



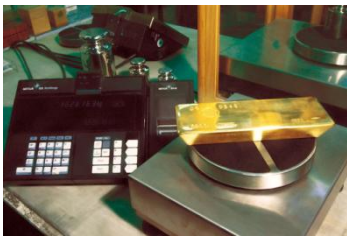
World Bank – Uzbekistan Partnership Program Snapshot



April 2012

RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

Growth and External Performance



Real GDP growth averaged 8.3 percent per year between 2009–11, up from 6.7 percent in the first half of the decade. In 2011, Uzbekistan’s GDP growth was

fueled by rising commodity prices and by robust demand from Russia. The fastest growing sectors were trade and catering (expanding by 15.3 percent), transport, communications and other services (11 percent), construction (8.5 percent), and agriculture (6.6 percent). Industry, by contrast, grew by 3.6 percent. Growth in 2012 is projected to remain between 7 and 8 percent and in 2013 at 6.5 percent.

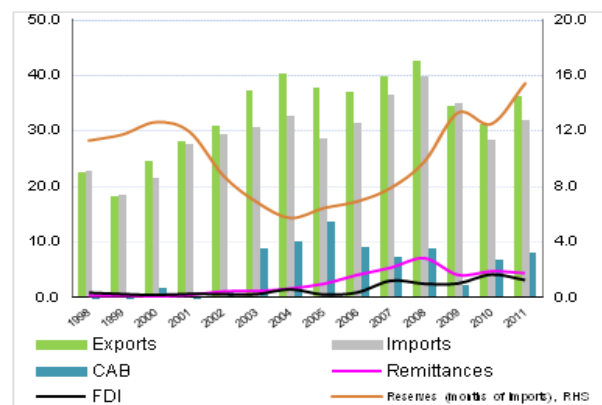
The structure of the Uzbekistan economy is changing as the shares of industry and services in GDP increase while the share of agriculture decreased. The country can no longer be considered a predominantly rural economy as contributions of industry and agriculture to GDP growth became equal in 2006 and industry’s share in GDP now exceeds that of agriculture. Total investment grew by nearly 8 percent in 2011, sustaining the share of investment in GDP at 25 percent. The foreign direct investment stood at around 3 percent of GDP in 2008-11 and private investment benefitted from lower taxes and moderate improvements in the business environment. Higher wages and salaries and increased remittance inflows have supported consumption.

The external position strengthened in 2011, supported by positive terms of trade gains. The current account surplus widened in 2011 to 8 percent of GDP, from 6.7 percent in 2010, aided by continued high export prices for gold, gas, metals, cotton, cars, food, and recovering remittance inflows. However, this surplus is still lower than during the pre-crisis years of 2003-08 when the current account surplus averaged 10 percent of GDP. Remittances grew slowly by 13 percent in 2011 and represented some 4.5 percent of GDP, down from the pre-crisis level of 7 percent of GDP. The external current account surplus is projected to decline to 6.2 percent on average during 2012–13.

Total exports grew by 15.4 percent in 2011, but exports of cotton and gas declined. Although commodity prices continued to be high by historical standards, non-commodity exports also grew fast, led by exports of

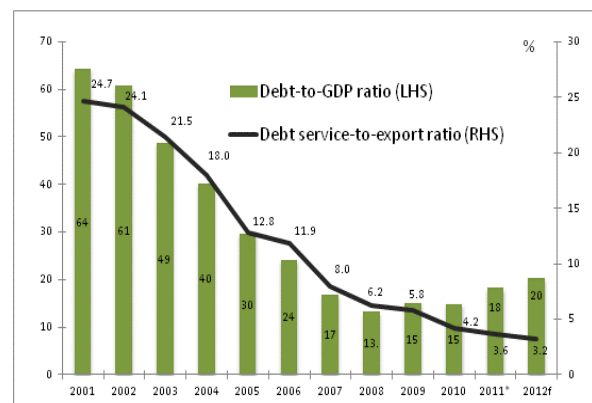
foodstuffs (58 percent), machinery (40 percent), chemicals (27 percent), and metal-products (25 percent). The share of non-commodity exports has been expanding recently, which could be a sign that some state-led diversification is taking place in the economy. Total imports grew by 14.5 percent in 2011 but there has not been a significant change in the structure of imports. The structure of imports remains dominated by capital goods and raw materials related to public investment projects. Food and energy represented 6 and 12 percent, respectively, of the total imports in 2011.

Figure 1. Exports, Imports, Remittances, FDI (in percent of GDP)



Gross external debt remained low at about 18 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 the debt service ratio of 3.6 percent of exports and 2.8 percent of gross international reserves in 2011. Uzbekistan’s Government conducted a prudent debt policy by following the policy of zero net borrowing and as a result external debt stock declined from 64 percent of GDP in 2001 to 18 percent of GDP in 2011.

Figure 2. Debt and Deb Service, in percent (2001–11)



Note: External debt includes guaranteed and non-guaranteed debt.

Fiscal Performance

Fiscal policy in 2011 was prudent. The consolidated fiscal surplus widened to 5.4 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 and the reduction of the unified tax rate for small business, as well as 20 percent higher wage and salary expenditures, were more than offset by increased revenues—from higher international commodity prices, VAT collections, and social security contributions—and 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, 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 a reduced rate of 6 percent in 2011.

Restrained budget expenditures in 2011 helped moderate inflation growth. The increases of 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 the allocation of resources from the Fund for

Reconstruction and Development (FRD), but its spending is estimated to be lower than budgeted. Relatively high and well-targeted spending in the road sector (approximately 1 percent of GDP) has resulted in a well-maintained road network.

Domestic public debt is very small at US\$ 33 million in 2011, which, given the growing GDP, translates into a declining ratio of domestic debt at 0.07 percent of GDP. Given both budget and current account surpluses and growing international reserves, the Government has no intention to borrow 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/GDP ratio is projected to increase to 26 percent of GDP in 2015, which is still sustainable.

Figure 3. Consolidated Budget, 2001-2011
(in percent of GDP)

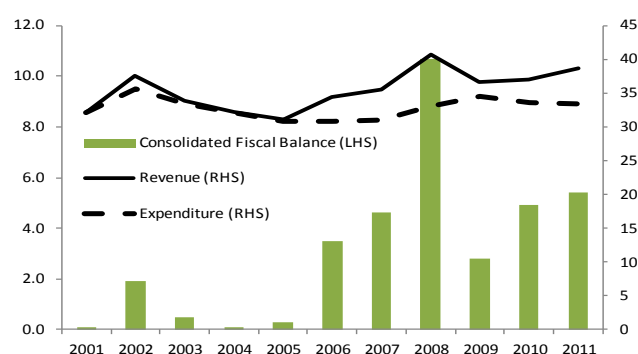


Table 1. Main economic indicators of Uzbekistan

	2008	2009	2010	2011	2012f
GDP growth, %	9.0	8.1	8.5	8.3	8.0
GDP per capita, current US\$	1023	1181	1381	1588	1846
Population, million	27.3	27.9	28.2	28.6	28.9
Gross investment in fixed capital, % of GDP	24	26	25	24	25
Inflation (official CPI, eop), % change	7.4	7.8	7.2	7.5	7.5
Current account balance, % of GDP	8.7	2.7	6.7	8.0	7.0
Fiscal balance, % of GDP	10.7	2.8	4.9	5.4	4.8
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	14.3	15.3	15.2	18.8	20.3

Source: World Development Indicators 2011; * World Bank estimates

Financial Sector

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

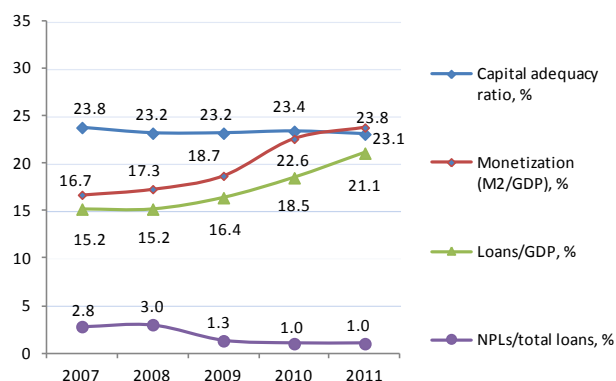


have limited exposures to foreign banks (around 6 percent of total liabilities in 2010–11) and have not accumulated toxic assets that caused deterioration of bank balance sheets in other countries. Moreover, banks continue to benefit from strong economic growth, and large capital injections by the Government 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 percent in 2011, 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 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 its continued receipt of public funding and lagging loan loss provisions.

Nonperforming loans (NPL) appear understated, officially reported at 1 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 expected credit losses.

Financial sector reforms are critical for sustained growth. Main challenges include: discontinuing the non-core functions of banks and eliminating remaining de-facto restrictions on cash withdrawals and transactions; directed lending creates concerns about the sustainability of recently observed credit growth and the potential for possible future loan losses; high state shares and weak risk management in banks, particularly for directed loans; moderate access to finance by private sector and SMEs; low credit to economy in GDP (half of other transition economies); low size and diversity of financial markets; and underdeveloped non-bank financial institutions.

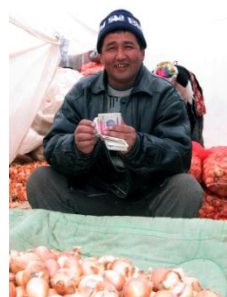
Figure 4. Selected Financial Indicators



Monetary policy was accommodative, which led to a build-up in inflationary pressures. In order to keep inflation under control, the Central Bank of Uzbekistan (CBU) increased the sterilization of excess liquidity, which led to a slowdown in growth of broad money (M2) and foreign reserves. However, there are some signs of continued inflation build-up. 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 that encourage growth of the informal economy. However, with strong fiscal and external current account surpluses, this does not represent a serious macroeconomic imbalance.

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.

Additional pro-poor actions were taken in response to the recent global financial crisis. These included additional wages, pension and benefit increases, hikes in targeted social assistance, improved access to micro-lending, provision of housing for orphan children, and social assistance to single citizens in need. All regional authorities adopted additional measures on 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, especially in rural areas, the elasticity of poverty reduction to GDP growth remains relatively low. Explanations include: low agricultural productivity that still employs a fifth of the population but is subject to numerous implicit taxes; a high level of informality in the labor market; and high and growing dependencies within households (i.e., few working adults per family) and regional divergences (i.e., richer regions growing faster).

The social transfer system has gradually shifted from the granting of general privileges to targeted 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 23 projects financed by the **International Bank for Reconstruction and Development (IBRD)** and the **International Development Association (IDA)**. Of these, 13 projects have been completed.

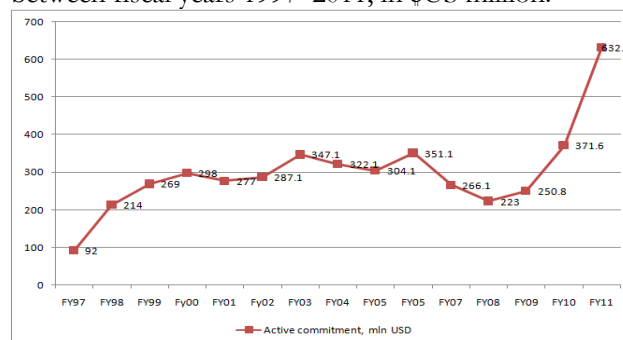
Impact on the ground

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 establish a health care system that is accessible, affordable and efficient. For example, a World Bank project has helped improve the quality of primary health care in almost all regions of Uzbekistan. Also, the World Bank has been financing 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 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 ha of lands; and 600 farmers and food-processing SMEs obtained US\$ 31 million in credit for machinery, poultry, fishery, and other rural development activities. The State procurement price for cotton increased 37 percent between 2009–10.

- Some 2 million rural people in the western part of Uzbekistan now have safe and reliable water. This has helped 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 GFSM 2001-based budget classification.
- Leasing and housing finance sectors have been developed in line with international best practices, with the value of lease financing having increased from US\$ 265 million in 2007 to over US\$ 890 million in 2011.

Figure 5 shows yearly commitments of active portfolio between fiscal years 1997–2011, in \$US million.



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 implementation of the infrastructure efficiency, economic competitiveness, diversification, and social inclusion elements of the Government's medium-term development strategy. The Bank's commitments as of December 31, 2011 were US\$ 635 million, and the new CPS' financial envelope is **US\$ 1.35 billion for approximately 15 new projects**.

The list of on-going projects is in **Table 2** below.

Non-lending engagement is focused on: (i) key sectoral and cross-sectoral areas where the Bank Group supports the Government's reform efforts, promotes good governance as a way to improve

efficiency, effectiveness, and quality of service delivery; and (ii) where the Bank's Economic and Sector Work (ESW) is needed to deepen research and strengthen capacity. This engagement seeks to build on existing activities and develop new approaches toward dissemination and advocacy of selected governance reforms.

In addition, the CPS envisages a high-level joint strategy development exercise - "Uzbekistan Vision 2030". This aims to help Uzbekistan define roadmaps to achieve its development goals in collaboration with Uzbek research institutes. These goals include industrial development, the competitiveness and diversification agenda, as well as a series of policy notes designed to address comparative advantage and structural reform issues in specific industries selected by the Government

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
CLOSED	
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
<i>Lending Total</i>	<i>592.5</i>
<i>Grant Funded</i>	
Karakalpakstan Silk Development Pilot Project (Japanese Social Development Fund Grant)	2
<i>Grand Total</i>	<i>594.5</i>

The country values greatly the World Bank's technical analysis (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 Policy Note"; "Water Sector, Agriculture Vulnerability to Climate Change"; "Energy Vulnerability to Climate Change", as well as several PSD reports related to Uzbekistan Business Environment improvement.

Among the on-going TA activities are Municipal Development and Governance, and Growth and Innovation (TA). During CY2012, the following are expected to be implemented: Public Expenditure Review, Basic and Pre-School Education Policy Notes, a Horticulture Development Policy Note, a Transport Sector Review, an Energy Sector Strategy Note and a Water Utility Pricing Review.

Human Development

Health



Health outcomes in Uzbekistan are commensurate with its socioeconomic development level as a lower middle-income country (LMIC). Non-communicable 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 in 2003 to 68.3 years in 2011.

Although non-communicable diseases are the greatest problem, Uzbekistan still has remaining challenges related to maternal and child health outcomes. In response, the Government of Uzbekistan (GoU) 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 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 level; improving clinical service management of priority NCDs; and improving rayon hospital financing, etc.

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.



The nine-year general secondary education in Uzbekistan is compulsory and free. It is divided into primary (1–4 grades) and secondary (5–9 grades) education. Pre-school education is provided to children until they are ages 6–7 at state or private pre-school 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 conditions of school buildings and learning resources and equipment in schools. Donor financing has also provided support to the SEDP, including textbooks, ICT, distance education, teacher training, equipment and learning materials. SEDP has covered rehabilitation, reconstruction, and construction of almost 8,500 schools.

The World Bank involvement in Uzbekistan’s education sector started with the two-phased *Basic Education Project* that covers 2007–14. The Project provides support 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 assessment of student learning, preparation for new teacher training, school board activation, 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.

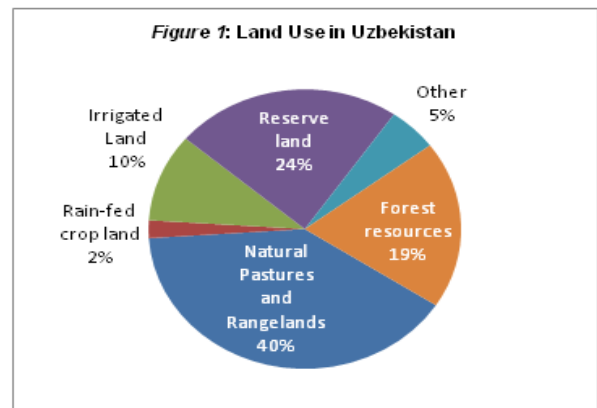
Agriculture Development



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 have gone through significant structural changes that resulted in total agricultural output dropping 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 has surpassed 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 6. Land use in Uzbekistan



A large area of land 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 6). Due to the arid conditions, more than 85 percent of Uzbekistan’s cropland is irrigated. This irrigated

cropland comprises approximately 10 percent of the total land area of the country.

The most important crops are cotton and wheat, and significant 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, financial and environmental sustainability of agriculture, and to increase productivity of irrigated agriculture. Also, the Bank-financed projects are assigned 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 Recourses (MAWR), focuses on 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 is currently operating with only three countries. The Uzbekenergo owned-and-operated power transmission network has 1,850 km of 500 kV lines, 6,200 km of 220 kV lines, and 15,300 km of 110 kV lines. The transmission network is interconnected with the neighboring countries through 220 kV and 500 kV transmission lines.

Insufficient and unreliable power supply is now ranked as the third most significant obstacle to doing business in Uzbekistan, up from eighth in 2005, according to the Doing Business Report (2009)



prepared by the World Bank and IFC. Recognizing this, the Government has assigned 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 Uzbekenergo's 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 foot print of the energy sector; and (e) developing opportunities for exporting power to other countries both in the region and South Asia.

In order to achieve the above 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 support to Uzbekenergo in implementing the investment program by borrowing from international financial institutions (IFIs) and increasing Uzbekenergo's exposure to several IFIs to help develop its institutional capacity; (c) mandating energy-intensive industries to improve the efficiency of the processes in a fixed time frame and selecting the most efficient technology in new thermal generation projects; (d) assessing 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 establishment of the **Energy Efficiency Facility for Industrial Enterprises, Advanced electricity metering**, and the **Talimarjan Transmission Project**, aiming to improve the reliability of electricity supply to residential and business consumers in South-Western Uzbekistan and strengthening the power transmission network.

Water supply and sanitation

The infrastructure situation in Uzbekistan is strongly influenced by the legacy of Soviet Union central planning. The Government of Uzbekistan has been steadfast in assigning priority to the water sector, and public capital investments in the sector 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 MDG targets “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 been recently completed; that project and *the Syrdarya Water Supply project* have been under implementation since April 2010 and January 14, 2012, respectively.

Implementation of the BSWS project resulted in increased access to reliable water supply to 98 percent in project areas; 114.4 km of mains replaced in Bukhara and 130.1 km in Samarkand; customer data base, billing and accounting programs put in place in Bukhara and Samarkand; improved water quality in project areas: less than 5 percent of tested water samples failed chlorine residual standards in Bukhara, and 0 percent in Samarkand; and non-revenue water (NRW) being

31.5 percent in Bukhara and 36.5 percent in Samarkand.

The current Country Partnership Strategy support will include ongoing work designed to strengthen water sector governance and capacity. This will include studies on financial and institutional aspects of water supply and sanitation and integrated management of water resources. It will also include lending for water supply (*Alat-Karakul, Jizzak and Kashkadarya Regions*), sewerage (*Karakalpakstan*) and District Heating in Andijan and Chirchik cities.

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 investment in the country has been mainly focused on the financial and manufacturing sectors. IFC also aims to strengthen Uzbekistan's private sector and support banks with a greater focus in financing micro, small, and medium enterprises (MSME).

To date, IFC has committed around US\$ 84 million of its own funds to support private sector development in Uzbekistan. IFC's current financial markets portfolio is US\$ 35.2 million, which includes equity investments in the first international leasing company (Uzbek Leasing) and in a leading regional-based private bank (Hamkorbank); SME credit lines to Hamkorbank and Uzbek Leasing; as well as Trade Finance Facility to Hamkorbank and Asaka Bank, the second largest bank in Uzbekistan.

Besides investments, IFC is implementing *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 development and adoption of the law "On Sharing Credit Information," signed by the President on October 4, 2011. The Project has also concluded an agreement with the Global Association of Risk Professionals (GARP) and implemented Risk Certification Program in Uzbekistan through local training partners. GARP's Foundations of Banking Risk course is being used in this program.

IFC is currently exploring the pre-implementation stage of the project on further improvement of tax administration to continue development of investment climate and private sector in Uzbekistan. IFC is also exploring new Public Private Partnership

(PPP) initiatives in the agricultural sector and chemical infrastructure in Uzbekistan.

Under the PPP Project in the agro-industrial sector, IFC is planning to assist in attracting investors to construct and modernize cold storage facilities of a total capacity of 30,500 metric tons in 2013–15. A draft of a Financial Advisory Services Agreement was submitted to three foreign trade companies (Uzprommashimpeks, UzInterImpeks and Uzmarkazimpeks) under the Ministry for Foreign Economic Relations, Investments and Trade of the Republic of Uzbekistan for its further consideration by the management. At present, discussion of this agreement is in progress, as well as consideration of IFC proposals regarding its participation in this Project.

Under the PPP Project in chemical infrastructure, IFC is planning to attract private-sector partners for state-owned enterprises in the chemical sectors to build and operate a complex minerals fertilizer plant in Navoi region. Thus, IFC and the State Joint-Stock Company “Uzkimyosanoat” are examining the opportunity for future cooperation in promoting sustainable private

sector participation in the chemical sector in Uzbekistan. In doing so, IFC prepared a Memorandum of Understanding (MoU) and Agreement on Confidentiality with “Uzkimyosanoat.” After the signing of these documents, IFC will consider existing documentation on the Project and assess the possibility to attract direct investments and/or credits for the Project. Also, IFC will supply “Uzkimyosanoat” with an offer, containing basis terms and regulations of Advisory Services, provided by IFC.

From 2001 to 2011, IFC also provided Advisory Services in leasing, microfinance development, mortgage, investment climate, water efficiency in agriculture and implementation of the PPP mechanism in public health of Uzbekistan.

IFC will continue supporting development of the country through financial infrastructure improvement and 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		
Total Project Cost	100.97		



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 non-communicable and chronic diseases, with cardiovascular diseases and neuropsychiatric conditions among the highest causes of morbidity for both males and females.

The current configuration for provision of inpatient service 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 very inefficient; there are multiple buildings on a hospital site, with poor functional layout and connection. These are also characterized by an inefficient management system due to the many disconnected vertical chains of command and 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 non-communicable diseases (NCDs).

Expected results:

- Increased the proportion of diabetic and hypertension patients referred from 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% of hospitals equipped with medical and waste management equipment in intervention areas (100 rayon hospitals).
- 25 new treatment standards developed and adopted by the MOH (CVD, diabetes, etc.)
- 3,670 urban polyclinics' doctors receiving training under the 10-month training 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 ADB and 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 Nation's Children's Fund (UNICEF), and the United Nation's Development Programme (UNDP).

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> *
IDA Credit	28.0	3.73	24.57
Government of Uzbekistan	8.0		
Total Project Cost	36.0		



*As of February, 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 limited 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 GoU 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 quality of education are a concern.

Project Objective:

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

Key and Expected Results:

- Improved the quality of teaching and learning in project schools through 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 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 assessment 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), UNICEF.

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	31.4	39.31
Government of Uzbekistan	6.58		
Beneficiary	0.49		
Swiss parallel financing	6.0		
Total Project Cost	81.03		



*As of February , 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 infrastructure and services required by private farmers; (c) increasing and encouraging commercial banking sector lending to agriculture; (d) development of an integrated sustainable water management system for supply of irrigation water; and (e) addressing land quality problems associated with irrigation and drainage. Availability of financial services for rural areas remains an acute issue, as access is more limited than in urban areas, whilst rural demand is increasing dramatically (partly as a factor of the privatization of farmers). 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 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 improved irrigation service delivery through rehabilitation of irrigation and drainage infrastructure and strengthening of Water Users Associations (WUAs) in the Project area.

Key and expected results:

- 317 agribusinesses have received financing for procurement of agricultural machinery, processing equipment, packaging equipment and materials, and investments in tree-crops, poultry and fishery and livestock production;
- 14,946 farmers have been trained in 269 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; (k) products for domestic and export markets.
- 62 new Water Users Associations (WUAs) were 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	9.71	55.83
Government of Uzbekistan	16.31		
Total Project Cost	81.85		



As of February, 2012Note: 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 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 (ha). 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 ha, of which the Uzbek share is evidently about 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 of the subsurface drainage network and irrigation systems and rehabilitation and installation of vertical drainage networks. The Project also provides support for institutional strengthening of public and private organizations involved in the enhancement of water resources 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 of 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 Ferghana Valley. 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	27.9	
IBRD Loan	35.00	24.5	10.05
Government of Uzbekistan	14.55		
Total Project Cost	74.55		



*As of February, 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 five Central Asian States in 1994. In Uzbekistan, in particular in Amu Darya basin, the soils are saline and drainage systems are 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 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, operation and maintenance (O&M) of the irrigation and drainage systems, and for promoting 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 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 management, operation and maintenance of the irrigation and drainage systems. Farmers, members of Water Users Associations, 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 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

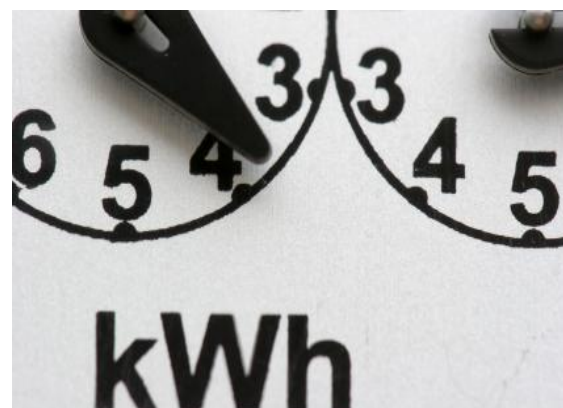
Effective: December 16, 2011

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		25.00
Participating Banks	4.8		
Sub-Borrowers (i.e. Industrial Enterprises)	4.8		
Total Project Cost	34.6		

* As of February, 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. 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 mostly operate outdated equipment and machinery. Recognizing this, the Government of Uzbekistan has declared improving energy efficiency (EE) of industrial enterprises and increasing competitiveness as 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 energy efficiency 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 energy efficiency in industrial enterprises by designing and establishing a financing mechanism for energy saving investments.

Expected results:

- Cumulative annual energy consumption savings.
- Cumulative CO² emissions reduction.
- Development of the Energy Efficiency Strategy for Industrial Enterprises.
- Development of the Energy Efficiency Communication Strategy.

Key Partners:

Ministry of Finance of Uzbekistan, Ministry of Economy; Participating banks (Asaka, Hamkor and Uzpromstroy).

TALIMARJAN TRANSMISSION PROJECT
PROJECT P8009

Key Dates:

Approved: March 15, 2011

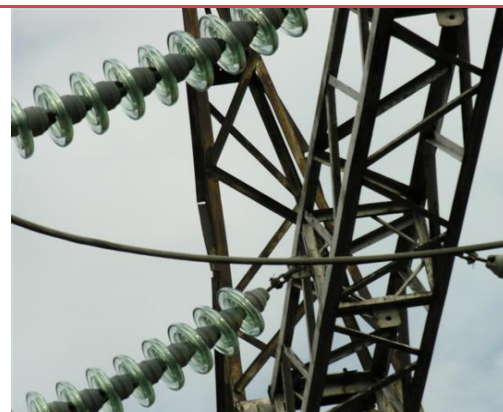
Effective: November 11, 2011

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	27.5	82.5
Uzbekenergo	61.04	15.4	44.64
Government	-		
Other Donors			
Total Project Cost	171.04		

*As of February, 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 GW 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 the 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 the power transmission is acute, where electricity consumption during the winter peak increased by nearly 40 percent from 2,318 MW in 1999 to almost 3,000 MW in 2008. There are also constraints in 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 South Western parts of Uzbekistan.
- Reduced voltage variation range.
- Transition from GOST to 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).

ADVANCE ELECTRICITY METERING PROJECT PROJECT 122773

Key Dates:

Approved: March 27, 2012

Expected effectiveness date: July 2012

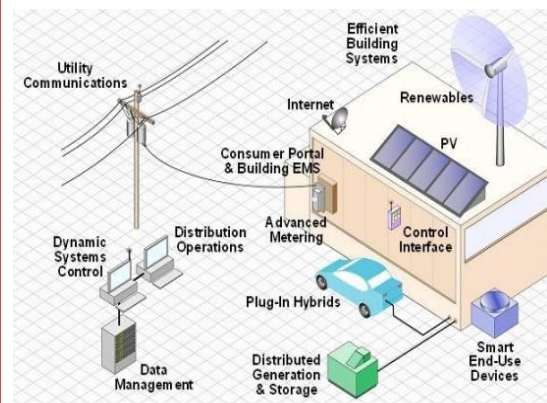
Closing: June 30, 2017

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
IBRD Loan	180.00		
Uzbekenergo	66.1		
Total Project Cost	246.1		

*As of March 14, 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 km of 500 kV lines, 6,200 km of 220kV lines, 15,300 km of 110 kV lines, and more than 11,000 0.6–35 kV lines.

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

Currently, a major focus of the GoU's energy strategy is to rapidly improve the energy efficiency of both 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 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 of electricity consumption.

Project Objective:

The project development objective is to reduce commercial losses of 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.
- Capacity enhanced of Uzbekenergo and distribution companies staff.
-

Key Partners:

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

Key Development Partners: ADB.

Uzbekistan: Bukhara and Samarkand Sewerage Project

Key Dates:

Approved: August 4, 2009

Effective: April 1, 2010

Closing: December 31, 2015

Financing in million US Dollars*:

Financier	Financing	Disbursed	Undisbursed
			52.57
IDA Credit	55.00	4.47	
Government of Uzbekistan	11.16		
Total Project Cost	66.16		



*As of February, 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, severely deteriorated, and 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) limited expansion of 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:

- The Project implementation progresses with a number of works and consultant services contracts currently underway. First urgent investments civil works contract to rehabilitate selected sections of sewers (2.2 km) and construction of new sewer pumping station in Samarkand along Pendjikentskaya Str. is completed. A similar urgent sewers (5.8 km) rehabilitation contract is now under implementation in Bukhara.
- Detailed engineering designs are being developed by the local design consultants for further rehabilitation of sewers and pumping stations in Samarkand and Bukhara. Operation and maintenance equipment has been procured for both vodokanals of Bukhara and Samarkand. A number of packages to procure detailed designs for rehabilitation/construction of the rest of the sewers, pumping stations and waste water treatment plants are under preparation.

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

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	0.00	
Government of Uzbekistan	33.03		
Total Project Cost	121.03		

* As of March 12, 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, and is severely deteriorated, and 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 of 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 km. 2.25 percent of the Project towns receive no piped water and have to rely on water tankers; another 55 percent receive piped water less than six hours daily, 10 percent between 6 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 public water supply service in selected districts of the Syrdarya region. The objective is to be achieved through rehabilitation, replacement, and limited expansion of water supply infrastructure and through institutional capacity-building of the Syrdarya Regional Suvokova (SVK) utility. Capacity-building will in particular aim at improved operations and maintenance and at 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 GoU.

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.
- PCU branch is now fully staffed and functional. Design services contract for rehabilitation of 26km bulk pipeline is under implementation. ER is expected soon.

Key Partners:

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