

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The Asian Development Bank (ADB), the World Bank, and the Swiss Agency for Development and Cooperation are the major financiers for water supply and sanitation (WSS) services in Uzbekistan. These development partners have extended financial assistance to the Government of Uzbekistan to support WSS through several loans and grant funds. The following table provides details of the major ongoing WSS projects undertaken by these development partners.

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
Water Supply and Sanitation			
ADB	Loan 2564-UZB: Water Supply and Sanitation Services Investment Program – Tranche 1	2009–2017	60.0
ADB	Loan 2633-UZB: Water Supply and Sanitation Services Investment Program – Tranche 2	2010–2016	140.0
ADB	Loan 2825-UZB: Water Supply and Sanitation Services Investment Program – Tranche 3	2012–2016	58.0
ADB	Loan 3064-UZB: Water Supply and Sanitation Services Investment Program – Tranche 4	2012–2018	42.0
ADB	Loan 3275-UZB: Djizzak Sanitation System Development	2014–2019	75.0
ADB	Loan 3457-UZB: Tashkent Province Water Supply Development Project	2017-2023	120.9
World Bank	Syrdarya Water Supply Project	2011–2017	88.0
World Bank	Alat Karakul Water Supply Project	2012–2017	82.0
World Bank	Bukhara and Samarkand Sewerage Project ^a	2015–2019	112.0
SECO	Syrdarya Water Supply Project (Swiss contribution to above World Bank project) ^b	2013–2016	12.0
SDC	Rural Water Supply and Sanitation Project	2007–2016	17.7

ADB = Asian Development Bank, SDC = Swiss Agency for Development and Cooperation, SECO = Swiss State Secretariat for Economic Affairs.

^a The World Bank agreed to extend additional financing to the government for activities related to the Bukhara and Samarkand Sewerage Project.

^b SECO, on behalf of the Government of Switzerland, approved a grant of SwF12 million, including technical (SwF8 million) and institutional components (SwF4 million).

Sources: Asian Development Bank; Swiss Agency for Development and Cooperation; World Bank.

2. The World Bank is one of the main development partners in WSS in Uzbekistan. During 2009–2010, jointly with the Government of Uzbekistan, it developed a Water Supply and Sanitation Sector Note,¹ which identified priority areas for reforms and investments in WSS. At the government's request, the World Bank approved assistance of \$88 million in 2011 to finance the Syrdarya Water Supply Project. This project aims to improve the safety, quality, reliability, efficiency, financial viability, and sustainability of the water supply services; and will benefit 200,000 residents in five districts of Syrdarya Province.

3. Through the Alat and Karakul Water Supply Project, with \$82 million approved in November 2012,² the World Bank will improve the coverage, quality, and efficiency of public water supply services in the two southern districts of Alat and Karakul in Bukhara Province. The

¹ World Bank. 2011. *Project Appraisal Document on Syrdarya Water Supply Project*. Washington, DC.

² World Bank. 2012. *Project Appraisal Document on Alat and Karakul Water Supply Project*. Washington, DC.

populations of these districts experience water challenges because of poor access and the overall deterioration of water supply systems that function well below capacity, with no effective treatment. The project aims to rehabilitate and expand water production, transmission, and distribution infrastructure in urban and rural areas. A target population of 216,500 is expected to benefit from this project, and this is set to reach 255,000 in 2025.

4. In May 2016, the government and the World Bank signed a financing agreement for additional financing of \$112 million for the Bukhara and Samarkand Sewerage Project.³ The additional financing will help the project provinces improve existing sewerage systems through physical investments (rehabilitation and reconstruction of existing sewerage systems) and nonphysical investments (institutional strengthening, capacity development, and project management support).

5. The Government of Switzerland, through the Swiss State Secretariat for Economic Affairs, has provided a grant of SwF12 million to support the Syrdarya Water Supply Project. The grant funding is intended to fund the rehabilitation of urban water systems and improvement in the institutional capacity of the Syrdarya provincial *vodokanal* (water supply and sanitation agencies). Under this project, the Swiss State Secretariat for Economic Affairs engaged an international consulting firm to implement the institutional component. This includes (i) improving the managerial capacities of the Bukhara, Samarkand, and Syrdarya water utilities; (ii) introducing performance-based public service contracts between water utilities and local authorities; and (iii) contributing to regulatory framework reforms for the water sector in national tariff setting, sector financing, transparency and accountability, and private sector participation. Works completed include the introduction of public service contracts in Bukhara, Samarkand, and Syrdarya *vodokanals*; and business plan formulation.

B. Institutional Arrangements and Processes for Development Coordination

6. The Interagency Council on Cooperation, established under the Cabinet of Ministers, oversees the implementation of large and strategically important investment projects being conducted by international financial institutions, organizations, and bilateral development partners. The Ministry of Finance coordinates the effective and timely implementation of all WSS projects.⁴ The Ministry of Economy and the State Investment Committee are also mandated to coordinate and monitor the effective and timely implementation of projects by relevant executing agencies. ADB has established good working relations with other development partners, maintaining close coordination among them through information exchange and policy dialogue.

C. Achievements and Issues

7. With the enactment of the Decree of the Cabinet of Ministers No. 306 in 2015, the government has undertaken substantial institutional restructuring efforts including (i) aligning and integrating state unitary enterprise structures and branches, (ii) developing business plans, (iii) the Ministry of Finance approving the first harmonized and unified provincial tariff rates for water and wastewater services, (iv) staffing state unitary enterprises with qualified personnel (ongoing), (v) implementing practical measures to improve skills (ongoing), and (vi) conducting inventories (operations and financial data) and technical audits of facilities and assets (ongoing). In light of these reforms, development partners recognize that project activities, including

³ World Bank. 2016. *Financial Agreement for Bukhara and Samarkand Sewerage Project*. Tashkent.

⁴ Through its Department for External Assets and Liabilities and the Department for Financial and Price Control of Consumer Market and Services Sector.

institutional strengthening and capacity development, must be aligned with and support the government's reform initiatives. Although no official policy dialogue group exists, development partners hold regular meetings and discussions and communicate the issues to the government.

D. Summary and Recommendations

8. The government commitment is reflected in the recently adopted National Development Strategy for 2017–2021,⁵ particularly Strategy Action No. 4, which aims to (i) improve utility services; (ii) provide safe and clean drinking water in rural areas through the construction of new water pipelines; and (iii) introduce modern, cost-effective, and efficient technologies. Aligned with the overall development objective, the government also adopted a Program on Comprehensive Development and Modernization of Water Supply and Sanitation Systems for 2017–2021,⁶ which sets forth (i) the major development priorities of the WSS sector; and (ii) the consolidated investment and financing parameters, which will ensure the sustainability of achieved results and improve the resilience of the sector development to potential risks. ADB's intervention will contribute to the government's economic development by improving and modernizing the WSS infrastructure and enhancing service quality. It will help strengthen capacity in the Karakalpakstan Republic *Suvokava* to improve their efficiency and their operational and financial sustainability. The project also complements the sector support provided by other development partners, ensuring coordination through close cooperation, information sharing, review mission consultations, and ongoing discussions between WSS specialists.

9. It is recommended that development coordination be strengthened further through the establishment of a joint government–development partner policy group. The group would serve as a platform for dialogue and coordination, with regular meetings to address, communicate, and to discuss sector issues among stakeholders.

⁵ Presidential Decree No. UP-4947 dated 7 February 2017.

⁶ Presidential Resolution No. PP-2910 dated 20 April 2017.