



Concept Paper

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Proposed Programmatic Approach and Policy- Based Loan for Subprogram 1 and Technical Assistance Grant Republic of Uzbekistan: Economic Management Improvement Program, Phase 2

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 4 April 2022)

Currency unit	–	sum (SUM)
SUM1.00	=	\$0.000088
\$1.00	=	SUM11,399.48

ABBREVIATIONS

ACA	–	Anti-Corruption Agency
ADB	–	Asian Development Bank
COA	–	Chamber of Accounts
COVID-19	–	coronavirus disease
EMIP	–	Economic Management Improvement Program
EMIP II	–	Economic Management Improvement Program, Phase 2
GDP	–	gross domestic product
IFRS	–	International Financial Reporting Standards
IMF	–	International Monetary Fund
IT	–	information technology
JSC	–	joint stock company
KPI	–	key performance indicator
MOF	–	Ministry of Finance
OECD	–	Organisation for Economic Co-operation and Development
PEFA	–	Public Expenditure and Financial Accountability
SAMA	–	State Assets Management Agency
SDG	–	sustainable development goal
SOB	–	state-owned bank
SOE	–	state-owned enterprise
STC	–	State Tax Committee
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund
VAT	–	value-added tax

NOTES

- (i) The fiscal year (FY) of the Government of Uzbekistan and its agencies ends on 31 December.
- (ii) In this report, "\$" refers to United States dollars.

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 51350-004	
Project Name	Economic Management Improvement Program, Phase 2 (Subprogram 1)	Department/Division	CWRD/CWPF
Country	Uzbekistan	Executing Agency	Ministry of Finance
Borrower	Republic of Uzbekistan		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=51350-004-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=51350-004-PortAtaGlance		
2. Sector		Subsector(s)	
✓ Public sector management	Public administration	ADB Financing (\$ million)	40.000
	Public expenditure and fiscal management		50.000
	Reforms of state owned enterprises		50.000
	Social protection initiatives		10.000
		Total	150.000
3. Operational Priorities		Climate Change Information	
✓ OP1: Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0.000
✓ OP2: Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability			
✓ OP6: Strengthening governance and institutional capacity		ADB Financing	
		Adaptation (\$ million)	1.250
		Mitigation (\$ million)	1.250
		Cofinancing	
		Adaptation (\$ million)	0.000
		Mitigation (\$ million)	0.000
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.2, 1.3		Effective gender mainstreaming (EGM)	✓
SDG 5.a			
SDG 10.4		Poverty Targeting	
SDG 12.2		General Intervention on Poverty	✓
SDG 13.a			
SDG 16.6			
SDG 17.1			
4. Risk Categorization:	Complex		
5. Safeguard Categorization	Environment: C	Involuntary Resettlement: C	Indigenous Peoples: C
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		150.000	
Sovereign Programmatic Approach Policy-Based Lending (Regular Loan):		150.000	
Ordinary capital resources			
Cofinancing		0.000	
None		0.000	
Counterpart		0.000	
None		0.000	
Total		150.000	
Note: An attached technical assistance will be financed on a grant basis by the Technical Assistance Special Fund (TASF-7) in the amount of \$250,000.			
Currency of ADB Financing: US Dollar			

I. THE PROPOSAL

1. The proposed Economic Management Improvement Program, Phase 2 (EMIP II) supports transformation of Uzbekistan's state-dominated economy by strengthening fiscal management, improving governance and operations of state-owned enterprises (SOEs), and enhancing public sector accountability. The program is aligned with the Asian Development Bank (ADB) country partnership strategy for Uzbekistan, 2019–2023¹ and operational priorities of ADB's Strategy 2030 that are (i) strengthening governance, quality, and capacity of public institutions to undertake policy reforms and promote private sector development; (ii) accelerating progress in gender equality; (iii) addressing remaining poverty and reducing inequalities; and (iv) tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability.²

2. The program is designed under a policy-based lending modality with two subprograms. While subprogram 1 focuses on improving the legal, regulatory, and institutional framework, subprogram 2 supports measures for effective and transparent fiscal management; SOE transformation, including strengthening of the competitive environment; and improving anticorruption and audit systems. The programmatic approach allows for comprehensive policy dialogue and flexibility in implementing logically sequenced structural reforms in a multiyear framework. The attached technical assistance (TA) of \$250,000 supports the implementation.

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. Since independence in 1991, Uzbekistan has pursued an import substitution model under a state-dominated economy, driven by commodity exports. Since 2017, Uzbekistan has undertaken structural reforms to facilitate transition towards a market-based economy under its National Development Strategy, 2017–2021 and Roadmap of Reforms, 2019–2021.³ A set of fundamental macroeconomic and public financial management reforms have been undertaken with support from development partners, including ADB's Economic Management Improvement Program (EMIP).⁴ Uzbekistan has maintained sound macroeconomic policies with low risk of debt stress and ample foreign exchange reserves, achieving average gross domestic product (GDP) growth of 6.8% during 2010–2019. Amid the coronavirus disease (COVID-19) pandemic, Uzbekistan had a GDP growth rate of 1.9% in 2020 and 7.4% in 2021 with effective countercyclical response. However, long-standing development constraints prevail (paras. 4–8).⁵

4. **Ineffective fiscal management and public resource allocation.** According to the 2018 Public Expenditure and Financial Accountability (PEFA) assessment,⁶ Uzbekistan lacks (i) a multiyear fiscal planning framework for budgeting and public sector investment; (ii) gender-responsive performance indicators for results-based budgeting, including alignment with Sustainable Development Goals (SDGs) for effective targeting of expenditures, including for

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

² ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

³ Government of Uzbekistan. 2017. *Strategy on Actions for Further Development of Uzbekistan (2017–2021)*. Presidential Decree No. 4947. Tashkent; and Government of Uzbekistan. 2019. *Roadmap of Reforms (2019–2021)*. Presidential Decree No. 5614. Tashkent.

⁴ ADB. 2018. [Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach, Policy-Based Loan for Subprogram 1, and Technical Assistance Grant to the Republic of Uzbekistan for the Economic Management Improvement Program](#). Manila.

⁵ Sector Assessment (Summary): Multisector (accessible from the list of linked documents in Appendix 3).

⁶ PEFA Secretariat. 2019. [Uzbekistan: 2018 PEFA Performance Assessment Report](#). Washington, DC.

gender issues;⁷ and (iii) robust public sector accountability mechanisms. While the Chamber of Accounts (COA) and Anti-Corruption Agency (ACA) have been established, the PEFA assessment found weaknesses in internal and external audit systems over budget utilization and public procurement, and Uzbekistan ranked 176th among 209 countries in controlling corruption in 2020.⁸ According to the International Monetary Fund (IMF), the fragmented public investment management across different agencies lacks standards for project appraisals, risk assessment, and performance evaluation.⁹ Although Uzbekistan is prone to climate change and its industrial production is resource intensive and energy inefficient, until recently there was no clear framework for green economy transition and green budgeting aligned with SDG-based budget classifications. On the revenue side, a medium-term revenue strategy needs to be developed for domestic resource mobilization to address the savings–investment deficit (6.4% of GDP in 2021). The tax policy and administration need modernizing with information technology (IT)-based systems under the State Tax Committee (STC) for efficient tax collection and expanding the tax base.

5. **Fragmented social protection system.** To meet the growing social protection needs of the population during the transition from a state-dominated economy, the fragmented social protection expenditures, comprising social insurance, social assistance, social care services, pensions, and labor market support programs under different agencies, needs to be consolidated and its coverage, targeting, and monitoring of performance need to be streamlined. The Pension Fund, operated by the Ministry of Finance (MOF), is also not fiscally self-sufficient.¹⁰

6. **Dominance of state-owned enterprises.** Nearly 3,000 SOEs accounted for 40% of GDP in 2020 and have dominated major sectors, combining regulatory, operational, and social protection functions. They have enjoyed preferential treatment in access to markets, government guarantees, tax and customs benefits, low input prices, and concessional or directed loans through state-owned banks (SOBs).¹¹ The banking sector is dominated by SOBs (13 out of 32 banks), accounting for 85% of banking sector capital and assets.¹² Streamlining of subsidized lending is critical to improving the performance of SOBs. Despite efforts to set annual debt ceilings on sovereign debt, including SOE guarantees under the 2020 medium-term debt management strategy, and disclose extrabudgetary funds in the budget after the 2022 amendment in the Budget Code, there is still a lack of transparency and a coherent framework to fully disclose government guarantees on SOE borrowings, contingent liabilities, budgetary subsidies, and directed lending from extra-budgetary funds and SOBs, which all increase fiscal risks.¹³

7. The corporate governance practices in SOEs have not been fully compliant with the Organisation for Economic Co-operation and Development (OECD) principles in areas related to (i) accountability and monitoring mechanisms, (ii) independence of supervisory boards and competitive selection of executives, (iii) compliance with International Financial Reporting Standards (IFRS) and international auditing standards, and (iv) risk management framework. Because of the absence of performance measures, inadequate investment in infrastructure, outdated sector strategies, limited financial resources, and weak institutional capacity, the quality

⁷ In 2017, Uzbekistan was ranked 59th out of 189 countries in the gender inequality index (0.274). Women have lower labor force participation and limited access to finance. During the pandemic, women were hit hard by job losses.

⁸ World Bank. 2020. [Worldwide Governance Indicators](#). Washington, DC.

⁹ IMF. 2021. *Public Investment Management Assessment. Technical Report. February*. Washington, DC.

¹⁰ Budgetary subsidies to the Pension Fund were SUM14.70 trillion in 2021, up from SUM9.11 trillion in 2020.

¹¹ IMF. 2021. [State-Owned Enterprises in Middle East, North Africa, and Central Asia: Size, Costs, and Challenges](#). DP/2021/019. Washington, DC.

¹² Credit to the private sector rose from 23.8% of GDP in 2018 to 38.5% in 2021, making up 77% of total credit.

¹³ While on-budget subsidies to SOEs were a modest 1% of GDP, quasi-fiscal support to SOEs was estimated at 6% of GDP and directed policy lending to SOEs at 4% of GDP in 2018. World Bank. 2021. [Accelerating Uzbekistan's Transition Development Policy Operation](#). Report No: PGD312. Washington, DC.

of services and products of SOEs, particularly for public utilities, have deteriorated. For example, the state-owned joint stock company (JSC) Uzsvtaminot (water utility company) has provided services below full cost, creating dependence on government subsidies because of financial losses.¹⁴ Other public utilities, such as the JSC Uzbekiston Pochtasi (postal services company) and JSC Toshshahartransxizmat (transport company) need to improve performance.

8. In recognition of these development constraints, the government enhanced the medium-term budget framework and parliamentary oversight as preconditions for the modern budgeting process since 2019. Under the recent Strategy for Improvement of the Public Finance Management System, 2020–2024, the government plans to implement performance-based budgeting and additional accountability mechanisms on budget execution. Although the Ministry of Economic Development and Poverty Reduction leads the development of the Strategy for Transition to a Green Economy, which together with the updated nationally determined contributions reflects the government’s new commitments on the Paris Agreement, the green economy transition is still at a nascent stage. To promote SOE transformation, privatization, and market competition, in 2019, the government established the State Assets Management Agency (SAMA) and the Anti-Monopoly Committee. In 2020, the government approved the Transformation Strategy, 2021–2025,¹⁵ requiring implementation of a wider set of corporate governance measures for SOEs. The transformation strategy for the banking sector was approved in 2020¹⁶ and aims to increase private sector ownership of banking assets from 15% in 2019 to 60% by 2025. These initiatives require technical and financial support from development partners.

B. Policy Reform, ADB’s Value Addition, and Sustainability

9. Given the extensive public sector reform experience of ADB in Uzbekistan, a policy-based program is proposed, aligned with the Strategy of New Uzbekistan, 2022–2026.¹⁷ The following reform areas are identified based on consultations with the government, experience from the EMIP, and diagnostic studies from development partners and ADB’s TA projects (para. 20).¹⁸

10. **Reform area 1: Fiscal management strengthened.** Under subprogram 1, policy actions focus on (i) approval of the strategic framework on green economy and establishment of inter-ministerial council and technical secretariat to oversee implementation, (ii) a methodology for assessing SOE contingent liability risk, (iii) reducing the value-added tax (VAT) rate and operationalizing a rebate system based on citizens’ VAT receipts for strengthening revenue collection and tax compliance, and (iv) an automated Social Protection Single Registry and uniform criteria for identifying the poor under the approved National Social Protection Strategy. The subprogram 2 policy actions focus on (i) climate risk analysis of public investment projects, (ii) SDG-based budget classifications, methodology and indicators for gender-responsive program-based budgeting, and green budgeting, (iii) recording SOE debt and assessing SOE contingent liabilities, (iv) approval of the medium-term revenue strategy and implementing IT-based tax filing, compliance and audit systems, and key performance indicators (KPIs) by STC, and (v) gender-responsive social protection programs and approval of a pension system strategy.

¹⁴ Revenue losses from lower billing and collection rates and partial metering of users amount to about 0.2% of GDP. World Bank. 2020. *Uzbekistan Public Expenditure Review*. Washington, DC.

¹⁵ Government of Uzbekistan. 2020. *Transformation of SOEs and Privatization of State Assets. Presidential Decree No. 6096*. Tashkent; and Government of Uzbekistan. 2021. *On Approval of the Strategy for Management and Reform of State-Owned Enterprises in 2021–2025. Cabinet of Ministers Resolutions No. 166*. Tashkent.

¹⁶ Government of Uzbekistan. 2020. *About the Strategy for Reforming the Banking System of the Republic of Uzbekistan for 2020–2025. Presidential Decree No. 5992*. Tashkent.

¹⁷ The Strategy of New Uzbekistan for 2022–2026 under Presidential Decree No. 60 in 2022 prioritizes (i) sound fiscal and macroeconomic management, (ii) inclusive, sustainable, and private-sector-driven growth, and (iii) rule of law.

¹⁸ A preliminary draft of the policy design and monitoring framework is in Appendix 1.

11. **Reform area 2: State-owned enterprise governance and operations improved.** The subprogram 1 policy actions focus on (i) state asset and property management and privatization laws, (ii) regulations for nondiscriminatory access in the retail sector and digital markets, and implementing a competition compliance tool in selected SOEs with market dominance, (iii) transitioning to IFRS-based reporting at selected SOEs, (iv) rolling out competitive, transparent, and merit-based selection criteria for independent supervisory board members at SOEs, including female representation, (v) implementing a corporate governance assessment tool based on OECD guidelines in selected SOEs, and (vi) implementing KPIs and appointing at least one independent supervisory board member at JSC Agrobank, JSC Xalq Bank, and JSC Qishloq Qurilish Bank. The subprogram 2 policy actions focus on (i) a competition law and anti-monopoly mechanisms, (ii) implementing corporate governance rules at selected SOEs, including KPIs, IFRS, audit committees, and independent supervisory board members, (iii) performance assessment of subsidized lending in JSC Agrobank and JSC Xalq Bank, including for women entrepreneurs, (iv) transformation strategies in SOEs for water utility, transport, and postal services, and (v) developing a nationwide water supply and sanitation policy, cost-recovery-based water tariff methodology and metering, a communication strategy for sustainable water usage, an asset and debt management policy, and an asset inventory by JSC Uzsuvtaminot.

12. **Reform area 3: Public sector accountability enhanced.** The subprogram 1 policy actions focus on (i) IT-based integration of financial audit bodies and internal audit services under the COA, and (ii) implementing electronic grievance redressal mechanism for filing grievances on corruption by citizens and establishing public council under the ACA. The subprogram 2 policy actions focus on (i) external audit standards in line with International Standards of Supreme Audit Institutions, and (ii) IT-based risk assessment for budget use and public procurement by the ACA.

13. **Lessons, ADB's value addition, and sustainability.** The EMIP II builds upon and deepens the public sector management reforms under EMIP and TA facility (para. 20 and Appendix 2). Under fiscal management, the EMIP supported (i) strengthening of macroeconomic data collection, (ii) preparation of a medium-term budget framework, (iii) a road map for transition to international public sector accounting standards, (iv) establishment of internal audit units in selected government agencies, (v) strengthening of the public procurement law, and (vi) risk-based banking supervision. Under SOE reforms, the EMIP supported (i) policy for reducing directed lending to SOEs, (ii) roadmap for adoption of corporate governance rules and implementation in seven SOEs, (iii) creation of a special fund for SOE restructuring under SAMA, (iv) IFRS-based audited financial reporting and revaluation of fixed assets at JSC Uzbekenergo, (v) a legal framework for public-private partnerships, (vi) divestment of noncore assets of selected SOEs, and (vii) a cost-recovery-based methodology for electricity tariffs. The EMIP II design also incorporates lessons from SOE reforms under ADB's policy-based lending.¹⁹ Key value additions of EMIP II are as follows: The program supports innovative reforms on a green economy, gender-responsive program-based budgeting, and IT applications in public sector. The program improves the nationwide competition framework and SOE governance through KPIs, transparency of SOE finances, professional management and control systems, tariff reforms, and transformation strategies. The EMIP II facilitates a One ADB approach through collaboration with the Urban Development and Water Division of ADB's Central and West Asia Department by complementing ongoing support to JSC Uzsuvtaminot, and strengthens climate change mitigation and adaptation. Capacity building under the TA increases sustainability of reforms. The program was effectively

¹⁹ Key lessons are creating an effective antimonopoly framework and oversight on SOE performance and finances. ADB. 2020. [Guidance Note on State-Owned Enterprise Reform in Sovereign Projects and Programs](#). Manila.

coordinated with the development partners, including with the IMF on macroeconomic assessment and policy dialogue and complements their programs in Uzbekistan.²⁰

C. Expected Outcome of the Reform

14. The development objective is macroeconomic stability and inclusive growth facilitated. The expected outcome is efficient and fiscally sound public sector operations and service delivery strengthened.

D. Development Financing Needs and Budget Support

15. The government requested a policy-based loan of \$300 million from ADB's ordinary capital resources, which will be structured into two subprograms of \$150 million each.²¹ While the loan amounts will be confirmed during the fact-finding mission, the development financing needs will be determined based on the projected budget deficits and available external and domestic financing.²² Policy actions will be complied with prior to the ADB Board of Directors' approval, and funds will be disbursed upon loan effectiveness. The proceeds of the loan will be drawn down in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

E. Implementation Arrangements

16. The executing agency will be the MOF. The ACA, Anti-Monopoly Committee, COA, Ministry of Economic Development and Poverty Reduction, Pension Fund, SAMA, and STC will be the implementing agencies. The implementation period for subprogram 1 is July 2021–December 2022 and for subprogram 2 January 2023–December 2024.

III. TECHNICAL ASSISTANCE

17. Transaction TA of \$250,000 from ADB's Technical Assistance Special Fund (TASF 7) is proposed to be attached to EMIP II in addition to the Economic Management Improvement Facility and complementary TA projects (para. 20). The TA will help implement policy actions on gender-responsive program-based budgeting, green budgeting, an antimonopoly framework, and audit systems, and build capacity of implementing agencies.

IV. DUE DILIGENCE REQUIRED

18. Due diligence will be carried out and is summarized as follows:
- (i) **Safeguards.** The EMIP II is classified *category C* because no adverse impacts on the environment, involuntary resettlement, and indigenous peoples are expected.
 - (ii) **Economic.** The economic benefits of the proposed reforms will be evaluated.
 - (iii) **Governance.** Public financial management, procurement, anticorruption, and institutional capacity of implementing agencies will be assessed.

²⁰ The IMF supports fiscal risk assessment, budgeting, debt management, and tax administration reforms. The World Bank approved a \$400 million Development Policy Operation in December 2021, focusing on social protection and SOE transformation. The Agence Française de Développement supports green economy transition. The European Bank for Reconstruction and Development strengthens the antimonopoly framework and competition policy.

²¹ For subprogram 1, preliminary cost estimates for the climate mitigation and climate adaptation are \$1.25 million each. For both subprograms, climate mitigation is estimated to cost \$10.0 million and climate adaptation \$2.5 million in total for a green economy strategy, climate risk analysis of public investment, green budgeting, and reforms on water utility. Further analysis on the program's climate financing and impact will be made during the fact-finding mission.

²² The budget deficit–GDP ratio is estimated at 4.0% in 2022, 3.2% in 2023, and 2.7% in 2024 in IMF. 2021. [Republic of Uzbekistan: 2021 Article IV Consultation–Press Release and Staff Report. Report No. 21/85](#). Washington, DC.

- (iv) **Poverty and social.** The proposed gender categorization is *effective gender mainstreaming*. No adverse poverty, social, or gender impacts are expected.²³ Monitoring mechanisms will be established for gender mainstreaming.

V. PROCESSING PLAN

A. Risk Categorization

19. The EMIP II is categorized *complex* because each subprogram exceeds \$50 million.

B. Resource Requirements

20. ADB staff with public sector expertise will dedicate 8 person-months to process the program. TA of \$500,000 from the TASF under the ongoing Economic Management Improvement Facility (Appendix 2) will help implement the policy actions and coordinate among implementing agencies.²⁴ Complementary TA projects will support policy actions on (i) a green economy strategy and climate risk assessment of public investment,²⁵ (ii) SOE debt and contingent liability assessment,²⁶ (iii) social protection and pension system strategies,²⁷ (iv) improvements for JSC Uzsvtaminot,²⁸ and (v) strategy development for JSC Xalq Bank.²⁹ TA of \$150,000 from ADB's Domestic Resource Mobilization Trust Fund will be requested for tax reforms.

C. Processing Schedule

21. The milestones and their expected completion dates are summarized in the table.

Proposed Processing Schedule

Milestones	Expected Completion Date
Fact-finding mission	April 2022
Informal Board seminar	June 2022
Management review meeting	August 2022
Loan negotiations	September 2022
Board consideration	November 2022
Loan signing and effectiveness	December 2022

Source: Asian Development Bank.

VI. KEY ISSUES

22. There is a strong political commitment for reforms. Timely compliance with policy actions and capacity building of implementing agencies will be supported by TA projects.

²³ Initial Poverty and Social Analysis (accessible from the list of linked documents in Appendix 3).

²⁴ ADB. 2018. [Uzbekistan: Economic Management Improvement Facility](#). Manila.

²⁵ TA of \$45,000 under ADB. 2018. [Uzbekistan: Effective Economic Management](#). Manila, and TA of \$105,600 under ADB. 2017. [Supporting Adaptation Decision Making for Climate Resilient Investments](#). Manila. TA support for climate-responsive fiscal systems will be coordinated with ADB. 2020. [Improved Decision-Making for Climate Resilient Development in Asia and the Pacific](#). Manila.

²⁶ TA funds will be requested under ADB. 2021. [Supporting Debt Management and Transparency](#). Manila.

²⁷ TA of \$47,000 under ADB. 2017. [Strategies for Financing Social Protection to Achieve Sustainable Development Goals in Developing Member Countries](#). Manila.

²⁸ TA of \$200,000 under ADB. 2021. [Improving Infrastructure and State-Owned Enterprise Governance for Sustainable Investment and Debt Management](#). Manila.

²⁹ TA of \$120,000 under ADB. 2021. [Program to Enhance Commercialization and Financial Sustainability of State-Owned Enterprises in the Central and West Asia Region](#). Manila.

PRELIMINARY POLICY DESIGN AND MONITORING FRAMEWORK

<p>Country’s Overarching Development Objective Macroeconomic stability and inclusive growth facilitated.^a</p>		
<p>Outcome Efficient and fiscally sound public sector operations and service delivery strengthened.</p>	<p>Risks and Critical Assumptions Risk: Weak government coordination, including with development partners, constraints in technical and institutional capacity, and implementation delays due to overstretched staff, responding to the pandemic and other external shocks affect program implementation.</p>	
<p>Indicative Policy Actions: Subprogram 1 July 2021–December 2022</p>	<p>Indicative Policy Actions: Subprogram 2 January 2023–December 2024</p>	<p>Outcome Indicators</p>
<p>Reform Area 1: Fiscal management strengthened.</p>		
<p>1.1 The government approved the Strategic Framework on Green Economy, 2022–2030 to promote public investment and expenditures for improving energy efficiency, conservation of natural resources, reduction in greenhouse gas emissions, access to green energy, and gender-responsive green jobs, and established an inter-ministerial council and technical secretariat to oversee the implementation of the strategy. (Document required: Cabinet of Ministers or Presidential Resolution on strategic framework on green economy and order on the establishment of the inter-ministerial council and technical secretariat)</p> <p>1.2 The MOF operationalized a methodology for assessment of risks related to contingent liabilities of SOEs to improve transparency of SOE financing. (Document required: Cabinet of Ministers Resolution and MOF internal order on the operationalization of the methodology)</p> <p>1.3 The government reduced the VAT rate and operationalized a rebate system based on citizens’ VAT receipts to strengthen revenue collection and voluntary tax compliance. (Document required: Cabinet of Ministers Resolution on VAT system and State Tax Committee report on the implementation)</p>	<p>2.1 In line with the approved Strategic Framework on Green Economy, the government will (i) complete Climate-Public Investment Management Assessment (C-PIMA) and (ii) carry out climate risk analysis at project appraisal and selection stages and incorporate adaptation and/or mitigation measures in climate sensitive public investment projects. (Document required: (i) C-PIMA report and (ii) MOEDPR report on climate risk analysis for selected projects)</p> <p>2.2 MOF will approve and implement (i) SDG-based budget classifications; (ii) methodology and indicators for gender-responsive program-based budgeting in selected ministries; and (iii) green budgeting methodology in selected ministries to improve green economy transition. (Document required: MOF internal orders on i–iii and MOF implementation report on i–iii)</p> <p>2.3 MOF will (i) operationalize the on-lending module of DMFAS to strengthen recording of SOE debt statistics and (ii) conduct analytical assessment of contingent liabilities of SOEs for FY2023 based on the approved methodology. (Document required: (i) MOF internal order on the use of on-lending module of DMFAS and report on implementation of DMFAS and (ii) MOF report on assessment of contingent liabilities of SOEs)</p> <p>2.4 The government will approve the medium-term revenue strategy, 2022–2026; and based on the medium-term revenue strategy, the State Tax Committee will: (i) automate the system for filing of personal and corporate income tax returns; (ii) launch an IT-based risk assessment system for tax compliance and tax audits; and (iii) implement KPIs to monitor the performance of tax administration and services at the central and district levels. (Document required:</p>	<p>By December 2025:</p> <p>a. Public and publicly guaranteed debt to GDP ratio is maintained at or below 60%. (Baseline 2021: 42.1%) (Source: IMF and MOF)</p> <p>b. Combined expenditures allocated to gender equality (SDG-5) and climate change (SDG-13) increases to at least 0.6% of the state budget. (Baseline 2021: 0.5% of expenditures) (Source: MOF)</p> <p>c. Annual state budget deficit to GDP ratio is reduced below 4%. (Budget Deficit Baseline 2021: 5.5%) (Source: IMF and MOF)</p> <p>d. Number of social benefit recipients increases by at least 10% and social safety net expenditures is maintained at or above 7.2% of GDP. (Baseline</p>

Indicative Policy Actions: Subprogram 1 July 2021–December 2022	Indicative Policy Actions: Subprogram 2 January 2023–December 2024	Outcome Indicators
<p>1.4 The government (i) operationalized an automated Social Protection Single Registry, which consolidated databases on vulnerable segments of the population and (ii) adopted a uniform criterion for identifying the poor for automatic assignment of social benefits in line with the approved National Social Protection Strategy, 2022–2030. (Document required: Presidential Resolutions on the Social Protection Single Registry and Presidential Resolution on the National Social Protection Strategy, 2022–2030 and sex-disaggregated report on beneficiaries and criterion adopted)</p>	<p>Cabinet of Ministers Resolution on the medium-term revenue strategy and government resolution or the State Tax Committee internal document approving i–iii, and State Tax Committee implementation report on i–iii)</p> <p>2.5 Based on the National Social Protection Strategy, 2022–2030, the government will (i) expand the delivery of gender-responsive social protection programs under the Social Protection Single Registry, and (ii) approve the pension system strategy to improve citizens' coverage and fiscal sustainability of the Pension Fund. (Document required: (i) Cabinet of Ministers or Presidential Resolution and the sex disaggregated report on implementation of social protection programs and (ii) Cabinet of Ministers or Presidential resolution on pension system strategy)</p>	<p>2021: 1.826 million recipients and 7.1% of GDP) (Source: MOF Citizens Budget and IMF)</p>
Reform Area 2: SOE governance and operations improved.		
<p>1.5 Cabinet of Ministers submitted (i) the State Asset and Property Management Law and (ii) the Privatization Law to the Parliament to establish criteria for public sector assets that will remain under state ownership and streamline the privatization process. (Document required: Copies of the State Asset and Property Management Law and the Privatization Law with the letters from the Cabinet of Ministers on submission to the Parliament)</p> <p>1.6 The AMC (i) made effective in 2022 sectorial regulations for non-discriminatory access to infrastructure and market in retail sector and digital markets, and (ii) implemented competition compliance tool in 20 SOEs with market dominance in their sectors. (Document required: (i) Regulations approved by AMC and (ii) SOEs' internal orders [or minutes of shareholders meeting] on the competition compliance tool, and the AMC report on implementation)</p>	<p>2.6 The Cabinet of Ministers will submit the Competition Law to the Parliament to strengthen AMC's regulatory powers for prevention of unfair competition from natural monopolies and SOEs. (Document required: Copy of the Competition Law and Cabinet of Ministers' letter on submission to the Parliament)</p> <p>2.7 The government will reduce the number of SOEs in markets with developed competition where five or more private business entities operate based on the Presidential Resolution No. 123. (Document required: SAMA report on status of privatization of SOEs in markets with developed competition)</p> <p>2.8 At least 70% of SOEs^c listed in Annex 1 and Annex 2 of the Presidential Resolution No. 6096 will (i) implement corporate governance rules, including adoption of KPIs, IFRS-based financial reporting, and establishment of audit committees; and (ii) select and appoint independent supervisory board members, out of which at least 10 board members will be women. (Document required: SAMA and MOF joint letter on implementation of i and ii)</p> <p>2.9 MOF and SAMA will implement the corporate governance assessment tool (score card) based on OECD guidelines in selected SOEs in FY2023 and FY2024. (Document required: MOF</p>	<p>By December 2025:</p> <p>e. Government share in total banking sector assets is reduced to below 70%. (Baseline 2021: 85%) (Source: Central Bank of Uzbekistan)</p> <p>f. At least 30% of supervisory boards of SOEs listed in Annex 1 and Annex 2 of the Presidential Resolution 6096 comprise of independent members. (Baseline 2021: 5%) (Source: MOF, SAMA)</p> <p>g. Initial public offering and/or secondary public offering of shares of at least 8 SOEs are completed through the</p>

Indicative Policy Actions: Subprogram 1 July 2021–December 2022	Indicative Policy Actions: Subprogram 2 January 2023–December 2024	Outcome Indicators
<p>1.7 At least 12 SOEs^b transitioned from national financial reporting standards and prepared and publicly disclosed IFRS-based financial reports with appropriate notes to improve transparency on financial performance. (Document required: MOF and SAMA joint letter on implementation status of IFRS-based financial reports in selected SOEs)</p> <p>1.8 The Cabinet of Ministers adopted criteria based on (i) competitive, (ii) transparent, and (iii) merit-based selection of independent supervisory board members at SOEs, including female board representation to strengthen professional management of SOEs. (Document required: Cabinet of Ministers Resolution, which includes the selection methodology)</p> <p>1.9 MOF and SAMA (i) approved a corporate governance assessment tool (score card) based on OECD guidelines to be used on an annual basis and (ii) implemented the score card effective from FY2022 in 20 SOEs. (Document required: SAMA and MOF order on the corporate governance assessment of SOEs, and MOF and SAMA joint letter on the implementation of the score card)</p> <p>1.10 The supervisory boards of JSC Agrobank, JSC Qishloq Qurilish Bank and JSC Xalq Bank established KPIs and appointed at least one independent supervisory board member to improve operational and financial performance in line with their approved transformation strategies and roadmaps. (Document required: List of KPIs, list of independent supervisory board members and approved transformation strategies)</p>	<p>and SAMA joint letter on the implementation of the score card in FY2023 and FY2024)</p> <p>2.10 JSC Agrobank and JSC Xalq Bank will prepare performance assessment for the government-subsidized and directed lending programs, including those targeting access to finance for women entrepreneurs, which will be approved by MOF and disclosed annually starting FY2023. (Document required: Assessment reports approved by JSC Xalq Bank and JSC Agrobank)</p> <p>2.11 Supervisory boards of JSC Toshshahartransxizmat, JSC Uzbekiston Pochtasi and JSC Uzsvtaminot will approve transformation strategies and roadmaps and implement them effective in FY2023 to improve operational and financial performance and quality of service delivery. (Document required: Approved transformation strategy and roadmaps by SOEs’ supervisory boards, and SOEs’ reports on status of implementation approved by their management)</p> <p>2.12 (i) The government will issue resolutions effective in FY2023 on (a) nationwide water supply and sanitation policy, including gender and climate-change related targets, and (b) nationwide cost-recovery based water tariff (drinking and wastewater) methodology. (Document required: Cabinet of Ministers or Presidential Resolutions on a and b)</p> <p>(ii) JSC Uzsvtaminot will implement (a) cost-recovery based water tariff based on the approved methodology and (b) a national metering program. (Document required: JSC Uzsvtaminot report on implementation of a and b)</p> <p>(iii) JSC Uzsvtaminot will approve a communication strategy on water tariff adjustment and sustainable water usage and implement a public education campaign in line with the communication strategy. (Document required: Communication strategy and report on implementation of the campaign by JSC Uzsvtaminot)</p> <p>(iv) JSC Uzsvtaminot will develop policies on (a) debt management, (b) investment, and (c) operation and maintenance</p>	<p>Republican Stock Exchange “Tashkent”. (Baseline 2021: none) (Source: SAMA and MOF)</p> <p>h. Subsidized directed lending to SOEs by state-owned banks is reduced to below 1% of GDP. (Baseline 2021: 2%) (Source: IMF and MOF)</p> <p>i. Water revenue collection rate in all 17 provincial svtaminots reaches to at least 70%. (Baseline 2020: 62%) (Source: JSC Uzsvtaminot reports)</p>

Indicative Policy Actions: Subprogram 1 July 2021–December 2022	Indicative Policy Actions: Subprogram 2 January 2023–December 2024	Outcome Indicators
	of assets and create an inventory of central and provincial level water and sanitation assets. (Document required: Policies on a, b, and c, and JSC Uzsvutaminot report on asset inventory)	
Reform Area 3: Public sector accountability enhanced.		
<p>1.11 COA implemented an IT platform for integrating activities of all financial audit bodies and internal audit services to (i) reduce human factor in control processes, (ii) streamline inspections of budgetary organizations by preventing repeated inspections and interference, and (iii) improve the efficiency, transparency, and objectivity of control measures. (Document required: COA report, confirming implementation of IT platform)</p> <p>1.12 ACA implemented an electronic grievance redressal mechanism, which allows filing of grievances on corruption by citizens and established public council to strengthen public sector accountability. (Document required: ACA report, confirming implementation of the grievance redressal mechanism and activities of the public council)</p>	<p>2.13 COA will approve and implement (i) new standards for external audit (financial audit, performance audit, compliance audit, remote control, and risk analysis) based on ISSAI for budget expenditures and (ii) KPI assessment procedure to strengthen effectiveness of public sector audit. (Document required: Report by COA on the approval and implementation of new standards for external audit and KPI assessment procedure)</p> <p>2.14 ACA will implement an IT-based system for risk assessment of public procurement and use of budgetary funds by the government agencies to improve transparency of public funds utilization. (Document required: ACA report on the risk assessment system, including its functions and implementation)</p>	<p>By December 2025:</p> <p>j. External audits based on ISSAI are conducted in at least 4 out of 40 government agencies. (Baseline 2021: none) (Source: MOF and COA)</p> <p>k. IT-based risk assessment for public procurement and use of budgetary funds are conducted in at least 10 out of 40 government agencies. (Baseline: none) (Source: ACA)</p>
<p>Budget Support: ADB: Subprogram 1: \$150 million (ordinary capital resources regular loan) Subprogram 2: \$150 million (ordinary capital resources regular loan) Technical Assistance Special Fund (TASF 7): \$250,000 (grant)</p>		

ACA = Anti-corruption Agency, ADB = Asian Development Bank, AMC = Anti-Monopoly Committee, C-PIMA = Climate Public Investment Management Assessment, COA = Chamber of Accounts, DMFAS = Debt Management and Financial Analysis System, IFRS = International Financial Reporting Standards, IMF = International Monetary Fund, ISSAI = International Standards of Supreme Audit Institutions, IT = information technology, JSC = Joint Stock Company, KPIs = key performance indicators, MOEDPR = Ministry of Economic Development and Poverty Reduction, MOF = Ministry of Finance, OECD = Organisation for Economic Co-operation and Development, PDMF = policy design and monitoring framework, SAMA = State Assets Management Agency, SDG = sustainable development goals, SOE = state-owned enterprises, VAT = value-added tax.

^a Government of Uzbekistan. 2022. *On the Development Strategy of New Uzbekistan for 2022-2026. Presidential Decree No. 60.* Tashkent.

^b Transition to IFRS is based on government's priority list of SOEs, and criteria such as international exposure of SOEs.

^c Under the Presidential Resolution No. 6096, Annex 1 includes 32 SOEs and Annex 2 includes 39 SOEs. The SOEs include JSC Toshshahartransxizmat, JSC Uzbekiston Pochtasi and JSC Uzsvutaminot. The total number of SOEs may be subject to change due to reorganization of SOEs.

Source: Asian Development Bank.

TECHNICAL ASSISTANCE FACILITY UTILIZATION UPDATE

1. The Economic Management Improvement Facility was originally approved on 26 June 2018 as a technical assistance (TA) attached to the Economic Management Improvement Program to support implementation of policy actions under subprograms 1 and 2.¹ The executing agency of the TA is the Ministry of Finance (MOF). While the implementation of the program was completed in November 2019, the TA project's original completion date of 30 June 2020 was extended to 31 December 2022 on 4 February 2020 to support the continuation of the public sector and state-owned enterprise (SOE) reforms. The TA was converted into a facility on 14 August 2020 by including the COVID-19 Active Response and Expenditure Support (CARES) Program.² While the TA project's original size was \$1.00 million on a grant basis from ADB's Technical Assistance Special Fund (TASF-other sources), following several fund cancellations and additions, the TA size reached \$2.33 million on 9 December 2020.³ Additional financing of \$500,000 (TASF 7 and TASF-other sources) was approved on 17 November 2021, bringing the cumulative TA amount to \$2.83 million to support processing and implementation of the Economic Management Improvement Program, Phase 2. The TA completion date was extended from 31 December 2022 to 31 December 2024. As of 29 March 2022, contract awards totaled \$2,242,821 and disbursements \$1,503,480.

2. The TA supported the implementation of the policy actions under the subprograms 1 and 2 of the Economic Management Improvement Program and achieved a wide range of public sector management and SOE reforms.⁴ The key achievements of the program are (i) strengthening the macroeconomic data collection and dissemination systems under the State Statistics Committee (SCS) in line with the International Monetary Fund's electronic-enhanced general data dissemination system; (ii) preparing the methodology for the medium-term budget framework (MTBF) and preparing the MTBF manual, including tools for gender-responsive budgeting; (iii) developing a road map for compliance with accrual-based international public sector accounting standards (IPSAS); (iv) establishing internal audit units in five government agencies and developing internal audit manuals; (v) strengthening public procurement law; (vi) introducing a risk-based banking supervision manual and conducting stress testing of selected banks by the Central Bank of Uzbekistan; (vii) the government developing a policy to reduce directed lending to SOEs by the state-owned banks; (viii) implementing corporate governance rules in seven selected SOEs and developing a road map for implementation in all other SOEs;

¹ ADB. 2018. [*Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach, Policy-Based Loan for Subprogram 1, and Technical Assistance Grant to the Republic of Uzbekistan for the Economic Management Improvement Program*](#). Manila.

² ADB. 2020. [*Report and Recommendation of the President to the Board of Directors: Proposed Countercyclical Support Facility Loan to the Republic of Uzbekistan for the COVID-19 Active Response and Expenditure Support Program*](#). Manila.

³ On 20 July 2018, \$250,000 of TA funds were cancelled and provided to the Power Generation Efficiency Improvement Project administered by the Energy Division to support joint stock company (JSC) Uzbekenergo's investment plan and fixed asset revaluation. Additional financing from the Technical Assistance Special Fund (TASF 6) were approved as follows: \$300,000 on 28 June 2019, \$500,000 on 4 February 2020, and \$150,000 on 22 April 2020. On 14 August 2020, additional financing of \$300,000 from TASF 6, allocated from Special Resources for COVID-19, was approved for monitoring of the COVID-19 Active Response and Expenditure Support (CARES) Program. On 9 December 2020, an increase by \$325,000, of which \$150,000 was funded by Special Resources for COVID-19 and \$175,000 funded by TASF 6 were approved, bringing the TA amount to \$2.33 million.

⁴ The outputs of the TA are as follows: (i) output 1: medium-term budget framework (MTBF) prepared; (ii) output 2: PPP projects developed, selected, and monitored; (iii) output 3: internal audit departments strengthened; (iv) output 4: risk-based supervision, capital adequacy assessments, and stress testing enabled; (v) output 5: JSC Uzbekenergo investment plan and fixed asset revaluation facilitated; (vi) output 6: gender sensitivity analysis supported; (vii) output 7: training and workshops supported; (viii) output 8: fiscal and financial management strengthened; and (ix) output 9: SOE governance and operations improved.

(ix) transferring the government's shares in 34 SOEs to the State Asset Management Agency (SAMA), and creating a special fund to facilitate restructuring, divestment, and privatization of these SOEs; (x) revaluating fixed assets of joint stock company (JSC) Uzbekenergo (generation, transmission, and distribution) in compliance with the International Financial Reporting Standards (IFRS); (xi) taking two financially viable public-private partnership (PPP) projects to the bidding stage; (xii) divesting noncore assets of three SOEs; (xiii) developing a new tariff methodology for provision of electricity; and (xiv) preparing IFRS-compliant consolidated audited financial statements of JSC Uzbekenergo.⁵

3. The TA focused on (i) training SCS staff; (ii) building capacity of the MOF on MTBF preparation; (iii) preparing the MTBF manual and gender sensitivity assessment of public expenditures; (iv) building capacity of the Central Bank of Uzbekistan in risk-based banking supervision, capital adequacy assessments, and stress testing; (v) developing the risk-based banking supervision manual; (vi) strengthening the internal audit units within selected ministries and/or agencies, including introducing risk-based audit manuals; (vii) building capacity of the PPP Development Agency, including drafting model concession agreements and operational guidelines, and establishing a PPP development facility; (viii) strengthening the corporate governance rules in selected SOEs and building the capacity of SAMA; and (ix) revaluating JSC Uzbekenergo's fixed assets (generation, transmission, and distribution).

4. The TA facility was instrumental in successful achievement of the first generation of public sector and SOE reforms in Uzbekistan under the Economic Management Improvement Program. On completion of the program, the TA was extended to strengthen the government's capacity to deepen the fiscal, public sector management, and SOE governance reforms initiated under the program; help make the existing and new reform road maps of the government operational; and ensure sustainability. The TA was extended to serve as a post-program engagement framework in the following areas:

- (i) strengthening of collection systems and analysis of gender statistics by the SCS;
- (ii) implementation of a gender-responsive MTBF in the MOF and development of target indicators for program-based budgeting in two selected ministries;
- (iii) diagnostic assessment for improvement of an intergovernmental fiscal transfer system for effective local government budgeting, transfer formula design, expenditure allocation, and revenue mobilization;
- (iv) strengthening of the internal control and audit framework of state budget expenditures;
- (v) strengthening of public debt management and risk management for explicit and implicit contingent sovereign liabilities, and development of a quantitative methodology;
- (vi) practical implementation of risk-based banking supervision and improvement of credit reporting and financial inclusion systems by the Central Bank of Uzbekistan;
- (vii) conduct of a public expenditure tracking survey in JSC Uzsuvtaminot to identify gaps in governance and financial and operational performance of this SOE;
- (viii) harmonization of national public sector accounting standards with IPSAS in line with the approved road map, and improvement of the reporting standards of the consolidated budget to include off-budget and extrabudgetary funds as well as contingent liabilities of SOEs;
- (ix) strengthening of the legal and regulatory framework and capacity building to harmonize the accounting and financial reporting standards of SOEs in line with the IFRS;

⁵ ADB. 2021. *Completion Report: [Economic Management Improvement Program: Subprograms 1 and 2](#)*. Manila.

- (x) conducting of diagnostic studies to support transformation of five selected SOEs (JSC Toshshahartransxizmat, JSC Uzbekiston Pochtasi, and JSC Uzsvutaminot, JSC National Electric Grid of Uzbekistan, and JSC UzAgrosugurta) and two selected state-owned banks (JSC Agrobank and JSC Qishloq Qurilish Bank);
- (xi) capacity building of SAMA to implement corporate governance rules in line with Organisation for Economic Co-operation and Development principles and development of a corporate governance assessment tool for SOEs;
- (xii) strengthening of the legal and regulatory framework for transformation and privatization of SOEs;
- (xiii) strengthening of the methodology for selecting independent supervisory board members for the SOEs;
- (xiv) advisory support to the MOF and SAMA in implementing SOE transformation and privatization plans and development of policy, legal, and regulatory frameworks; and
- (xv) continuous trainings and capacity building of the implementing agencies.

5. Besides these public sector management reforms, the TA supported the implementation and monitoring of the CARES program (para. 1) in line with the government's COVID-19 countercyclical response measures. Public financial management systems were strengthened during the pandemic as part of the TA activities. Inclusion of the CARES program converted the TA into a facility.

6. Building on these achievements, it is proposed that the TA facility supports the implementation of the ensuing Economic Management Improvement Program, Phase 2. Given that the policy actions are logically sequenced, the TA will support implementation of both subprograms 1 and 2. Coordination among various implementing agencies will be also carried out under the TA facility. The major outputs and activities in line with the proposed program to be supported under the TA facility are summarized in Table A2.1.

Table A2.1: Summary of Major Outputs and Activities

Outputs	Delivery Dates	Key Activities with Milestones
Output 1: Fiscal management strengthened	By December 2024	<p>Objective. This output strengthens budgeting and tax policy and administration for effective fiscal management.</p> <p>Delivery method. Analytical reports and capacity building workshops</p> <p>Implementing agencies. MOF and State Tax Committee</p> <p>Key activities are as follows:</p> <p>1.1 Support MOF with implementation of gender-responsive multiyear program-based budgeting by designing outcome and/or performance targets in selected ministries.</p> <p>1.2 Conduct diagnostic assessment of the expenditures and programs of the resource-intensive and energy-inefficient ministries (i.e., Ministry of Agriculture, Ministry of Water, Ministry of Energy), and evaluate their efficiency and effectiveness.</p> <p>1.3 Develop and incorporate SDG-based green economy targets and indicators for the budget allocations.</p> <p>1.4 Support MOF and State Tax Committee to (i) strengthen digitalization of internal and external business processes for tax audits and filing of income tax returns; (ii) develop an IT-based risk assessment system for tax compliance, audit control, and anticorruption and promotion of tax compliance; (iii) develop a methodology for a land and property tax to</p>

Outputs	Delivery Dates	Key Activities with Milestones
		bring the cadastral value of real estate close to market value; (iv) organize tax administration at central and district levels and KPIs for State Tax Committee staff; and (v) develop citizen-centric and uniform standards for taxpayer services.
2. Output 2: SOE governance and operations improved	By December 2024	<p>Objective. This output strengthens the capacity to transform SOE governance, operations, and performance and to promote the antimonopoly and competition framework.</p> <p>Delivery method. Analytical reports and capacity building workshops</p> <p>Implementing agencies. AMC, MOF, and SAMA</p> <p>Key activities are as follows:</p> <p>2.1 Provide policy and implementation guidance to SAMA to (i) strengthen the monitoring framework of the operational and financial KPIs for SOEs in line with the guidance of the government, (ii) create a dashboard for KPIs in line with international best practices and establish reporting templates, and (iii) generate SOE performance monitoring reports to be submitted to the government for the fiscal year.</p> <p>2.2 Support the MOF and selected state-owned banks to assess utilization and performance of government-subsidized and directed lending programs and restructure them.</p> <p>2.3 Strengthen the legal, regulatory, policy, and institutional framework for antimonopoly and competition in sectors where SOE transformation takes place, and strengthen the capacity of the AMC.</p>
3. Output 3: Public sector governance and service delivery improved	By December 2024	<p>Objective. This output strengthens external audit and internal compliance systems for government procurement and budget utilization and integrates corruption risk monitoring across agencies.</p> <p>Delivery method. Analytical reports and capacity building workshops</p> <p>Implementing agencies. ACA and COA</p> <p>Key activities are as follows:</p> <p>3.1 Support the ACA to (i) develop and introduce internal compliance control systems in government agencies, (ii) conduct anticorruption reviews of legal and regulatory acts, (iii) strengthen oversight mechanisms for asset and income declaration of civil servants, (iv) strengthen the mechanisms for the analysis of corruption risks in public procurement and reporting of budget utilization with focus on selected sectors, (v) improve expansion of open data systems for public disclosure of information, (vi) provide training to specialized government agencies, and (vii) strengthen the electronic grievance redress mechanism.</p> <p>3.2 Support the COA to develop (i) a regulatory framework and methodology for external audit using ISSAI, (ii) new audit standards (financial audit, performance audit, ISSAI-based compliance audit, as well as remote control and risk analysis) for government procurement and budget disbursements, (iii) recommendations for the IT platform to integrate activities of all financial audit bodies and internal audit services, (iv) KPIs for audit activities, (v) audit and financial controls on revenues and expenditures of local</p>

Outputs	Delivery Dates	Key Activities with Milestones
		government budgets, and (vi) the institutional capacity in line with INTOSAI requirements.

ACA = Anti-Corruption Agency, AMC = Anti-Monopoly Committee, COA = Chamber of Accounts, ISSAI = International Standards of Supreme Audit Institutions, INTOSAI = International Organization of Supreme Audit Institutions, IT = information technology, KPI = key performance indicator, MOF = Ministry of Finance, SAMA = State Assets Management Agency, SDG = Sustainable Development Goal, SOE = state-owned enterprise.

Source: Asian Development Bank.

7. **Resources under the technical assistance facility.** The updated consultants' input allocation from the TA facility is presented in Table A2.2. It is confirmed that (i) the TA facility has adequate resources and (ii) the existing terms of reference for consultants are sufficient to undertake the activities required to deliver the outputs for the ensuing Economic Management Improvement Program, Phase 2. The updated budget allocation is presented in Table A2.3.

Table A2.2: Updated Consultants' Input Allocation from the Technical Assistance Facility
(Person-months)

Item	Total	Loan 3675 Economic Management Improvement Program, Subprogram 1	Loan 3866 Economic Management Improvement Program, Subprogram 2	Loan 3939 COVID-19 Active Response and Expenditure Support Program	Proposed Economic Management Improvement Program, Phase 2
Updated risk category		Complex	Complex	Complex	Complex
International					
MTBF/budget specialist	9.00	3.00	2.00	2.00	2.00
PPP specialist	6.00	6.00	...	...	...
Banking specialist	13.18	4.68	4.00	2.50	2.00
Gender sensitivity analysis specialist	7.00	2.00	3.00	1.00	1.00
Gender statistics specialist	2.00	...	2.00	...	...
Internal audit specialist	10.08	3.86	1.00	1.22	4.00
CGR specialist	2.73	2.73	...	...	...
Tax policy and administration specialist	3.00	...	...	...	3.00
Public budgeting specialist	3.00	...	1.50	1.50	...
Internal audit-PETS specialist	2.00	...	2.00	...	...
Fiscal management (IPSAS) specialist	6.00	...	4.00	2.00	...
IFRS specialist	3.00	...	1.00	2.00	...
SOE reform specialist	10.00	...	5.00	3.00	2.00
Public debt management specialist	3.00	...	...	3.00	...
SOE policy specialist	7.00	...	4.00	1.00	2.00
SOE transformation specialist	8.00	...	...	8.00	...
Subtotal (international)	94.99	22.27	29.50	27.22	16.00
National					
MTBF/budget specialist	12.00	6.00	6.00	...	...
PPP specialist	6.00	6.00	...	...	...
Gender sensitivity analysis specialist	9.00	4.00	3.00	1.00	1.00
Gender statistics specialist	2.00	...	2.00	...	...
Internal audit specialist	6.00	2.00	...	...	4.00
CGR specialist	6.00	6.00	...	...	...
Tax policy and administration specialist	3.00	...	...	...	3.00
Public budgeting specialist	3.00	...	1.50	1.50	...
Internal audit-PETS specialist	2.00	...	2.00	-	...
Fiscal management (IPSAS) specialist	6.00	...	4.00	2.00	...
IFRS specialist	3.00	...	1.00	2.00	...
SOE reform specialist	10.00	...	5.00	3.00	2.00
Public debt management specialist	3.00	...	...	3.00	...
SOE policy specialist	7.00	...	4.00	1.00	2.00

Item	Total	Loan 3675 Economic Management Improvement Program, Subprogram 1	Loan 3866 Economic Management Improvement Program, Subprogram 2	Loan 3939 COVID-19 Active Response and Expenditure Support Program	Proposed Economic Management Improvement Program, Phase 2
Updated risk category		Complex	Complex	Complex	Complex
PFM specialist	13.00	13.00	...	...	...
TA coordinator	29.00	5.00	24.00	...	...
Subtotal (national)	120.00	42.00	52.50	13.50	12.00
Short-term resource persons (person-days)					
International postal service specialist	15.00	...	15.00	...	...
National SOE reform associate	135.00	...	135.00	...	...
Subtotal (resource persons)	150.00				

CGR = corporate governance rules, IFRS = International Financial Reporting Standards, IPSAS = International Public Sector Accounting Standards, MTBF = medium-term budget framework, PETS = public expenditure tracking survey, PFM = public financial management, PPP = public-private partnership, SOE = state-owned enterprise, TA = technical assistance.

Note: The updated consultants' input allocation for the technical assistance to Uzbekistan for the Economic Management Improvement Facility (TA 9538-UZB) is based on the memo approved by the Vice-President (Operations 1) on 17 November 2021.

Source: Asian Development Bank estimates.

Table A2.3: Updated Budget Allocation from the Technical Assistance Facility
(\$'000)

Item	Total	Loan 3675 Economic Management Improvement Program, Subprogram 1	Loan 3866 Economic Management Improvement Program, Subprogram 2	Loan 3939 COVID-19 Active Response and Expenditure Support Program	Proposed Economic Management Improvement Program, Phase 2
Updated risk category		Complex	Complex	Complex	Complex
Consultants	2,605.58	590.00	974.15	591.83	449.60
Training, seminars, and conferences	50.00	85.00	(35.00)	...	...
Miscellaneous administration cost	25.85	...	20.85	...	5.00
Studies	15.00	...	10.00	...	5.00
Contingencies	128.57	75.00	(20.00)	33.17	40.40
Total	2,825.00	750.00	950.00	625.00	500.00

() = negative, COVID-19 = coronavirus disease.

Note: The updated budget allocation for the technical assistance to Uzbekistan for the Economic Management Improvement Facility (TA 9538-UZB) is based on the memo approved by the Vice-President (Operations 1) on 17 November 2021. Consultant budget includes (i) remuneration and per diem for international and national consultants and (ii) out-of-pocket expenditures for international and local travel and reports and communication.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=51350-004-ConceptPaper>

1. Initial Poverty and Social Analysis
2. Sector Assessment (Summary): Multisector