



# Technical Assistance Report

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Project Number: 53161-001  
Transaction Technical Assistance (TRTA)  
September 2021

## Republic of Uzbekistan: Supporting the Financial Markets Development Program

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Asian Development Bank

**CURRENCY EQUIVALENTS**  
(as of 16 August 2021)

Currency unit	–	sum (SUM)
SUM1.00	=	\$0.00009372
\$1.00	=	SUM10,669.20

**ABBREVIATIONS**

ADB	–	Asian Development Bank
MOF	–	Ministry of Finance
TA	–	technical assistance

**NOTE**

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

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## I. THE PROPOSED PROJECT

1. The Government of Uzbekistan has requested policy-based loans totaling \$200 million from the concessional ordinary capital resources of the Asian Development Bank (ADB) to support demand and supply measures to broaden and deepen the financial system in Uzbekistan and ground it in a strong legal and regulatory framework, in line with ADB's country partnership strategy for Uzbekistan (2019–2023)<sup>1</sup> and ADB's country operations business plan (2021–2023).<sup>2</sup> The Financial Markets Development Program, structured as two subprograms, will facilitate the design and implementation of reforms that are necessary to create an enabling environment for competitive financial markets.<sup>3</sup> The program's outcome will be to help increase the capacity and size of Uzbekistan's financial markets; the impact is to support their role as a well-functioning financial system that supports basic capital and investment needs and the country's long-term economic objectives.

## II. THE TECHNICAL ASSISTANCE

### A. Justification

2. The program proposes to introduce reform measures to diversify a predominantly bank-based system of financial intermediation and expand sources of credit to limit the systemic impacts of economic shocks, reduce financing costs by stimulating healthy competition with the banking sector, and enhance the financial market's contribution to meeting the increasing financing requirements of a growing economy. Consultations with the government identified the following focus areas: strengthening market facilitation, and enhancing the demand for and the supply of securities.

3. The government requested transaction technical assistance (TA) to support government initiatives to implement critical reforms in selected areas under the Financial Markets Development Program. The results framework, implementation arrangements, cost estimate, and the scope of the TA were discussed with the government during the fact-finding mission for the proposed policy-based loan.

4. The transaction TA will help the government and regulators implement further demand reform measures by developing policies and reforms related to insurance and pensions, as well as preparing market infrastructure.<sup>4</sup> More specifically, the transaction TA will support (i) developing a coherent policy on a universal pension; (ii) enacting legislative reforms related to the off-balance sheet pension fund and other government-provided pensions; (iii) determining modalities of implementing defined contribution and employer-sponsored pension plans for the government, its agencies, and state owned-enterprises; (iv) developing a coherent policy on the insurance industry that addresses current impediments and is in line with international standards; (v) drafting regulations and rules for the insurance industry; and (vi) facilitating the enhancement of market infrastructure to cater to new linkages and products. The alignment of pension and insurance regulations with regulations for banking and securities will be ensured to promote capital market development. The TA is included in the country operations business plan, 2021–2023 (footnote 1).

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<sup>1</sup> ADB. 2019. [Country Partnership Strategy: Uzbekistan, 2019–2023—Supporting Economic Transformation](#). Manila.

<sup>2</sup> ADB. 2020. [Country Operations Business Plan: Uzbekistan, 2021–2023](#). Manila.

<sup>3</sup> The loans will be disbursed as single-tranche policy-based loans of \$100 million each for subprograms 1 and 2. The indicative implementation periods are June 2019 to September 2021 for subprogram 1 and October 2021 to June 2023 for subprogram 2.

<sup>4</sup> The TA first appeared in the business opportunities section of ADB's website on 14 May 2020.

## **B. Outputs and Activities**

5. **Output 1: Developing pension policy supported.** Assist the Ministry of Finance (MOF) to issue a policy on pensions that includes: (i) an actuarial analysis of the off-balance sheet pension fund and proposed universal pension with the objective of finding a contribution rate that represents value for money, and moving some current payments to the universal pension; (ii) a review and revision of legislation related to the off-balance sheet pension fund and other government-provided pensions; (iii) determination of the approaches the government, its agencies, and state owned-enterprises can use to implement defined contribution and employer-sponsored pension plans; and (iv) a robust process for cross-regulatory cooperation.

6. **Output 2: Support for regulating pension investments provided.** Support the MOF to issue and publish investment rules for defined contribution and private schemes.

7. **Output 3: Developing insurance policy supported.** Assist the MOF and the Insurance Market Development Agency to issue a policy on the insurance industry (i) including an analysis of divesting the government's ownership of state insurance companies; (ii) upgrading regulations to comply with the Insurance Core Principles developed by the International Association of Insurance Supervisors; (iii) broadening investment mandates; and (iv) including a robust process for cross-regulatory cooperation.

8. **Output 4: Support for insurance regulations and rules provided.** Support the Insurance Market Development Agency to issue and publish regulations and rules for the insurance industry to strengthen insurance regulation and supervision.

9. **Output 5: Enhancing the capital markets infrastructure facilitated.** Support the MOF, Uzbekistan Republican Stock Exchange, and Uzbekistan Central Securities Depository in enhancing market infrastructure to cater for cross-platform linkages that involve new participants and cater to new products.

## **C. Cost and Financing**

10. The TA is estimated to cost \$525,000, of which \$500,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 7). The key expenditure items are listed in Appendix 1.

11. The government will provide counterpart support in the form of counterpart staff, office accommodation, inter-agency coordination 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**

12. ADB will administer the TA with the support of the ADB Uzbekistan Resident Mission. ADB's Public Management, Financial Sector, and Trade Division in the Central and West Asia Department will select, supervise and evaluate the consultants.

13. The implementation arrangements are summarized in the table below.

**Table 1: Implementation Arrangements**

Aspects	Arrangements		
Indicative implementation period	October 2021–September 2023		
Executing agency	Ministry of Finance		
Implementing agencies	Ministry of Finance, Insurance Market Development Agency, Uzbekistan Republican Stock Exchange, and Uzbekistan Central Securities Depository		
Consultants	To be selected and engaged by ADB		
	Firm: QCBS	Supporting the Financial Markets Development Program	\$475,000
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		

ADB = Asian Development Bank; QCBS = quality and cost-based selection; TA = technical assistance.

Source: Asian Development Bank.

14. **Consulting services.** ADB will engage a consulting firm to implement the TA. It is estimated that 15 person-months of international and 6 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 pension development and facilitation across diverse technical facets (including institutional, legal and regulatory, and infrastructure). ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration and/or staff instructions.<sup>5</sup>

**Table 2: Summary of Required Consulting Services**

Position	Person-Months
<b>A. International</b>	
1. Team Leader	2.0
2. Pensions Expert	2.5
3. Pensions Legal and Regulatory Expert	1.5
4. Insurance Legal and Regulatory Expert	3.0
5. Capital Markets Infrastructure Expert	6.0
<b>Subtotal</b>	<b>15.0</b>
<b>B. National</b>	
6. Legal and Regulatory Expert	1.0
7. Insurance Expert	1.0
8. Program Coordinator	1.0
9. Systems Expert	3.0
<b>Subtotal</b>	<b>6.0</b>
<b>TOTAL</b>	<b>21.0</b>

Source: Asian Development Bank estimates.

15. **Reporting requirements.** The consulting team will submit to ADB and the government (i) an inception report within 2 weeks of mobilization, (ii) interim progress reports within the first month after the end of each reporting period, (iii) a draft final report 1 month before the end of the engagement and (iv) a final report 2 weeks before the end of the engagement. All reports shall be prepared in English and important elements of select reports shall be translated into Russian as advised by ADB and the government.

<sup>5</sup> Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).

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

<b>Item</b>	<b>Amount</b>
<b>A. Asian Development Bank <sup>a</sup></b>	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	345,000
ii. National Consultants	25,000
b. Out-of-Pocket Expenses	
i. International and Local Travel	75,000
ii. Reports and Communications	5,000
iii. Miscellaneous Admin and Support Costs <sup>b</sup>	20,000
2. Trainings, Seminars and Conferences	5,000
3. Contingencies	25,000
<b>TOTAL</b>	<b>500,000</b>

Note: The technical assistance (TA) is estimated to cost \$525,000, of which contributions from the Asian Development Bank (ADB) are presented in the table above. The government will provide support in the form of counterpart staff, office accommodation, inter-agency coordination, and other in-kind contributions. The value of government contribution is estimated to account for 5% of the total TA cost.

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 7).

<sup>b</sup> Includes translation, printing, event supplies, and other support for workshops.

Source: Asian Development Bank estimates.



**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/LinkedDocs/?id=53161-001-TARreport>

1. Terms of Reference for Consultants