



# Technical Assistance Report

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Project Number: 51350-001  
Transaction Technical Assistance (TRTA)  
May 2018

## Republic of Uzbekistan: Economic Management Improvement Program (Subprogram 1)

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 15 May 2018)

Currency unit – sum (SUM)

SUM1.00 = \$0.0001240  
\$1.00 = SUM8,059.24

## ABBREVIATIONS

ADB – Asian Development Bank  
TA – technical assistance

## NOTE

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

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## I. THE PROPOSED PROGRAM

1. The proposed Economic Management Improvement Program aims to strengthen economic management in Uzbekistan and thus support macroeconomic stability and sustained high growth. The program will (i) introduce important fiscal reforms to ensure fiscal sustainability; (ii) improve governance in state-owned enterprises to make their operations financially viable; (iii) improve access to bank finance by strengthening bank supervision to facilitate competitive financing of private sector operations (especially for small and medium-sized enterprises); and (iv) strengthen economic data collection, analysis, management, and dissemination systems to bolster economic decision-making. The programmatic approach and policy-based loan will finance two subprograms to be implemented during 2018–2020.<sup>1</sup>

## II. THE TECHNICAL ASSISTANCE

### A. Justification

2. The proposed transaction technical assistance (TA) is being processed at the request of the Government of Uzbekistan to support government's initiatives to implement the proposed programmatic approach efficiently and in a timely manner.<sup>2</sup> The results framework, implementation arrangements, cost estimate, and the scope of the transaction TA in various areas were discussed with the government during the fact-finding mission.

3. The primary outcomes of the transaction TA are (i) strengthening the capacity of the key institutions related to macroeconomic management, and (ii) helping the government to implement proposed policy actions under the programmatic approach.

### B. Outputs and Activities

4. **Output 1: Medium-term budget framework prepared.** Support will be provided to prepare a medium-term budget framework and improve budget preparation and dissemination. The proposed medium-term budget framework will also incorporate the findings of the gender analysis of the budget and the government's expenditure programs.

5. **Output 2: Public–private partnership projects developed, selected, and monitored.** Technical support will be provided to develop, select and monitor public–private partnership projects, including compliance with safeguard requirements of the Asian Development Bank (ADB). Comprehensive training will be provided to the selected staff.

6. **Output 3: Internal audit departments strengthened.** The transaction TA will help strengthen the internal audit departments within the selected Ministries, including introduction of a risk-based audit manual. The consultant will draw on the reports from this activity in two Ministries (health and public education).

7. **Output 4: Risk-based supervision, capital adequacy assessments, and stress testing enabled.** The transaction TA will help the Central Bank of Uzbekistan improve monetary

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<sup>1</sup> The program was not included in the country operations business plan but has been requested by the Government of Uzbekistan.

<sup>2</sup> The TA first appeared in the business opportunities section of the Asian Development Bank (ADB) website on 21 May 2018.

management, especially to carry out risk-based supervision, capital adequacy assessments, and stress testing at regular intervals.

8. **Output 5: JSC Uzbekenergo investment plan and fixed asset revaluation facilitated.**<sup>3</sup> The transaction TA will help Uzbekenergo prepare a master plan for investment financing and fixed asset revaluation.<sup>4</sup>

9. **Output 6: Gender sensitivity analysis supported.** The transaction TA will support a gender sensitivity analysis of public expenditure programs and the creation of a specialized sex-disaggregated database.

10. **Output 7: Training and workshops supported.** The transaction TA will provide support for trainings and workshops in various departments (including the State Committee on Statistics).

### C. Cost and Financing

11. The TA is estimated to cost \$1,300,000, of which \$1,000,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Appendix 1.

12. The government will provide counterpart support in the form of staff remuneration, office accommodation and supplies, and other logistical support.

### D. Implementation Arrangements

13. The implementation arrangements for the transaction TA will be aligned to those of the policy-based loan. ADB's Central and West Asia Department will select, supervise, and evaluate consultants and procure goods (if necessary). The Ministry of Finance (MOF) will be the executing agency. The Central Bank of Uzbekistan (CBU), the State Committee on Statistics, the State Committee for Assistance to Privatized Enterprises and Development of Competition, JSC Uzbekenergo, Ministry of Economy, and MOF are proposed to be the implementing agencies. The program director from the MOF will supervise overall implementation coordination across the various implementing agencies. The TA will be implemented from July 2018 to June 2020.

14. A total of 65 person-months of consultancy services (23 international and 42 national) will be required intermittently. Individual consultants and a consulting firm will be engaged. The firm will be selected using the quality- and cost-based selection method with a standard quality–cost ratio of 90:10, to be selected and engaged by ADB in accordance with the ADB Procurement Policy (2017, as amended from time to time) and the associated project administration instructions and/or TA staff instructions. Output-based, lump-sum consulting contracts will be preferred. All disbursements under the TA will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

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<sup>3</sup> Energy Division, Central and West Asia Department is taking the lead in this area with financial contribution from this TA.

<sup>4</sup> Asset revaluation is undertaken typically in the following two scenarios: (i) when required by regulators for cost-plus tariff setting, or (ii) in the case of a restructuring and/or unbundling of a utility into constituents to improve the financial position. The latter scenario takes place when the utility's financial position has significantly eroded (e.g., negative net worth, consistent profit and loss statement losses) and there is significant debt outstanding compared to depreciated assets. A cleaning up of the balance sheet is undertaken and asset revaluation based on replacement value or residual life of the asset (based on a residual life assessment and replacement studies undertaken typically by a chartered valuation firm) is used to enhance the balance sheet.

15. An overview of the required consulting services is summarized in Table 2.

**Table 2: Summary of Consulting Services**  
(person-months)

<b>Consultant</b>	<b>International</b>	<b>National</b>
Medium-term budget framework specialist	3	6
Internal audit specialist	2	2
Public–private partnership specialist	4	6
Banking specialist	3	6
Asset revaluation specialist	4	8
Energy investment plan specialist	3	4
Gender sensitivity analysis specialist	2	4
National accounts data specialist	2	6
<b>Total</b>	<b>23</b>	<b>42</b>

Source: Asian Development Bank estimates.

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

Item	Amount
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	534.52
ii. National consultants	210.00
b. Out-of-pocket expenditures	
i. International and local travel	50.48
ii. Reports and communications	20.00
2. Training, seminars, and conferences	
i. Facilitators <sup>b</sup>	85.00
3. Contingencies	100.00
<b>Total</b>	<b>1,000.00</b>

Note: The technical assistance (TA) is estimated to cost \$1.3 million, of which contributions from the Asian Development Bank (ADB) are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office accommodation and supplies, and administrative and logistical assistance. The value of government contribution is estimated to account for 3% of the total TA cost.

<sup>a</sup> Financed by ADB's Technical Assistance Special Fund (TASF-other sources).

<sup>b</sup> Payment for honorarium, travel expenses, and per diem.

Source: ADB estimates.



**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/LinkedDocs/?id=51350-001-TARreport>

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