



Uzbekistan: Financial Markets Development Program (Subprogram 1)

Project Name	Financial Markets Development Program (Subprogram 1)	
Project Number	53161-001	
Country	Uzbekistan	
Project Status	Approved	
Project Type / Modality of Assistance	Loan Technical Assistance	
Source of Funding / Amount	Loan 4123-UZB: Financial Markets Development Program (Subprogram 1)	
	Concessional ordinary capital resources lending	US\$ 100.00 million
	TA 6796-UZB: Supporting the Financial Markets Development Program	
	Technical Assistance Special Fund	US\$ 500,000.00
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development Private sector development	
Sector / Subsector	Finance - Finance sector development	
Gender Equity and Mainstreaming	Some gender elements	
Description	<p>The program proposes to introduce reform measures that deepen and broaden Uzbekistan's financial markets by (i) developing the public debt management framework to promote a more liquid government bond market; (ii) enhancing institutional investor demand by broadening, deepening, and diversifying the investor base; (iii) supporting the money markets; (iv) developing critical market infrastructure including surveillance systems, consolidating trading systems, and enhancing post-trading systems; and (v) enhancing the supply of alternative financial instruments such as exchange-traded funds.</p>	
Project Rationale and Linkage to Country/Regional Strategy	<p>The Government of Uzbekistan has accelerated its transition toward a market economy with the adoption of the Strategy on Actions for Further Development of Uzbekistan (2017-2021) and follow-on Roadmap of Reforms (2019-2021). Both the strategy and the road map recognize the central role played by the banking sector and financial markets in fostering this transition. The Roadmap of Reforms tasks the government with modernizing and developing financial markets to better address the financing needs of the real economy, which is moving away from a state-led and state-dominated economy towards a market-oriented, private sector-led model. Underdeveloped financial markets have contributed to the ineffective mobilization of savings with gross domestic savings at 31% of gross domestic product (GDP), which is lower than regional peers such as Kazakhstan (42% of GDP). The introduction of market-based instruments, backed by a sound enabling environment for competitive financial markets, will mobilize private sector financing and help the private sector become the driver of sustainable economic growth. The proposed program will support demand and supply measures to broaden and deepen the financial system in Uzbekistan to facilitate effective intermediation. It will support policy, regulatory, and institutional (including market infrastructure) reforms necessary to create an enabling environment for competitive financial markets in line with the government's Strategy on Actions for Further Development of Uzbekistan (2017-2021) and follow-on Roadmap of Reforms (2019-2021), Asian Development Bank (ADB) country partnership strategy (CPS) for Uzbekistan, 2019-2023, and the ADB country operations business plan for Uzbekistan, 2021-2023. The programmatic approach, comprising two subprograms, will help sequence reforms over a 4-year timeframe (2019-2023) and provide flexibility to incorporate changes if warranted. TA attached with the program's concept paper approval in 2019 supported reform measures from 2019 to 2021. With its emphasis on creating an enabling environment for financial market development, the program design is robust and fits well with the country's needs as a growing and economically diversifying economy. The attached TA will assist in implementing the program.</p>	
Impact	Well-functioning financial system that supports basic capital and investment needs and the country's long-term economic objectives.	
Project Outcome		
Description of Outcome	Greater capacity and size of the financial markets.	
Progress Toward Outcome		
Implementation Progress		
Description of Project Outputs	The legal and regulatory structures for the development of the securities market have improved. The supply and demand of securities have increased.	
Status of Implementation Progress (Outputs, Activities, and Issues)		
Geographical Location	Nation-wide	
Safeguard Categories		
Environment	C	
Involuntary Resettlement	C	
Indigenous Peoples	C	
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 a consulting firm to implement the TA. It is estimated that 15 person-months of international and 3 person-months of national consultants' services will be required. The proposing entities may propose some adjustments with justification. Given the highly specialized expertise needed, the consulting firm will be engaged through quality and cost-based selection method using a standard quality cost ratio of 90:10. ADB will select the consulting firm based on a simplified technical proposal. The team of consultants will have expertise in capital markets, insurance and pensions development and facilitation across diverse technical facets (including institutional, legal and regulatory, infrastructure).

Responsible ADB Officer	Shah, Syed Ali-Mumtaz H.
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, CWRD
Executing Agencies	Ministry of Finance 5 Mustaqillik Square Tashkent 100008 Republic of Uzbekistan

Timetable	
Concept Clearance	16 Jul 2019
Fact Finding	13 Apr 2020 to 07 May 2020
MRM	09 Jul 2021
Approval	07 Oct 2021
Last Review Mission	-
Last PDS Update	07 Oct 2021

Loan 4123-UZB

Milestones				
Approval	Signing Date	Effectivity Date	Closing	
			Original	Revised
07 Oct 2021	-	-	31 Dec 2021	-

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	100.00	Cumulative Contract Awards			
ADB	100.00	07 Oct 2021	0.00	0.00	0%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	07 Oct 2021	0.00	0.00	0%

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

Project Page	https://www.adb.org/projects/53161-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=53161-001
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