



# Technical Assistance Report

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## **PUBLIC**

Project Number: 54017-002  
Transaction Technical Assistance (TRTA)  
February 2022

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

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**Asian Development Bank**

## **CURRENCY EQUIVALENTS**

(as of 4 January 2022)

Currency unit	–	sum (SUM)
SUM1.00	=	\$0.000092
\$1.00	=	SUM10,817.11

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
CAREC	–	Central Asia Regional Economic Cooperation
COVID-19	–	coronavirus disease
OP	–	operational priority
PIU	–	project implementation unit
TA	–	technical assistance

## **NOTE**

In this report, “\$” refers to United States dollars.

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## TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 54017-002</b>	
<b>Project Name</b>	Strengthening Silk Road Tourism and Economic Resilience in Secondary Cities	<b>Department/Division</b>	CWRD/CWUW
<b>Nature of Activity Modality</b>	Capacity Development Regular	<b>Executing Agency</b>	Ministry of Investments and Foreign Trade (MIFT)
<b>Country</b>	Uzbekistan		
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ Water and other urban infrastructure and services	Other urban services		0.40
		<b>Total</b>	<b>0.40</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information</b>	
✓ Addressing remaining poverty and reducing inequalities		GHG Reductions (tons per annum)	0.000
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		<b>ADB Financing</b>	
✓ Making cities more livable		Adaptation (\$ million)	0.00
✓ Strengthening governance and institutional capacity		Mitigation (\$ million)	0.00
✓ Fostering regional cooperation and integration		<b>Cofinancing</b>	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>	
SDG 1.a		Effective gender mainstreaming (EGM)	✓
SDG 5.5			
SDG 10.2		<b>Poverty Targeting</b>	
SDG 11.7		General Intervention on Poverty	✓
SDG 12.5			
<b>4. Risk Categorization</b>	Low		
<b>5. Safeguard Categorization</b>	Safeguard Policy Statement does not apply		
<b>6. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>0.40</b>	
Transaction technical assistance: Regional Cooperation and Integration Fund		0.40	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>0.40</b>	
<b>Currency of ADB Financing: US Dollar</b>			

## I. THE ENSUING PROJECT

1. The Integrated Urban Development Project will provide inclusive, resilient, and sustainable urban services in four secondary cities (Djizzak, Havast, Khiva, and Yangiyer)<sup>1</sup> 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)<sup>2</sup> 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,<sup>3</sup> 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”.<sup>4</sup> 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.

2. **Project design.** The project is aligned with the following impact: sustainable urbanization and welfare of the urban population enhanced.<sup>5</sup> 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<sup>6</sup> 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.

3. **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.<sup>7</sup> A transaction technical assistance (TA) team is supporting due diligence and value addition,<sup>8</sup> and an engineering firm recruited under a project readiness financing is supporting the preparation of detailed design and bidding documents for advanced contracting.<sup>9</sup> 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

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<sup>1</sup> The government requested the Asian Development Bank (ADB) to demonstrate international practices in integrated urban development. The four project cities were selected by the government as a representative sample of secondary cities in terms of size, geographic coverage, and strategic potentials: Djizzak, a growing industrial hub (177,000 population); Havast (28,437 population); Khiva, a tourist city (92,400 population); and Yangiyer (43,600 population); as well as neighboring cities with high youth populations and strong agglomeration potential located near the border of Tajikistan. The government aims to replicate lessons from the project in other secondary cities across the country.

<sup>2</sup> ADB. 2020. [CAREC Transport Strategy 2030](#). Manila.

<sup>3</sup> ADB. 2020. [CAREC Tourism Strategy 2030](#). Manila.

<sup>4</sup> ADB. 2020. [Livable Cities: Post-COVID-19 New Normal](#). Manila.

<sup>5</sup> The project will benefit approximately 328,000 people of which 36% are poor.

<sup>6</sup> Financing partner: the Government of Japan.

<sup>7</sup> ADB. 2020. [Technical Assistance for Supporting the Cities Development Initiative for Asia: Project Preparation Study for the Integrated Urban Development Project in Uzbekistan](#). Manila.

<sup>8</sup> ADB. 2019. [Transaction Technical Assistance Facility to the Republic of Uzbekistan for Preparing Urban Development and Improvement Projects](#). Manila.

<sup>9</sup> ADB. 2019. [Project Readiness Financing Report to the Republic of Uzbekistan for Urban Services Projects](#). Manila.

manner and in compliance with ADB policies, mitigate implementation risks, and ensure value addition and sustainability of investments.

4. **Strategic linkages.** The project is aligned with the government's national development strategy 2017–2021<sup>10</sup> and Presidential Decree No. 5623,<sup>11</sup> 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<sup>12</sup> 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).<sup>13</sup>

## II. THE TECHNICAL ASSISTANCE

### A. Justification

5. **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.<sup>14</sup> 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),<sup>15</sup> 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.<sup>16</sup>

6. **Tourism is a key growth sector in Uzbekistan.** Tourism contributes around 5% of national gross domestic product. With tourists at a record low due to the COVID-19 pandemic, the

<sup>10</sup> Government of Uzbekistan. 2017. [Presidential Decree No. 4947. On Strategy of Actions for Further Development of the Republic of Uzbekistan](#). Tashkent.

<sup>11</sup> Government of Uzbekistan. 2019. [Presidential Decree No. 5623. On measures to fundamentally improve the process of urbanization](#). Tashkent.

<sup>12</sup> ADB. 2018. [Strategy 2030. Achieving a Prosperous, Inclusive Resilient, and Sustainable Asia and the Pacific](#). Manila.

<sup>13</sup> Tourism continues to be a key growth sector despite COVID-19. In 2020 and 2021, the government supported measures aimed at increasing the confidence of international tourists including marketing campaigns highlighting Uzbekistan as a safe travel destination. Discussions with the State Tourism Committee in September 2021 highlighted the government's continued strategy on growth nodes, including Khiva, as part of a broader Silk Road framework focused on strengthening infrastructure, developing local capacities for tourism development and management in partnership with the private sector and local communities, and promoting green tourism.

<sup>14</sup> ADB. 2021. [Harnessing Uzbekistan's Potential of Urbanization: National Urban Assessment](#). Manila.

<sup>15</sup> ADB. 2021. [Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Uzbekistan for the Central Asia Regional Economic Cooperation Corridor 2 \(Bukhara-Miskin-Urgench-Khiva\) Railway Electrification Project](#). Manila.

<sup>16</sup> Project investments in each city include: Djizzak (water supply, sanitation, drainage, public space, solid waste management); Havast (6 hectares public park, livelihood training and community center, solid waste management); Khiva (visitor center with digital museum, 2.4 kilometers greenway, public spaces, solid waste management); and Yangiyer (solid waste management).

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.<sup>17</sup>

7. **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) weak destination management; and (vii) poor access for people with disabilities and the elderly.

8. **Institutional capacity and project implementation support.** Integrated urban development projects require strong implementation capacity and coordination. As this is ADB's first integrated urban project in the country, there is a need to strengthen the technical, procurement, financial, safeguards, communication, monitoring, and reporting capacity of the first-time executing agency, the Ministry of Investments and Foreign Trade and its PIU, and to familiarize them with ADB policies for timely and high quality delivery of outputs. There is also need to support project stakeholders in the design of innovative components, including the country's first-ever digital museum, promoting regional linkages and partnerships, supporting gender and livelihood components, low carbon tourism, and private sector participation.

9. **Objectives of the technical assistance.** The proposed TA will (i) strengthen capacity, knowledge, and skills of project stakeholders including municipal governments, sector institutions, and communities in innovative areas of tourism and economic development to enhance competitiveness, resilience, and regional cooperation, and (ii) provide project implementation support for timely and quality delivery of project outcomes in compliance with ADB policies.<sup>18</sup>

## B. Outputs and Activities

10. **Output 1: Capacity for inclusive and sustainable Silk Road tourism and economic resilience for project cities strengthened.** The key activities include: (i) design, programming, and commissioning support for the new Silk Road digital museum in Khiva (funded by the High-Level Technology Fund) including preparation of management and business plans to encourage

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<sup>17</sup> Khiva was included in 50% of all Silk Road tour packages and over 70% of all four and five multi-country tour packages, based on market research.

<sup>18</sup> The TA first appeared in the business opportunities section of ADB's website on 27 January 2022.



private sector participation during operations;<sup>19</sup> (ii) promotion and marketing support for Silk Road tourism in Khiva with linkages to CAREC, developing partnerships with other regional Silk Road destinations;<sup>20</sup> (iii) trainings in innovative areas of tourism and destination management and services delivery including advanced information technology for safe, seamless, and touchless travel,<sup>21</sup> low carbon tourism including urban cycling programs, and promoting universal access and gender-friendly tourism services; (iv) preparation of vocational training programs to increase tourism industry enterprise skills, productivity, and service quality targeting women in Khiva, and livelihood development programs for the new training center in Havast;<sup>22</sup> and (v) training in strategic economic development planning for all four project municipalities. These will be achieved through a consulting firm with highly specialized expertise to deliver catered hands-on trainings, mentoring support, and the preparation of strategic economic plans.

**11. Output 2: Project implementation support provided.** This output will benefit all four project cities and provide targeted implementation support to the first-time executing agency, the Ministry of Investments and Foreign Trade and its PIU, and other relevant project stakeholders.<sup>23</sup> The areas of support include technical guidance and value addition during detailed design finalization, contract management, financial management, environmental and social safeguards management, gender action plan implementation, and community outreach and participation, among others, to ensure timely and high quality project delivery in compliance with ADB policies. These will be achieved through a team of individually recruited TA experts familiar with ADB projects and policies.

**12. Value addition.** The TA will introduce innovative approaches to strengthen competitiveness of project cities, enhance regional cooperation in tourism, promote low carbon, gender-friendly tourism, and universal access to services that are new to Uzbekistan. It will strengthen livelihood development and existing tourism enterprise staff skills especially amongst women. It will also provide critical implementation support to the new project executing agency to ensure timely and quality delivery of outputs in compliance with ADB policies.

### C. Cost and Financing

**13.** The TA financing amount is \$400,000 which will be financed on a grant basis by the Regional Cooperation and Integration Fund.<sup>24</sup> The key expenditure items are listed in Appendix 1. The government will provide counterpart support in the form of counterpart staff, office

<sup>19</sup> The High Level Technology Fund will fund the purchase and installation of the digital museum software and equipment, while the construction of the visitor center will be financed by the loan. The TA will develop the digital exhibition content and program ensuring its successful launch. It will be linked to various online platforms, including the government's tourism website, and the ADB-supported CAREC tourism portal (under preparation), among others for wider promotion. Support will also include engaging the private sector to participate in its operations.

<sup>20</sup> This includes promoting regional tourism linkages and local enterprises on CAREC's website and hosting workshops (virtual/in person) inviting other Silk Road cities in the region in coordination with CAREC.

<sup>21</sup> These will include promoting reliable, consistent, and easy access to information on travel restrictions and protocols, and support for harmonization of travel and tourism related health protocols with international practices.

<sup>22</sup> The tourism enterprise training program in Khiva would include (i) a survey of existing tourism enterprise staff training needs, consultations with existing tourism and vocational enterprises; (ii) design of a training system and curriculum to be managed by a destination management organization and/or training institute to support the design and delivery of training programs based on local needs and supporting enterprise productivity improvement initiatives; (iii) working with public sector partners to coordinate and implement the program; and (iv) piloting the system prior to implementation. In Havast, the output would prepare a livelihood and skills training program for the new livelihood training center developed under the project.

<sup>23</sup> Including cities, regions, State Tourism Committee, Uzsvtaminot Joint Stock Company, State Committee on Ecology and Environmental Protection, *Toza Hudud* (a state enterprise for waste collection).

<sup>24</sup> Established by ADB. Financing partner: the Government of Japan. Activities to be supported by the fund are projects that, among others, are national in nature but with significant regional dimensions/implications.

accommodation, and other in-kind contributions. The government was informed that approval of the TA does not commit ADB to finance any ensuing project.

#### D. Implementation Arrangements

14. ADB will administer the TA. The Ministry of Investments and Foreign Trade will be the executing agency for the TA. The Urban Development and Water Division of ADB's Central and West Asia Department will act as the focal point and coordinator of consulting inputs and activities. The proposed TA will be implemented over 48 months, from September 2022 to September 2026. Implementation arrangements are summarized in the table.

#### Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period <sup>a</sup>	September 2022–September 2026		
Executing agency	Ministry of Investments and Foreign Trade		
Implementing agency	Ministry of Investments and Foreign Trade Project Implementation Unit		
Consultants	To be selected and engaged by ADB		
	Firm: CQS	Tourism and Livelihood Planning Support	\$210,000
	Individual: ICS	International expertise (4 person-months) National expertise (15 person-months) <sup>a</sup>	\$190,000
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		

CQS = Consultants' qualifications selection, ICS = individual consultant selection, TA = technical assistance.

<sup>a</sup> International experts include: (i) urban planner (1 person-month), (ii) municipal engineer (2 person-months), and (iii) tourism planner (1 person-month). National experts include: (i) contract management expert (3 person-months), (ii) social safeguards expert (2 person-months), (iii) institutional coordination expert (3 person-months), (iv) financial management (2 person-months), (v) gender and livelihood development expert (3 person-months), and (vi) environmental safeguards (2 person-months).

Source: Asian Development Bank.

15. **Consulting services.** ADB will engage consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated staff instructions. The TA will require consulting services for: (i) package 1–international consulting firm (lump-sum contract) to provide capacity building and prepare strategic management plans under Output 1 using the consultants' qualifications selection method and simplified technical proposals; and (ii) package 2–international and national individual consultants (time-based contracts) to assist project implementation and startup under Output 2.<sup>25</sup>

### III. THE PRESIDENT'S DECISION

16. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$400,000 on a grant basis to the Government of Uzbekistan for Strengthening Silk Road Tourism and Economic Resilience in Secondary Cities, and hereby reports this action to the Board.

<sup>25</sup> Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Amount
<b>Regional Cooperation and Integration Fund<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	155.0
ii. National consultants	118.0
b. Out-of-pocket expenditures	
i. International and local travel	44.0
ii. Reports and communications	2.0
2. Surveys	12.0
3. Training, seminars, and conferences <sup>b</sup>	12.0
4. Pilot testing <sup>c</sup>	25.0
5. Miscellaneous technical assistance administration costs <sup>d</sup>	12.0
6. Contingencies	20.0
<b>TOTAL</b>	<b>400.0</b>

The technical assistance (TA) is estimated to cost \$416,000, of which contributions from the Regional Cooperation and Integration Fund (RCIF) are presented in the table. The government will provide counterpart support in the form of counterpart staff, office accommodations, and other in-kind contributions. The value of the government contribution is estimated to account for 4% of the total TA cost.

<sup>a</sup> Established by the Asian Development Bank. Financing partner: the Government of Japan.

<sup>b</sup> Includes resource persons, facilitators, event organizers, and facility rental and costs.

<sup>c</sup> This is a pilot enterprise skills training and productivity improvement program and does not require procurement of any civil works or goods.

<sup>d</sup> Includes printing, translation, office accommodation, and communications.

Source: Asian Development Bank estimates.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/LinkedDocs/?id=54017-002-TARreport>

1. Terms of Reference for Consultants
2. Approved Project Concept Paper