so the weights sum to 1 (the CAPE does not cover energy and health, because those sector programs were small, so the CAPE does not include 100% of sector financing). The successful sectors have weights totaling 58% (51% of total financing) and have scores well above the cutoff for the *successful* rating, hence, the overall *successful* rating for the country program.

Table 13: Summary of Ratings

Sector	Criteria						Overall
	Positioning	Relevance	Efficiency	Effectiveness	Sustainability	Impact	
ANR	Satisfactory	Relevant	Efficient	Less effective	Less likely	Partly satisfactory	Partly successful
Education	Satisfactory	Relevant	Efficient	Effective	Likely	Satisfactory	Successful
Finance–PP	Satisfactory	Relevant	Less efficient	Less effective	Less likely	Partly satisfactory	Partly successful
Transport	Satisfactory	Relevant	Efficient	Effective	Likely	Partly satisfactory	Successful
WSS	Satisfactory	Relevant	Efficient	Effective	Likely	Partly satisfactory	Successful
Overall	Satisfactory	Relevant	Efficient	Less effective	Less likely	Partly satisfactory	Successful

ANR = agriculture and natural resources; PP = law, economic management, and public policy; WSS = water supply and sanitation.

Source: Country assistance program evaluation team assessments.

V. ADB'S PERFORMANCE

123. The CAPE team interviewed officials from the government, other development partners, and ADB's current and former country directors. The CAPE also drew on the perceptions survey conducted by ADB's Department of External Relations, covering stakeholders in government, development partners, private sector, civil society organizations, media, and academia. Appendix 4 contains a summary of the perception surveys and interviews. ADB's strengths are its responsiveness to and strong relationship with the government, while financing and project development are the main sources of ADB's value added.

124. **Strengths and weaknesses.** A strong consensus emerged among government, development partners, and ADB's country directors that responsiveness to the government's

requests and the country's needs was ADB's main strength in Uzbekistan. The government appreciated ADB's responsiveness to requests for financing new projects, such as the Public Finance Management Reform Project, and to requests for loan extensions (14 loans extended from 2002 to 2009). The government also appreciated the higher annual financing offered by ADB in 2010, flexibility regarding loan covenants, and faster loan processing. All development partners cited responsiveness to the government's requests as one of ADB's main strengths, and considered it one of the driving factors in ADB's decision making in Uzbekistan.

125. As a result of ADB's responsiveness and other traits, ADB has built a strong relationship with the government. Government officials interviewed for the evaluation consistently reported that ADB was Uzbekistan's closest development partner. Officials in the central government and at the project level share that perception of ADB. Other development partners similarly noted ADB's close relationship with the government.

126. Development partners also noted ADB's apolitical and diplomatic corporate style.⁷⁷ Development partners consider that style one of the pillars of ADB's close relationship with the government, and an effective style for expanding and maintaining ADB's program in Uzbekistan. ADB maintained a consistently positive relationship with the government from 2002 to 2009, but that relationship was in earlier years stressed by cancellations of two loans⁷⁸ (in 2002 and 2005) and some contentious conditions in a program loan (in 2002).⁷⁹ Officials at the level of the central government reported that the relationship had improved since 2002, citing more consistency, flexibility, responsiveness, and quality inputs from ADB.

127. Stakeholders surveyed by ADB's Department of External Relations consider ADB trustworthy, collaborative, problem solving, reliable, transparent, and innovative. About two-thirds perceived ADB as slow and bureaucratic, and nearly half said it is conventional and inflexible (Appendix 4 gives details).

128. **Sources of value added.** The government, development partners, and ADB's country directors agreed that financing and project development are ADB's main sources of value added. The government noted that there were alternatives to ADB financing, including commercial financing at less attractive lending terms, and that projects financed by ADB were not uniquely dependent on ADB financing. The development partners noted ADB's attractive lending terms and the availability of grant financing. ADB's country directors cited project supervision, introduction of innovation, and policy advice as other sources of value addition.

129. The evaluation noted some innovations in ADB-financed projects. The Basic Education Textbook Development Project introduced the textbook rental scheme, making textbooks more affordable.⁸⁰ The idea came from consultants engaged by ADB who had previously worked on similar projects financed by the World Bank in Africa and Eastern Europe. The first railway project introduced a different rail-sleeper fastener that was adopted for use throughout

⁷⁷ ADB's apolitical style is established in its Charter, which states that ADB's management and staff "shall not interfere in the political affairs of any member, nor shall they be influenced in their decisions by the political character of the member concerned." ADB. 1996. *Agreement Establishing the Asian Development Bank*. Manila. Article 36.

⁷⁸ ADB. 2009. *Completion Report: Road Rehabilitation Project in Uzbekistan*. Manila; ADB. 2002. *Regional Power Transmission Modernization Project*. Manila.

⁷⁹ ADB. 2002. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Uzbekistan for the Education Sector Development Program*. Manila.

⁸⁰ J. Hutchison. 2010. *By the Book*. <http://www.adb.org/documents/feature-stories/2010/uzb-book.asp?p=uzbmain> (accessed 22 June 2011).

Uzbekistan's railway network; the idea for the innovation came from the government. The CAREC Regional Road Project is introducing international competitive bidding, which can potentially save costs and improve quality in road construction and maintenance. The bidding, however, is limited to ADB member countries, so it is not fully international and competitive. Although ADB has introduced important innovations in some projects, those innovations appear to be ad hoc and not the result of a deliberate strategy and focused efforts to innovate.

130. **Aid coordination and partnerships.** The government and development partners rated ADB's performance in coordination and partnerships *satisfactory* or better. ADB's support for Uzbekistan's WIS is one of several good examples of ADB's partnerships. In each of ADB's partnerships, the partnership was pertinent to and important for the given effort. Those partnerships seem to have been driven by the needs of the given effort, not by a general strategy for developing partnerships. Neither the government nor development partners noted a coordination effort or partnership in which ADB should have participated but did not. Some development partners noted the lack of formal aid coordination in the country, however, and suggested that ADB, as the most prominent development partner, should lead efforts to strengthen coordination.

131. Stakeholders surveyed by ADB's Department of External Relations seem satisfied with ADB's efforts to engage the private sector. The majority of respondents thought that ADB was doing enough to build partnerships and that ADB's performance was good, and did not consider partnerships as a high priority for ADB.

132. **Resident mission.** The government and development partners rated the performance of ADB's Uzbekistan Resident Mission *satisfactory* or better. Especially noteworthy was the resident mission's work supporting ADB's annual general meeting held in Tashkent in 2010. Development partners appreciated the resident mission's efforts in sharing information and in aid coordination, and noted the resident mission's good relations with the local offices of other development partners. The Uzbekistan resident mission, like other resident missions in ADB's Central and West Asia Department, is part of a network supporting the department's work throughout the region, in which projects in other countries can call on the expertise of staff based in Uzbekistan.

133. As has been found in CAPEs for other countries, the government and development partners called on ADB to delegate more responsibility and authority to the resident mission. Before this can be done, ADB will need to allocate more staff and resources to the resident mission.

VI. FINDINGS, LESSONS, AND RECOMMENDATIONS

A. Findings

134. **ADB has been an important development partner in Uzbekistan.** ADB has been one of Uzbekistan's largest sources of financing overall, and a lead development partner in ANR, education, and WSS, as well as providing significant contributions in energy and transport (Table 2). Developing transport and other infrastructure is important to Uzbekistan's development (paras. 15–18), while energy, education, ANR, and transport have been high priorities for the government (Table 1). ADB's sector focus seems adequate (Table 6 and Table 7) and has been in line with ADB's past and current corporate strategies (Table 10, and paras. 64–73). The majority of ADB's sector programs were assessed as *successful* overall (paras. 120–122, and Table 13). With a large program aligned with the country's needs, the

government's priorities, and ADB's own strategies, and with a foundation of successful sector programs, ADB will likely remain an important development partner in Uzbekistan.

135. ADB's high level of responsiveness is a key factor driving the performance rating of ADB's program. Responsiveness to the government is one of ADB's greatest strengths in Uzbekistan, and is one of the pillars of ADB's close relationship with the government (para. 124). ADB's responsiveness shows in the alignment of ADB's strategy and program with the country's needs and the government's priorities, and ADB's support for the Public Finance Management Reform Project (para. 87). ADB's responsiveness led it to some notable positive impacts in Uzbekistan, like the advisory TA that helped draft the insurance law and catalyzed development of Uzbekistan's insurance industry (para.14). ADB has become even more responsive, evidenced by faster processing of loans (Figure 1) and higher lending in 2010.

136. An outstanding feature of ADB's program in Uzbekistan is ADB's close relationship with the government. The government considers ADB one of its closest development partners (para. 124). ADB overcame some earlier stresses in the relationship and by 2009 had built a strong and close relationship with the government. The relationship became even stronger with ADB's higher lending to Uzbekistan and the annual general meeting held in Tashkent in 2010. Other development partners and private sector stakeholders also recognize ADB's close relationship with the government. ADB has developed this relationship through, among other things, its high responsiveness to the country's needs and its apolitical, client-oriented corporate style.

137. Financial governance at the project and sector levels needs improvement. The evaluation reviewed Uzbekistan's and ADB's rules for procurement, examined ADB's rules for audited project financial statements, and as a case study assessed procurement and financial statements in a selection of projects (para. 58). The assessment found that the control environment was adequate, but lapses in implementation were due to capacity constraints and other limitations. ADB's requirements for preparing, submitting, and processing audited financial statements are not presented in a user-friendly form. Requirements are spread across several large documents, with supplementary information and substantial redundancies. The cumbersome nature of ADB's requirements combined with the limited capacity of domestic auditors seems to have limited the quality of audited financial statements for projects.

138. ADB has helped improve infrastructure, but has been less successful in promoting reforms. ADB-financed projects have been successful in helping to ease agricultural production constraints, including through improved agricultural services (Ak Altin Agricultural Development Project), rehabilitated irrigation systems (Amu Zang Irrigation Rehabilitation and Water Resources Management Sector projects), and improved irrigation and drainage (Land Improvement Project). ADB has also helped improve transport infrastructure, including through rehabilitating the main railway line (the Railway Rehabilitation Project and Railway Modernization Project) and a major road corridor (ongoing CAREC Regional Roads Project). ADB-financed projects are helping to improve water supplies in rural and urban areas (the Urban Water Supply Project and others). Despite some success in improving infrastructure, ADB has not been as successful in supporting reforms. All projects and advisory TA in ANR included aspects related to reforms, but have had little apparent impact. After several efforts to support reforms in the finance sector, in the 2006 CSP ADB decided to reduce support for finance until there was clear progress in reforms. ADB tried to promote major reform in railways, and while significant reforms took place, they were less extensive than ADB envisioned or planned. ADB has tried to promote the financial independence of WSS enterprises, but so far revenues from tariffs can only meet operating costs.

139. **Start-up delays have fundamental causes, and as such they may be unavoidable.** Most ANR and WSS projects were delayed in start-up, partly caused by the need for the President of Uzbekistan or cabinet of ministers to issue a decree before implementation can start, which requires a detailed assessment of design by a range of institutions (para. 92). Differences between the design and specifications proposed in the ADB-approved loan and those of the local design decree can cause further delays. Uzbekistan's legal system requires a decree to authorize project implementation, and as such delays in start-up may be unavoidable. What appears to ADB as a delay may be just the normal process of project implementation in Uzbekistan. ADB's expectations for progress in project implementation would be more realistic if they recognized Uzbekistan's standard procedures in implementing projects.

140. **ADB's aid coordination has been satisfactory, but it could have done more to help the government strengthen overall coordination in Uzbekistan.** Although Uzbekistan is not a major recipient of ODA (para. 29), enough development partners are at work in the country (Table 2) to warrant strong formal aid coordination. Aid coordination, however, is largely informal. While this has been effective in some respects, it limits the sharing of knowledge, experience, and information among development partners (para. 33). As the largest financier, with a close relationship with the government, ADB could have done more to help the government improve its own coordination efforts, either through policy dialogue or advisory TA.

B. Lessons

141. **The first railway project is a good model for ADB to follow when starting a new country program.** The first railway project was among the first ADB-financed projects in Uzbekistan. When ADB starts a new program in a country, government officials and others must learn about ADB's policies, procedures, and requirements, including safeguards, anticorruption, and procurement. The first railway project was implemented without major problems, despite the extra burdens of learning about ADB, for three reasons: (i) it was relatively simple (rehabilitation of an existing railway line, instead of building a new line); (ii) it was among the government's highest priorities, so the government was strongly committed to it; and (iii) the PIU in the executing agency was strong and capable. The PIU later became a source of knowledge and advice for PIUs of other ADB-financed projects in Uzbekistan. When starting a new country program, financing simple projects that are high government priorities and building a strong PIU can help lay a strong foundation for future projects.

142. **Demonstration projects can be more effective by focusing on economically feasible innovations.** In the Land Improvement Project and Grain Productivity Improvement Project, ADB has been introducing improved varieties, alternative rotation systems, better land improvement technologies, and other innovations in technology and farm management. The demonstrations may have convinced farmers that the innovations raise productivity, but their high cost puts them out of reach of many farmers. Innovations in demonstration projects would be more effective if their financial and economic viability were first established in the farm and market context.

143. **Effective and consistent support for reforms needs updated sector analyses, and sector road maps based on the government's priorities and commitments.** ADB successfully supported reforms in education (developing new textbooks), finance (insurance and microfinance), and railways (state railway enterprise). In each of these, the need for reform was strong and the government was firmly committed, so the window of opportunity for reform was wide open. In education, new textbooks had to be developed when Uzbekistan's official language changed after independence, and the government asked ADB to support the

transition. In finance, the government decided to develop new (to Uzbekistan) insurance and credit union industries, and asked for ADB's assistance in drafting the legal frameworks.

144. The state railway enterprise had been run under the pre-independence central planning system, and the government set the course for developing a modern railway enterprise, with the ADB-financed railway projects following and building on the government's lead. The need for reforms in agriculture and in roads was equally strong. Early on, ADB supported the government's upstream reform efforts and achieved some success. That experience showed the need for gradual and incremental reform efforts.

145. ADB's efforts to help reform the state railway enterprise faltered when the government changed the direction of reforms. In the insurance industry, further institutional development is needed. Although the government is interested in additional reforms, ADB did not follow up on its earlier support for reform, largely because it did not have a financial sector analysis to outline the opportunity or a financial sector strategy to guide the program. ADB's experience in supporting reforms in Uzbekistan shows that progress is possible, but a consistent and successful program needs a sector analysis to identify the most needed reforms and a sector strategy based on the government's priorities and commitments, and the skills and experience of ADB.

146. **The added cost of following ADB's guidelines in restricting procurement to its member countries needs to be considered during project preparation.** For the two ADB-financed railway projects, non-ADB member countries were the least-cost source of rails. Limiting procurement to ADB member countries raised the cost of rails by more than 250% (para. 95). Uzbekistan and other countries of Central Asia or the Caucasus still have significant economic ties to the CIS, and projects can benefit from being able to procure from all CIS countries. The membership restriction also hurts ADB, by putting it at a competitive disadvantage relative to other development partners like the World Bank and EBRD, which can finance procurement from all CIS countries. As long as ADB's guidelines restrict procurement to member countries, when ADB determines that project costs are significantly lower in nonmember countries, it can advise the borrower on how to ask ADB's Board for an exemption from the membership requirement.

C. Recommendations

147. **Maintain focus on infrastructure and strengthen responsiveness by focusing on the government's ultimate goals.** The sectors that ADB has been supporting are consistent with ADB's corporate strategies and experience in Uzbekistan (paras. 69–73), and ADB's sector focus or concentration seems adequate (Table 6 and Table 7). ADB's program has been most effective in supporting rehabilitation or development of infrastructure, including in transport and ANR. Based on that track record of reasonable success, ADB should focus its efforts on helping to improve the country's infrastructure. While ADB should avoid further diversification of its program, and any change in ADB's sector focus or selectivity should be driven by aid coordination, ADB should remain flexible to respond to changes in the country context and the government's development priorities. ADB should expand its coverage of themes, with more resources for regional cooperation and private sector development in particular. Geographic focus is not a major issue in a country the size of Uzbekistan; ADB's geographic focus during 2002–2009 was satisfactory. ADB should maintain its high responsiveness, particularly by responding more to the government's ultimate aims rather than specific requests and by helping the government consider the best means to achieve its aims.

148. **Support reforms through demand-driven advisory technical assistance.** Reforms in ANR, finance, public policy, transport, WSS, and other sectors are important for Uzbekistan's continuing development. Although ADB's reform efforts have had little impact, experience shows that advisory TA can be effective in the right circumstances, particularly when the government seeks advice in drafting new legal or regulatory frameworks. ADB should maintain its close relationship and its apolitical and client-oriented approach to dealing with the government, and should not push for reforms independent of the government's interest and commitment. Loan covenants for policy reform should be used sparingly and where necessary for projects to meet their objectives. Legislation should not be made a condition of loan effectiveness, because inevitable delays in passing legislation delay project implementation. ADB should stay informed on all policy issues—particularly through regularly updated sector analyses. It should maintain a clear, firm, and consistent position on all needed policy reforms; and be ready to support those reforms through advisory TA, at the government's request. Relevant topics for advisory TA include (i) helping the government develop a broadly based agriculture sector strategy; (ii) supporting cadastre development to develop a viable information technology-based cadastre; (iii) drafting the next round of regulatory and institutional reforms in the insurance industry; and (iv) helping reduce nonrevenue water through a pilot project on subnetwork metering. Difficulties in obtaining data and the generally slow pace of reforms mean that any program supporting reform in Uzbekistan needs extra time and resources, patience, and realistically modest expectations for progress

149. **Revive support for private sector development.** Strategy 2020 requires that private sector financing and support for private sector development should account for half of ADB's work by 2020. The target applies to ADB as a whole, not to each country. Nevertheless, ADB can clearly do more in Uzbekistan to contribute to the ADB-wide target. ADB has not provided any private sector financing in Uzbekistan. ADB currently lacks the experience and staff needed to be significantly involved in private sector financing in Uzbekistan, but it could start to provide private sector financing by investing in development funds of SMEs. From 2002 to 2005, a third of ADB's public sector financing in Uzbekistan supported private sector development, but from 2006 to 2009 only one ADB-financed public sector project, comprising less than 1% of total financing, was classified as supporting private sector development. ADB can significantly raise its support for private sector development through its public sector financing. The private sector assessment for ADB's next country strategy should consider the concerns of private foreign investors that ADB's public sector lending may in effect be crowding out private foreign investment.

150. **Develop a strategy for choosing financial instruments and lending modality.** ADB's 2006 CSP did not include a strategy guiding the type of lending and its modality to Uzbekistan, except for limiting credit lines in the finance sector. ADB used various types of loans from OCR and the ADF, including project loans, sector loans, and multitranches financing facilities. Although the government may prefer multitranches financing facilities for various reasons, ADB's decision on the type of financing instrument should match the characteristics of the instrument with the capabilities of executing agencies. ADB's next country strategy for Uzbekistan should assess what types of financing instruments suit Uzbekistan, and describe the criteria for selecting financing instruments.

151. **Develop a strategy and program of knowledge products and services.** As Uzbekistan's economy grows and develops, the government is likely to look to ADB more for knowledge solutions. Promoting knowledge solutions is one of ADB's core drivers of change, according to Strategy 2020. ADB does not so far, however, have a significant program of knowledge products and services in Uzbekistan (para. 72). A program of knowledge products

and services, especially sector analyses, could help strengthen ADB's value added by identifying potential innovations to introduce in projects. ADB, as the most prominent development partner in Uzbekistan, is in a good position to lead country thematic assessments and sector analyses, in cooperation with other development partners. The next country strategy should include a strategy for developing and building a program of knowledge products and services for Uzbekistan. The strategy should identify priority topics for ADB, based on a review of current and continuing research pertinent to Uzbekistan's development, the government's priorities, and ADB's interests. The knowledge program should also track the more general contributions of ADB-financed projects, including strengthening country systems through the experience gained working with ADB in project preparation and implementation.

152. Work with the government and other development partners to raise the efficiency and effectiveness of Uzbekistan's procurement procedures. The government's procedures for verifying the prices of awarded contracts cause delays in procurement. The government is committed to price verification as a control against corruption. Price verification has caused some delays in project implementation, but the delays are probably not long enough to convince the government that price verification is a serious problem in project implementation (para. 58). Price verification differs from ADB's procurement guidelines and can lead to declaring misprocurement, but ADB has not succeeded in persuading the government to exempt ADB-financed procurement from price verification. ADB should shift the dialogue from exemptions from price verification to raising efficiency and effectiveness in public procurement rules. The dialogue could include minimizing personal interactions by introducing electronic submission of documents, and allowing declaration of misprocurement if price verification is not adequately justified. During preparation of the next country strategy, ADB should discuss with the government and development partners how ADB could help strengthen public procurement, such as through advisory TA and in project preparation. Working with other development partners to help strengthen Uzbekistan's procurement systems is consistent with ADB's commitment under the Paris Declaration.

153. Develop a results framework in the next country strategy with which ADB can be held accountable for delivering results. ADB's results framework in the 2006 CSP was not adequate in its original form; it was not updated until 2010, so it was not used in monitoring progress toward results (para. 47). Any results that were achieved would have been achieved without the results framework. The results framework in ADB's next country strategy should have indicators that are relevant to the expected outcomes, that can be credibly influenced by ADB, and that have adequately specified baselines, targets, and timeframes. With indicators that are credibly under its influence, ADB can be held accountable for meeting the given targets. Developing the next results framework should start by reviewing the portfolio of ongoing projects. ADB should determine what results it could achieve with ongoing projects that are relevant to the government's priorities and to ADB's corporate results framework. That initial results framework should then be updated annually—showing progress in achieving results, and introducing new outcomes, indicators, and targets for newly approved loans.

154. Appendix 5 lists indicators with baselines for each recommendation presented above.

COUNTRY ECONOMIC AND SOCIAL INDICATORS

Table A1.1: Key Economic and Social Indicators

	2001	2002	2003	2004	2005	2006	2007	2008	2009
A. Income and Growth									
1. GDP per capita									
a. current prices, \$	456.7	383.4	396.4	465.1	546.8	643.0	830.3	1,022.7	1,156.2
b. constant 2000 \$	574.3	590.1	607.7	647.0	684.3	725.4	783.0	839.6	892.8
c. growth rate (%)	2.9	2.7	3.0	6.5	5.8	6.0	7.9	7.2	6.3
2. GDP (in current billion Sums)	4,925.3	7,450.2	9,837.8	12,261.0	15,923.4	20,759.3	28,186.2	37,746.7	49,042.5
3. GDP growth (constant prices, annual %)	4.2	4.0	4.2	7.7	7.0	7.3	9.5	9.0	8.1
a. Agriculture	4.1	6.0	6.8	10.1	6.2	6.2	6.1	4.5	5.7
b. Industry	2.9	3.4	3.2	5.0	5.0	4.5	6.6	6.8	4.1
c. Services	5.1	3.2	3.2	7.5	8.0	10.1	14.8	13.1	11.7
4. Sectoral Shares (% of GDP)									
a. Agriculture	34.0	34.3	33.1	30.8	28.0	26.1	24.0	21.4	19.5
b. Industry	22.6	22.0	23.5	26.0	23.2	27.4	32.0	30.8	33.2
c. Services	43.4	43.7	43.4	43.3	48.9	46.5	44.0	47.9	47.3
B. Money and Inflation									
1. Consumer price index (annual average, 1995 = 100)	696.8	886.9	989.6	1,054.9	1,160.8	1,325.9	1,488.8	1,678.5	1,914.9
2. Consumer price index (annual average, % change)	27.3	27.3	11.6	6.6	10.0	14.2	12.3	12.7	14.1
3. Consumer price index (end of period, 1995 = 100)	781.3	949.7	1,023.6	1,116.7	1,254.4	1,397.8	1,564.4	1,790.4	1,980.3
4. Consumer price index (end of period, % change)	26.5	21.6	7.8	9.1	12.3	11.4	11.9	14.4	10.6
5. Broad Money (Annual % change)		29.7	27.1	47.8	54.3	36.8	46.1	32.4	34.0
6. Broad Money (% of GDP)		10.6	10.3	12.2	14.4	15.2	16.3	17.5	
C. Government Finance									
1. General Government Revenue (billions Sum)	1,698.5	2,660.3	3,288.3	3,944.7	4,900.0	7,139.9	10,030.3	15,357.3	18,009.7
2. General Government Revenue (% of GDP)	34.5	35.7	33.4	32.2	30.8	34.4	35.6	40.7	36.7
3. General Government Expenditure (billions Sum)	1,761.7	2,800.9	3,281.1	3,870.9	4,701.0	6,057.2	8,547.9	11,325.5	16,469.8
4. General Government Expenditure (% of GDP)	35.8	37.6	33.4	31.6	29.5	29.2	30.3	30.0	33.6
D. Balance of Trade and Payments									
1. Current Account Balance (millions \$)	(114)	117	587	860	1,097	1,552	1,631	2,485	735
2. Current Account Balance (% of GDP)	(1.0)	1.2	5.8	7.2	7.7	9.1	7.3	8.7	2.2
3. Import of goods and services (annual % change)	8.5	(11.0)	4.4	15.1	5.8	14.0	39.8	29.1	15.9
4. Export of goods and services (annual % change)	18.5	(9.8)	9.2	18.0	(4.3)	0.4	16.8	19.1	5.9
5. Total Debt Service (% of GNI)	7.7	8.0	8.1	7.3	5.5	5.0	3.4	2.5	1.9
6. Exchange Rate (sums per \$, end of period)			979	1,058	1,180	1,240	1,290	1,389	1,423
E. Population Indicators									
1. Population (in millions)	25.0	25.3	25.6	25.9	26.2	26.5	26.9	27.3	27.8
2. Population (growth rate in percent)	1.3	1.2	1.2	1.2	1.2	1.2	1.4	1.7	1.7
3. Population, female (% of total)	50.3	50.3	50.3	50.3	50.3	50.3	50.3	50.3	50.3

	Latest		Earlier Data	
F. Social Indicators				
Total Fertility Rate (<i>births per woman</i>)	2.7	2009	2.5	2002
Maternal mortality (<i>ratio per 100 000 live births</i>)	21	2008	30	2003
Infant Mortality (<i>under 1, per 1,000 live births</i>)	32	2009	39.8	2005
Births Attended by Skilled Health Staff (<i>% of total</i>)	100	2006	96	2000
Life Expectancy at Birth (<i>years</i>)	67.9	2009	67.1	2002
Female Life Expectancy at Birth (<i>years</i>)	71.2	2009	70.4	2002
Male Life Expectancy at Birth (<i>years</i>)	64.8	2009	64	2002
Crude Birth Rate (<i>per 1,000 population</i>)	22.3	2009	21.1	2002
Crude Death Rate (<i>per 1,000 population</i>)	5.2	2009	5.4	2002
Malnutrition prevalence, weight for age (<i>% of children under 5</i>)	4.4	2006	7.1	2002
Children Underweight for Age (<i>% under age 5</i>)	5	2007		
Total Health Expenditure (<i>% of GDP</i>)	5.2	2009	5.5	2002
Adult Literacy Rate (<i>% ages 15 and above</i>)	99.3	2009	96.9	2001
Combined Gross Enrolment Ratio	72.7	2007		
Primary Completion Rate, Total (<i>% of relevant age group</i>)	91.6	2009	97.7	2003
Ratio of girls to boys in primary and secondary education (%)	98	2007	98	2000
Child Dependency Ratio (%)	42.7	2010	74.3	1990
Adult Age Dependency Ratio (%)	6.6	2010	7.3	1990
Employment to Population Ratio (<i>% of population aged 15 and above</i>)	57.7	2006	56.3	2000
Women	51.0	2006	49.2	2000
Men	64.5	2006	63.7	2000
Total Employment (<i>thousands people</i>)	10,522	2006	9,010	2001
Average annual employment growth rate (%)	3.2	2006	3.1	1995—2000
Population with access to improved water sources (%)	88	2006	89	2000
Urban	98	2006	98	2000
Rural	82	2006	83	2000
Human Development Index	0.710	2007	0.687	2000
G. Poverty Indicators				
Population Living Below the National Poverty Line (%)	25.8	2005	25.3	2002
Urban	18.3	2005	21.1	2002
Rural	30.0	2005	27.7	2002
Population Living Below \$1.25 (2005 PPP) a day	46.3	2003	32.1	1998

GDP = gross national product, GNI = gross national income, PPP = purchasing power parity.

Sources: ADB. 2010. *Key Indicators*. Manila.

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Table A1.2: Uzbekistan: Millennium Development Goals

	1990	1995	2000	2005	2008
Goal 1: Eradicate extreme poverty and hunger					
Employment to population ratio, 15+, total (%)	55	52	54	56	58
Employment to population ratio, ages 15-24, total (%)	36	32	34	36	38
GDP per person employed (annual % growth)	-11	-3	1	4	6
Income share held by lowest 20%	10.9		7.9	7.1	
Malnutrition prevalence, weight for age (% of children under 5)		15.3	7.1	4.4	4.4
Poverty gap at \$1.25 a day (PPP) (%)	1		12	15	
Poverty headcount ratio at \$1.25 a day (PPP) (% of population)	2		42	46	
Prevalence of undernourishment (% of population)	5	5		14	
Goal 2: Achieve Universal Primary Education					
Literacy rate, youth female (% of females ages 15-24)			99		
Literacy rate, youth male (% of males ages 15-24)			99		
Persistence to last grade of primary, total (% of cohort)			98	99	99
Primary completion rate, total (% of relevant age group)			95	99	97
Total enrollment, primary (% net)				94	94
Goal 3: Promote gender equality and empower women					
Proportion of seats held by women in national parliaments (%)		6	7	18	18
Ratio of female to male enrollments in tertiary education			83	70	71
Ratio of female to male primary enrollment	99	97	99	98	97
Ratio of female to male secondary enrollment	91		97	97	98
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	45.8	43.5			
Goal 4: Reduce child mortality					
Immunization, measles (% of children ages 12-23 months)	84	91	99	99	99
Mortality rate, infant (per 1,000 live births)	61	57	53	40	36
Mortality rate, under-5 (per 1,000)	74	68	62	46	41
Goal 5: Improve maternal health					
Adolescent fertility rate (births per 1,000 women ages 15-19)		41	25	13	13
Births attended by skilled health staff (% of total)		98	96	100	100
Contraceptive prevalence (% of women ages 15-49)		56	67	65	65
Maternal mortality ratio (modeled estimate, per 100,000 live births)				24	
Pregnant women receiving prenatal care (%)		95	97	99	99
Unmet need for contraception (% of married women ages 15-49)		14		8	8
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
Condom use, population ages 15-24 (% of males ages 15-24)				50	
Incidence of tuberculosis (per 100,000 people)	68	76	93	117	113
Prevalence of HIV, total (% of population ages 15-49)			0.1	0.1	0.1
Tuberculosis cases detected under DOTS (%)			4	38	45
Goal 7: Ensure environmental sustainability					
CO2 emissions (kg per PPP \$ of GDP)	4.2	3.6	3.3	2.1	
CO2 emissions (metric tons per capita)	6.1	4.3	4.8	4.3	
Forest area (% of land area)	7	7	8	8	
Improved sanitation facilities (% of population with access)	93	94	94	96	96
Improved water source (% of population with access)	90	90	89	88	88
Nationally protected areas (% of total land area)				2.0	2.0

	1990	1995	2000	2005	2008
Goal 8: Develop a global partnership for development					
Aid per capita (current US\$)	3	4	8	6	6
Internet users (per 100 people)	0.0	0.0	0.5	3.4	8.8
Mobile cellular subscriptions (per 100 people)	0	0	0	3	46
Telephone lines (per 100 people)	7	7	7	7	7
Other					
Fertility rate, total (births per woman)	4.1	3.6	2.6	2.4	2.4
GNI per capita, Atlas method (current US\$)	580	580	630	530	910
GNI, Atlas method (current US\$) (billions)	12.4	13.3	15.4	13.8	24.7
Gross capital formation (% of GDP)	32.2	27.2	16.3	26.5	18.5
Life expectancy at birth, total (years)	69	66	66	67	67
Literacy rate, adult total (% of people ages 15 and above)			97		
Population, total (millions)	20.5	22.8	24.7	26.2	27.3
Trade (% of GDP)	76.6	56.0	46.1	66.5	73.5

Source: World Development Indicators database

Table A1.3: Transition Index Level and Pace in Economies Moving from Central Planning to Market-Based Economies (Index^a in 2009 and /Change since 2002)

Area of reform	UZB	TKM	TAJ	KGZ	KAZ	MON ^b
Small-scale privatization	3.3/0.6	2.3/0.3	4/0.3	4/0	4/0	4/0
Large-scale privatization	2.7/0	1/0	2.3/0	3.7/0.7	3/0	3.3/0.6
Price liberalization	2.7/0	2.7/0	3.7/0	4.3/0	4/0	4.3/0
Trade and Forex liberalization	2/0.3	2/1	3.3/0	4.3/0	3.7/0.4	4.3/0
Nonbank financial reforms	2/0	1/0	1/0	2/0	2.7/0.4	2.3/0.3
Banking reform	1.7/0	1/0	2.3/0.6	2.3/0	2.7/0	2.7/0.4
Enterprise reform	1.7/0	1/0	2/0.3	2/0	2/0	2/0
Competition policy	1.7/(0.3)	1/0	1.7/0	2/0	2/0	2.3/0.6
Infrastructure reform	1.7/0	1/0	1.3/0.3	1.7/0.4	2.7/0.4	2.3/0.3
Railways	2.7/0	1/0	1/0	1/0	3/0.3	2.3/0.3
Electric power	2.3/0.3	1/0	2/1	2.3/0	3.3/0.3	2.7/0.4
Telecommunications	2/0	1.7/0.7	2.3/0	3/0.7	3/0.7	3/0.3
Water supply and sanitation	1.7/0	1/0	1.7/0.7	1.7/0.7	2/0.3	2/0
Roads	1/0	1/0	1/0	1.7/0.7	2.3/0.3	1.7/0
Average	2.2/0.07	1.4/0.14	2.4/0.17	2.9/0.12	3/0.13	3.1/0.24

KAZ = Kazakhstan, KGZ = Kyrgyz Republic, MON = Mongolia, TAJ = Tajikistan, TKM = Turkmenistan, UZB = Uzbekistan.

^a The index is from 0 to 4.5. A higher score on the index means more progress in reforms, as judged by EBRD. In 2010 the highest index scores across all transition countries was 4.3 for price liberalization and Trade and Forex liberalization. The reform with the least progress across all countries is competition policy, which had a high score of 3.7 in 2010.

^b For Mongolia, the change is relative to 2003 instead of 2002.

Source: EBRD. 2010. *Transition Report 2010: Recovery and Reform, and Transition Report 2003*. London.

COUNTRY PORTFOLIO

Table A2.1: ADB Loans and Grants to Uzbekistan, 1996–2009

Loan Number	Project Name	Fund Type	\$ million	Percentage of Total Loans	Date Approved	Date Completed	PCR Rating	PPER Rating	PVR Rating
Agriculture and Natural Resources			348.4						
Agricultural Production and Markets									
1504	Rural Enterprise Development	OCR	50.0	3.84	17 Dec 1996	13 June 2002	S	PS	
1833	Ak Altin Agricultural Development	OCR	36.0	2.77	23 Aug 2001	12 July 2010			
2017	Grain Productivity Improvement	OCR	26.0	2.00	14 Nov 2003	Active			
Irrigation, Drainage, and Flood Protection									
2069	Amu Zang Irrigation Rehabilitation	OCR	73.2	5.63	19 Dec 2003	Active			
2492	Water Resources Management Sector	OCR	85.0	6.53	17 Dec 2008	Active			
2493	Water Resources Management Sector	ADF	15.0	1.15	17 Dec 2008	Active			
Land-Based Natural Resources Management									
2245	Land Improvement	OCR	32.6	2.51	24 July 2006	Active			
2246	Land Improvement	ADF	27.6	2.12	24 July 2006	Active			
0080	Land Improvement	Grant	3.0	0.23	9 Jan 2008	Active			
Education			292.0						
Education Sector Development									
1960	Education Sector Development Program (Program Loan)	OCR	70.0	5.38	6 Dec 2002	30 June 2005	S		
1961	Education Sector Development Program (Project Loan)	OCR	38.5	2.96	6 Dec 2002	27 July 2010			
Preprimary and Basic Education									
1594	Basic Education Textbook Development	OCR	20.0	1.54	17 Dec 1997	30 June 2003	HS		
1595	Basic Education Textbook Development	ADF	20.0	1.54	17 Dec 1997	19 Nov 2004	HS		
2093	Second Textbook Development	OCR	25.0	1.92	29 Sep 2004	Active			
2191	Information and Communications Technology in Basic Education	ADF	30.0	2.31	27 Oct 2005	Active			
9091	Basic Education for Children with Special Needs	Grant	1.5	0.12	17 Mar 2006	31 Mar 2009			
2380	Rural Basic Education Project	ADF	30.0	2.31	6 Dec 2007	Active			
Upper Secondary Education									
1737	Senior Secondary Education	OCR	57.0	4.38	8 Feb 2000	23 Nov 2007	PS		PS
Energy									
Electricity Transmission and Distribution									
1976	Regional Power Transmission Modernization (Regional)	OCR	70.0	5.38	17 Dec 2002	1 July 2005	Cancelled		
Finance			22.5						
Microfinance									
1963	Small and Microfinance Development	OCR	20.0	1.54	9 Dec 2002	Active			
Small and Medium Enterprise Finance and Leasing									
9010	Supporting Innovative Poverty Reduction in Karakalpakstan	Grant	2.5	0.20	25 Oct 2001	31-Dec-05	S		
Health and Social Protection									
Health Programs									
2090	Woman and Child Health Development	OCR	40.0	3.07	23 Sep 2004	Active			
Industry and Trade									
Small and Medium Enterprise Development									
1799	Small and Medium Enterprise Development	OCR	50.0	3.84	11 Dec 2000	14 Dec 2006	PS		PS
Public Sector Management									
Public Expenditure and Fiscal Management									
2338	Public Finance Management Reform	OCR	20.7	1.59	28 June 2007	Active			

Loan		Fund	Percentage of		Date	Date	PCR	PPER	PVR
Number	Project Name	Type	\$ million	Total Loans	Approved	Completed	Rating	Rating	Rating
Transport and ICT			265.3						
Rail Transport									
1631	Railway Rehabilitation	OCR	70.0	5.38	15 Sep 1998	13 Apr 2005	S		
1773	Railway Modernization	OCR	70.0	5.38	31 Oct 2000	30 Mar 2007	S		S
Road Transport									
1657	Road Rehabilitation	OCR	50.0	3.84	15 Dec 1998	16 Aug 2002	US		
2403	CAREC Regional Road Project	OCR	75.3	5.79	19 Dec 2007	Active			
Water and Other Municipal Infrastructure and Services			192.0						
Water Supply and Sanitation									
1842	Urban Water Supply	OCR	36.0	2.77	27 Sep 2001	Active			
1903	Western Uzbekistan Rural Water Supply Affordable Services and Water Conservation for the Urban Poor	OCR	38.0	2.92	2 May 2002	Active			
9054	Kashkadarya and Navoi Rural Water Supply and Sanitation Sector	Grant	1.5	0.12	24 Aug 2004	31 Aug 2008			
2208	Surkhandarya Water Supply and Sanitation	ADF	25.0	1.92	12 Dec 2005	Active			
2466	Surkhandarya Water Supply and Sanitation	ADF	30.0	2.31	3 Nov 2008	Active			
0131	Surkhandarya Water Supply and Sanitation	Grant	1.5	0.12	3 Nov 2008	Active			
Water Supply and Sanitation Services									
2564	Investment Program - Tranche 1	ADF	60.0	4.61	8 Oct 2009	Active			

ADF = Asian Development Fund, ICT = information and communication technology, CAREC = Central Asia Regional Economic Cooperation, HS = highly satisfactory, OCR = ordinary capital resources, PCR = project completion report, PPER = project performance evaluation report, PVR = project completion validation report, PS = partly satisfactory, S = satisfactory, US = unsatisfactory.

Source: Asian Development Bank database.

Table A2.2: ADB Advisory Technical Assistance to Uzbekistan, 1996–2009

TA Number	TA Name	Amount Approved (\$)	Percentage of Total ADTAs	Date Approved	Date of Completion	TCR Rating
Agriculture and Natural Resources						
Agricultural Production and Markets						
2714	Institutional Strengthening of National Bank of Uzbekistan	830,000	4.4	17 Dec 1996	31 Oct 2000	S
4217	Furthering Reforms in the Grain Sector	400,000	2.1	14 Nov 2003	28 Mar 2008	PS
Agriculture and Rural Sector Development						
3706	Institutional Support for Sustainable Agricultural Development	600,000	3.2	23 Aug 2001	30 Nov 2006	S
4328	Agricultural Sector Review and Planning	325,000	1.7	13 Apr 2004	31 Aug 2007	S
4820	Implementation and Monitoring of Policy Reforms in the Agriculture Sector	800,000	4.2	24 Jul 2006	19 Jun 2009	S
Irrigation, Drainage, and Flood Protection						
4302	Support to Policy and Institutional Reforms in Water Sector	500,000	2.6	19 Dec 2003	19 Sep 2008	PS
Land-Based Natural Resources Management						
4218	Developing an Integrated Cadastre System for Land and Property Right Registration	500,000	2.6	19 Nov 2003	9 Feb 2006	S
Education						
Pre-Primary and Basic Education						
2947	Monitoring the Implementation of Education Reform	900,000	4.8	17 Dec 1997	31 Aug 2006	PS
2948	Capacity Building in Education Finance	500,000	2.6	17 Dec 1997	31 Jan 2001	S
Technical Education and Vocational Skills Training						
4729	Effective Management of Investments and Reforms in Basic Education	400,000	2.1	12 Dec 2005	31 Jan 2009	PS
Upper Secondary Education						
3286	Capacity Building of the Center for Senior Secondary Education	150,000	0.8	29 Oct 1999	31 Mar 2001	No TCR
3368	Assessment of Regional and School Management Structure and Capacity for Senior Secondary Education	150,000	0.8	26 Dec 1999	30 Jun 2001	No TCR
3399	Interim Review of Senior Secondary Education System	1,000,000	5.3	8 Feb 2000	31 May 2003	S
Energy						
Energy Sector Development						
4029	Energy Needs Assessment	600,000	3.2	11 Dec 2002	21 Jun 2005	S
Renewable Energy						
4173	Off-Grid Renewable Energy Development	350,000	1.9	15 Sep 2003	28 Feb 2006	S

TA Number	TA Name	Amount Approved (\$)	Percentage of Total ADTAs	Date Approved	Date of Completion	TCR Rating
Finance						
Banking Systems						
3045	Developing Commercial Banking Skills	1,000,000	5.3	10 Jul 1998	31 Aug 2001	S
3352	Strengthening of the Banking Sector	1,000,000	5.3	20 Dec 1999	31 Aug 2003	S
Finance Sector Development						
4265	Strengthening the Policy and Legal Framework for Foreign Direct Investment	300,000	1.6	16 Dec 2003	19 Jul 2005	S
4565	Financial Sector Infrastructure Development	400,000	2.1	10 Feb 2005	30 May 2008	S
Insurance and Contractual Savings						
3134	Pension Reform	850,000	4.5	22 Dec 1998	30 Sep 2002	GS
3438	Development of the Insurance Industry	300,000	1.6	11 May 2000	30 Jun 2002	HS
Microfinance						
3635	Pilot Testing of Rural Savings and Credit Unions	150,000	0.8	5 Mar 2001	23 Jul 2004	No TCR
4021	Developing Prudential Regulation and Supervision of Savings and Credit Unions	400,000	2.1	9 Dec 2002	10 Mar 2005	S
Money and Capital Markets						
4146	Development of the Capital Market	200,000	1.1	16 Jul 2003	30 Apr 2006	S
Health and Social Protection						
Health Systems						
4396	Capacity Building for Women and Child Health Development	300,000	1.6	23 Sep 2004	31 May 2008	S
Social Protection						
3781	Comprehensive Medium-Term Strategy for Improving the Living Standards of the People of Uzbekistan	800,000	4.2	28 Nov 2001	30 Sep 2007	S
Industry and Trade						
Large and Medium Industries						
2859	Strengthening of Institutions Engaged in Environmental Protection	675,000	3.6	8 Sep 2007	30 Sep 2001	S

TA Number	TA Name	Amount Approved (\$)	Percentage of Total ADTAs	Date Approved	Date of Completion	TCR Rating
Public Sector Management						
Economic and Public Affairs Management						
2607	Seminars on Bank Operational Policies and Procedures	100,000	0.5	9 July 1996	30 Jun 2000	No TCR
2771	Improving Aid Coordination and Management	600,000	3.2	18 Mar 1997	31 Oct 1999	GS
3190	Improving Aid Coordination and Management (Phase II)	800,000	4.2	4 May 1999	31 May 2001	GS
3726	Building Research and Analytical Capability for Structural Reforms	150,000	0.8	24 Sep 2001	30 Nov 2005	No TCR
4062	Enterprise Restructuring and Corporate Governance	1,000,000	5.3	19 Dec 2002	26 Apr 2006	PS
4147	Institutional Strengthening of the State Committee on Demonopolization and Competition Development	300,000	1.6	16 July 2003	28 Feb 2005	PS
4463	Country Assistance Program Evaluation on Uzbekistan	150,000	0.8	3 Dec 2004	31 Aug 2006	No TCR
Public Administration						
7046	Policy and Institutional Reform Support	800,000	4.2	17 Dec 2007	Active	
Public Expenditure and Fiscal Management						
4946	Supporting Public Finance Management Reform	600,000	3.2	28 Jun 2007	Active	

ADB = Asian Development Bank, ADTA = advisory technical assistance, GS = generally satisfactory, HS = highly satisfactory, PS = partly satisfactory, S= satisfactory, TA = technical assistance, TCR = technical assistance completion report.
Source: Asian Development Bank database.

Table A2.3: ADB Knowledge Products Concerning Uzbekistan, 2002–2010

Title	Date	Author	Sector	Theme	Link
Satisfying Hidden Hunger: Addressing Micronutrient Deficiencies in Central Asia	2010		HN	SEG	http://www.adb.org/Documents/Books/nutrition/Hidden-Hunger/hidden-hunger.pdf
Asian Integration and Implications for Global Growth	2010		IN	REG	
Ancient Culture, Modern Economy: ADB Projects in Uzbekistan	2010		FI, ED, TC	SEG, REG, GD	http://www.adb.org/Documents/Periodicals/Impact-Stories/UZB-Impact-Stories.pdf
Central Asia Atlas of Natural Resources	2010		AG	ENV, ECO	http://www.adb.org/documents/books/central-asia-atlas/default.asp
Today's People, Tomorrow's Prosperity: Reviving Growth in Central and West Asia	2010		ED, FI, TC	SEG, ENV, REG	http://www.adb.org/Documents/Periodicals/Impact-Stories/CWA-Impact-Stories.pdf
CAREC Transport and Trade Facilitation: Partnership for Prosperity	2009		TC	SEG, REG	http://www.adb.org/Documents/reports/Carec-Transpo-Trade-Facilitation/CAREC-Transpo-Trade-Facilitation.pdf
Uzbekistan: Trade Facilitation and Logistics Development Strategy Report	2009	A. Sze	TC	REG	http://www.carecinstitute.org/uploads/docs/CAREC-Publications/2009/Transport-and-Trade-Logistics-Uzbekistan.pdf
Transport and Trade Logistics Development Strategies for CAREC: A Synopsis of Nine ADB Studies	2009	M. Ee K. Kie	IN	REG	http://www.carecinstitute.org/uploads/docs/CAREC-Publications/2009/Transport-and-Trade-Logistics-Synopsis.pdf
Gender Expertise of Family and Labour Codes of the Republic of Uzbekistan	2008		LW	GD	http://www.adb.org/Documents/Books/Gender-Expertise-Family/gender-en.pdf
Enhancing Financial Disclosure Standards in Transitional Economies	2008	R. Narasimham E. Adhami	LW	GOV, PSD	http://www.adb.org/Documents/Books/Enhancing-Financial-Disclosure/Enhancing-Financial-Disclosure.pdf
Central Asia: Increasing Gains from Trade Through Regional Cooperation in Trade Policy, Transport, and Customs Transit	2006		IN	REC, SEG	http://www.adb.org/Documents/Reports/CA-Trade-Policy/ca-trade-policy.pdf
Connecting Central Asia: A Road Map for Regional Cooperation	2006	M. Parkash	TC	REG	http://www.adb.org/Documents/Books/Connecting-Central-Asia-Road-Map/connecting-CA-roadmap.pdf
Beyond Microfinance: Building Inclusive Rural Financial Markets in Central Asia	2006	Edited by: M.B. Lamberte, et al	FI	SEG	http://www.adb.org/Documents/Books/Beyond-Microfinance/Microfinance.pdf

Title	Date	Author	Sector	Theme	Link
Central Asia: Increasing Gains from Trade Through Regional Cooperation in Trade Policy, Transport, and Customs Trans	2006		IN	REG	http://www.adb.org/Documents/Reports/CA-Trade-Policy/ca-trade-policy.pdf
Private Sector Assessment for Uzbekistan	2005	C. Lin J. Conrad	IN	PSD	http://www.adb.org/Documents/Reports/PSA/UZB/default.asp
Uzbekistan: Country Gender Assessment	2005		HN	GD	http://www.adb.org/Documents/Reports/Country-Gender-Assessments/uzb.asp
Uzbekistan: Country Governance Assessment	2005		LW	GOV	-
Private Sector Assessment for Uzbekistan	2005			PSD	http://www.adb.org/Documents/Reports/PSA/UZB/UZB-PSA.pdf
Diagnostic Study of Accounting and Auditing Arrangements in the Republic of Uzbekistan	2005		LW	GOV	
Uzbekistan: Country Poverty Analysis	2005	P. Verme	Multisector	SEG, GOV	
Country Environmental Analysis for Uzbekistan	2004		AG	ENV	http://www.adb.org/Documents/Reports/CEA/uzb-dec-2004.pdf
Uzbekistan: Trade and Trade Facilitation Review	2003	M. Din	IN	SEG, REG	http://www.adb.org/Documents/Reports/Trade-Facilitation/trade_facilitation_review_UZB.pdf
Urban Sector Profile: Uzbekistan	2003				
Women and Men of Uzbekistan - Statistical Collection	2002			GD	http://www.adb.org/Documents/Studies/Women_Men_UZB/default.asp
Uzbekistan: Economic Update	2002			SEG	-
Financial Management and Governance Issues in Uzbekistan	2000	F. Narayan, B. Reid	LW	GOV	http://www.adb.org/Documents/Books/Financial_Mgt/Uzbekistan/default.asp

AG = agriculture and natural resources, CAREC = Central Asia Regional Economic Cooperation, ECO = economic growth, ED = education, ENV = environment, FI = finance, GD = gender development, GOV = governance, HN = health, nutrition and social protection, IN = industry and trade, PSD = private sector development, REG = regional, SEG = sustainable economic growth, TC = transport and communication, LW = law, economic management, and public policy.

Source: Asian Development Bank.

SCORES BY SECTOR, BY CRITERION, AND OVERALL RATINGS

Evaluation Criteria and Subcriteria	Criteria Weights	Sector/Thematic Percentage Shares										All Sectors Combined			
		ANR 35%		Education 26%		Finance-Public Policy 7%		Transportation 10%		WSS 22%		100%			
		Rating	WAS	Rating	WAS	Rating	WAS	Rating	WAS	Rating	WAS	Rating	WAS		
Strategic positioning	10%	2	0.2	2	0.2	2	0.2	2	0.2	2	0.2	2	0.2	2.0	0.20
Program relevance	10%	2	0.2	2	0.2	2	0.2	2	0.2	2	0.2	2	0.2	2.0	0.20
Efficiency	20%	2	0.4	2	0.4	1	0.2	2	0.4	2	0.4	2	0.4	1.9	0.39
Effectiveness	20%	1	0.2	2	0.4	1	0.2	2	0.4	2	0.4	2	0.4	1.6	0.32
Sustainability	20%	1	0.2	2	0.4	1	0.2	2	0.4	2	0.4	2	0.4	1.6	0.32
Development Impacts	20%	1	0.2	2	0.4	1	0.2	1	0.2	1	0.2	1	0.2	1.3	0.25
All Criteria Combined	100%		1.4		2.0		1.2		1.8		1.8		1.8		1.67

3 = highly satisfactory, highly relevant, highly efficient, highly effective, most likely; 2 = satisfactory, relevant, efficient, effective, likely; 1 = partly satisfactory, less relevant, less efficient, less effective, less likely.

ANR = agriculture and natural resources, WAS = weighted average score, WSS = water supply and sanitation.

PERCEPTIONS OF THE ASIAN DEVELOPMENT BANK

A. Department of External Relations 2009 Perceptions Survey (Uzbekistan Subset)

1. This section analyzes the responses from the Asian Development Bank (ADB) 2009 Perceptions Survey that pertain to Uzbekistan. The survey in Uzbekistan consisted of 32 respondents from the government (8), development partners (6), civil society (4), the private sector (8), media (4), and academe (2).

1. Overall Impressions of ADB

2. In general, respondents had a positive impression of ADB. They saw ADB as having a very good (41%) or somewhat good impact (53%) on the overall development of the country. ADB was also seen as being very helpful (25%) or somewhat helpful (63%) in the past 3 years in helping Uzbekistan meet its development goals.

3. Respondents unanimously described ADB as trustworthy to a moderate or great extent (100%). Almost all of them said ADB is collaborative (97%), problem solving (99%), and reliable (94%), while over three-fourths described it as transparent (88%) and innovative (78%). About two-thirds perceived ADB as slow (65%) and bureaucratic (63%), and nearly half said it is conventional (44%) and inflexible (44%).

2. Perceived Threats to Uzbekistan Development Efforts versus ADB Priorities

4. Respondents perceived threats to Uzbekistan's economic and social development efforts. These threats, considered either serious or very serious, include corruption (66%), the low rate of investment (63%), environmental degradation and climate change (51%), limited educational opportunities and inadequate health services (56%), and lack of an active private sector (56%). Meanwhile, threats seen as not serious or not at all affecting the country's development are the lack of natural resources (87%), the widening gap between rich and poor (59%), poor infrastructure (50%), and poor governance (47%).

5. Views varied about the priority that ADB places on improving sector and thematic objectives in Uzbekistan. A majority perceived that ADB gives high priority to infrastructure development (69%), and half believed that education (50%) and health care (50%) also receive the same level of priority. In contrast, fewer respondents said that ADB places high priority on supporting the development of the financial sector (13%), promoting environmental sustainability (16%), and providing disaster and emergency assistance (19%). A majority saw environmental degradation and climate change as a threat to Uzbekistan's development, but fewer respondents viewed it as a high priority of ADB.

6. Few respondents said that ADB places high priority on promoting gender equality (9%), improving governance (16%), mobilizing resources for private sector development (19%), promoting knowledge-sharing and best practices to solve development challenges (25%), and strengthening partnerships with stakeholders (25%). About half of the respondents (47%–56%) said that ADB is giving moderate priority to these areas.

3. Perceptions of ADB's Performance

7. ADB is doing a good or excellent job in helping Uzbekistan reduce poverty, according to a majority of respondents (72%). However, more than 80% of respondents did not give any reasons for such performance.

8. On sector and thematic areas, more than three-fourths of respondents rated ADB's performance either good or excellent in improving infrastructure (85%), supporting health care (78%), and improving education (78%), while about two-thirds had the same view of ADB's performance in supporting agriculture and rural development (66%), and regional cooperation and economic integration (62%). Less than half of the respondents perceived good or excellent performance in promoting environmental sustainability (40%) and providing disaster and emergency response (31%).

9. More respondents considered ADB's performance average or poor in three of the five priority areas under Strategy 2020. These are gender equality promotion (44% vs. 34% for good or excellent), improving governance (47% vs. 37%), and resource mobilization for private sector development (53% vs. 41%), the areas that were also perceived to be marginally receiving high priority from ADB. The two priority areas, in which ADB performs well or excellently as seen by majority of the respondents, are promotion of knowledge-sharing and best practices to solve development challenges (59%) and strengthening of partnerships with stakeholders (63%). This is consistent with the views that ADB is an excellent source of knowledge on development issues (84%) and moving toward a more collaborative and responsive partnership with the Government of Uzbekistan (97%). While respondents agreed that ADB plays a useful role in enhancing the private sector (72%) and taking sufficient steps to prevent corruption in its projects in the country (59%), 22% disagreed.

10. In terms of performance in helping Uzbekistan meet its development goals and objectives, the majority of respondents (63%) were not aware of it or did not give information. Those who responded, however, rated ADB good or excellent in terms of its loan and resource capacity (37%) and consultations with different stakeholders (37%). About the same proportion of respondents also rated ADB's performance good or excellent on technical skills and abilities (35%), staff's understanding of the country's situation (35%), the ability to provide useful information (34%), timely handling of projects (31%), and the ability to work effectively with other development partners (31%). One-fourth rated ADB's performance good or excellent in terms of having procedures that are easy to follow and understand (25%) and a range and quality of services offered by its field offices (25%).

11. The majority agreed that ADB is doing enough to reach out and build partnerships with the private sector (63%), while 28% somewhat disagreed. To best promote the private sector in Uzbekistan, the two areas on which ADB should focus are (i) supporting private sector projects by providing loans, equity, and guarantees (22%); and (ii) providing funds to develop infrastructure projects (19%).

B. Country Assistance Program Evaluation Perception Surveys

12. As part of the evaluation of ADB's assistance to Uzbekistan, the Independent Evaluation Department (IED) conducted a perception survey from August to September 2010. The respondents were Uzbek government ministries and development partners. This section summarizes and analyzes the responses from the survey questionnaires.

1. Government's Perception

a. Overall Impressions of ADB's Performance

13. The performance of ADB in Uzbekistan was rated *satisfactory* overall by almost all (87.5%) of the government respondents. ADB was also perceived to have done well in responding to government requests, strengthening project ownership, coordinating projects, and creating partnerships with other development institutions. The government respondents did not

cite instances where they were not satisfied with ADB's response to requests. Neither could they cite projects that needed more effort from ADB in pushing for government project ownership. They also believe that ADB had taken advantage of all opportunities to create partnerships with other development institutions.

14. A majority (62.5%) of government respondents stated that they were committed to institutional reforms. Three-fourths (75%) of them considered ADB's support for institutional reforms and capacity building *effective*. Almost all of them considered ADB's research and publications (in particular, the *Asian Development Outlook (ADO)* and the *ADO Update*) relevant and effective (87.5%) as sources of useful and timely information as well as advice.

15. The performance of ADB's Uzbekistan Resident Mission was rated *satisfactory* by a majority (62.5%) of the government respondents. The following are the most cited improvements that the Uzbekistan Resident Mission can benefit from: delegation of more tasks and authority, and hiring or deployment of better qualified staff.

b. Overall Perception of ADB's Strategies and Policies

16. Almost all government respondents (87.5%) rated ADB's decision-making process and resource allocation strategy *satisfactory*. However, their perception of ADB's efficiency in developing project loans as well as loan processing was mixed. Half perceived ADB to be *efficient*, while the other half said it is *partly efficient*. When it comes to project implementation, 75% of government respondents rated ADB *efficient*.

17. The perception of ADB's strategies and policies was mixed. With regard to the relevance of ADB's 2006 country strategy and program (CSP) to Uzbekistan's economic development, 37.5% replied that it is relevant, but 37.5% had no opinion or were unaware of the CSP's relevance. This is not consistent with the most cited main driving principle behind ADB's strategies and policies, i.e., the country strategy for Uzbekistan. Similarly, half (50%) of the government respondents perceived the CSP to be consistent with Uzbekistan's welfare improvement strategy.

18. The transport sector is where most government respondents (62.5%) believed ADB can make the highest potential contribution. Surprisingly, most of them were unsure of ADB's contribution in education (50.0%), finance (50.0%), public policy (50.0%), water (62.5%), and agriculture (62.5%). A majority of government respondents (62.5%) believed that ADB should continue supporting education, transport, finance, public policy, energy, water, and agriculture. Almost all (87.5%) believed that ADB should maintain the current strategy of allocating projects across all provinces.

c. Perceived Strengths, Weaknesses, and Value Added

19. The top two most cited major strengths of ADB, as perceived by government respondents, are its responsiveness to government requests and its ability to coordinate projects and form partnerships. The most cited major strengths of ADB are consistent with the areas in which ADB was perceived to have performed satisfactorily. Most of them cited inefficient bureaucratic processes as a major weakness. This most cited weakness is consistent with the partly efficient rating given by half of the government respondents (50%) to ADB's loan processing.

20. While financing was most cited as ADB's perceived project value added, government respondents also recognized other development institutions as potential sources of project

financing. They also noted the contribution of the government. The other most cited project value added was project development.

2. Perceptions of Development Partners

a. Overall Impressions of ADB's Performance

21. The performance of ADB in Uzbekistan was rated *satisfactory* overall by almost all (84.6%) of the development partner respondents. ADB was also perceived to have done well in coordination, creating partnerships with other development institutions, and the approach to reforms and capacity building. They also believed that ADB had taken advantage of all opportunities to coordinate projects as well as create partnerships with other development institutions.

22. A majority (61.5%) considered ADB's research and publications *relevant*—in particular, the *ADO* and *ADO Update*. These publications were also perceived by the majority (69.2%) as effective sources of useful and timely information as well as advice.

23. The performance of the ADB Uzbekistan Resident Mission was rated *satisfactory* by a majority (61.5%) of the development partner respondents. They believed that no changes were needed at the moment. However, it would help if more authority and tasks were delegated to the mission.

b. Overall Perception of ADB's Strategies and Policies

24. The perception of a majority of development partner respondents (69.3%) regarding ADB's efficiency in developing project loans as well as loan processing ranged from *efficient* to *highly efficient*. The same is true with regard to ADB's efficiency in project implementation. The most cited main driving principle behind ADB's strategies and policies was government requests for assistance and the country strategy for Uzbekistan.

25. The water sector is where most development partner respondents (69.2%) believed ADB could make the highest potential contribution. The other two were transport (61.5%) and energy (53.8%). A majority of development partner respondents (53.8%) believed that ADB should continue supporting education, transport, finance, public policy, energy, water, and agriculture. A majority (53.8%) also believed that ADB should extend support to health and to industry and trade. Almost all (84.6%) believed that ADB should maintain the current strategy of allocating projects across all provinces.

c. Perceived Strengths, Weaknesses, and Value Added

26. The top three most cited major strengths of ADB as perceived by development partner respondents were responsiveness to government requests, key sector knowledge and expertise, and the ability to foster regional cooperation. The most cited major strengths of ADB are consistent with the areas in which ADB is perceived to have performed satisfactorily and effectively. Most respondents cited the lack of financing for private sector projects as a major weakness. Financing and project development were the most cited ADB value added.

**RECOMMENDATIONS FROM THIS COUNTRY ASSISTANCE PROGRAM EVALUATION
FOR UZBEKISTAN, WITH INDICATORS AND BASELINES**

Recommendations	Indicators with Baselines
<p>Maintain focus on infrastructure and strengthen responsiveness by focusing on the government's ultimate goals.</p>	<p>Effective number of sectors for (i) financing (baseline=3.5; Table 6) and (ii) advisory TA (baseline=2.2; Table 6) approved under the next CPS</p> <p>Financing for infrastructure approved under the next CPS (baseline=87% financing for ANR, transport, and WSS in 2006–2009; Table 3)</p> <p>At the end of the next CPS, perceptions of the government, development partners, and other stakeholders on (i) the speed (no baseline) and (ii) the quality (no baseline) of ADB's responsiveness</p>
<p>Support reforms through demand-driven advisory technical assistance.</p>	<p>Reforms needed for continuing sector development identified in sector roadmaps for the next CPS, and percentage of those reforms supported by advisory TA from ADB or other development partners (no baseline)</p> <p>For projects where reforms are needed for success, (i) percentage of reports and recommendations of the President that note the needed policy reforms (no baseline); and (ii) percentage of reforms adopted before Board approval of financing by ADB (no baseline)</p>
<p>Revive support for private sector development.</p>	<p>Financing related to private sector development under the next CPS (baseline=1% for 2006–2009; Table 10)</p> <p>Review of the potential effect of ADB's public sector lending on incentives for private foreign investment in the private sector assessment for the next CPS</p>
<p>Develop a strategy for choosing financial instruments and lending modality.</p>	<p>Criteria for selecting financing instruments in the next CPS, including project loans, sector loans, multitranches financing facilities, program loans, sector development program loans, credit lines, and others</p> <p>Percentage of loans approved during 2012–2017 that follow the criteria (no baseline)</p>
<p>Develop a strategy and program of knowledge products and services.</p>	<p>Strategy for knowledge products and services included in the next CPS</p> <p>At end of next CPS, perceptions of the government, development partners, and other stakeholders on the relevance (baseline=88% government; 77% development partners; Appendix 4) and effectiveness (baseline=88% government; 77% development partners; Appendix 4) of ADB's knowledge products and services</p>
<p>Work with the government and other development partners to raise the efficiency and effectiveness of Uzbekistan's procurement procedures.</p>	<p>Next CPS describes the approach for supporting public procurement</p> <p>At end of next CPS, perceptions of the government, development partners, and other stakeholders on the efficiency and effectiveness of public procurement (no baseline)</p>
<p>Develop a results framework for the next country strategy with which ADB can be held accountable for delivering results.</p>	<p>In the sector and country results frameworks for the next CPS, percentage of outcomes with relevant indicators (baseline=60%), and with adequate baselines (baseline=30%), targets (baseline=18%), and timeframes (baseline=30%), and percentage of indicators for which ADB can be held accountable (baseline=15%)</p> <p>Number of times progress on the indicators was reported or the indicators were updated and revised (baseline=0 for 2006–2009)</p>

ANR = agriculture and natural resources, CPS = country partnership strategy, TA = technical assistance, WSS = water supply and sanitation.