



Uzbekistan: Preparing Sustainable Energy Investment Projects

Project Name	Preparing Sustainable Energy Investment Projects
Project Number	52322-002
Country	Uzbekistan
Project Status	Approved
Project Type / Modality of Assistance	Technical Assistance
Source of Funding / Amount	TA 9708-UZB: Preparing Sustainable Energy Investment Projects Technical Assistance Special Fund US\$ 1.50 million
Strategic Agendas	Inclusive economic growth Regional integration
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development
Sector / Subsector	Energy - Electricity transmission and distribution - Energy utility services - Oil and gas transmission and distribution
Gender Equity and Mainstreaming	No gender elements
Description	<p>The transaction TA facility will provide project preparation support to a series of ensuing projects, comprising: (i) Uzbekistan Regional Gas Modernization Project (\$300 million), (ii) Power Distribution Improvement Program (\$300 million), and (iii) Regional Energy Transmission and Dispatch Enhancement Project (\$400 million). All ensuing projects are among the Government's priorities for energy sector development under Uzbekistan 2030, and will require similar scope of safeguard, financial management and economic assessments.</p> <p>Natural gas is the most important indigenous source of energy in Uzbekistan and is regarded as one of the driving forces of the country's economy. At present, the energy sector contributes to over 20% of national tax revenues and 18% of the country's gross domestic product (GDP). Natural gas is over 80% of the country's energy mix and 85% of electricity generated.</p> <p>Uzbekistan's aging and dilapidated infrastructure in the whole energy chain increasingly results in system inefficiencies, unreliable gas and electricity supply that dampens the economic development and business confidence, and uneven access to electricity across provinces contributing towards widening regional income disparities. The obsolete energy transmission and distribution systems have developed serious problems overtime, such as increasingly frequent electricity blackouts and insufficient gas available especially during peak demand times in the winter, putting social service systems such as education and health care at risk.</p> <p>In 2017, Uzbekistan initiated comprehensive economic reforms liberalizing its exchange rate to solve long-standing difficulties associated with limited access to foreign exchange and requirements to surrender foreign exchange resulted in structural and economic distortions. The liberalization of the foreign exchange regime and local currency devaluation created additional challenges to energy utilities massively distorting their value of assets, capital structures and revenue generation under existing governance and financial management frameworks. To recover the sustainability of energy utilities, the government launched several initiatives and legislative acts for sector reforms that includes: (i) development of cost reflective energy tariffs (ii) adoption of international financial reporting standards (IFRS) and disclosures and (iii) strengthening financial management and corporate governance frameworks</p>

Project Rationale and Linkage to Country/Regional Strategy

Government development plan. Uzbekistan government formulated its vision for the country, Uzbekistan 2030 with the aim of overcoming social and economic challenges. The government recognizes the strong link between energy and economic growth, and the urgency to sustain gas supply modernizing transmission infrastructure. The key priority of the government is to maintain momentum on structural reforms and liberalization of economic activities that would lead to more financial resources for achieving long term economic growth. Development and implementation of cost reflecting pricing for natural gas is essential to successful energy reforms. In its vision of Uzbekistan 2030, the government is committed to promote resource-efficient growth model through: (i) institutional and governance reforms in the energy sector with potential unbundling of upstream, mid-stream and downstream functions; and (ii) rationalized and cost reflective pricing for gas and electricity.

Energy is one of ADB's priority sectors of engagement in Uzbekistan. The country partnership strategy for Uzbekistan indicates that energy sector operations will focus on reform and market development to meet energy demand with reliable, environmentally sustainable supply. The government's request is also consistent with ADB's priorities under Strategy 2030 and, based on the government's demonstrated commitment to reform.

The three ensuing projects to be prepared under the TRTA facility are of similar nature. These projects are aligned with the objectives of the government to strengthen reliability of energy sector to increase its sustainability, efficiency, and mobilizing private sector investments. The projects aim to improve the quality of energy supply, reduce aggregate technical and commercial losses, and improve the financial performance of energy utilities.

Impact

Project Outcome

Description of Outcome

Progress Toward Outcome

Implementation Progress

Description of Project Outputs

Status of Implementation Progress (Outputs, Activities, and Issues)

Geographical Location

Nation-wide

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Business Opportunities

Consulting Services

ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and the Staff Instructions on ADB Administered Consulting Services. The F-TRTA will require consultancy services from international consulting firms (at least 67 person-months, comprising of 27 person-months of international experts, and 40 person-months of national experts) for conducting due diligence on the (i) Regional Gas Transmission Efficiency Enhancement Project, and (ii) Regional Energy Transmission and Dispatch Enhancement Project. The consulting firms with experience in energy (gas and electricity) will be recruited using quality- and cost-based selection method with a quality to cost ratio of 90:10. In addition, individual consultants (at least 21.5 person-months of international experts, and 69 person-months of national experts) will be recruited. Any consultant position not envisaged at this time but needed during implementation will be recruited as individual consultants. The recruitment of these consultants as individuals is justified to retain the flexibility of engaging these consultants, as required.

Procurement

Not applicable

Responsible ADB Officer

Abbasov, Rafayil

Responsible ADB Department

Central and West Asia Department

Responsible ADB Division

Energy Division, CWRD

Executing Agencies

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Timetable

Concept Clearance	-
Fact Finding	-
MRM	-
Approval	28 Jan 2019
Last Review Mission	-
Last PDS Update	29 Jan 2019

TA 9708-UZB

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
1,500,000.00	0.00	0.00	0.00	0.00	0.00	1,500,000.00	-	0.00

Project Page <https://www.adb.org/projects/52322-002/main>

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