



## World Bank – Uzbekistan Partnership: Country Program Snapshot



October 2012

## RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

### Growth and External Performance

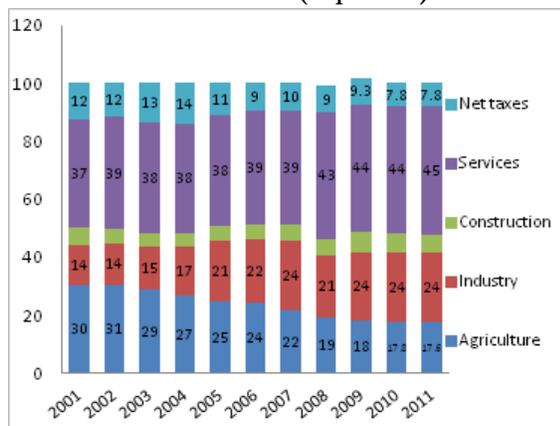


**Real GDP growth averaged 8.3 percent per year between 2009 and 2011.**

Output expanded by 8.1 percent in the first half of 2012, following closely the good performance of 2011 when the economy grew by 8.3 percent. While output in 2011 reflected both strong exports as well as buoyant domestic demand, recent growth has largely been driven by demand-boosting government policies and the stronger inflow of remittances. The good performance in the first half of 2012 stemmed mostly from robust growth in services (by 9.9 percent), construction (by 8.6 percent), and agriculture (by 7.1 percent). Industry, by contrast, grew slower than GDP, primarily because of the high transportation costs for imported machinery and equipment. Industry grew by 3.8 percent a year on average during the global and Eurozone crises in 2009–11 due to slower export demand. GDP growth in 2012 is projected to remain between 7 and 8 percent and slow in 2013 to 6.5 percent, due to a forecasted slowdown in economic activity among Uzbekistan’s major trade partners.

**The structure of the Uzbekistan economy is changing,** as the shares of industry and services in the GDP increase and the share of agriculture decreases. The country can no longer be

**Figure 1. GDP Structure by Sectors of Economy, 2001-2011 (in percent)**



Source: Uzbek authorities.

considered a predominantly rural economy, as the contributions of industry and agriculture to GDP growth have been the same since 2006 and the share of industry in the GDP (24 percent) now exceeds that of agriculture (17.6 percent).

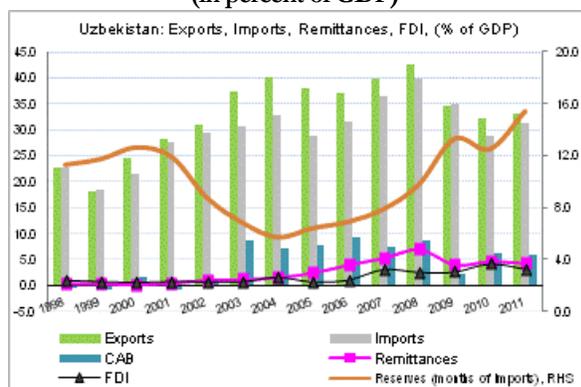
**Total investment grew by 7.9 percent in 2011 and by 7.6 percent in the first half of 2012,** sustaining the share of investment in GDP at 25 percent. Foreign direct investment (FDI) stood at around 3 percent of GDP in 2008–11, and private investment benefited from lower corporate income taxes and moderate improvements in the business environment, including fewer business inspections, improved access to bank financing, and simplified customs certification and registration and permits systems. The higher wages and salaries, which have increased by 20 percent a year in nominal terms since 2006, and steady remittance inflows at an average 4 percent of GDP have supported consumption.

**The current account surplus in 2011 stood at 5.8 percent of GDP, aided by resiliently high international prices for gold, gas, metals, cotton, cars, and food,** as well as by recovering remittance inflows. However, this surplus is much lower than the average registered during the precrisis years of 2003–08 at 10 percent of GDP. Remittances grew by 15 percent in 2011 and represented some 4.5 percent of GDP, down from the precrisis level of 7 percent. The external current account surplus is projected to decline to 4.5 percent on average during 2012–13, due to the above-mentioned likely economic slowdown in the country’s main trade partners.

**Total exports grew by 20.5 percent in 2011, but cotton and gas exports declined.** Although commodity exports growth in 2011 continued to be high by historical standards, noncommodity exports also grew quickly, led by exports of foodstuffs, machinery, and chemicals, and the share of noncommodity exports has recently been expanding. In the first half of 2012, total exports grew by just 1.1 percent, due to slower growth in the major partner economies in 2012. Declining exports in foodstuffs (by 48 percent) and chemicals and metals (by 12 percent) were, however, compensated by the rising exports of gas (by 2.2 times), cotton fiber (by 47 percent), and machinery (by 2.5 percent).

Total imports grew by 26.3 percent in 2011 and by 14.1 percent in the first half of 2012, but there has not been a significant change in the structure of imports, which remains dominated by capital goods and the raw materials related to public investment projects. Food and energy represented 6 and 12 percent, respectively, of total imports in 2011.

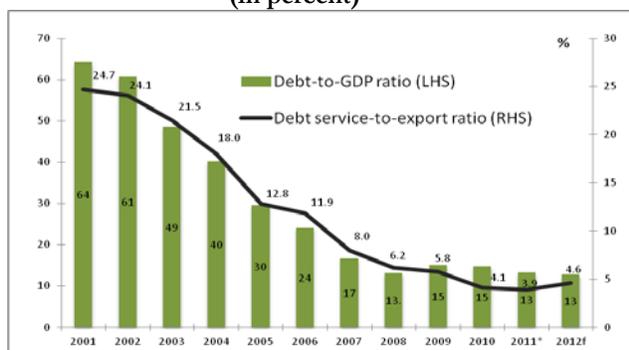
**Figure 2. External Sector Indicators, 1998–2011 (in percent of GDP)**



Source: Uzbek authorities; IMF and Bank staff calculations.

**Gross external debt remained low at about 13.3 percent of GDP in 2011, while Uzbekistan continues to be classified as a net creditor to the world.** External debt (mostly public) has been serviced fully, with a debt service ratio of 3.9 percent of exports and 2.8 percent of gross international reserves in 2011. Uzbekistan’s Government conducted a prudent debt policy by following the path of zero net borrowing and as a result, external debt stock declined from 64 percent of GDP in 2001 to 13 percent of GDP in 2011.

**Figure 3. Debt and Debt Service, 2001–12 (in percent)**



Source: Uzbek authorities; IMF and Bank staff calculations

Note: External debt includes public, publicly guaranteed, and nonguaranteed debt.

## Fiscal Performance

**Fiscal policy in 2011 was prudent.** The consolidated fiscal surplus in 2011 widened to 9.0 percent of GDP from 4.9 percent in 2010, despite the fact that growth remained broadly unchanged. The impact of lower tax collections—reflecting cuts in corporate and personal income taxes, reductions in the unified tax rate for small businesses, and 20 percent higher wage and salary expenditures—were more than offset by increased revenues, which stemmed from higher international commodity prices, value added tax (VAT) collections, and social security contributions, as well as lower than planned public investment.

**The authorities have successfully pursued a strategy to reduce the tax burden in the economy,** and this is a step in the right direction. Further tax reductions continued in 2011 and 2012, reducing the overall tax revenue as a share of GDP to 21 percent. The authorities have been gradually reducing marginal tax rates for a number of taxes, such as personal income (top rate down from 40 percent in 2000 to 22 percent in 2011), profit tax (down from 31 percent in 2000 to 9 percent in 2011), and payroll tax (down from 40 percent in 2000 to 25 percent in 2011). Commercial banks are still subject to a 15 percent rate, but small businesses were taxed at 6 percent in 2011–12 and small business in industry at 5 percent in 2012.

**Restrained budget expenditures in 2011–12 helped moderate official consumer price index (CPI) inflation at 7.3 percent by end-2011 and in the first half of 2012.** The increases in wages and salaries, stipends, pensions, and social allowances in excess of the inflation rate were more than offset by subdued public investments. The US\$47 billion investment program for 2011–15 adopted to alleviate the impact of the global crisis and strengthen infrastructure has continued, supported by resources from the Uzbekistan Fund for Reconstruction and Development (UFRD), but its spending is estimated to have been lower than budgeted. Relatively high and well-targeted spending in the road sector (approximately 1 percent of GDP) has resulted in a relatively well-maintained road network.

**Table 1. Main Economic Indicators of Uzbekistan, 2008–12**

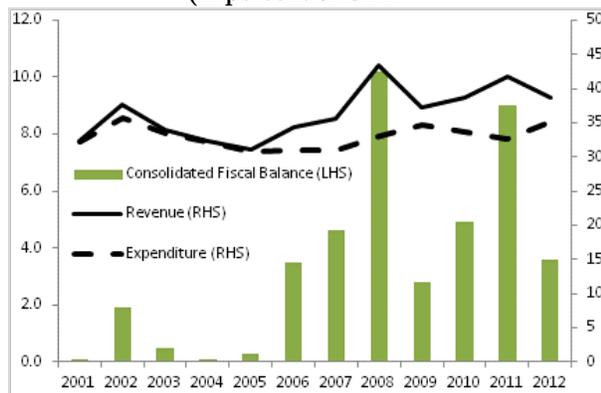
	2008	2009	2010	2011	2012 <sup>f</sup>
GDP growth, %	9.0	8.1	8.5	8.3	8.0
GDP per capita, current US\$	1048	1205	1377	1545	1823
Population, million	27.3	27.8	28.6	29.3	29.8
Gross investment in fixed capital, % of GDP	24	26	25	24	25
Inflation (official CPI, eop), % change	7.4	7.8	7.2	7.3	7.5
Current account balance, % of GDP	8.7	2.2	6.2	5.8	4.5
Fiscal balance, % of GDP	10.7	2.8	4.9	9.0	3.6
FDI (net), million US\$	711	838	1628	1418	1410
FDI (net), % of GDP	2.5	2.6	4.2	3.1	2.6
External debt, % of GDP	13.1	15.0	14.8	13.3	12.8

*Source:* World Development Indicators 2011; IMF and Bank staff calculations

Although total (external and domestic) public debt was reduced to 9.1 percent of GDP by end-2011, domestic public debt remains low at US\$33 million (2011), representing 0.07 percent of GDP. Given both budget and current account surpluses and growing international reserves, the Government has no intention of borrowing domestically in the medium term. To finance two-thirds of its public investment program for 2011–15, the Government will borrow externally, and its external debt to GDP ratio is projected to increase to 20 percent of GDP in 2015, which is still sustainable.

mechanism, the CBU's close to zero real interest rate helped to maintain high credit growth at 38 percent in 2011, as it guided lending under government programs. In order to keep inflation under control, the CBU increased the sterilization of excess liquidity, which led to a slowdown in the growth of broad money (M2) and foreign reserves. However, despite a sizeable accumulation of government deposits (including fixed rate deposits [FRD]) with the CBU, the increased sterilization was not sufficient to offset the effects of expanded net foreign assets and credit growth, as inflation did not decline.

**Figure 4. Consolidated Budget, 2001–2012**  
(in percent of GDP)



*Source:* Uzbek authorities; IMF and Bank staff calculations.

## Monetary Policy

**Monetary policy was accommodative, which led to a build-up in inflationary pressures.** Because of concerns about liquidity, the Central Bank of Uzbekistan (CBU) cut its key policy rate from 14 to 12 percent in 2011, in spite of high inflation. Even with a weak transmission

**The authorities continued with their policy of steady nominal exchange rate depreciation of the sum** by preserving the export revenue surrender requirements and import restrictions. The official exchange rate depreciated by an average of 8.5 percent year-on-year in 2009–11. A challenge for monetary policy is the persistent gap between official and curb market exchange rates (the curb rate of the dollar is 40 percent more expensive in national currency than the official rate). This is primarily because the Government does not release enough foreign exchange to fully meet the private demand and thus eliminate the curb foreign exchange market. As a result of foreign exchange restrictions, the import cover of gross official reserves rose to 15.4 months by end-2011. However, with strong fiscal and external current account surpluses, this does not translate to a serious macroeconomic imbalance, though it does increase the import cost for some private businesses that are blocked from preferential access to foreign exchange by the official exchange rate.

## Financial Sector

**The banking sector's exposure to global risks is limited, but the sector remains largely ineffective in deepening financial intermediation.** Uzbek



banks have limited exposure to foreign banks (around 6 percent of total liabilities in 2010–11) and have not accumulated the kind of toxic assets that led to the deterioration in bank balance sheets in other countries. Moreover, banks continue to benefit from strong economic growth, and the large capital injections by the Government after the global crisis increased their resilience to shocks. The banking sector dominates the financial sector with about 95 percent of financial sector assets. The capital adequacy ratio of the banking sector was 24.2 percent in 2011 and the first half of 2012, up from 23.4 percent in 2010. The loan to deposit ratio was 99 percent in 2010, down from 117 percent in 2009. The main vulnerabilities in the banking sector are the prolonged market dominance of the state-owned banks, which hold 50 percent of total banking assets. Related party lending increased in 2011 and the concentration and quality of banking assets remains a serious concern, as are continued receipt of public funding and lagging loan loss provisions.

Nonperforming loans (NPLs) appear understated, officially reported in 2011–12 at less than 1.0 percent of total gross loans. According to Moody's, the actual level of NPLs is closer to 15 percent. However, the Moody's report concludes that the system is stable and banks' capital buffers are adequate to absorb the expected credit losses.

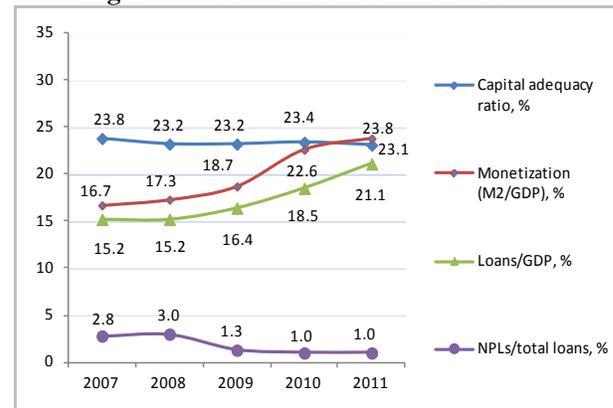
**Financial sector reforms are critical to sustained growth.** One main challenge involves discontinuing the non-core functions of banks and eliminating the remaining *de facto* restrictions on cash withdrawals and transactions. Other challenges include concerns about the sustainability of recently observed credit growth and the potential for possible future loan losses due to directed lending; high state shares and weak risk management in banks, particularly for directed

loans; the moderate access to finance by the private sector and small and medium enterprises (SMEs); the low credit to economy in the GDP (half of other transition economies); the low size and diversity of financial markets; and the underdeveloped nonbank financial institutions.

## Poverty and Social Protection

**Poverty has declined in recent years, due to rapid economic growth and sustained increases in salaries and remittances.** According to official data, poverty, as measured by a national food-based norm of 2,100 kilocalories per person per day, declined from 27.5 percent of the population in 2001 to 17.7 percent in 2010 and an estimated 16 percent in 2011.

Figure 5. Selected Financial Indicators



Source: Uzbek authorities

**Additional pro-poor actions were taken in response to the recent global financial crisis.**



These included supplementary wages, pension and benefit increases, hikes in targeted social assistance, improved access to micro-lending, the provision of housing for orphaned children, and social assistance to single citizens in need. All the regional authorities adopted additional measures for job creation in public works, municipal infrastructure improvements, construction, services, and cattle breeding in rural areas.

Although recent trends imply an accelerated decline in poverty since 2005, the elasticity of poverty reduction to GDP growth remains relatively low. Explanations include: the low productivity in the agriculture sector that still employs one-fifth of the population but is subject to numerous hidden taxes and business restrictions; a high level of informality in the labor market; high and growing dependencies within households (i.e., few working adults per family); and regional divergences (i.e., richer regions are growing faster).

**The social transfer system has gradually shifted from the granting of general privileges to targeting social support.** Total social safety net expenditures have increased from 8 percent of GDP in 2004 to 11 percent in 2011.

## THE WORLD BANK PROGRAM IN UZBEKISTAN

Uzbekistan joined the World Bank in 1992. Since then, the Bank has provided commitments for 24 projects financed by the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Of these, 14 projects have been completed. The Bank's commitments as of June 30, 2011 were US\$733 million.

### Impact on the Ground

The results of country program implementation show what client countries and the World Bank can achieve together as partners to improve people's lives and make a difference. Key accomplishments include:

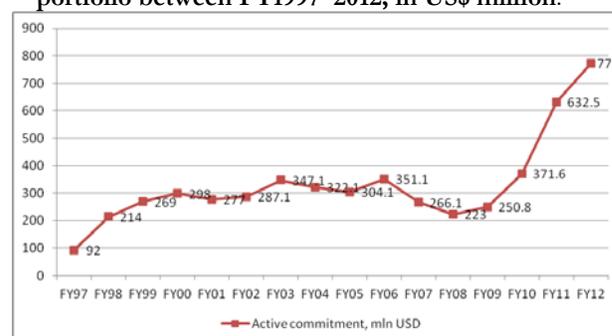
- The World Bank has been helping Uzbekistan to establish a health care system that is accessible, affordable, and efficient. For example, a Bank project has helped to improve the quality of primary health care in almost all regions of Uzbekistan. Also, the Bank has been financing the training of medical professionals and advising on health care finance. In total, 2,389 rural primary health care facilities and 29 city pilot polyclinics have been equipped under the "Health-2" project, and 100 percent of rural primary health care facilities have been

converted to a per capita financing and management system.

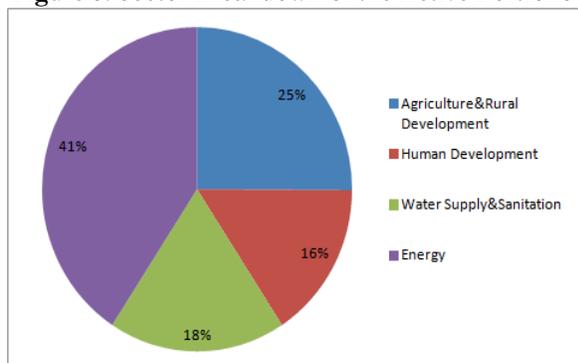
- The Bank has been supporting Uzbekistan's efforts to implement agricultural reforms. The credit line provided to newly established farms made it possible to improve irrigation and drainage on 100,000 hectares of land, and 600 farmers and food-processing SMEs obtained US\$31 million in credit for machinery, poultry, fishery, and other rural development activities.
- Some 2 million rural people in the western part of Uzbekistan now have safe and reliable water. This has helped to reduce the incidence of diseases, particularly near the Aral Sea. Similarly, the capacity of water utilities, regional health centers, and sanitary epidemiology stations has been strengthened.
- Regular budget reporting and greater comprehensiveness introduced as a result of the Bank's advice have increased transparency in public resource utilization. Also in 2011, the Uzbekistan Treasury System adopted the International Monetary Fund *Government Finance Statistics Manual* (GFSM) 2001-based budget classification.
- The leasing and housing finance sectors have been developed in line with international best practices, with the value of lease financing increasing from US\$265 million in 2007 to over US\$890 million in 2011.

The list of ongoing projects can be found in table 2.

**Figure 6 shows yearly commitments of active portfolio between FY1997–2012, in US\$ million.**



**Figure 7. Sector Breakdown of the Active Portfolio**



The Country Partnership Strategy (CPS) for Uzbekistan, approved in December 2011, provides the framework for World Bank Group assistance to Uzbekistan between 2012 and 2015. The new Strategy proposes a program linked to Uzbekistan’s development vision to reach high middle-income status by mid-century.

In support of the Government’s objective to diversify the country’s economy, the CPS is designed to support the implementation of infrastructure efficiency, economic competitiveness, diversification, and the social inclusion elements of the Government’s medium-term development strategy. The new CPS’ financial envelope is US\$1.35 billion for approximately 15 new projects.

In addition, the CPS envisages a high-level joint development exercise, “Uzbekistan Vision 2030.” This aims to help Uzbekistan define roadmaps to achieve its development goals in collaboration with Uzbek research institutes. The “Vision 2030” kick-off Knowledge Sharing Workshop was held in Tashkent on May 15–17, 2012.

**Technical assistance (TA), advice, international expertise, and experience.** The Analytical and Advisory Program (AAA) is carried out with the Government and a broad range of stakeholders. Recently completed Economic Sector Works (ESW) include: *Assessment of Primary Health Care Reform: Transparency, Accountability, and Efficiency*; *Methodology for Ranking Irrigation Infrastructure Investment Projects*; *Country Integrated Fiduciary Assessment (CIFA) phases 1 and 2*; *Improving Water Supply and Sanitation Services Delivery through Better Customer Relationship Management*; *Water Sector, Agriculture Vulnerability to Climate Change*; and *Energy*

*Vulnerability to Climate Change*, as well as several Private Sector Development (PSD) reports related to the improvement of the business environment in Uzbekistan.

**Table 2. Active Loans/Credits Projects, FY11**

Projects	Commitments
<i>Loan/Credit Funded</i>	\$US million
Rural Enterprise Support - II (IDA)	68
Drainage, Irrigation and Wetlands Improvement (IBRD), (IDA)	60
Second Basic Education (IDA)	28
Ferghana Water Resources Management (IDA)	66
Bukhara and Samarkand Sewerage (IDA)	55
Energy Efficiency Facility for Industrial Enterprises (IDA)	25
Syrdarya Water Supply (IDA)	88
Talimarjan Transmission Project (IBRD)	110
Health System Improvement project (IDA) –Health III	93
Advanced Electricity Metering * Project	180
<b><i>Lending Total</i></b>	<b><i>773</i></b>
<b><i>Grant Funded</i></b>	
Karakalpakstan Silk Development Pilot Project (Japanese Social Development Fund Grant)	2
<b><i>Grand Total</i></b>	<b><i>775</i></b>
<i>*pending signing of LA in October, 2012</i>	

During 2012–13, the following TAs are expected to be delivered: a Public Expenditure Review, Higher Education Policy Notes, a Horticulture Development Policy Note, a Transport Sector Review, an Energy Sector Strategy Note, Strengthening the Regulatory and Supervisory Framework of the Central Bank, and Financial Reporting and Auditing Enhancement in the Banking Sector.

## HUMAN DEVELOPMENT

### Health



**Health outcomes in Uzbekistan are commensurate with its socioeconomic development level as a lower middle-income country (LMIC).**

Noncommunicable diseases (NCDs) accounted for approximately 90 percent of all deaths in Uzbekistan in 2009. Diseases related to the circulatory system were the most common cause of death, accounting for 65.6 percent of age-standardized mortality (WHO 2009). Life expectancy at birth trended upwards according to the *Human Development Report*, from 66 years in 2003 to 68.3 years in 2011.

**Although NCDs are the greatest problem, Uzbekistan still has remaining challenges related to maternal and child health outcomes.**

In response, the Government has initiated several policies and programs mobilizing both internal and external resources, with a resulting decline in infant mortality by 45 percent, from 18.3 per 1,000 live births in 2001 to 10.1 per 1,000 live births in 2010.

**The World Bank has been providing strong support for the health sector of Uzbekistan.**

Reforms in primary health care have been supported by the Bank through two investment projects, *Health I* and *Health II*, which covered the years 1998–2011. These projects improved the quality and cost effectiveness of primary health care services; established 10-month doctor retraining courses on general practice and family medicine; and strengthened the capacity of the public health system.

**Further collaboration between the Government of the Republic of Uzbekistan and the World Bank is planned for 2011–16.**

The recently approved *Health III Project* will focus on enhancing secondary health care services by: strategically investing in diagnostic and treatment equipment in the rationally designed hospitals at the rayon (district) level; improving clinical service

management of priority NCDs; and improving rayon hospital financing.

### Education

**Uzbekistan's education system outperforms peer countries in the lower middle-income group.** Public spending on education is high; pupil-teacher ratios in Uzbekistan are closer to those found in rich countries, and gender parity is nearly achieved in primary education. Currently, an estimated 35 percent of the national budget goes to education expenditures.



Nine years of general secondary education in Uzbekistan is compulsory and free. It is divided into primary (grades 1–4) and secondary (grades 5–9)

education. Preschool education is provided to children until they are ages 6–7 at state or private preschool educational establishments, and also within the family.

In 2004, the Government of Uzbekistan adopted the School Education Development Program (SEDP) for 2004–09 to improve the conditions of school buildings and the learning resources and equipment in schools. Donor financing has also provided support to the SEDP, including textbooks, information and communications technology (ICT), distance education, teacher training, equipment, and learning materials. SEDP has helped to pay for the rehabilitation, reconstruction, and construction of almost 8,500 schools.

World Bank involvement in Uzbekistan's education sector started with the two-phased *Basic Education Project* that covers 2007–14. The project helps to implement interventions in the education sector, including piloting and supporting several new initiatives:

- A new mode of engagement with the Government, whereby communities are more closely and directly involved in project design and implementation;
- A new standardized national assessment of student learning;

- A new school-based approach to teacher training;
- A new approach to school financing.

The project has shown significant achievements in the areas of assessing student learning, preparing for new teacher training, activating school boards, and especially in per capita financing. It is proposed to disseminate the successful experience of Uzbek experts in implementing per capita funding to the international level.

In 2012, on the request of the Government, the World Bank started to explore options for partnership in the higher education sector and agreed to carry out an analytical study of the sector in Uzbekistan, in preparation for future collaboration.

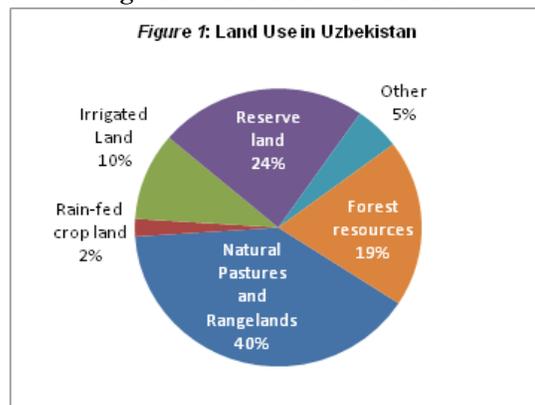
### Agriculture Development



**The agriculture sector plays an important role in Uzbekistan's economy,** and contributes over 17.6 percent of the national GDP

and 27 percent of employment. More importantly, about 49.7 percent of the population live in rural areas and depend on agriculture and related activities for their livelihoods. The country's agricultural systems went through significant structural changes that resulted in a drop in total agricultural output by 15.5 percent by 2010. However, with the implementation of land distribution initiatives and the engagement of an increasing number of households in agriculture and crop diversification, the output has since increased significantly and surpassed the output levels attained in 1991. Structural changes to the type of land tenure available following the restructuring of large collective and state farms have resulted in the formation of private farms and the expansion of small household plots, which are now responsible for much of the growth in agricultural output in recent years, with strong productivity gains leading to increased household incomes.

**Figure 8. Land Use in Uzbekistan**



**A large land area is used for agriculture in Uzbekistan,** with natural pastures occupying 40 percent of the country and rain-fed and irrigated cropland accounting for an additional 12 percent (see figure 8). Due to the arid conditions, more than 85 percent of Uzbekistan's cropland is irrigated, an area that comprises approximately 10 percent of the total land area of the country. The most important crops are cotton and wheat, and significant other products include fruits (apples, apricots, peaches, and berries), vegetables (cucumbers, tomatoes, and potatoes), milk, silk, and livestock.

**The CPS will support selected value chains in agriculture and livestock by continuing to provide financing opportunities** with a particular focus on non-cotton-related activities. In addition, it will support the formulation of a horticultural strategy (FY13), paving the way for a possible horticultural project (FY14).

In order to achieve the strategic goals, the Bank and the Government joined efforts to implement a US\$74.55 million *Drainage, Irrigation and Wetlands Improvement Phase-I Project*, a US\$75.03 million *Rural Enterprise Support Phase-II Project*, and a US\$81.85 million *Fergana Valley Water Resources Management Phase-I Project*. The funds are used to increase labor productivity, employment and incomes, the financial and environmental sustainability of agriculture, and the productivity of irrigated agriculture. The Bank-financed projects are also designed to improve agricultural production in areas affected by water logging, and to reduce damage to housing and infrastructure from rising

ground water levels and salinity in the project covered areas.

## Energy



**The country is rich in energy-producing resources.** It has about 1.8 trillion cubic meters of proven natural gas reserves and 590 million barrels of oil reserves, as

well as 3 billion tons of coal reserves. The power sector of Uzbekistan is a vertically integrated monopoly. Uzbekenergo is the principal power sector utility, a state-owned holding consisting of 54 companies. The other power generation company, Uzsuvenergo, under the Ministry of Agriculture and Water Resources (MAWR), focuses on the development and operation of the small hydropower plants on water reservoirs and irrigation canals managed by the MAWR. Uzbekenergo operates the power generation sector (seven thermal power plants, three heat and power plants, and 28 hydropower plants), the power transmission network, power distribution and supply (through 14 subsidiaries), and coal sector and auxiliary service companies (design institutes and service companies).

The Uzbek power network is part of the larger Central Asian power system (CAPS), which is coordinated through a central dispatch coordination center located in Tashkent. In the past, the CAPS encompassed the five Central Asian countries, but it is currently operating with only three. The Uzbekenergo owned and operated power transmission network has 1,850 kilometers of 500 kilovolt lines, 6,200 kilometers of 220 kilovolt lines, and 15,300 kilometers of 110 kilovolt lines. The transmission network is interconnected with the neighboring countries through 220 kilovolt and 500 kilovolt transmission lines.

**Uzbekistan ranks 170 among 183 countries on the Getting Electricity Indicator**, according to *Doing Business Report 2012* prepared by the World Bank and the IFC. This indicator assesses all the

procedures required for a business to obtain a permanent electricity connection and supply for a standardized warehouse. Recognizing the reliable and stable access to power supply as a key factor in business development, the Government has assigned a priority to developing the power sector and is committed to achieving the following strategic objectives: (a) expanding and modernizing the power system to provide a reliable electricity supply to end users; (b) ensuring Uzbekenergo's financial sustainability and developing its institutional capacity for sustainability; (c) improving efficiency in power generation, delivery, and end use, given the high energy intensity of the economy; (d) reducing the environmental footprint of the energy sector; and (e) developing opportunities for exporting power to other countries, both in the region and in South Asia.

In order to achieve these objectives, the Government of Uzbekistan has undertaken several steps. These include: (a) approving an investment program, which consists of 37 projects to modernize and expand the Uzbek power sector; (b) allowing periodic tariff revisions and helping



Uzbekenergo to implement the investment program by borrowing from international financial institutions (IFIs) and obtaining their help in developing better institutional capacity; (c) mandating energy-intensive industries to improve procedural efficiency in a fixed time frame and selecting the most efficient technology in new thermal generation projects; (d) assessing the renewable energy potential; (e) maintaining a commitment to the preparation and implementation of an advanced metering project to improve energy accountability as well as data and information on the power sector; and (f) assessing power trade opportunities with Afghanistan and Pakistan.

The Bank's cooperation with Uzbekistan in the energy sector started recently through the establishment of the **Energy Efficiency Facility**

for **Industrial Enterprises, Advanced Electricity Metering**, and the **Talimarjan Transmission Project**, aiming to improve the reliability of the electricity supply to residential and business consumers in southwestern Uzbekistan and strengthening the power transmission network.

## Water Supply and Sanitation



**The infrastructure situation in Uzbekistan is strongly influenced by the legacy of Soviet central planning.** The

Government has been steadfast in assigning priority to the water sector, and public capital investments in the sector have never dropped. The portfolio of public borrowing for water supply and sanitation projects and grant funds during 1995–2008 amounted to US\$291 million, the largest for any country in the region.

**The continuing deterioration in the delivery of basic municipal services has created serious public health risks and carries high economic costs** for the population. Improving the quality and coverage of water supply services is essential for protecting public health, raising living standards, and achieving the ambitious Millennium Development Goal (MDG) target “to halve by 2015, the proportion of urban and rural population, which lacks access to safe drinking water and adequate sanitation.”

**The World Bank has been active in the sector since the early 1990s, mainly via support to the Aral Sea recovery program**, including the recently completed rural water supply and sanitation project for Khorezm oblast and the Republic of Karakalpakstan (US\$75 million). The US\$40 million *Bukhara and Samarkand Water Supply Project* (BSWS) has recently been completed, and the *Bukhara and Samarkand Sewerage Project* and the *Syrdarya Water Supply Project* have been under

implementation since April 2010 and January 14, 2012, respectively.

The implementation of the BSWS project brought increased access to a reliable water supply to 98 percent in the project areas. It also resulted in the replacement of 114.4 kilometers of mains in Bukhara and 130.1 kilometers in Samarkand, as well as new customer data base, billing, and accounting programs in the two cities. There is now an improved water quality in the project areas, as less than 5 percent of tested water samples failed chlorine residual standards in Bukhara, and 0 percent did so in Samarkand. In addition, nonrevenue water (NRW) is 31.5 percent in Bukhara and 36.5 percent in Samarkand.

The current CPS support will include ongoing work designed to strengthen water sector governance and capacity. This will include studies on the financial and institutional aspects of water supply and sanitation and the integrated management of water resources. It will also include lending for the water supply (Alat-Karakul, Jizzak, and Kashkadarya regions), sewerage (Karakalpakstan), and district heating in the cities of Andijan and Chirchik.

## IFC Contribution to the Program

**The International Finance Corporation (IFC) is focused on strengthening the private sector through several Advisory Services projects and investments.** IFC’s investments in Uzbekistan are mainly focused on the financial sector and agribusiness. IFC also aims to strengthen private sector development in the country through micro, small, and medium enterprise (MSME) financing lines and trade finance facilities.

To date, IFC has committed US\$88.2 million from its own sources to support the private sector in Uzbekistan. IFC’s current committed portfolio is US\$17.1 million, which includes debt financing to a leading beverage producer IBT; equity investments in a leading regional private bank, Hamkorbank; SME credit lines to the first international leasing company Uzbekleasing and Hamkorbank; and a Trade Finance Facility to the second largest bank in the country, Asaka Bank, and to Hamkorbank.

Besides investments, IFC is implementing the *Financial Markets Infrastructure Advisory Services Project*, which is a part of the regional program of financial infrastructure development in Central Asia (Kyrgyz Republic, Tajikistan, and Uzbekistan) and Azerbaijan (ACAFI Project). In Uzbekistan, the project provided assistance in the development and adoption of the law *On Sharing Credit Information*, signed by the president on October 4, 2011. Currently, the project is engaged in providing assistance in securing a strategic international technical partner to develop a sound credit bureau in the country, and in reforming the secured transaction system. Under the secured transaction reform, IFC will help in developing the draft law *On Collateral Registry* and in building the capacity of financial institutions to use modern secured transactions tools. This work is in line with the Government's request to the World Bank Group to assist in the further improvement of the country's investment climate and increasing its *Doing Business* rating. The project has also concluded an agreement with the Global Association of Risk Professionals (GARP) and implemented a Risk Certification Program in Uzbekistan through local training partners. GARP's Foundations of Banking Risk course is being used in this program.

IFC has launched the project's preimplementation stage on further improving tax administration as part of the continued development of the

investment climate and private sector in Uzbekistan.

On another front, IFC is supporting the Government of Uzbekistan in attracting private investors to design, build, finance, and operate cold storage facilities of a total capacity of up to 30,500 metric tons in 2013–15. The Financial Advisory Services Agreement was signed by Uzmarkazimpex, a foreign trade company under the Ministry for Foreign Economic Relations, Investments and Trade of the Republic of Uzbekistan. At present, IFC is preparing to do the due diligence on the project.

IFC is also planning to attract private sector partners for state-owned enterprises in the chemical sector to design, build, finance, and operate a complex minerals fertilizer plant in the Navoi region. To this end, IFC and the state joint-stock company "Uzkimyosanoat" signed a Memorandum of Understanding (MoU) on May 10, 2012.

From 2001 to 2011, IFC also provided Advisory Services in leasing, microfinance development, mortgage, the investment climate, water efficiency in agriculture, and the implementation of the PPP mechanism in the public health sector. IFC will continue supporting the development of the country through financial infrastructure improvement and the involvement of private partners in infrastructure projects.

**UZBEKISTAN: HEALTH SYSTEM IMPROVEMENT PROJECT (HEALTH III)**  
*Project P113349*

**Key Dates:**

**Approved:** April 7, 2011

**Effective:** November 2, 2011

**Closing:** December 31, 2016

**Financing in million US Dollars:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	93.0	0.25	92.75
Government of Uzbekistan	7.97		
<b>Total Project Cost</b>	<b>100.97</b>		

\*As of July 2012

**Note:** *Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**Challenges:**

Population health outcomes in Uzbekistan are commensurate with its socioeconomic development level as a lower middle-income country. Over the last several years, the greatest burden of disease in Uzbekistan has been attributed to noncommunicable diseases (NCDs) and other chronic diseases, with cardiovascular diseases and neuropsychiatric conditions among the highest causes of morbidity for both males and females.

The current configuration for the provision of inpatient services is inefficient. Uzbekistan has a large, inefficient, and fragmented network of hospitals and specialized clinics, characterized by multiple vertical programs and many single-specialty facilities. There is a lack of clarity regarding the specific roles and linkages between the numerous hospitals and specialized care facilities. In addition, the organization of buildings and departments within each hospital is usually also very inefficient; there are multiple buildings on a hospital site, with a poor functional layout and connection. The management system is also unproductive, due to the many disconnected vertical chains of command and the reliance on vertical, technical routes for oversight.

**Project Objective:**

The overall Project Development Objectives are to (1) improve access to quality health care at the primary level and at rayon medical unions (RMUs); and (2) strengthen the Government's public health response to the rise in NCDs.

**Expected results:**

- Increased the proportion of diabetic and hypertension patients referred from primary health care (PHC) facilities to RMUs, in accordance with treatment standards.
- Improved perceived quality of PHC and secondary health care services in intervention areas.
- Increased proportion of hospitals following NCD treatment standards (at least 20 treatment standards in all hospitals).
- 100 percent of hospitals equipped with medical and waste management equipment in intervention areas (100 rayon hospitals).
- 25 new treatment standards developed and adopted by the Ministry of Health (cardiovascular disease, diabetes, etc.).
- The doctors in 3,670 urban polyclinics receiving training under the 10-month training general practitioner (GP) program.
- Health personnel at PHCs (6,000 doctors and 57,000 nurses) receiving training under continuous professional education.
- National Health Accounts developed and published.

**Key Partners:**

Ministry of Health (MOH) of Uzbekistan; Cabinet of Ministries; Ministry of Finance (MOF); Ministry of Economy; Central Project Implementation Bureau (CPIB).

**Key Development Partners:** the Asian Development Bank (ADB) and the Bank team worked together and joined forces on a primary care partnership for financing Health II. The project successfully collaborated with the UK's Department for International Development (DfID), The U.S. Agency for International Development (USAID), The World Health Organization (WHO), The United Nations Children's Fund (UNICEF), and the United Nations Development Programme (UNDP).

**UZBEKISTAN: BASIC EDUCATION PROJECT PHASE II**  
*Project P107845*

**Key Dates:**

**Approved:** June 23, 2009

**Effective:** March 11, 2010

**Closing:** March 31, 2014

**Financing in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i> <i>*</i>
IDA Credit	28.0	13.46	14.54
Government of Uzbekistan	8.0		
<b>Total Project Cost</b>	<b>36.0</b>		

\*As of July 2012

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**Challenges:**

The education sector of Uzbekistan is characterized by minimal data, little public participation in policy making at the national, oblast, and rayon levels, and limited involvement in school decisions at the local level. As a result, information on student learning outcomes has not been available and community and stakeholder participation as a way to encourage public accountability for school policies, resource allocation, and school management has not generally occurred. Recently, however, the Government has taken positive steps to address these issues through a national standardized assessment of student learning for students in grades four and eight, and through school board activation and community participation in school decisions in selected schools. Enrollment in general education in Uzbekistan is high, but learning outcomes and the quality of education are a concern.

**Project Objective:**

The Project Development Objective is to continue supporting the Government's efforts to improve the effectiveness of teaching and learning through (1) targeted interventions in selected general secondary education schools and preschools in rural poor areas; (2) the development of the institutional capacity to assess student learning; and (3) the adoption of predictable and transparent school budgets.

**Key and Expected Results:**

- Improved the quality of teaching and learning in project schools through the effective use of learning materials and resources acquired under the project;
- Changed teaching in project schools and preschools towards a more interactive, student-centered approach to improve learning outcomes;
- Increased the further involvement of school boards in project schools and provided 500 competitive funding grants for school improvement;
- Improved education financing, budgeting, and school management in project schools;
- Provided support to project implementer on project management, implementing national standardized assessments of student learning, and evaluating project effectiveness.

**Key Partners:**

Ministry of Public Education of Uzbekistan; Ministry of Finance (MOF); Republican Institute for Teacher Training and Retraining named after A. Avloniy, and Republican Institute for Pre-school Teacher Training.

**Key Development Partners:** The Asian Development Bank (ADB) and UNICEF.

## UZBEKISTAN: RURAL ENTERPRISE SUPPORT PROJECT, PHASE II

*Project P109126*

**Approved :** June 12, 2008

**Effective:** December 30, 2008

**Closing:** March 31, 2015

**Financing in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	67.96	34.1	28.1
Government of Uzbekistan	6.58		
Beneficiary	0.49		
<b>Swiss parallel financing</b>	6.0		
<b>Total Project Cost</b>	<b>81.03</b>		



\*As of August 2012

**Note:** *Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*

### **Challenges:**

The project responds directly to the Welfare Improvement Strategy of Uzbekistan in several areas: (a) supporting the further development of private sector farming; (b) strengthening the infrastructure and services required by private farmers; (c) increasing and encouraging commercial banking sector lending to agriculture; (d) developing an integrated sustainable water management system for the supply of irrigation water; and (e) addressing land quality problems associated with irrigation and drainage. The availability of financial services for rural areas remains an acute issue, as access is more limited than in urban areas, while rural demand is increasing dramatically (partly as a factor of the privatization of farmers). The provision of adequate financial services to the general agribusiness sector remains constrained.

### **Project Objective:**

The Project Development Objective is to increase the productivity and financial and environmental sustainability of agriculture and the profitability of agribusiness in the project area. This will be achieved through the provision of (i) financial and capacity-building support to farmers and agribusinesses in seven regions of the Republic of Uzbekistan (covering around 65 percent of the total population of the country), and (ii) improved irrigation service delivery through the rehabilitation of the irrigation and drainage infrastructure and the strengthening of Water Users Associations (WUAs) in the project area.

### **Key and expected results:**

- 370 agribusinesses have received financing for the procurement of agricultural machinery, processing equipment, packaging equipment and materials, and investments in tree-crops, poultry and fishery, and livestock production.
- 36,300 farmers have been trained in 557 training seminars under the Rural Training and Advisory Component on the following subjects (a) principles of crop protection and pest control; (b) development of livestock production; (c) poultry production; (d) fish production; (e) preparation of business plans; (f) accountancy; (g) agricultural law and taxation; (h) water resource management; (i) orchard and vineyard production; (j) processing and marketing of products; and (k) products for domestic and export markets.
- Farmers' awareness has been raised on national child labor policies, and the International Labour Organization (ILO) convention restrictions have been ratified through the training workshops.
- 62 new WUAs have been established to improve water management in the seven project districts. 10,214 water management specialists trained at 359 workshops within the training program for all new WUAs, Administration of Irrigation Systems (AIS), and BAIS (Basin Administration of Irrigation Systems).

### **Key Partners**

Ministry of Agriculture and Water Resources; Rural Restructuring Agency; local commercial banks; Asian Development Bank.

**UZBEKISTAN: FERGHANA VALLEY WATER RESOURCES MANAGEMENT  
(PROJECT P110538)**

**Key Dates:**

**Approved:** September 24, 2009

**Effective:** March 3, 2010

**Closing:** July 31, 2016

**Financing from all co-financiers, million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	65.54	14.72	49.35
Government of Uzbekistan	16.31		
<b>Total Project Cost</b>	<b>81.85</b>		



**\*As of August 2012**

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*

**Challenges:**

Primary agriculture is highly important for Uzbekistan. The sector constitutes 32 percent of GDP and is Uzbekistan's major source of employment and income. Because of the country's arid climate, almost all agriculture depends on the irrigation and drainage infrastructure. The irrigated areas are located in the valleys and plateaus near the Amu Darya and Syr Darya Rivers, and cover about 4 million hectares. Of this, more than 25 percent is within the Ferghana Valley (FV), a region shared by Uzbekistan, the Kyrgyz Republic, and Tajikistan. The FV has the most fertile soils in Central Asia and its highest population density. As a whole, the FV has an irrigated area covering about 1.4 million hectares, of which the Uzbek share is roughly two-thirds. The total population of the FV is about 10 million, 70 percent of whom reside in the Uzbek area, comprising about 28 percent of the population of Uzbekistan.

**Project Objective:**

The Project Development Objective is to improve agricultural production in areas affected by water-logging, and to reduce damage to housing and infrastructure from rising ground water levels and salinity in the project districts.

The project finances improvements in the subsurface drainage network and irrigation systems and the rehabilitation and installation of vertical drainage networks. The project also provides support for the institutional strengthening of the public and private organizations involved in the enhancement of water resource management and agriculture production in the project area. Finally, the project supports operational expenditures for project management, consultancy services for auditing project expenditures, monitoring and evaluation (M&E) of project impacts, and preparation for a future project.

**Results achieved:**

- The project became effective in March 2010. Since then, a contract has been awarded for the rehabilitation of a collector and drainage network and groundwater management in the FV. This is the largest procurement package in the project.
- Project staff has been recruited, and a contract has been awarded for M&E services under the project, as well as for the installation of financial management software.

**Key Partners:** Ministry of Agriculture and Water Resources.

**Key Development Partners:** ADB, Swiss Agency for Development and Cooperation (SDC), and the Scientific-Information Center of the Interstate Commission for Water Coordination of Central Asia (SIC-IWRC).

## UZBEKISTAN: DRAINAGE, IRRIGATION, AND WETLANDS IMPROVEMENT PROJECT (PROJECT P009127)

### Key Dates:

**Approved:** June 19, 2003  
**Effective:** February 20, 2004  
**Closing:** June 13, 2013

### Financing from all co-financiers, million US Dollars\*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	25.00	26.6	
IBRD Loan	35.00	29.8	5.11
Government of Uzbekistan	14.55		
<b>Total Project Cost</b>	<b>74.55</b>		

\*As of August 2012 *Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



### Challenges:

The project is part of the Aral Sea Basin Program approved by the heads of the five Central Asian States in 1994. In Uzbekistan, particularly in the Amu Darya basin, the soils are salinated and drainage systems inadequate. The common practice is to apply large quantities of water for leaching the soils of salts. This practice results in high groundwater levels, and causes, through capillary action, the salts in the soil profile to be brought to the surface. By improving drainage, the project will break this vicious cycle of high water applications, water logging, and secondary soil salinization.

### Project Objective:

The Project Development Objectives are to: (a) increase the productivity of irrigated agriculture, employment, and incomes in Karakalpakstan, one of the poorest regions in Central Asia; (b) improve the water quality of the Amu Darya River by the safe disposal of drainage effluents, and enhance the quality of wetlands in the Amu Darya delta; and (c) develop institutions for improving water management and the operation and maintenance of the irrigation and drainage systems; and (d) promote sustainable irrigated agriculture through participatory irrigation management.

### Results achieved:

- Groundwater table lowered to an acceptable level in 90 percent of the project area. The lower groundwater table is resulting in the desalinization of irrigated lands and is preventing secondary soil salinity.
- Arable land that was unfit for agriculture before the project because of its salinity is cultivated, helping to generate new employment and income in the project area.
- Quality of water in the Amu Darya improved. Water salinity in the Amu Darya downstream of the project area has gone down considerably because drainage effluent no longer flows into the river.
- 21 Water Users Associations (WUAs) established to improve water the management, operation, and maintenance of the irrigation and drainage systems. Farmers, members of WUAs, operators, staff of water management organizations, rural communities, and staff of local authorities (1,250 persons in total) have received training in improved agriculture and water management practices.
- The civil works under the project to be completed before project closing date of June 2013.

**Key Partners:** Ministry of Agriculture and Water Resources.

**Key Development Partners:** ADB, SDC, and SIC-IWRC.

## UZBEKISTAN: ENERGY EFFICIENCY FACILITY FOR INDUSTRIAL ENTERPRISES

*Project P118737*

### Key Dates:

**Approved:** June 17, 2010

**Effective:** December 16, 2011

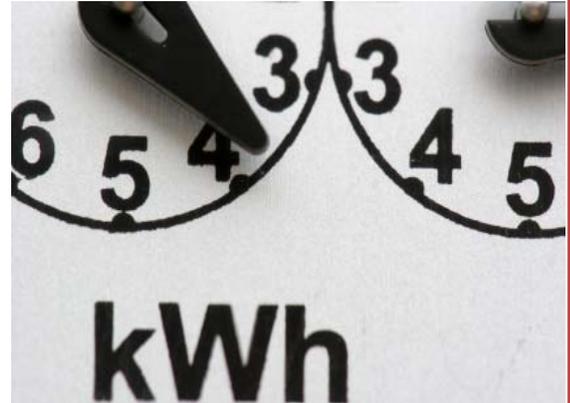
**Closing:** January 31, 2016

### Financing in million US Dollars\*:

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	25.0	4.7	20.30
Participating Banks	4.8		
Sub-Borrowers (i.e. Industrial Enterprises)	4.8		
<b>Total Project Cost</b>	<b>34.6</b>		

\* As of August 15, 2012

**Note:** *Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement*



### Challenges:

Uzbekistan has a fast-growing economy and is a large producer and exporter of natural gas to Russia and Europe. At the same time, the country has one of the most energy-intensive industries worldwide and is a major greenhouse gas emitter. Today, the country uses twice as much energy to produce one unit of GDP compared to neighboring Kazakhstan, and six times as much as Germany. The largest energy consumers in Uzbekistan are industrial enterprises, which generally operate outdated equipment and machinery. Recognizing this, the Government of Uzbekistan has declared improving the energy efficiency (EE) and competitiveness of industrial enterprises to be among its key economic priorities, and has passed several relevant decrees that aim to incentivize energy savings. Uzbekistan has a relatively large number of banks that provide loans for certain types of industrial enterprises, but long-term funds for EE investments are currently not available. Improving EE and reducing energy consumption in the production process will improve Uzbek industries' overall competitiveness, free up natural gas resources for exports, and reduce overall greenhouse gas emissions.

### Project Objective:

The Project Development Objective is to improve EE in industrial enterprises by designing and establishing a financing mechanism for energy saving investments.

### Results to be achieved:

- Annual energy consumption savings at least by 20 percent as a result of every subproject implementation.
- Cumulative CO<sub>2</sub> emissions reduction.
- Development of an EE strategy for industrial enterprises.
- Development of an EE communications strategy.
- Establishment of the Permanent Energy Efficiency Improvement System in industrial associations.

### Key Partners:

Ministry of Finance, Ministry of Economy; participating banks (Asaka, Hamkor, and Uzpromstroy), Association of Chemical Industry "Uzkhmimprom," Food Industry Association, metallurgical plants, gas transportation company "Uztransgaz," etc.

**UZBEKISTAN: TALIMARJAN TRANSMISSION PROJECT**  
*PROJECT P8009*

**Key Dates:**

**Approved:** March 15, 2011

**Effective:** November 11, 2011

**Closing:** December 31, 2015

**Financing in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	110.00	39.75	70.25
Uzbekenergo	61.04	25.4	34.64
Government	-		
Other Donors			
<b>Total Project Cost</b>	<b>171.04</b>		

\*As of August 15, 2012



*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*

**Challenges:**

Uzbekistan has a fast-growing economy and is a major producer and exporter of natural gas to Russia and Europe. With more than 12 gigawatts of installed power generation capacity, Uzbekistan is the second largest producer of electricity in the Central Asia region.

Given the growth of demand, with its associated increase in overloading and an aging infrastructure, the transmission system has been experiencing high losses and frequent, long power outages. In winter, outages are from two to six hours a day in the southern and western regions, creating serious bottlenecks for economic and social development. In the south, congestion in power transmission is acute, where electricity consumption during the winter peak increased by nearly 40 percent from 2,318 megawatts in 1999 to almost 3,000 megawatts in 2008. There are also constraints to frequency regulation due to the predominant thermal mix. Large investments are needed to improve the transmission network required to meet the growth in load demand, reduce losses, and increase the electricity trade.

**Project Objective:**

The Project Development Objective is to improve the reliability of electricity supply to residential and business consumers in southwest Uzbekistan. The project supports changes in utility governance and renewable energy development.

**Results to be achieved by the end of project:**

- Reduced number/duration of electricity outages in the project area.
- Increased electricity supplied to consumers in the southwestern parts of Uzbekistan.
- Reduced voltage variation range.
- Transition from Soviet-era GOST standards to International Electrotechnical Commission (IEC) standards.
- Enhanced capacity of Internal Audit Departments.
- Identification of areas with wind power potential.

**Key Partners:**

State Joint Stock Company Uzbekenergo; Ministry of Finance (MOF).

**Key Development Partners:** ADB, Japan International Cooperation Agency (JICA), and the Uzbekistan Fund for Reconstruction and Development (UFRD).

**UZBEKISTAN: ADVANCE ELECTRICITY METERING PROJECT**  
*PROJECT 122773*

**Key Dates:**

**Approved:** March 27, 2012

**Expected effectiveness date:** November 2012

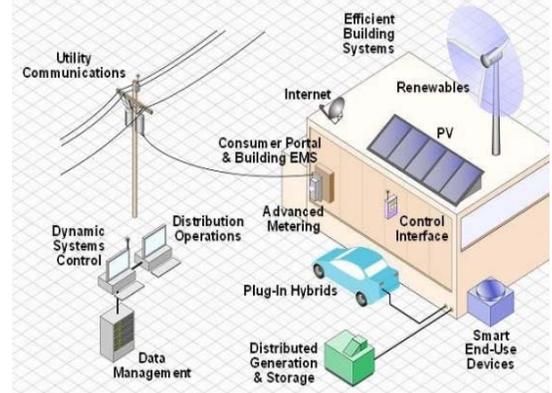
**Closing:** June 30, 2017

**Financing in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IBRD Loan	180.00		
Uzbekenergo	66.1		
<b>Total Project Cost</b>	<b>246.1</b>		

\*As of August 15, 2012

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**Challenges:** Uzbekistan has a wide national power transmission and distribution network: 1,850 kilometers of 500 kilovolt lines, 6,200 kilometers of 220 kilovolt lines, 15,300 kilometers of 110 kilovolt lines, and more than 11,000 0.6–35 kilovolt lines.

Transmission and distribution system losses, both technical and commercial, are officially reported to be around 20 percent of electricity generated, around two–three times the losses experienced in advanced European power grids and some middle-income developing countries. Although the collection rates for power bills have improved in the past few years, there is still significant room for further improvement.

Currently, a major focus of the Government’s energy strategy is to rapidly improve the energy efficiency of both the energy supply industries, and energy end users. A key action in the power sector is to implement a country-wide advanced electricity metering (AEM) program to improve the transparency and accountability of the sector. The program aims to implement modern technologies in electricity metering, billing, and payment collection to reduce commercial losses. It will also encourage electricity consumers to use electricity more efficiently by providing transparent and fair pricing signals, and information on electricity consumption.

**Project Objective:**

The Project Development Objective is to reduce commercial losses in Uzbekenergo’s three regional power distribution companies in Tashkent City and the oblasts of Tashkent and Syrdarya by improving their metering and billing infrastructure and the commercial management systems.

**Expected results:**

- Improvement of the energy balance management and power supply reliability.
- Improvement of the billing system and collection rate in project areas.
- Enhancement of the capacity of Uzbekenergo and the staff of the distribution companies.

**Key Partners:**

State Joint Stock Company Uzbekenergo; Ministry of Finance (MOF).

**Key Development Partners:** ADB.

## UZBEKISTAN: BUKHARA AND SAMARKAND SEWERAGE PROJECT

*Project 112719*

### **Key Dates:**

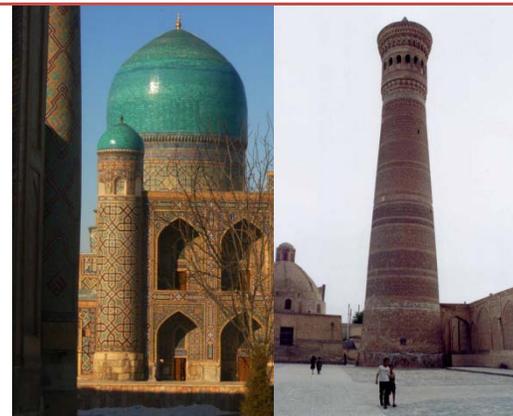
**Approved:** August 4, 2009

**Effective:** April 1, 2010

**Closing:** December 31, 2015

### **Financing in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	55.00	8.18	45.53
Government of Uzbekistan	11.16		
<b>Total Project Cost</b>	<b>66.16</b>		



\*As of August 16, 2012 *Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*

### **Challenges:**

Since independence in 1991, Uzbekistan's municipal services have been largely decentralized to local governments. However, insufficient investment and deferred maintenance have badly affected the infrastructure, which is older than 20 years, has severely deteriorated, and is often energy inefficient. The decline in service reliability has reduced the public's quality of life and constrained economic growth. The sewerage systems in Bukhara and Samarkand are more than 40 years old and will soon need to be replaced. Deferred maintenance must now be addressed through a combination of crash preventive maintenance and rehabilitation.

### **Project Objective:**

The Project Development Objectives are to mitigate the environmental impact from wastewater pollution and improve the efficiency and sustainability of wastewater management in Bukhara and Samarkand. This will be achieved through: (a) rehabilitating select sections of the sewerage system that are deteriorated; (b) expanding (to a limited extent) the sewerage system into currently unconnected central historical areas; (c) installing more energy-efficient equipment such as wastewater pumps and aeration systems at the wastewater treatment plants and pumping stations; and (d) improving the capacity of the water utilities (vodokanals) in the areas of management, communications, and public outreach.

### **Results achieved:**

- Project implementation progresses with a number of works and consultant services contracts currently underway. The first urgent investments civil works contract to rehabilitate selected sections of the sewers (2.2 kilometers) and construct a new sewer pumping station in Samarkand along Pendjikentskaya Str. is completed. A similar urgent sewers (5.8 kilometers) rehabilitation contract has been under implementation in Bukhara since January 2012, with 1.7 kilometers of sewers laid.
- Detailed engineering designs are being developed by local design consultants for the further rehabilitation of wastewater treatment plants, sewers, and pumping stations in Samarkand and Bukhara. Operation and maintenance equipment has been procured for the vodokanals of both Bukhara and Samarkand. A number of packages to procure detailed designs for the rehabilitation/construction of the rest of the sewers, pumping stations, and wastewater treatment plants are under preparation.
- Training of vodokanals' staff on sewerage operation was procured and is underway in Bukhara and Samarkand.

**Key Partners:** Uzkomunkhizmat (State Agency for Public Utilities); Bukhara Regional Governor's office and Water Utility; Samarkand Regional Governor's office and Water Utility.

**UZBEKISTAN: SYRDARYA WATER SUPPLY PROJECT**  
**PROJECT 111760**

**Key Dates:**

**Approved:** March 1, 2011

**Effective:** January 14, 2012

**Closing:** December 31, 2017

**Financing in million US Dollars\*:**

<i>Financier</i>	<i>Financing</i>	<i>Disbursed</i>	<i>Undisbursed</i>
IDA Credit	88.00	0.39	85.81
Government of Uzbekistan	33.03		
<b>Total Project Cost</b>	<b>121.03</b>		

\* As of August 16, 2012.

*Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*



**Challenges:**

Since independence in 1991, Uzbekistan's municipal services have been largely decentralized to local governments. However, insufficient investment and deferred maintenance have badly affected the infrastructure, which is older than 20 years, has severely deteriorated and is often energy inefficient. The decline in service reliability has reduced the public's quality of life and constrained economic growth. An estimated 82 percent of Uzbekistan's population has access to potable water, with great disparities between urban and rural areas. The Government asked for Bank assistance to improve water supply services in small towns and villages in five districts in the Syrdarya oblast (region). The beneficiaries reside in about 1,100 small towns and villages over an area of about 4,000 kilometers. Currently, 2.25 percent of the project towns receive no piped water at all and have to rely on water tankers; another 55 percent receive piped water less than six hours daily, 10 percent receive it between six and 24 hours daily, and only about 10 percent have 24-hour service.

**Project Objective:**

The Project Development Objective is to improve the availability, quality, and sustainability of the public water supply service in selected districts of the Syrdarya region. The objective is to be achieved through the rehabilitation, replacement, and limited expansion of the water supply infrastructure and through the institutional capacity building of the Syrdarya Regional Vodokanal (SVK) utility. Capacity building will in particular aim at improved operations and maintenance and at the systematic billing and collection of user charges, to cover annual cash operating expenses (including repairs and maintenance) and a marginal share of annual debt service as agreed with the Government.

**Expected results:**

- Water supply systems rehabilitated and expanded in five districts in the Syrdarya region: Akaltyn, Bayaut, Mirzaobod, Sardoba, and Khavast.
- Capacity enhanced of the Syrdarya Regional Vodokanal (SVK) and its district level vodokanals staff.
- Feasibility studies done for future financing of the wastewater infrastructure sector in the Syrdarya region.

**Results achieved:**

- Project Coordination Unit branch now fully staffed and functional.
- Detailed design for the rehabilitation of 30-kilometer bulk pipeline has been completed.
- Project implementation has been contracted.

**Key Partners:**

Uzkommunkhizmat (State Agency for Public Utilities); Syrdarya Regional Governor's office and Water Utility.