Board of Directors

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(For consideration by the Board on or about 27 November 2019)

R121-19
6 November 2019

Proposed Policy-Based Loan for Subprogram 2 Economic Management Improvement Program (Uzbekistan)

1. The Report and Recommendation of the President (RRP: UZB 51350-003) on the proposed policy-based loan for subprogram 2 to Uzbekistan for the Economic Management Improvement Program is circulated herewith.

2. This Report and Recommendation should be read with *Country Operations Business Plan: Uzbekistan, 2019–2021*, which was circulated to the Board on 7 December 2018 (DOC.IN.451-18).

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ADB

Report and Recommendation of the President to the Board of Directors

Project Number: 51350-003
November 2019

Proposed Policy-Based Loan for Subprogram 2 Republic of Uzbekistan: Economic Management Improvement Program

Asian Development Bank

CURRENCY EQUIVALENTS
(as of 4 November 2019)

Currency unit	–	sum (SUM)
SUM1.00	=	$0.00010585
$1.00	=	SUM9,447.65

ABBREVIATIONS

ADB	–	Asian Development Bank
AFD	–	Agence Française de Développement
CBU	–	Central Bank of Uzbekistan
CGR	–	corporate governance rule
DPO	–	development policy operation
e-GDDS	–	enhanced general data dissemination system
GDP	–	gross domestic product
IFRS	–	International Financial Reporting Standards
IMF	–	International Monetary Fund
IPSAS	–	International Public Sector Accounting Standards
JSC	–	joint stock company
MOF	–	Ministry of Finance
MOH	–	Ministry of Health
MOPE	–	Ministry of Public Education
MTBF	–	medium-term budget framework
PEFA	–	public expenditure and financial accountability
PFM	–	public financial management
PPP	–	public–private partnership
PPPDA	–	Public–Private Partnership Development Agency
SAMA	–	State Asset Management Agency
SCS	–	State Committee on Statistics
SDDS	–	special data dissemination standard
SOE	–	state-owned enterprise
TA	–	technical assistance
UNDP	–	United Nations Development Programme

NOTE

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

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CONTENTS

PROGRAM AT A GLANCE

1. Basic Data — **Project Number:** 51350-003

Project Name	Economic Management Improvement Program, Subprogram 2	**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=51350-003-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=51350-003-PortAtaGlance		

2. Sector	Subsector(s)	ADB Financing ($ million)
✓ **Public sector management**	Public expenditure and fiscal management	116.00
	Reforms of state owned enterprises	117.00
Finance	Central banking systems	50.00
	Finance sector development	17.00
	Total	**300.00**

3. Operational Priorities

✓ Accelerating progress in gender equality
✓ Strengthening governance and institutional capacity

Sustainable Development Goals

SDG 1.b
SDG 5.c
SDG 8.10
SDG 16.6
SDG 17.5

Climate Change Information

Climate Change impact on the Project — Low

Gender Equity and Mainstreaming

Some gender elements (SGE) ✓

Poverty Targeting

General Intervention on Poverty ✓

4. Risk Categorization: Complex

5. Safeguard Categorization — **Environment:** C **Involuntary Resettlement:** C **Indigenous Peoples:** C

6. Financing

Modality and Sources	Amount ($ million)
ADB	**300.00**
Sovereign Programmatic Approach Policy-Based Lending (Regular Loan): Ordinary capital resources	300.00
Cofinancing	**55.51**
Agence Francaise de Developpement - Programmatic Approach Policy-Based Lending (Loan) (Not ADB Administered)	55.51
Counterpart	**0.00**
None	0.00
Total	**355.51**

Currency of ADB Financing: US Dollar

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed policy-based loan to the Republic of Uzbekistan for subprogram 2 of the Economic Management Improvement Program.[1]

2. The proposed subprogram 2 aims to strengthen economic management to support macroeconomic stability and sustained growth in Uzbekistan.[2] It supports the efforts of the government to (i) strengthen economic data collection, analysis, and dissemination systems to bolster economic decision-making; (ii) introduce public financial management (PFM) reforms to ensure fiscal sustainability; (iii) strengthen banking supervision and financing of the private sector; and (iv) improve governance in state-owned enterprises (SOEs) to make their operations financially sustainable. Subprogram 2, included in the 2019 pipeline of the Asian Development Bank (ADB) country operations business plan for Uzbekistan, 2019–2021, is fully aligned with ADB's country partnership strategy, 2019–2023 and one of the key operational priorities under Strategy 2030 in strengthening governance and institutional capacity for public management reforms.[3]

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. Uzbekistan is a landlocked and lower-middle-income economy in Central Asia with a population of 33 million and a gross domestic product (GDP) per capita of $1,550 as of 2018. After independence from the Soviet Union in 1991, Uzbekistan has pursued an import-substitution model, implemented through state investments and directed credit to SOEs; foreign exchange controls; and tariff and nontariff barriers on foreign trade. The SOEs have enjoyed preferential access to physical and financial resources while being sheltered from domestic and external competition. Under this model, Uzbekistan had an average GDP growth of over 7% per annum during 2010–2016, driven by (i) strong global demand for its export products (copper, natural gas, gold, and cotton); (ii) disciplined macroeconomic management; and (iii) a strong fiscal position, which was partially the result of limited exposure to world financial markets. Buoyant export performance, aided by high commodity prices, helped generate budgetary revenues that financed large-scale infrastructure investment and industrial modernization. Remittances of the Uzbek migrant workers, mainly from the Russian Federation, and increases in public sector wages and pensions supported consumption growth.

4. The real GDP growth in Uzbekistan decelerated from 6.1% in 2016 to 4.5% in 2017 because of the adverse effects of the declining global commodity prices, subdued growth in export destination countries,[4] and the economic downturn in the Russian Federation.[5] In response, the government initiated countercyclical fiscal and monetary policies to stimulate

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[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 (accessible from the list of linked documents in Appendix 2). Subprogram 1 ($300 million) was approved on 26 June 2018 with attached technical assistance (TA).

[2] The design and monitoring framework is in Appendix 1.

[3] ADB. 2018. *Country Operations Business Plan: Uzbekistan, 2019–2021.* Manila; ADB. 2019. *Country Partnership Strategy; Uzbekistan, 2019–2023—Supporting Economic Transformation.* Manila; and ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific.* Manila.

[4] Uzbekistan's main export destination countries were the People's Republic of China, the Russian Federation, Kazakhstan and Turkey in 2018.

[5] Country Economic Indicators (accessible from the list of linked documents in Appendix 2).

demand, including comprehensive exchange rate reform to resolve the distortions associated with limited access to foreign exchange, a key deterrent to foreign investment and private sector development. The reforms liberalized the foreign exchange market in September 2017 to allow unfettered access to foreign currency and unified multiple exchange rates. However, devaluation of the local currency by 48% and changes in relative prices because of price liberalization, led to rising inflation from 8.8% in 2016 to 13.9% in 2017 and to 17.5% in 2018. Reflecting adjustments in prices and subsequent tariff hikes of utilities, upward pressure on prices remains, with inflation projected at 14.7% in 2019 and 14.1% in 2020.[6]

5. On the positive side, Uzbekistan's macroeconomic stance has remained prudent. Real GDP growth has accelerated to 5.1% in 2018, driven by industry and services on the supply side and by public investments on the demand side. The GDP growth is projected at 5.5% in 2019 and 6% in 2020. Given Uzbekistan's historically conservative fiscal policy, its risk of debt stress has remained low despite the devaluation of the currency. The external debt stood at 34.5% of GDP in 2018, and public debt at 20.6% of GDP, and the foreign exchange reserves have provided a healthy buffer against external economic shocks.[7] The government launched comprehensive tax reform in 2018;[8] started consolidating and reporting on- and off-budget transactions in 2019; and launched a debut eurobond in February 2019.

6. Notwithstanding these positive steps, several long-standing developmental constraints have required a more comprehensive PFM and governance reform approach to transform Uzbekistan's economy into an open and diversified structure and improve its resilience to macroeconomic shocks. These constraints are summarized in paras. 7–10.

7. **Inefficient macroeconomic and fiscal management.** Based on public expenditure and financial accountability (PEFA) assessment of macroeconomic and PFM systems,[9] Uzbekistan's standing has been weak with respect to (i) oversight and management of fiscal risks from public sector entities; (ii) effectiveness of internal and external audit; (iii) quality and timeliness of annual financial statements; (iv) medium-term fiscal framework to ensure a multiyear perspective in fiscal policy, planning, and budgeting; and (v) competition, value for money, and controls in procurement. The data collection, analysis, and dissemination systems also need modernizing to enable informed decision-making in macroeconomic planning and management.

8. **Large public sector involvement in the economy.** SOEs dominate important segments of the economy, leaving little space for the private sector.[10] Inefficient SOEs dealing

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[6] The foreign exchange liberalization adversely affected the financial performance of SOEs and led to utility tariff adjustments. As per the Cabinet of Ministers resolution on 14 November 2017, the electricity tariff increased by 12% and the gas tariff by 10% from 1 April 2018. Tariff increases for electricity and natural gas have averaged 18% in 2019. Further adjustments are expected during 2020–2021. Considering that spending on transport accounts for 8% of the average household's expenditures, and communication services for 6%, the burden has been mainly passed onto over 6.4 million households as consumers of SOEs' services.

[7] The latest debt sustainability analysis of the International Monetary Fund (IMF) conducted after the devaluation suggests that most significant risks could result from significantly lower remittances and exports. IMF. 2019. *Republic of Uzbekistan: Article IV Consultation Press Release and Staff Report. IMF Country Report No.19/129.* Washington, D.C.

[8] With support from the IMF, the government's tax reforms covered (i) improvement in tax administration, (ii) enlargement of the tax base, (iii) simplification of the tax rules, and (iv) transparency for tax incentives to ensure equal treatment for state-owned and private businesses.

[9] Sector Assessment (Summary): Multisector (accessible from the list of linked documents in Appendix 2).

[10] These segments include energy; metallurgy; mining; telecommunication; agriculture; machinery (e.g., automotive industry); and transport (airlines, railways, and municipal public transport). In 2016, there were 2,413 public sector entities of which (i) 294 were general government entities, including the social security fund and local governments; (ii) 2,107 were nonfinancial public corporations; and (iii) 12 were financial public corporations. Of net public sector

with utilities adversely impact the delivery and quality of public goods and services. Many SOEs resemble sector ministries, combining regulatory, operational, and social protection functions. Major SOEs run into conflicts of interest when fulfilling their sectoral supervisory and regulatory roles while operating as commercial enterprises. Governance standards tend to be opaque, and supervisory boards are often chaired by a government official.[11] SOEs are still subject to domestic accounting standards and rules, which are not fully comparable with the International Financial Reporting Standards (IFRS). The consolidated reporting on the financial performance of SOEs, guarantees, and off-budget liabilities is inadequate.

9. **Inefficient banking intermediation and supervision.** Uzbekistan's finance sector is dominated by heavily regulated state-owned and/or controlled banks.[12] Government policies have created a dual credit market whereby commercial credit is provided to the private sector (corporations and households) in local currency while preferential credit is allocated to SOEs and priority sectors in foreign currency. The state-owned and/or controlled banks have strong influence over systemic loan growth through their participation in state-run lending programs.[13] Consequently, they do not play the role of effective financial intermediation, which constrains the access of citizens or private companies to credit and other banking services. The banking supervision, including capital and liquidity assessments has been regular and the reported bank soundness indicators have remained reassuring. However, the bank soundness indicators may underestimate the risks and thus there is a need for strengthening risk-based banking supervision. The scope for macroprudential policies has also been limited in the largely state-owned banking system.

10. **Constraints to private sector development.** With the state's dominant role in the economy through SOEs, expansion of the private sector has been traditionally constrained because of monopolistic practices and various tax, customs, and licensing privileges granted to SOEs. Consequently, public investment is crowding out private investment. The contribution of the private sector to growth has been modest in Uzbekistan because of ineffective financial intermediation and the high cost of funds for private investment.[14] The absence of a robust public–private partnership (PPP) framework in the past has prevented the government from leveraging private investments to modernize, expand, and improve aging or inadequate infrastructure. There is a need for comprehensive improvements in the enabling environment such as (i) rule of law, transparency, and other governance-related factors; (ii) competition policy; (iii) efficient allocation of capital; (iv) improving skills of the workforce; and (v) productivity and efficiency gains from price liberalization across the economy and other structural reforms to create opportunities for the private sector.[15]

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expenditures, nonfinancial public corporations accounted for 16% and financial public sector corporations accounted for 6%. IMF. 2019. *Republic of Uzbekistan: Fiscal Transparency Evaluation. IMF Country Report. No. 19/117.* Washington, D.C.

[11] Key deficiencies in the governance structure of SOEs include (i) weak control of payroll and non-payroll expenditures; (ii) poor quality and timeliness in preparing financial statements and audits; (iii) poor legislative scrutiny and lack of follow-up of external audits; and (iv) nontransparency.

[12] These banks account for the banking sector's 86% of assets, 81% of capital and 89% of loans in 2019.

[13] In 2018, the domestic credit-to-GDP ratio was 51%. Of the SUM165 trillion credit stock, 58% was preferential credit at the average interest rate of 8%, while 42% was commercial credit at 22% interest rate. The preferential credit growth was 43% and commercial credit growth was 61%. IMF. 2019. *Republic of Uzbekistan: Article IV Consultation Press Release and Staff Report. IMF Country Report No.19/129.* Washington, D.C.

[14] The World Bank's Enterprise Surveys in 2013 indicated that close to 74% of firms did not use bank loans and the value of collateral averaged 176% of the loan amount in Uzbekistan. World Bank. 2013. *Enterprise Surveys: Uzbekistan Country Profile.* Washington, D.C.

[15] In the World Bank's Doing Business 2020 report, Uzbekistan improved its ease of doing business ranking to 69th out of 190 economies from 150th out of 183 in 2010. Progress was noted in (i) simplifying procedures for starting a

B. Policy Reform and ADB's Value Addition

11. In recognition of these structural development constraints, in February 2017, after Uzbekistan's first change in leadership since independence in 1991, the government adopted the national development strategy, 2017–2021, articulating the government's vision for developing the private sector and improving public sector management, the banking sector, and the financial performance of SOEs.[16] The government is committed to (i) increasing transparency of the budget process and transitioning gradually to program budgeting to increase the effectiveness of expenditures; (ii) ending unproductive transfers and subsidies to SOEs from the budget and converting loss-making SOEs into competitive profit-making entities; and (iii) using market mechanisms to distribute resources and manage government assets. This is planned to be achieved through restructuring and, for smaller SOEs, outright privatization. The government intends to gradually move to the International Public Sector Accounting Standards (IPSAS) across all agencies. Further, the government has initiated reforms to improve the banking sector's performance, regulation and risk-based supervision.

12. **Achievements under subprogram 1.** ADB helped the government identify the priority reforms, addressing the key development constraints in line with its strategic agenda, and implement them under a programmatic approach over two subprograms.[17] Under subprogram 1, modernization of data collection, analysis, and dissemination by the State Committee on Statistics (SCS), based on the enhanced general data dissemination system (e-GDDS) of the International Monetary Fund (IMF), has begun. The Ministry of Finance (MOF) set the direction of PFM reforms by publishing the 2012 PEFA assessment with information on the progress achieved during 2012–2017 on its website. To improve budget preparation, the MOF issued an order to adopt and use 12 budget accounting standards in line with the IPSAS.[18] To enhance internal controls, the MOF approved the internal audit guidelines and internal audit activities were piloted in the Ministry of Public Education (MOPE) and the Ministry of Health (MOH). To improve banking supervision, the Central Bank of Uzbekistan (CBU) prepared capital adequacy assessment for 10 selected state-owned banks and conducted stress testing.[19] The corporate governance rules (CGRs) based on the 2015 Organisation for Economic Co-operation and Development Corporate Governance Guidelines for SOEs were adopted in seven SOEs. A sustainable debt management strategy of Joint Stock Company (JSC) Uzbekenergo was approved. The PPP law was approved in 2019 to expand private sector participation in public sector infrastructure projects.[20] The government approved a list of non-core assets of JSC Uzbekenergo, Uzkimyosanoat and Uzbekneftegaz to improve the financial performance of these critical SOEs. For transparency in financial management, the decision to prepare and disclose IFRS-compliant audited financial statements was approved by the supervisory board of JSC Uzbekenergo. All policy actions for subprogram 1, which continue to be in effect, have allowed the government to (i) initiate key sector reforms that allow greater and better access to macroeconomic data, (ii) switch focus to improving efficiency of banking sector supervision and management of state-owned banks, (iii) streamline PFM systems, (iv) initiate corporate governance reforms for SOEs, and (v) support power sector reform initiatives.

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business, (ii) tax payments, (iii) protecting minority investors, and (iv) enforcing contracts. World Bank. 2019. *Doing Business 2020. Economy Profile of Uzbekistan*. Washington, D.C.

[16] Government of Uzbekistan. 2017. *Presidential Decree No. 4947: The Strategy of Actions on Further Development of Uzbekistan.* Tashkent.

[17] The sequencing of the reforms under subprogram 1 and subprogram 2 is in Appendix 4.

[18] 12 budget accounting standards, which were originally planned for budget preparation of 2020, are listed in Appendix 4.

[19] The stress tests of banks were supported by the World Bank's development policy operation (DPO) in 2018.

[20] A draft PPP law was developed with support from the development partners. The law was approved by the Parliament and signed by the President on 10 May 2019 and entered into force on 12 June 2019.

13. **Proposed subprogram 2.** The proposed subprogram 2 supports the government to sequentially continue and deepen the reforms initiated under subprogram 1. The policy actions under subprogram 2 cover the following three reform areas:

(i) **Macroeconomic data collection, analysis, and dissemination systems improved.** The requirements for IMF's e-GDDS were fully complied with and the government joined the e-GDDS on 4 May 2018. The government also submitted an action plan to update e-GDDS indicators, methodology, and frequency of data publication to comply with the requirements of the IMF's special data dissemination standard (SDDS).[21] The CBU's data coverage and dissemination systems were strengthened with the update of the data release calendar of monetary, fiscal, financial, and macroeconomic indicators; and publication of the calendar on the CBU's website for public access starting in 2019.

(ii) **Fiscal and financial management strengthened.** The methodology for medium-term budget preparation was strengthened with the MOF's approval of the medium-term budget framework (MTBF) manual, which includes tools for gender-responsive budgeting. The government also adopted the MTBF for budget making beginning 2020. The MOF completed the 2018 PEFA performance assessment report and approved measures to address the priority PFM areas based on the 2018 PEFA report.[22] The MOF also approved measures to achieve full compliance with the accrual-based IPSAS. The internal audit units in the MOPE and the MOH were staffed and operationalized as well as those in three additional ministries and/or agencies.[23] To strengthen competitiveness, efficiency, and transparency of the public procurement system, a road map for public procurement reform was approved in February 2019 and the draft public procurement law was published on the government's website for public consultation, which is expected to be submitted to the Parliament by the end of 2019. Based on the capital adequacy assessment and stress testing, the CBU implemented actions to address the identified shortfalls in loan loss provisioning, capital, and liquidity for 10 selected state-owned banks.[24] The CBU also introduced risk-based banking supervision to enhance oversight of the banking sector; the manual for implementation of risk-based bank supervision was approved and became effective in August 2019. To improve access to bank loans by the private sector and to reduce directed lending in a phased manner, the government approved a policy to augment market-based lending covering all state-owned banks.[25]

[21] The government has been disseminating data on 422 indicators in 24 categories as required by e-GDDS and advance data release calendar, using standardized electronic reporting procedures. The SDDS transition will be completed by 2021 as per the road map approved in April 2019.

[22] The MOF's Fiscal Transparency Action Plan (2018–2021) was published in IMF. 2019. *Republic of Uzbekistan: Fiscal Transparency Evaluation. IMF Country Report No. 19/117.* Washington, D.C.

[23] Internal audit units were established in (i) the Ministry of Higher and Secondary Specialized Education; (ii) the Pension Fund at MOF; and (iii) the Ministry of Preschool Education.

[24] The stress tests show that banks' capital adequacy ratios are currently in line with the regulatory requirements, except for one bank where capital injection is needed. The CBU has provided instructions to commercial banks to (i) make adjustments to reduce their nonperforming loans; (ii) slow down loan issuance; (iii) bring the capital adequacy ratio to 14% by 1 September 2020, and further keep it at that level; (iv) increase the share of highly liquid assets to 10% by a quarterly increase of at least 1%; and (v) increase the ratio of highly liquid assets to short-term liabilities up to 40%, through a quarterly increase of the indicator by at least 5%.

[25] In December 2018, a resolution was adopted for the state-owned banks to (i) strengthen risk management, (ii) diversify their lending portfolio, and (iii) establish lending conditions based on (a) market principles, (b) technical and economic assessment of projects, and (c) borrowers' creditworthiness. These measures will support commercial lending to the private sector, including small and medium-sized enterprises, and offer great potential to synergize with ADB's proposed Mortgage Market Sector Development Program in 2019, which aims to address key distortions in residential mortgage market such as (i) inefficient housing subsidies, (ii) limited mortgage-related

(iii) **State-owned enterprise governance and private sector operations improved.** The CGRs in selected SOEs were implemented and a timetable for implementation of CGRs in all other SOEs was approved.[26] The government's shares in 34 out of 38 SOEs, identified in Presidential Decree No. 4112, were transferred to the State Asset Management Agency (SAMA),[27] and a special fund was created in May 2019 to facilitate restructuring, divestment, and privatization of these SOEs.[28] Revaluing JSC Uzbekenergo's fixed assets (generation, transmission, and distribution) was completed to determine the true and fair value of the company's assets in compliance with the international financial reporting and valuation standards.[29] To promote private sector activities, two financially viable PPP projects were taken to the bidding stage.[30] From the approved list of non-core assets of JSC Uzbekenergo, Uzkimyosanoat and Uzbekneftegaz, the government sold 90 out of 186 non-core assets that were identified for divestment and transferred 112 out of 118 non-core assets that were identified for transfer to local authorities. To ensure cost recovery of related investments, a new tariff methodology for provision of electricity was adopted in April 2019. Finally, an independent auditor was contracted to carry out IFRS-compliant consolidated audited financial statements of JSC Uzbekenergo for 2017, 2018, and the first half of 2019 (up to the unbundling of the company on 27 March 2019). The three successor companies of JSC Uzbekenergo[31] also took the decision to annually prepare and disclose IFRS-compliant audited financial statements in line with the decision of the Power Sector Reform Commission of the Cabinet of Ministers and the order of the SAMA as the sole shareholder of these companies.

14. **Adjustments in subprogram 2 policy actions.** Under subprogram 2, inclusion of new policy actions and adjustments to initial policy actions as summarized in paras. 15–17 (i) strengthened the program's relevance to Uzbekistan's dynamic macroeconomic context and policy environment, (ii) reflected the positive changes in the government's priorities and its commitment to adopt more advanced PFM reforms in line with the latest gap assessments and international best practices, and (iii) strengthened institutional and technical implementation

financial products, (iii) inadequate regulations on lending quality, and (iv) limited access to long-term funding by banks because of underdeveloped capital markets.

[26] Based on the assessment, selected SOEs are compliant with 66% of the selected 36 key CGRs in the areas of (i) related party transactions; (ii) internal control policy and audit; (iii) prevention of conflicts of interest and responsible business conduct; (iv) disclosure of quarterly and annual reports; and (v) organizational roles and responsibilities of the shareholders and the supervisory board and/or executive body, clearly laid out in the SOE charter. Implementation and capacity building support is most required for CGRs related to (i) composition of independent supervisory boards; (ii) competitive selection of executives; (iii) IFRS-compliant financial reporting; (iv) adoption of international auditing standards; and (v) creation of a risk management framework, where compliance is partial or non-substantial. The implementation of CGRs in the 50 largest SOEs will begin in 2019, followed by other JSCs in 2020, limited liability companies in 2021–2022, and state unitary enterprises in 2023–2025.

[27] The Presidential Decree No. 4112 legally transferred the government's shares in 38 SOEs to SAMA on 14 January 2019. The net asset value of 38 SOEs was SUM18,377 billion in 2018 (about $2 billion based on the exchange rate of $1/SUM8,705 as of 9 August 2019). During 2019, the transfer of 34 SOEs to SAMA was completed. The administrative process for two SOEs is ongoing. The remaining two SOEs have been transferred to other agencies for privatization and/or restructuring.

[28] The government established the SAMA in January 2019 to improve SOEs' performance, transparency, and corporate governance, and to promote privatization.

[29] These assets are now being transferred to three successor companies following the unbundling of JSC Uzbekenergo under the government's comprehensive power sector reforms.

[30] Two PPP projects selected under subprogram 2 are (i) a 100-megawatt solar photovoltaic power station in Navoi region ($100 million) and (ii) hemodialysis centers in different regions ($9.8 million). The International Finance Corporation provided support for these PPP transactions.

[31] JSC Thermal Power Plants (generation), JSC National Electric Networks of Uzbekistan (transmission), and JSC Regional Electric Networks (distribution).

capacity across the implementing agencies.

15. Policy action 1 was strengthened to reflect the government's compliance with the IMF's e-GDDS requirements. Policy action 2 was reformulated to reflect the policy commitment by multiple agencies to modernizing statistical systems in line with the SDDS during 2019–2020. Policy action 3 was also strengthened to reflect the CBU's update of the data release calendar and its public dissemination. Under policy action 4, while the government indicated that it would use MTBF for budget making starting in 2020,[32] the MOF will reach technical readiness to fully implement the MTBF along with program budgeting in 2021 once templates and standardized data for expenditures in administrative departments are completed with technical assistance (TA) support from the IMF and ADB. Thus, the approval of MTBF was reformulated as approval of the MTBF manual to strengthen the MOF's operational and technical capacity for the budget preparation process in line with the sequential approach for introducing the MTBF based on the IMF's advice to the government. Policy action 5 was strengthened to reflect the completion of the 2018 PEFA assessment and the timeline for addressing the priority PFM areas. Because of the government's recent policy decision to expedite the full transition to IPSAS, approval of measures for full compliance with the accrual-based IPSAS was included under policy action 6 instead of the original action to implement 12 budget accounting standards.[33] The policy action 7 was reformulated to reflect the progress already achieved with staffing and activities in audit units of MOPE and MOH, which were initiated under subprogram 1 and operationalization of audit units in additional ministries and/or agencies. A new policy action on approval of a public procurement road map and publishing of a draft public procurement law for public consultation was introduced under policy action 8, reflecting the government's commitment to improving the public procurement system. Under policy action 9, the context for the CBU's actions to address the shortfalls in the banking sector was more clearly highlighted. Under policy action 10, the approval of risk-based banking supervision guidelines and the initiation of implementation was reformulated as the introduction of risk-based banking supervision with the approval of the risk-based banking supervision manual. Unlike the guidelines, the manual strengthens the CBU's operational ability to effectively detect and manage banking sector risks, including credit, liquidity, and compliance. Extensive training was provided to the CBU's inspection staff to develop their technical capacity to practically implement the manual as early as the banking inspection process that started in October 2019 in consultation with ADB's TA support. Policy action 11 was reformulated to reflect the approved policy for augmenting market-based lending covering all state-owned banks.[34]

16. Under policy action 12, the timeline for the implementation of CGRs in all other SOEs was more clearly defined and the SAMA was specified as the new implementing agency in charge of managing state assets as a shareholder and setting up relevant policies. A new policy action on the transfer of the government shares in 34 out of 38 SOEs to the SAMA and the creation of a special fund for restructuring, divestment, and privatization under the SAMA was included under policy action 13 to strengthen the focus of subprogram 2 on SOE reforms and to

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[32] The government presented 3-year fiscal projections for the first time in the 2019 budget. The 2020 budget introduces elements of MTBF with a 3-year horizon on key macroeconomic targets and aggregate budget items.

[33] The relevance of 12 budget accounting standards will be reevaluated based on their compliance with international norms and the new road map for transitioning to the IPSAS accrual-based budget accounting standards. The road map shows that standards on reporting of cash flows and consolidated financial statements will be completed by 2020–2021 and provisions of contingent assets and liabilities will be completed by 2023 while advanced practices under accrual-based budgeting will be completed by 2030 in a phased manner.

[34] Details on other measures are in Economic Analysis (accessible from the list of linked documents in Appendix 2). In August 2019, the government indicated that directed lending programs from the Uzbekistan Fund for Reconstruction and Development will be concentrated in a few state-owned banks and the remaining will be privatized. Preliminary calculations show that this will enable three large banks to increase lending by $5.7 billion.

provide capacity-building support to the SAMA under ADB's TA. Policy action 15 was strengthened by (i) indicating the specific number of selected PPP projects; (ii) designating the Public–Private Partnership Development Agency (PPPDA), which was established in October 2018, as the new implementing agency for selecting the PPP projects; and (iii) demonstrating the government's broader commitment to 86 PPP projects open for international investment as approved under the presidential decree in April 2019. The status report on the completion of the divestment process (per the original indicative policy action) would not be entirely feasible within one year of subprogram 2 implementation given that (i) divestment of the selected non-core assets of SOEs is not a one-time terminal activity, (ii) income generation from the process requires having favorable market conditions and existence of private sector demand, and (iii) the final transfer of ownership of non-core assets could involve resolving complex legal and procedural requirements. Therefore, policy action 16 was reformulated to reflect the ongoing process and the government's commitment to streamline SOE operations.

17. The unbundling of JSC Uzbekenergo through presidential resolution on 27 March 2019 required reformulation of three policy actions: 14, 17, and 18.[35] Revaluing the fixed assets of three successor companies (generation, distribution, and transmission), instead of JSC Uzbekenergo as a single entity, was completed by an independent audit firm for the newly established Ministry of Energy under policy action 14. The master plan for financing JSC Uzbekenergo's investment during 2018–2022 was replaced with the adoption of a new electricity tariff methodology for policy action 17. This came about because of the government's decision to develop a more comprehensive power sector master plan for a longer time horizon of 10 years, for which it is currently considering policy and technical recommendations from development partners, including ADB. The new tariff methodology enables full recovery of operational and capital costs and ensures the necessary net profit for the power sector to be financially sustainable. This will help reduce the subsidy requirement and attract new investment into the sector. Given the ongoing corporate restructuring of the three successor companies, the preparation of JSC Uzbekenergo's 2017 IFRS-compliant consolidated audited financial statements was delayed. The adjusted policy action 18 reflects a more forward-looking approach and expands the original action by including financial statements for the last 3 years of JSC Uzbekenergo and extending independent audit and reporting requirements to the three successor companies.[36]

18. **Supporting technical assistance.** The program's attached TA has been supporting subprograms 1 and 2, focusing on (i) training of SCS staff; (ii) capacity building of the MOF on MTBF preparation; (iii) preparation of the MTBF manual and gender-sensitivity assessment of public expenditures; (iv) capacity building of the CBU in risk-based banking supervision, capital adequacy assessments, and stress testing; (v) development of the risk-based banking supervision manual; (vi) strengthening of the internal audit units within selected ministries and/or agencies, including introduction of a risk-based audit manual; (vii) capacity building of the PPPDA, including drafting of model concession agreements and operational guidelines, and establishment of a PPP development facility; (viii) strengthening of the CGRs in selected SOEs and capacity building of the SAMA and directors of SOEs; and (ix) revaluation of JSC Uzbekenergo's fixed assets for generation, transmission, and distribution. Resources will be added to the existing TA to extend the implementation until the end of 2022 to strengthen the

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[35] Further details on energy sector reforms are in Sector Assessment (Summary): Multisector (accessible from the list of linked documents in Appendix 2).

[36] The audit of IFRS-compliant consolidated audited financial statements of JSC Uzbekenergo for 2017, 2018, and the first half of 2019 is expected to be completed in 2020. An independent audit firm was contracted in August 2019 under ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of Uzbekistan for the Takhiatash Power Plant Efficiency Improvement Project.* Manila.

legal, institutional, and human resource capacity of the relevant agencies. The expanded TA will also serve as a post-program review framework for ADB to assess the need for future reforms. To ensure sustainability, the TA will provide implementation support in (i) gender-responsive MTBF and performance-based program budgeting by the MOF; (ii) accrual-based IPSAS based on the MOF's approved road map;[37] (iii) extension of the risk-based internal audit framework to other ministries and/or agencies; (iv) IFRS-compliant financial statements by SOEs; (v) the upgrading of national accounting standards by the MOF; (vi) the strengthening of the SCS's statistical data systems including more regular updates of sex-disaggregated data; (vii) the CBU's risk-based banking supervision and (viii) the SOE reforms.[38]

19. **ADB's value addition.** The reforms under the two subprograms have provided significant value addition and complementarity to the government's agenda. ADB has been effectively engaging in policy dialogue with the government to bring in experience and lessons from similar PFM projects and policy-based programs in the Central and West Asia region.[39] A key lesson is that the programmatic approach has proven to be an appropriate modality for logically sequencing structural reforms under a multiyear engagement framework and making necessary and realistic adjustments in response to dynamic changes in the policy and macroeconomic environment in Uzbekistan.[40] Strong government commitment to realistic policy actions and complementarity of support from development partners were found to be important prerequisites for successful implementation. The program's attached TA facilitated the implementation of international best practices by tailoring them to Uzbekistan's unique needs and provided operational support and capacity building to implement complex reforms. The program created strong synergies with ADB's energy sector support. The program has been effective in development partner coordination to provide a unified reform package.

20. **Coordination among development partners.** ADB, the IMF, the World Bank, Agence Française de Développement (AFD), and the United Nations Development Programme (UNDP) are the leading development partners in the area of PFM reforms in Uzbekistan.[41] Based on the government's formally laid-out donor coordination mechanism, close dialogue with development partners and IMF missions have been held through ADB's Uzbekistan Resident Mission.

21. During 2018–2019, the IMF provided advisory TA support to the SCS for transitioning to e-GDDS and SDDS; to the MOF for fiscal transparency, PFM reform strategy, tax policy and administration, and implementation of the MTBF, and to CBU for improving monetary operations and policy, central bank legal reform, and statistics.

22. ADB and the World Bank have jointly delineated complementary reforms. The World

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[37] Additional TA funding was obtained to conduct a gap assessment to develop a road map for transitioning to an accrual-based IPSAS under ADB. 2018. *Technical Assistance for Strengthening Financial Management in Asia and the Pacific, Phase 2.* Manila.

[38] The SAMA will receive support to expand CGRs to other SOEs under ADB. 2019. *Technical Assistance for Strengthening State-Owned Enterprise Accountability and Performance.* Manila.

[39] ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Republic of Uzbekistan for the Public Finance Management Reform Project.* Manila; ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loans for Subprogram 1 to the Islamic Republic of Pakistan for the Public Sector Enterprises Reform Program.* Manila; and ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Republic of Azerbaijan for the Improving Governance and Public Sector Efficiency Program.* Manila.

[40] The use of the programmatic approach for policy-based lending is also recommended by ADB Independent Evaluation Department. 2018. *Corporate Evaluation: Policy-Based Lending 2008–2017—Performance, Results, and Issues of Design*. Manila.

[41] The details are in Development Coordination (accessible from the list of linked documents in Appendix 2).

Bank provided two development policy operations (DPOs) of $500 million each in 2018 and 2019 as budget support. While the World Bank's 2018 DPO and ADB's subprogram 1 administered their own policy matrices, they coordinated closely to identify complementary reforms. The World Bank supported the introduction of IFRS and stress testing of the banking sector, which synergized with ADB's reforms in these areas and support to the CBU for risk-based banking supervision under subprogram 1. The 2019 DPO focuses on (i) citizen participation in local budgetary processes; (ii) private sector promotion and liberalization of state-dominated sectors; and (iii) strengthening legal and regulatory frameworks for greater investment in the energy and financial sectors. These activities closely complement the reforms related to public sector budget systems, SOEs, and JSC Uzbekenergo under subprogram 2.[42] In May 2019, the World Bank approved $33 million for the Institutional Capacity Building Project for (i) improvements in public sector accounting, audit, and treasury management; (ii) development of a legal and regulatory framework for SOE restructuring and a database for SOE assets; (iii) support to the regulatory agencies; and (iv) support for implementation of PPPs.

23. In 2018, AFD provided €150 million in collaborative cofinancing with €1 million TA under subprogram 1. AFD supported the MOF for strengthening budget systems and public procurement, and SAMA for improving SOE supervision and corporate governance. AFD also approved €50 million of collaborative cofinancing for subprogram 2.[43] The UNDP provided TA support to MOF for (i) the 2019 Citizens' Budget; (ii) introduction of medium-term budget planning; (iii) establishment of internal control and audit systems; (iv) reforms of the public accounting system; and (v) enhancing the capacities of the Pension Fund. The UNDP plans to strengthen the MOF's capacity in program-based budgeting, environmentally sensitive (green) budgeting, and gender budgeting.

C. Impacts of the Reform

24. Subprogram 2 will help facilitate macroeconomic stability and sustainable high growth.[44] Reforms in PFM will help improve the environment conducive to private investment over the medium term. These reforms will be made through (i) preparing the annual budget using MTBF, which improves the distributive efficiency of scarce public resources and better aligns expenditures with developmental targets; (ii) improving internal controls and audit systems; (iii) reducing fiscal transfers to large SOEs; and (iv) ceasing systemic leakages, i.e., from public

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[42] The World Bank's 2019 DPO is also supporting reforms in social inclusion and safety nets. In addition, the World Bank approved $50 million loan in 2019 for a project to strengthen social inclusion, social protection, and employment generation for labor affected by SOE reforms. The project provided support to the Ministry of Employment and Labor Relations for strengthening public employment services in Uzbekistan. This complements ADB's proposed technical and vocational education and training project to strengthen education and competence in science, technology, engineering, and mathematics; upgrade the curriculum to ensure industry–education links; and improve labor skills.

[43] While AFD's cofinancing was not administered by ADB, ADB and AFD closely cooperated to develop complementary policy actions and TA activities. The implementation has been monitored through regular communication among cofinancing partners under subprogram 1. The same approach has been followed under subprogram 2.

[44] Under the effect of the reform in the design and monitoring framework in Appendix 1 (environment conducive to private investment improved), the first performance indicator (local currency bank credit to private sector) was replaced with a new indicator on loans extended to small businesses. In line with the government's efforts to promote small and medium-sized enterprises, compared to the earlier indicator, this indicator is a more direct measure of the improvements in access to finance by small businesses that are essential for job creation and inclusive growth. The second performance indicator (the ratio of operating revenue to the operating cost of JSC Uzbekenergo) was replaced with a new indicator on policy lending because JSC Uzbekenergo no longer exists after its unbundling on 27 March 2019. Both indicators are directly related to improvements in financial intermediation to private sector and reduction in directed lending, which are critical for improving the environment conductive to private investment.

procurement. Full compliance with the accrual-based IPSAS for budget and IFRS for SOEs will increase the reliability and quality of public sector accounting and financial reporting. A more stable banking sector and its enhanced ability to finance private sector investments will result from improved risk-based banking supervision, reduced directed lending to SOEs, and more market-based financial intermediation. An enabling policy, legal, and institutional environment for PPPs will promote private sector investment. Subprogram 2 will contribute to improving the efficiency, governance, operational and financial viability of SOEs by promoting (i) international CGRs, (ii) divestment of selected non-core assets, and (iii) restructuring of key power sector SOEs. These reforms will support the national development strategies, aiming toward a vibrant market economy driven by private entrepreneurship.

D. Development Financing Needs and Budget Support

25. The development financing need of the Government of Uzbekistan amounts to $1.7 billion (14% of the budget expenditure in 2019), driven by higher wages and expenditures on social programs to mitigate the adverse impact of inflation on low-income households resulting from depreciation of the local currency, price liberalization, and SOE reforms.[45] Despite improvements in tax revenues, the state's budget expenditures have increased from 2018 to 2019.[46] In 2019, the augmented budget deficit is projected at SUM7.8 trillion ($0.9 billion or 1.6% of GDP), of which SUM3.5 trillion ($0.4 billion) will be covered through external borrowings from development partners, including ADB.[47] Without the development partners' support, it would be difficult for Uzbekistan to cover the development financing need on its own without jeopardizing essential investments. The development policy letter received from the Government of Uzbekistan is in Appendix 3.

26. The government has requested a regular loan of $300 million from ADB's ordinary capital resources to help finance subprogram 2. The loan will have a 15-year term, including a grace period of 3 years; an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; a commitment charge of 0.15% per year; and such other terms and conditions set forth in the loan agreement. Based on the straight-line method, the average loan maturity is 9.25 years, and there is no maturity premium payable to ADB.

E. Implementation Arrangements

27. The MOF is the executing agency. The implementing agencies are the CBU, Ministry of Energy, MOF, SAMA, SCS, and PPPDA. The MOF supervises and coordinates the program among the implementing agencies. The proceeds of the policy-based loan will be withdrawn in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time). The implementation period for subprogram 2 is 26 June 2018–31 December 2019.

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[45] Reform-related budget expenditures comprise (i) wage and utility tariff adjustments; (ii) allowances, financial assistance, and benefits; (iii) support for job creation for youth and women; and (iv) a subsidy to the Pension Fund. Details are in Economic Analysis (accessible from the list of linked documents in Appendix 2).

[46] Budget revenues have risen by 65% in nominal terms in 2019 compared with 2018 because of economic growth. The indirect taxes (from value-added tax) have grown by 141% (46% of revenues) and direct taxes from corporations, businesses, and individuals have grown by 227% (29% of revenues) following the tax reforms. However, budget expenditures have increased by 72% with higher social spending. Government of Uzbekistan, MOF. 2019. *Citizens' Budget.* Tashkent.

[47] The estimates are based on the exchange rate of $1/SUM8,705 as of 9 August 2019. Details are in Economic Analysis (accessible from the list of linked documents in Appendix 2).

III. DUE DILIGENCE

A. Technical

28. The relevant government agencies have received TA support from ADB and development partners to implement reform areas of subprogram 2 with technical components.

B. Economic

29. Subprogram 2 was subject to economic analysis, the results of which demonstrate positive benefits. PFM reforms will help improve the efficiency and effectiveness of public sector investment. The CGRs will contribute to enhanced performance and financial viability of SOEs, reducing fiscal transfers over the medium term. Improved economic management and macroeconomic stability will have a crowding-in impact on the private sector.[48]

C. Governance

30. A governance risk assessment was conducted in line with ADB's Second Governance and Anticorruption Action Plan.[49] No major governance risks were identified except for weak implementation capacity and retention of trained staff in relevant departments. The government is committed to reforms and, in 2017, launched an anticorruption campaign that includes legislative, regulatory, and institutional initiatives.[50] No major risks of resource mismanagement can be discerned at the relevant departments, and PFM related to budget credibility, debt management, and treasury functions is generally reliable. Identified weaknesses in (i) internal audit; (ii) planning of capital and current expenditures; (iii) corporate governance of SOEs; and (iv) IPSAS were targeted under the attached TA. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the MOF.

D. Poverty, Social, and Gender

31. The poverty reduction and social impacts of subprogram 2 are positive. The reforms under subprogram 2 will enhance (i) the allocative efficiency of public sector expenditures; (ii) financial intermediation by the banking sector; (iii) the SOEs' governance to enable more effective and inclusive delivery of public goods and services; and (iv) the enabling environment for the private sector.[51] These outcomes have an indirect impact on poverty reduction. Creation of fiscal headroom through better fiscal management will enable higher public investment and budget allocations for the poor and vulnerable groups; and improved access to finance by the private sector will contribute to business growth and job creation. Subprogram 2 has some gender elements given that the MOF has adopted a gender-responsive MTBF manual and the MOF's capacity to implement gender-responsive budgeting and gender-sensitivity assessment of public expenditures was strengthened under the TA. The SCS will more regularly collect and update sex-disaggregated statistical data. The PPP project in health service delivery and private

[48] Economic Analysis (accessible from the list of linked documents in Appendix 2).
[49] ADB. 2006. *Second Governance and Anticorruption Action Plan*. Manila.
[50] Uzbekistan's percentile rank in government effectiveness improved from 18 in 2012 to 33 in 2017, and control of corruption improved from 5 to 12. World Bank. 2018. *Worldwide Governance Indicators.* Washington, D.C.
[51] As the main objective is to improve the PFM systems and operational and financial viability of SOEs by strengthening the CGRs, SOE reforms under subprogram 2 will not lead to any labor retrenchment. However, the dialogue with the government and related agencies such as the SAMA will continue to strengthen the systems for social inclusion, protection, and employment generation for labor during the SOE reforms. As needed, there will be coordination with social programs and projects of ADB and other development partners (footnote 42).

sector promotion will indirectly contribute to gender empowerment. [52]

E. Safeguards

32. Following ADB's Safeguard Policy Statement (2009), subprogram 2 is classified as category C for the environment, involuntary resettlement, and indigenous peoples. Program activities will be confined to policy and institutional reforms. No activity will result in or lead to involuntary resettlement, or negatively affect indigenous peoples or the environment.

F. Risks and Mitigating Measures

33. Major risks and mitigating measures are summarized in the table and described in detail in the risk assessment and risk management plan.[53] Given that subprogram 2 policy actions have been achieved already, the overall risk of subprogram 2 is *moderate*.

Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Implementation capacity of agencies is weak and trained staff are not retained in relevant departments during the program, affecting the successful completion of policy actions	Support the development of an adequate number of staff by equipping them with technical skills on a sustained basis with support of TAs in collaboration with other multilateral development partners

Source: Asian Development Bank.

IV. ASSURANCES

34. The government and the MOF have assured ADB that implementation of subprogram 2 shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the loan agreement.

V. RECOMMENDATION

35. I am satisfied that the proposed policy-based loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of $300,000,000 to the Republic of Uzbekistan for subprogram 2 of the Economic Management Improvement Program, from ADB's ordinary capital resources, in regular terms, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 15 years, including a grace period of 3 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Takehiko Nakao
President

4 November 2019

[52] Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2).
[53] Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

DESIGN AND MONITORING FRAMEWORK

Country's Overarching Development Objective
Macroeconomic stability and sustainable high growth facilitated (Strategy of Actions on Further Development of Uzbekistan)[a]

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Effect of the Reform Environment conducive to private investment improved	To be accomplished by 2020: a. Loans extended to small businesses increased by at least 50% (2017 baseline: SUM19,565 billion)[b] b. Policy lending to SOEs remained below 3% of GDP (2017 baseline: 3.6% of GDP)[c]	a. Statistical Bulletin of the CBU b. IMF Article IV Consultation reports	Deterioration in macroeconomic conditions causes the government to shift resources away from implementing the reforms per the agreed timeline
Reform Areas under Subprogram 2 1. Macroeconomic data collection, analysis, and dissemination systems improved	**Key Policy Actions** To be accomplished by 2019: 1.1 The implementation of the IMF's e-GDDS and transition to special data dissemination standard started (2017 baseline: e-GDDS not implemented) (RFI 18) 1.2 The sex-disaggregated statistical data collection regularly updated at the SCS (2017 baseline: No regular updates) (RFI 6) 1.3 The coverage and frequency of published data on monetary, fiscal, financial, and macroeconomic indicators strengthened by the CBU (2017 baseline: Data not available on the CBU website)	1.1–1.2 Annual report of the SCS 1.3 Annual report of the CBU	Trained staff are not retained in relevant departments during the entire period of the program, affecting successful completion of various policy actions
2. Fiscal and financial management strengthened	2.1 The gender-responsive MTBF manual adopted by the MOF and capacity building on gender-responsive budgeting and gender-sensitivity assessment of public expenditures conducted (2017 baseline: None) (RFI 6) 2.2 Internal audit units established in three additional ministries and/or agencies and an internal audit manual adopted by the	2.1–2.2 Annual report of the MOF	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	MOF (2017 baseline: Internal audit activities not carried out) (RFI 18) 2.3 Risk-based banking supervision manual adopted by the CBU (2017 baseline: None) (RFI 18) 2.4 Implementation roadmap to achieve full compliance with the accrual-based IPSAS approved by the MOF (2017 baseline: Not approved) (RFI 18) 2.5 Policy to augment market-based lending covering all state-owned banks approved by the government (2017 baseline: Not approved) (RFI 18)	 2.3 Annual report of the CBU 2.4–2.5 Annual report of the MOF	
3. SOE governance and private sector operations improved	3.1 Implementation of CGRs in (i) Uzbekistan Railways, (ii) JSC Uzbekenergo, (iii) Uzbekneftegaz, (iv) Uzavtosanoat, (v) Uzkimyosanoat, (vi) AGMK, and (vii) Uzagrotehsanoat holding started, and timetable for implementation of CGRs in all other SOEs approved by the SAMA (2017 baseline: No approved CGRs) (RFI 19) 3.2 A special fund under SAMA created to facilitate the restructuring, divestment and privatization of the selected SOEs (2017 baseline: None) (RFI 19) 3.3 Two additional PPP projects taken to the bidding stage under the PPP Law (2017 baseline: None) (RFI 18) 3.4 90 non-core assets sold and 112 non-core assets transferred to local authorities for JSC Uzbekenergo, Uzbekneftegaz, and Uzkimyosanoat. (2017 baseline: None) 3.5 Fixed assets of JSC Uzbekenergo (generation,	3.1–3.3 Annual reports of the SAMA and Public–Private Partnership Development Agency 3.4–3.6 Annual reports of the SAMA and Ministry of Energy	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	transmission and distribution) revalued in compliance with international financial reporting and valuation standards (2017 baseline: None) 3.6 Preparation of IFRS-compliant consolidated audited financial statements for the three successor companies of JSC Uzbekenergo started (2017 baseline: IFRS-compliant audited financial statements not available) (RFI 19)		

Budget Support
Asian Development Bank: $300 million (regular ordinary capital resources loan)
Agence Française de Développement: $55.51 million (loan)

AGMK = Almalyk Mining and Metallurgical Combine; CBU = Central Bank of Uzbekistan; CGR = corporate governance rule; e-GDDS = enhanced general data dissemination system; GDP = gross domestic product; IFRS = international financial reporting standards; IMF = International Monetary Fund; IPSAS = international public sector accounting standards; JSC = joint stock company; MOF = Ministry of Finance; MTBF = medium-term budget framework; PPP = public–private partnership; RFI = results framework indicator; SAMA = State Asset Management Agency; SCS = State Committee on Statistics; SOE = state-owned enterprise.

Contribution to the ADB Results Framework:

RFI 6: Measures on gender equality supported in implementation. Expected: 2 [sex-disaggregated statistical data collection; adoption of gender-responsive MTBF manual by MOF]

RFI 18: Measures supported in implementation to improve capacity of public organizations to promote the private sector and finance sector. Expected: 2 [approved policy to augment market-based lending covering all state-owned banks; two PPP projects taken to the bidding stage under the PPP Law]

RFI 18: Measures supported in implementation that promote resilience and responsiveness to economic shocks in a timely manner. Expected: 1 [adoption of risk-based banking supervision manual by the central bank]

RFI 18: Transparency and accountability measures in procurement and financial management supported in implementation. Expected: 3 [implementation of the IMF's e-GDDS; establishment of internal audit units; approval of roadmap to achieve full compliance with the accrual-based IPSAS]

RFI 19: Measures to strengthen SOE governance supported in implementation. Expected: 3 [approval of timetable for implementation of CGRs in all SOEs; creation of a special fund to facilitate restructuring, divestment and privatization of SOEs; preparation of IFRS-compliant consolidated audited financial statements of a power sector SOE]

[a] Government of Uzbekistan. 2017. *Presidential Decree No. 4947: The Strategy of Actions on Further Development of Uzbekistan*. Tashkent.

[b] This indicator replaces the earlier indicator: "Local currency bank credit to private sector increased by at least 15% (2017 baseline: $8 billion)". The new indicator is related to policy action 11 of subprogram 2, which aims at improving access to bank loans by the private sector and reducing the directed lending in a phased manner. In line with the government's efforts to promote small and medium-sized enterprises, compared to the earlier indicator, this is a more direct measure of the improvements in financial intermediation targeting small businesses that are essential for job creation and inclusive growth.

[c] This indicator replaces the earlier indicator: "Ratio of operating revenue to operating cost of JSC Uzbekenergo should be higher than or equal to 1 (2017 baseline: 0.8)". JSC Uzbekenergo was unbundled on 27 March 2019 into three successor companies (i.e., JSC Thermal Power Plants (generation), JSC National Electric Networks of Uzbekistan (transmission), and JSC Regional Electric Networks (distribution) making this indicator irrelevant. The new indicator on policy lending is related to policy action 11 of subprogram 2, which aims at improving access to bank loans by the private sector and reducing the directed lending in a phased manner.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

http://www.adb.org/Documents/RRPs/?id=51350-003-3

1. Loan Agreement
2. Sector Assessment (Summary): Multisector
3. Development Coordination
4. Country Economic Indicators
5. International Monetary Fund Assessment Letter
6. Summary Poverty Reduction and Social Strategy
7. Risk Assessment and Risk Management Plan
8. List of Ineligible Items
9. Approved Report and Recommendation of the President to the Board of Directors: Economic Management Improvement Program (Subprogram 1)

Supplementary Documents

10. Economic Analysis
11. Adjustments to Subprogram 2 Policy Actions

DEVELOPMENT POLICY LETTER

O'ZBEKISTON RESPUBLIKASI
MOLIYA VAZIRLIGI

MINISTRY OF FINANCE
REPUBLIC OF UZBEKISTAN

" 27 " Сентябр 20 19 у. № 01/38-03-01-35/762

" " 20 у. №

DEVELOPMENT POLICY LETTER

To: Mr. Takehiko Nakao
The President of ADB

Dear Mr. Nakao,

I would like to express appreciation to Asian Development Bank (ADB) for its strong and continued support for recent reforms in Uzbekistan. Since 2017, under the Strategy of Actions for 2017–2021, the Government of Uzbekistan (GOU) has been undertaking comprehensive reforms in five priority areas namely (i) improvements in the system of state and public administration; (ii) ensuring the rule of law and reform of the judicial system; (iii) development and liberalization of the economy; (iv) development of the social areas; and (v) ensuring security, religious tolerance, inter-ethnic harmony, and constructive foreign policy.

Furthermore, to achieve diversification from state-dominated economy and inclusive and market-driven growth with adequate employment opportunities, GOU has prioritized reforms for (i) strengthening macroeconomic and fiscal management; (ii) improving the efficiency of the energy sector; (iii) enhancing financial sector development; (iv) creating enabling environment for the private sector, including access to finance, technology, skills and economic infrastructure; (v) restructuring of state-owned enterprises (SOEs); and (v) improving social protection.

Reform Program and Development Finance

Our reform initiatives jump-started with the foreign exchange market liberalization in September 2017. However, our analysis of Uzbekistan's preparedness for structural reform has identified several challenges and weaknesses in the macroeconomic management, public financial management (PFM) systems, weaknesses in the viability of SOEs, and limitation for private sector due to rising inflation following the significant devaluation of the local currency. We had to mitigate these negative impacts on our economy and protect the vulnerable groups of our population. Therefore, mobilizing additional resources to continue the reforms without jeopardizing normal government activities has become critical. Since structural reforms by their nature require long-term implementation, assistance from development partners is essential to consolidate the economic achievements and strengthen the reform momentum.

Under the Economic Management Improvement Program (EMIP), ADB helped GOU identify the reforms areas and implement them under a programmatic approach over the two subrograms. The subprogram 1 was approved on 26 June 2018 and the proposed subprogram 2 will deepen the reforms initiated under subprogram 1 in the following areas:

(i) **Macroeconomic data collection, analysis, and dissemination systems**. Data collection and dissemination are important for planning, monitoring and evaluation

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of the government's development initiatives and informed decision making by the policymakers. The objective of the reforms for modernization of data systems is to bolster sound economic decision making in Uzbekistan. Following the full adoption of IMF's enhanced General Data Dissemination System (e-GDDS) and strengthening of the coverage and frequency of published data on monetary aggregates, balance of payments, banking activities, external debt, interest rates, and foreign exchange reserves on the Central Bank of Uzbekistan's (CBU) website, we further aim at transitioning to Special Data Dissemination Standard by 2021 by strengthening the quality of data disseminated under e-GDDS.

(ii) **Fiscal and financial management.** The objective of the reforms is to enhance the fiscal sustainability and improve the macro-financial management for economic stability and sustainable growth. The key reforms cover (i) adoption medium-term budget framework (MTBF) for budget making starting 2020 to improve the distributive efficiency of scarce public resources; (ii) approval of measures to address priority public financial management issues identified in the latest 2018 Public Expenditure and Financial Accountability (PEFA) assessment; (iii) approval of measures to achieve full compliance with accrual-based international public sector accounting standards for budgeting and financial reporting; (iv) establishment of internal audit units in additional ministries; (v) approval of a roadmap for public procurement reform and publishing the draft public procurement law on the government website for public consultations, which is expected to be submitted to the Parliament by end of 2019 to strengthen the competitiveness, efficiency and transparency of the public procurement system; (vi) stress testing and capital adequacy assessment of the banking sector by CBU and actions taken to address identified shortfalls; (vii) introduction of risk-based banking supervision at CBU, supported by the approval of the risk-based banking supervision manual and capacity building of the CBU to strengthen its implementation; and (viii) approval of a government policy to augment market-based lending covering all state-owned banks in order to improve access to bank loans by the private sector and to reduce the directed lending in a phased manner.

(iii) **SOE governance and private sector operations**. The objective of the reforms is to improve the operations and financial performance of the SOEs and promote the enabling environment for the private sector. Selected SOEs have been implementing the corporate governance rules (CGRs) based on international guidelines and a timetable was approved for gradual implementation of CGRs in all other SOEs. The government's shares of 38 SOEs, identified in Presidential Decree No. 4112, were transferred to the recently established State Asset Management Agency, and a special fund was created to facilitate restructuring, divestment and privatization of these SOEs. The measures are aimed at reducing conflict of interests in exercising GOU's function as shareholder in these SOEs. GOU decided to unbundle the JSC Uzbekenergo into three successor companies on 27 March 2019, which is viewed critical to increase efficiency in the power sector and open the sector for private sector participation. Following the unbundling of JSC Uzbekenergo, the revaluation of the fixed assets (generation, transmission and distribution) were completed in line with GOU's comprehensive power sector reforms. The Law on Public-Private Partnership initiated by the subprogram 1 was approved in 2019. GOU developed two PPP projects and took them to the bidding stage. The significant progress was made in divestment of the non-core assets of JSC Uzbekenergo, Uzneftegas and Uzkimyosanoat. To ensure cost-recovery of power sector investments, a new tariff methodology for provision of electricity was adopted by the Cabinet of Ministers. To improve financial management and transparency, an independent auditor was contracted to carry out consolidated audited financial statements of JSC Uzbekenergo for 2017, 2018 and the first half of 2019 up to the unbundling of JSC Uzbekenergo has begun. Most importantly, in line with GOU decision the three successor companies of JSC Uzbekenergo will continue to follow this approach and took the decision to prepare the consolidated financial statements based on IFRS, have them audited in line with International Auditing Standards and publish the audited financial statements annually.

The proposed subprogram 2 presents the right approach to improve economic management in Uzbekistan. It will also require institutional strengthening of government agencies to carry on with reforms and capacity development of the government employees. We, therefore, request comprehensive and long-term technical assistance from ADB. Without such support, it will be difficult to sustain the reforms.

Let me reassure that we have remained committed to the implementation of reforms. We also confirm that the policy actions as proposed under the subprogram 2 of EMIP are reflective and fully in consonance with Uzbekistan's own reform agenda and priorities.

We would like to thank ADB for working closely with GOU and would like to reiterate our full support for EMIP. We hope to continue our cooperation with ADB to initiate other reforms to provide a favorable legal and institutional infrastructure for improved economic management, leading to higher growth and employment opportunities.

Yours sincerely,

Djamshid Kuchkarov

Deputy Prime Minister,
Minister of Finance of the Republic of Uzbekistan

POLICY MATRIX

First Subprogram: 2018	Second Subprogram: 2019
Reform Area 1: Macroeconomic data collection, analysis, and dissemination systems improved	
1. Government of Uzbekistan (the government) adopted accession to the IMF's Enhanced General Data Dissemination System (e-GDDS). **(Document required: Order of the President of the Republic of Uzbekistan)**	1. The government fully complied with the e-GDDS requirements covering the following areas: (i) provision of an advance data release calendar; (ii) dissemination of data as required by e-GDDS and advance data release calendar; (iii) provision of detailed information on statistical practices; (iv) certification of the accuracy of metadata; and (v) use of standardized electronic reporting procedures. **(Document required: e-GDDS Implementation Report by the State Committee on Statistics)**
	2. The government approved an action plan to update e-GDDS indicators, methodology, and frequency of data publication to comply with the requirements of IMF's SDDS by 2021. **(Document Required: Action plan for the adoption of IMF's SDDS approved by the State Committee on Statistics and other relevant agencies (Central Bank of Uzbekistan, Ministry of Finance, and Republican Stock Exchange "Tashkent").**
2. For improved dissemination of monetary and financial data, the government approved regular publication of data on monetary aggregates, banking activities, and foreign exchange reserves by CBU on its website starting from the first quarter of 2018, and the balance of payments data from the third quarter of 2018. **(Document required: (i) Order of the President of the Republic of Uzbekistan; (ii) Screenshot of the Summary Data Release Calendar of the State Committee on Statistics to show the timeline for BOP data publication; and (iii) screenshot of the data pertaining to monetary aggregates, banking activities, and foreign exchange reserves)**	3. CBU updated the data release calendar of monetary, fiscal, financial, and macroeconomic indicators to strengthen the coverage and frequency of data dissemination and published it on the CBU website for public access starting 2019 onwards. **(Document required: The CBU's decision on publication of data release calendar)**
Reform Area 2: Fiscal and financial management strengthened.	
	4. The government (i) strengthened the methodology for medium-term budget preparation for improved distributive

First Subprogram: 2018	Second Subprogram: 2019
	efficiency of scarce public resources and gender responsiveness; and (ii) adopted MTBF for budget making beginning 2020. **(Document required: (i) MOF approved MTBF manual and (ii) the Decision of the President of the Republic of Uzbekistan on the adoption of MTBF for budget making)**
3. MOF set the direction of reforms in the areas covering public financial management, revenue mobilization, internal controls by publishing PEFA, developed in 2012, on its website with information on the progress achieved over the period 2012 to 2017 to facilitate updating of PEFA. **(Document required: PEFA 2012 with information on the progress over 2012–2017 in the MOF website)**	5. MOF (i) completed 2018 PEFA assessment; and (ii) approved measures to address the priority PFM areas based on 2018 PEFA assessment during 2019–2023. **(Document required: The 2018 PEFA assessment report published on MOF website and action plan adopted by MOF)**
4. To improve budget preparation for 2020 and the adoption of budget standards, MOF (i) adopted 12 budget accounting standards in line with IPSAS[a] which must be completed by December 2018, and (ii) issued order on implementation of all 12 standards starting 1 January 2019. (**Document requirement: MOF order on the adoption of all the 12 standards with clear timeline)**	6. The MOF approved measures to achieve full compliance with the accrual-based IPSAS to increase reliability and quality of public sector accounting and financial reporting. **(Document required: The implementation roadmap approved by the MOF)**
5. To enhance internal control and improved distribution of scarce public resources across all government ministries and agencies, the government initiated internal audit by (i) issuing order to pilot internal audit activities within the systems of MOPE and MOH; and (ii) approving the guidelines of internal audit covering, among others, general rules, rights and responsibilities of the Internal Audit Unit, reporting, professional qualifications and trainings etc. (**Document required: (i) Order of the President of Uzbekistan on the establishment of internal audit units in MOPE and MOH; (ii) Internal Audit Guidelines approved by MOPE and MOH agreed with MOF)**	7. In addition to the internal audit units in MOPE and MOH, the government staffed and operationalized internal audit units in three additional ministries and/or agencies. **(Document required: (i) MOPE and MOH reports on the activities of their internal audit units, and (ii) reports on the activities of the internal audit units in three additional ministries and/or agencies)**

First Subprogram: 2018	Second Subprogram: 2019
	8. Government approved a roadmap for public procurement reform and published a draft public procurement law on the government website for public consultation to strengthen the competitiveness, efficiency, and transparency of the national public procurement system. **(Document required: (i) Government's approved roadmap for public procurement reform, and (ii) the draft public procurement law published on the government website for public consultation)**
6. To improve financial market supervision covering (i) shortfalls in loan-loss provisioning, (ii) capital short falls, and (iii) liquidity shortfalls in the selected banks, CBU (i) prepared capital adequacy assessments in the format acceptable to ADB for National Bank for Foreign Economic Activity of the Republic of Uzbekistan, Xalq Bank, Asaka Bank, Uzpromstroybank, Mikrokreditbank, Ipoteka Bank, Agrobank, Qishloq Qurilish Bank, Turon Bank, and Aloqabank; and (ii) developed necessary recommendations based on these reports. **(Document Required: CBU provides (i) capital adequacy assessment reports approved by CBU, and (ii) bank-wide recommendations**)	9. Based on capital adequacy assessments and stress testing, CBU implemented actions to address (i) shortfalls in loan-loss provisioning, (ii) capital short falls; and (iii) liquidity shortfalls for the National Bank for Foreign Economic Activity of the Republic of Uzbekistan, Xalq Bank, Asaka Bank, Uzpromstroybank, Mikrokreditbank, Ipoteka Bank, Agrobank, Qishloq Qurilish Bank, Turon Bank, and Aloqabank. **(Document required: CBU's report on results of the stress testing and actions taken)**
	10. To enhance the oversight of banking sector the CBU introduced risk-based banking supervision. **(Document required: (i) CBU approved risk-based banking supervision manual; and (ii) a status report by CBU on implementation of the risk-based banking supervision)**
	11. To improve access to bank loans by the private sector and to reduce the directed lending in a phased manner, the government approved a policy to augment market-based lending covering all state-owned banks. **(Document required: (i) the status report by MOF detailing the amount of directed lending across all programs and (ii) the government's approved policy)**
Reform Area 3: SOE governance and private sector operations improved.	
7. The government (i) approved Corporate Governance	12. The government (i) implemented the CGRs in specified

First Subprogram: 2018	Second Subprogram: 2019
Rules (CGRs) based on *2015 OECD Corporate Governance Guidelines for SOEs* covering the following areas: (a) equitable treatment of shareholders and other investors, (b) stakeholder relations and responsible business, (c) disclosure and transparency, (d) the responsibilities of the boards of SOEs; and (ii) issued Order to implement CGRs in Uzbekistan Railways, JSC Uzbekenergo, Uzbekneftegaz, Uzavtosanoat, Uzkimyosanoat, AGMK, and Uzagrotehsanoat holding. **(Document Requirement: (i) Minutes of the meeting, approving the corporate governance rules and its implementation in specified SOEs, of the Commission on the Improving Efficiency of Activities of the Joint Stock Companies and Enhancement of the System of Corporate Governance as approved by the Chairman of the Commission; and (ii) the approved corporate governance rules)**	SOEs (Uzbekistan Railways, JSC Uzbekenergo, Uzbekneftegaz, Uzavtosanoat, Uzkimyosanoat, AGMK, and Uzagrotehsanoat holding) and (ii) approved a timetable for implementation of CGRs in all other SOEs (50 largest SOEs in 2019, in other joint stock companies in 2020, in limited liability companies in 2021–2022 and in state unitary enterprises in 2023–2025). **(Document required: SAMA's status report on implementation of the CGRs in selected SOEs and the time bound action plan to implement the CGRs in all other SOEs)**
	13. The government (i) transferred the government shares in 34 out of 38 SOEs[b] identified in Annex 3 of the Presidential Decree No. 4112 on SAMA and (ii) created a special fund under SAMA to facilitate the restructuring, divestment and privatization of the selected SOEs. **(Document required: (i) SAMA's report on the SOEs transferred to SAMA according to their incorporation, financial profile and transfer date and (ii) the government's decision to create the fund dedicated to the transformation of SOEs)**
8. The government through MOF approved a sustainable debt management strategy developed by JSC Uzbekenergo to protect credit standing by promoting sound financial assessment in the issuance and management of debt. **(Document required**: **MOF approved debt management strategy**)	14. Ministry of Energy completed the revaluation of fixed assets of JSC Uzbekenergo (generation, transmission and distribution) to determine the true and fair value of the company's assets in compliance with international financial reporting and valuation standards. **(Document Required: Reports on revaluation of fixed assets)**
9. The government submitted to the Parliament the draft law on public-private partnerships (PPPs) to promote private sector participation in economic activities. **(Document required: Submission of the draft PPP Law by the Cabinet**	15. The government took 2 financially viable PPP projects to the bidding stage to promote private sector activities. **(Document required: (i) President's decision on the list of PPP projects and (ii) PPP Development Agency's status**

First Subprogram: 2018	Second Subprogram: 2019
of Ministers of the Republic of Uzbekistan)	**update on the two selected projects)**
10. The government (i) approved a list of non-core assets of JSC Uzbekenergo, Uzbekneftegaz and Uzkimyosanoat for divestment and transfers to local bodies to improve financial performance of these SOEs. **(Document required: List of non-core assets approved by the Cabinet of Ministers**)	16. The government sold 90 out of 186 and transferred to local authorities 112 out of 118 non-core assets of JSC Uzbekenergo, Uzbekneftegaz and Uzkimyosanoat. **(Document Required: MOF letter endorsing the report on the divestment process and income earned from this process)**
	17. The government adopted a new tariff methodology for provision of electricity to ensure cost-recovery of related investments. **(Documents required: Tariff methodology approved by the Cabinet of Ministers)**
11. To facilitate improved financial management and transparency in the dissemination of financial accounts, JSC Uzbekenergo issued order to annually (i) prepare consolidated financial statements in accordance with IFRS, (ii) conduct the audit of these consolidated financial statements as per ISA and (iii) disclose these audited financial statements on the official website of JSC Uzbekenergo. **(Document required: Approved minutes of the Supervisory Board's decision on (i) conduct IFRS compliant consolidated audited financial statement annually, and (ii) publication of the audited financial statement in the website of JSC Uzbekenergo)**	18. (i) The JSC Uzbekenergo contracted an independent auditor to carry out IFRS compliant consolidated audited financial statements of JSC Uzbekenergo for 2017, 2018 and the first half of 2019[c] with relevant disclosure notes and audit opinion **(Document required: (i) JSC Uzbekenergo's contract with an independent auditor);** and (ii) The three successor companies of JSC Uzbekenergo[d] took the decision to annually (a) prepare consolidated financial statements in accordance with IFRS, (b) conduct the audit of these consolidated financial statements as per ISA and (c) disclose these audited financial statements on their official websites to strengthen financial management and transparency. **(Document required: (i) the approved minutes of the Cabinet of Minister's Power Sector Reform Commission notifying the three successor companies of JSC Uzbekenergo to carry out a, b, and c, and (ii) orders of SAMA as the sole shareholder of three successor companies to carry out a, b, and c)**

AGMK = Almalyk Mining and Metallurgical Combine; CBU = Central Bank of Uzbekistan; CGR = corporate governance rule; e-GDDS = enhanced general data dissemination system; JSC = joint stock company; ISA = international standards on auditing; IFRS = international financial reporting standards; IMF = International Monetary Fund; IPSAS = international public sector accounting standards; MTBF = medium-term budget framework; MOF = Ministry of Finance; MOH = Ministry of Health; MOPE = Ministry of Public Education; OECD = Organization for Economic Co-operation and Development; PEFA = Public Expenditures and Financial

Accountability; PFM = public financial management; PPP = public-private partnership; SAMA = State Asset Management Agency; SCS = State Committee on Statistics; SDDS = Special Data Dissemination Standards; SOE = state-owned enterprise.

[a] These standards are (i) accounting policy; (ii) budget reporting; (iii) chart of accounts; (iv) accounting for foreign currency assets and liabilities; (v) accounting for agriculture activities; (vi) accounting for rent; (vii) inventory; (viii) fixed assets; (ix) intangibles; (x) revenues and dedicated funding; (xi) accounting for loans; and (xii) turnkey contracts for capital construction.

[b] (1) Agrobank; (2) Aloqa Bank; (3) Alskom; (4) Asaka Bank; (5) Xalq Bank; (6) Ipoteka Bank; (7) Kafolat Insurance Company; (8) Qishloq Qurilish Bank; (9) Qishloq Qurilish Invest; (10) Qishloq Qurilish Loyiha; (11) Qurilishmashlizing; (12) Matbuot Tarqatuvchi; (13) Mikrokreditbank; (14) Olmazor Small Industrial Zone; (15) Suvmash; (16) Suvsanoatfuqaroli; (17) Tashgiprogor; (18) Toshkent-Osiyo; (19) Toshshahartransxizmat; (20) ToshuyjoyLITI; (21) Turon Bank; (22) O'rta Osiyo Trans; (23) Uzagrolizing; (24) Uzagrosanoatloyiha; (25) Uzagrosugurta; (26) Uzbekexpertiza; (27) Uzbekistan Republican Currency Exchange; (28) O'zbekiston Pochtasi; (29) Uzbektelecom; (30) UzGIP; (31) Uzimpeksaloqa; (32) Unified Integrator UZINFOCOM; (33) Uzagrosanoatloyiha; (34) Uzsanoatexport; (35) Uzpromstroybank; (36) Uzsuvloyiha; (37) Uztibloyiha; and (38) Uztrade.

[c] JSC Uzbekenergo was unbundled with presidential resolution on 27 March 2019.

[d] JSC Thermal Power Plants, JSC National Electric Networks of Uzbekistan, JSC Regional Electric Networks.

Source: Asian Development Bank.