

## Uzbekistan: Strengthening Silk Road Tourism and **Economic Resilience in Secondary Cities**

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Project Name	Strengthening Silk Road Tourism and Economic Resilience in Secondary Cities
Project Number	54017-002
Country / Economy	Uzbekistan
Project Status	Approved
Project Type / Modality of Assistance	Technical Assistance
Source of Funding / Amount	TA 6907-UZB: Strengthening Silk Road Tourism and Economic Resilience in Secondary Cities
	Regional Cooperation and Integration Fund US\$ 400,000.00
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Knowledge solutions Partnerships Private sector development
Sector / Subsector	Water and other urban infrastructure and services / Other urban services
Gender Equity and Mainstreaming	Effective gender mainstreaming
Description	The Integrated Urban Development Project will provide inclusive, resilient, and sustainable urban services in four secondary cities (Djizzak, Havast Khiva, and Yangiyer) experiencing low livability and lagging economic growth exacerbated by the coronavirus disease (COVID-19). The cities are located along the Central Asia Regional Economic Cooperation (CAREC) corridor 2, linking Uzbekistan with other regional and global markets. In addition, the cities are also part of the Heart of Central Asia Tourism Cluster, offering significant opportunities for strengthening regional cooperation and job creation through tourism, manufacturing, agribusiness, and logistics growth. The project will support priority investments,

demonstrate integrated development, pilot innovative solutions, and strengthen local government capacity for "building back better". These measures will (i) enhance quality of life, reduce inequalities, and support livelihood development targeting women; (ii) strengthen resilience and economic recovery, particularly in "Silk Road" themed tourism; and (iii) increase the coverage, quality, efficiency, and reliability of urban and visitor services

Project design. The project is aligned with the following impact: sustainable urbanization and welfare of the urban population enhanced. The project will have three outputs: (i) inclusive urban and tourist infrastructure and services provided; (ii) climate-resilient drinking water, sanitation, and solid waste services enhanced with smart systems; and (iii) urban governance, institutional capacity, and livelihood support strengthened. The outputs will result in the following outcome: access to inclusive, resilient, and sustainable urban services in secondary cities enhanced. The project is estimated to cost \$83.7 million. The Asian Development Bank (ADB) will finance \$72.0 million from its ordinary capital resources (concessional loan), and the High-Level Technology Fund will provide grant cofinancing equivalent to \$0.5 million to be administered by ADB. The Government of Uzbekistan will finance \$11.2 million. The project concept paper was approved in June 2021.

Project preparation and readiness. This is ADB's first integrated urban project in Uzbekistan which was prepared by the Cities Development Initiative of Asia who completed a prefeasibility study in January 2021. A transaction technical assistance (TA) team is supporting due diligence and value addition, and an engineering firm recruited under a project readiness financing is supporting the preparation of detailed design and bidding documents for advanced contracting. The proposed TA will complement these activities by providing downstream implementation support and capacity building to the first-time executing agency, the Ministry of Investments and Foreign Trade and its project implementation unit (PIU), and other project stakeholders. Such support will help the government deliver the intended outputs in a timely manner and in compliance with ADB policies, mitigate implementation risks, and ensure value addition and sustainability of investments.

Strategic linkages. The project is aligned with the government's national development strategy 2017-2021 and Presidential Decree No. 5623, which aim to accelerate growth and reduce poverty through improved urbanization and balanced regional development. The project is also aligned with the CAREC Tourism Strategy 2030's Strategic Pillar 1 (footnote 3) to promote sustainable and resilient tourism in CAREC countries by improving basic infrastructure and tourism assets in key tourism clusters; as well as ADB's Strategy 2030 operational priority (OP) 1 (poverty, inequality), OP2 (gender equality), OP3 (climate change, environment), OP4 (livable cities), OP6 (governance, institutional), and OP7 (regional cooperation supporting expanded trade and investment opportunities in areas of tourism, trade, and economic corridor development)

Project Rationale and Linkage to Country/Regional Strategy

Impact

Supporting strategic urban and regional development of secondary cities. Nearly 60% of Uzbekistan's urban population resides in cities with less than 100,000 people. These small and medium-sized cities are the fastest growing, and are located along dynamic logistic corridors and/or the margins of larger urban centers which reinforces their role as secondary hubs. The four project cities are strategically located in the CAREC Corridor 2 with good connectivity to highways, freight and passenger rail, and are also located within the Heart of Central Asia Tourism Cluster, a key priority regional tourism cluster identified in the CAREC Tourism Strategy 2030 (footnote 3). The project complements ADB's CAREC Corridor 2 Railway Electrification Project (approved in 2021), which will develop high-speed passenger trains between Bukhara and Khiva significantly reducing travel time between these tourist cities, and boosting visitor arrivals. The proposed project will complement these investments in Khiva by improving visitor services and diversifying local attractions, while promoting the comparative advantages (e.g., manufacturing, logistics, demographics, locations) of all project cities (footnote 1) through integrated and strategic investments (para. 2) to enhance livability and economic competitiveness.

Tourism is a key growth sector in Uzbekistan. Tourism contributes around 5% of national gross domestic project. With tourists at a record low due to the COVID-19 pandemic, the country has an opportunity to develop the sector more strategically. The country and in particular Khiva are key components of Central Asia's single and multi-country cultural heritage tour offerings at the center of which is Khiva's old city center, a UNESCO World Heritage site linked to the Silk Road. In 2019, the UNESCO site in Khiva was visited by 406,219 tourists; of which international visitors comprised 145,380 (36%) having increased by around 45% per annum between 2016 and 2019; and domestic visitors comprised 260,839 (64%) having increased by around 10% per annum over the same period. Total spending by these visitors in 2019 was estimated at \$125.5 million. While visits to Khiva decreased by 94% as a result of the pandemic, there is strong growth potential-Khiva is a key destination within the region's culture and heritage tourism market and the manner in which tourism is developed in Khiva will have positive spillover effects to the region. Key issues impacting project cities. The issues include: (i) inadequate and aging infrastructure with low levels of basic services particularly water supply, sanitation, and solid waste collection; (ii) deficits in safe and quality public open spaces for communities and visitors; (iii) capacity constraints of city authorities (hokimiyats) in technical, organizational, and financial management which inhibit services delivery and their ability to support strategic development; (iv) the short duration of tourist stays (1-2 days) especially in Khiva and low average expenditures due to limited diversity of attractions and activities, lack of tourist information and interpretation services, limited promotion and marketing of regional tourism linkages; (v) high poverty (around 50%) and unemployment (around 9%), weak value chains, low enterprise skills especially limited female-led businesses; (vi) w

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	Havas, Jizzakh, Khiva, Yangiyer
Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	
Responsible ADB Officer	Slangen, Ron H.
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Urban Development and Water Division, CWRD
Executing Agencies	Ministry of Investments and Foreign Trade (MIFT) 1 Street Islam Karimov, 100029, Tashkent Republic of Uzbekistan
Timetable	
Concept Clearance	
Fact Finding	
MRM	
Approval	16 Feb 2022
Last Review Mission	-
Last PDS Update	21 Feb 2022

## TA 6907-UZB

Financing Plan/TA Utilization							Cumulative	Disbursements
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			

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400.000.00	0.00	0.00	0.00	0.00	0.00	400.000.00		0.00
400,000.00	0.00	0.00	0.00	0.00	0.00	400,000.00	-	0.00

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Request for Information	http://www.adb.org/forms/request-information-form?subject=54017-002				
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