

## **JBIC Continues Support of Uzbekistan's Transport and Telecommunications Sectors With New ODA Loans**

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1. Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) has decided to provide financial support to the Telecommunication Network Expansion Project (II) and the Three Local Airports Modernization Project (II) in the Republic of Uzbekistan and signed loan agreements today in Tashkent for this purpose totaling 15,563 million yen. These loans will support the second phase of these projects. JBIC previously extended loans to the first phase; in June 1995 for the former project and in December 1996 for the latter. With these loans, cumulative approvals of ODA loans to the Republic of Uzbekistan amounted to 49,891 million yen for five projects.
2. Since declaring independence from the former Soviet Union in 1991, Uzbekistan has embarked on economic reform, and its economy reemerged in 1996 with positive growth. Nevertheless, the country's economic and social infrastructure, which was put in place during the Soviet era, is both antiquated and inadequate. In particular, there is an urgent need for improved telephone service. As of the end of 1997, teledensity, on average, remained at 6.4 lines per 100 people, only one eighth of the average for industrial countries. Soaring demand is far outstripping increasing supply of phone connections.
3. Also, aging facilities at airports serving cities that are favorite tourist destinations are posing problems for flight safety and international flight service, adversely affecting Uzbekistan's foreign currency earnings through the tourism industry.
4. An ODA loan to the Telecommunication Network Expansion Project (II) will improve general telecommunications service, in particular, in the central and western regions where telecommunications networks have not been well-developed to date, by installing digital switching devices and setting up a transmission system, a broadcasting system, and wireless telephone networks. An ODA loan to the Three Local Airports Modernization Project (II) will help build flight control facilities to ensure flight safety and increase flight traffic, thereby contributing to the promotion of tourism and economic development in Uzbekistan.

(See Appendix for detailed description)

## JBIC Continues Support of Uzbekistan's Transport and Telecommunications Sectors With New ODA Loans

### -Signing of ODA Loan Agreements-

Japan Bank for International Cooperation (JBIC; Governor: Hiroshi Yasuda) has decided to provide financial support to the Telecommunication Network Expansion Project (II) and the Three Local Airports Modernization Project (II) in the Republic of Uzbekistan and signed loan agreements today with the Government of Uzbekistan for this purpose totaling 15,563 million yen. The loan agreements were signed in Tashkent, the capital of Uzbekistan, by JBIC Deputy Governor and Managing Director Yuseki Nagase and Minister of Finance of Uzbekistan H.E. Mr. Rustam Sadykovich Azimov.

With these loans, cumulative approvals of ODA loans to this country amounted to 49,891 million yen for five projects.

#### 1. Loan Amount and Conditions

Project Name	Amount (Mil. yen)	Interest Rate (%)		Repayment Period / Grace Period (Years)		Tying Status	
		Goods & Services	Consulting Services	Goods & Services	Consulting Services	Goods & Services	Consulting Services
Telecommunication Network Expansion Project (II)	12,692	2.2	1.8	30/10	30/10	General Untied	General Untied
Three Local Airport Modernization Project (II)	2,871	2.2	-	30/10	30/10	General Untied	-

#### 2. Republic of Uzbekistan

The Republic of Uzbekistan has the largest population (24.23 million) of the Central Asian countries. The country is also endowed with abundant natural resources, including cotton, gold, petroleum and natural gas. Uzbekistan is the world's 4th largest producer of cotton, while ranking 7th in the output of gold. With the demise of the former Soviet Union, Uzbekistan became independent on August 31, 1991.

The government of Uzbekistan has been trying to shift its policy from a planned economy to a market economy. The country's transition efforts may be characterized by its gradual and step-by-step approach. The collapse of the planned economy system led by Moscow brought about the breakup of the horizontal division of work regime, under which resources production and industrial output were assigned among the former soviet republics. The country's economy suffered various adverse effects as well, such as the fall in imports because of a lack of foreign-exchange reserves. While Uzbekistan has not totally pulled itself out of this economic mire, there are discernible signs of recovery: The country posted a 1.6% economic growth from the previous year in 1996, the first positive figure since independence, followed by 2.4% in 1997 and 2.0% in 1998. Meanwhile, the country's economic and social infrastructure, which was put in place during the Soviet era, is both antiquated and inadequate, thus requiring an urgent improvement.

#### 3. Project Description

##### (1) Telecommunication Network Expansion Project (II)

###### (i) Background and Necessity of the Project

As of the end of 1997, teledensity, on average, remained at 6.4 lines per 100 people, only one half of the former Soviet republics average, and one eighth of the average for industrial countries. In particular, telecommunication development lags considerably behind in rural areas, as attested by 21.5 lines per 100 persons in Tashkent (where 10% of the total population resides) compared to 3-7 lines per 100 in the remaining area. On the other hand, demand for telecommunications has been on a steady yearly rise. In the central and western part of Uzbekistan, which is the main target area of this Project, there is an urgent need to expand telecommunication equipment, replace worn-out facilities, and ensure trustworthiness of the network. Regarding the broadcasting sector, many parts of Uzbekistan are suffering from poor reception. Besides, their TV/radio transmitters are outdated, vacuum-tube types, thus raising a concern about dwindling output and an increasing need for maintenance.

###### (ii) Purpose and Description of the Project

This project will help improve the general telecommunications/broadcasting services, particularly , in the central and western regions (Karakalpak Republic, Bukhara, Khorezm and Navoi region) where telecommunications networks have not been well-developed to date, by installing a digital switching system, transmission system, broadcasting system, and wireless local loop. The Project will eventually contribute to the well-balanced industrial development of the Uzbekistan. The proceeds of the loan will be used to purchase necessary equipment and services and consulting services for assisting procurement and engineering supervision. The executing agency of the Project is the Posts and Telecommunications Agency of the Republic of Uzbekistan (1, A. Tolstoy St., Tashkent 700000, the Republic of Uzbekistan, Tel: 998-71-1447544; Fax: 998-71-1335227).

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##### (2) Three Local Airports Modernization Project (II)

###### (i) Background and Necessity of the Project

The three cities of Samarkand, Bukhara, and Urgench, whose airports will be upgraded under this Project, enjoyed prosperity in ancient times as oasis cities. Now drawing tourists from across the world, these cities are famous for preserving a number of historical buildings that embody the essence of the Silk Road culture. The government of Uzbekistan believes that foreign currency earnings especially through tourism will play a significant role in ensuring the social and economic development of the country. The existing airport facilities in the three cities, however, are antiquated and fall short of ICAO technical standards, thus obstructing the introduction of international flight services. To achieve operational safety as well, the improvement of these three airports is urgently required.

###### (ii) Purpose and Description of the Project

This Project is designed to ensure flight safety, by refurbishing the runways and by improving the passenger terminals and aerial security facilities. The Project is expected to help bolster flight traffic, encourage tourism development in Uzbekistan, and eventually contribute to the country's economic development. Following the loan provided in FY1996 (totaling 15,526 million yen), the loan to this Project will help upgrade the flight control facilities at the three airports. The proceeds of the loan will be used to purchase necessary equipment and services for the Project.

The executing agency of the Project is the National Air Company (41, Movarounnahr, Tashkent, GSP 700060, the Republic of Uzbekistan, Tel: 998-712-548529; Fax: 998-712-544668).

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